

**PUBLIC ACCOUNTS COMMITTEE
(1965-66)**

FIFTIETH REPORT

(THIRD LOK SABHA)

**[Export Promotion Schemes and the allied matters
with reference to para 88 of the Audit Report
(Civil) on Revenue Receipts, 1965]**



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 1966/Vaisakha, 1888 (Saka)

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(ii)	against XXIX		Copy of letter from	Copy of letter from I.S. Controller to Chairman, H.S.L.
(ii)	against XXXII		Copy of	Copy of bank guarantee form
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163	Heading		Production	Promotion
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PUBLIC ACCOUNTS COMMITTEE
(1965-66)

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Shri R. R. Morarka

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15. Shri U. M. Trivedi
16. Shri M. P. Bhargava
17. Shri Chandra Shekhar
18. Shri S. C. Deb
19. Shri R. S. Panj hazari
20. Shri Ram Sahai
21. Shri Niranj an Singh
22. Shri Atal Bihari Vajpayee.

SECRETARIAT

Shri N. N. Mallya—Joint Secretary.

Shri H. N. Trivedi—Deputy Secretary.

Shri R. M. Bhargava—Under Secretary.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, as authorised by the Committee do present on their behalf the Fiftieth Report on various Export Promotion Schemes and the allied matters with reference to para 88 of the Audit Report (Civil) on Revenue Receipts, 1965.

2. The Public Accounts Committee at their sitting held on the 14th July, 1965 decided to appoint a Sub-Committee to undertake a detailed examination of the operation of the various Export Promotion Schemes during the period 1957-64 with reference to para 88 of the Audit Report (Civil) on Revenue Receipts, 1965. The Report of the Sub-Committee which is appended hereto was considered and approved by the Public Accounts Committee at their sitting held on the 21st April, 1966 and should be treated as the Report of the Committee.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report (Appendix XIV). For facility of reference these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in their examination by the Comptroller and Auditor General of India.

NEW DELHI;

April 22, 1966.

Vaisakha 2, 1888 (S).

R. R. MORARKA,

Chairman,

Public Accounts Committee.

**REPORT OF THE SUB-COMMITTEE
On EXPORT PROMOTION SCHEMES**

INTRODUCTION

I, the Chairman of the Sub-Committee of the Public Accounts Committee, as authorised by the Sub-Committee do present on their behalf this Report on various Export Promotion Schemes and the allied matters, with reference to para 88 of the Audit Report (Civil) on Revenue Receipts, 1965.

At the sitting held on the 14th July, 1965, the Public Accounts Committee decided to appoint a Sub-Committee to undertake a detailed examination of the operation of the various Export Promotion Schemes during the period 1957—1964 with reference to para 88 of the Audit Report (Civil) on Revenue Receipts, 1965. Accordingly, a Sub-Committee consisting of the following members was formed on the 20th July, 1965:—

Shri R. R. Morarka—*Chairman*

2. Shri C. L. Narasimha Reddy
3. Shri Prakash Vir Shastri
4. Shri Surendra Pal Singh
5. Shri M. P. Bhargava
6. Shri Chandra Shekhar
7. Shri Atal Bihari Vajpayee

Members.

The Sub-Committee held four sittings on the 22nd, 23rd and 24th February, and 2nd March, 1966 to take the evidence of the Ministry of Commerce. They also held an extra sitting on the 6th April, 1966 at the instance of the Ministry of Commerce, to take the evidence of the Chairman, M.M.T.C. and the Secretary, Ministry of Commerce. The Sub-Committee also held four sittings on the 9th, 10th, 11th and 12th March, 1966 to take the evidence of the Ministry of Iron & Steel and the Iron & Steel Controller. A brief record of the proceedings of each sitting of the Sub-Committee has been maintained and forms Part II* of the Report.

*Not printed. (One cyclostyled copy laid on the Table and five copies placed in the Parliament Library).

The Sub-Committee considered and finalised this report at their sitting held on the 21st April, 1966.

The Sub-Committee place on record their appreciation of the assistance rendered to them in the course of the examination by the Comptroller & Auditor General of India.

They would also like to express their thanks to the representatives of the Ministries of Commerce, Iron & Steel, Finance, and Home Affairs (Central Bureau of Investigation) for the co-operation in giving detailed information asked for by the Sub-Committee during the course of evidence.

NEW DELHI;
21st April, 1966.

1st Vaisakha, 1888 (S).

R. R. MORARKA,
Chairman,
Sub-Committee of the
Public Accounts Committee.

REPORT ON EXPORT PROMOTION SCHEMES

Ministry of Commerce

CHAPTER I—FAILURE TO FORFEIT BOND AMOUNTS DUE TO GOVERNMENT

1.1. Under the Export Promotion Schemes introduced in 1957, import licences for raw materials used in the manufacture of goods intended for export were issued as follows:—

(i) *Established exporter's licences.*—These licences were issued on the basis of the value of past exports and were subject to the condition that the licence holders would effect further exports of the manufactured/processed goods upto at least 100 per cent of the value of the import licences. In pursuance of this condition, the importer was required to execute a bond/undertaking binding himself to fulfil this condition, failing which the amount mentioned in the bond would be forfeited to Government.

(ii) *Prospective exporters' licences.*—These licences were issued in anticipation of the earnings of foreign exchange by the prospective exporters on the basis of orders of foreign buyers pending with them. These licences were also granted subject to the condition that the importer would effect exports of manufactured/processed goods of a value equal to $133 \frac{1}{3}$ per cent of the value of his imports or half the value of the finished goods which would be made from the imported materials. Here also, in order to ensure the fulfilment of this condition, the importers were required to execute a bond accompanied by a bank guarantee.

1.2. In respect of import licences worth Rs. 55 lakhs issued to prospective exporters during the period of currency of this Scheme, no exports were made, and in consequence of this failure, bonds of the value of Rs. 19.03 lakhs executed by the licencees were forfeited and the amount credited to the Government.

1.3. However, in regard to certain licences issued upto March, 1959 for the import of art silk yarn, etc., it was noticed that although

no export had been made in respect of Established Exporters' licences worth Rs. 5.37 crores, the bonds/undertakings were not enforced and the importers were released from the export obligation without Government forfeiting the bond amount or taking any other action under the Import Trade Control Regulation. Government have stated that these licences were issued under the rules on the basis of earlier exports and that as the goods were later withdrawn from the purview of the Export Promotion Scheme, the export obligations were not enforced.

1.4 In connection with the facts mentioned above, the Committee desired to be furnished with further details about the Export Promotion Scheme, as indicated in Appendix I. The information furnished by the Ministry of Commerce in regard to the Export Promotion Scheme for Art Silk is given in Appendix II. From Appendix II, it is seen that the Scheme underwent several changes, at frequent intervals, as indicated below:

(1) A provision was made for the import of art-silk yarn against export of art silk fabrics, with effect from 1st January, 1957. Licences were to be granted under this scheme on the basis of 2/3rd of f.o.b. value of actual exports of art silk fabrics irrespective of whether the exporter was a manufacturer or not. The licences were to be granted after exports had actually taken place, against applications made on quarterly or half-yearly basis as was convenient to the manufacturer/exporter. This scheme was also extended to the export of art silk hosiery goods against the actual exports effected after 31st Dec., 1956.

(2) By the public notice dated the 28th August, 1957, it was announced that with a view to stimulate exports of Indian art-silk fabrics, import licences would be granted at the ports under the export Promotion Scheme for the import of permissible varieties of art-silk yarn to actual exporters upto the following percentage of the rupee equivalent of foreign exchange earned on the basis of the f.o.b. value of the art silk goods exported:

- (i) 66 2/3 per cent, in the case of Indian art silk sarees and;
- (ii) 100 per cent in the case of other Indian art silk fabrics including Indian art silk hosiery goods.

These licences would be subject to the following conditions:

- (a) 10 per cent of the face value of these licences may be utilised for import of permissible spare parts of machinery for the manufacture of art silk cloth.

- (b) The licensees may be permitted to import art silk fabrics upto 15 per cent of the face value of these licences.

It was stipulated that licences would normally be granted on the basis of actual exports effected on or after January, 1957. It was further added that art silk mills might, however, be given such licences in anticipation of exports subject to their furnishing a bond acceptable to the licencing authorities.

(3) Vide Appendix XLII from Import Trade Control Policy book for April-September, 1958 (*Annexure 'D' of Appendix II of this Report*) the above scheme was modified and the condition (b) was altered, and the licensees were permitted to import art silk fabrics upto 10 per cent of the face value of the licences, against 15 per cent permitted earlier. It was further stated that licences for import of art silk fabrics would also be granted against the exports of embroidered and handstitched goods on indigenous art silk fabrics. Such licences were, however, to be granted to the extent of 15 per cent of the value of the exports effected on or after 1st January, 1958.

(4) Vide Appendix XLII from Import Trade Control Policy Book for the licensing period Oct. 1958—March, 1959 (*Annexure E of Appendix II of this Report*), the scope of the scheme *inter alia* was extended, as under:

- (i) Licences for import of art silk yarn may also be issued against exports of staple fibre fabrics and art silk and staple fibre mixed fabrics.
- (ii) Licences issued for the import of Art Silk yarn may be utilised for import of Nylon yarn.
- (iii) Licences against exports of embroidered and hand-stitched goods on indigenous Art Silk Fabrics (other than garments), garments made of indigenous Art Silk Fabrics and 100 per cent Art Silk braided threads, strings, laces, spindle tapes, ribbons and shoe laces would be granted.

Conditions imposed on the Export Promotion Licences during 1957—59 and the modifications made therein from time to time are furnished in the statement No. II attached to Appendix II.

1.5. During the course of evidence the Secretary, Ministry of Commerce while admitting these changes stated: "We started experimenting and even in the short period of two years a number of changes were made. In these schemes in fact the elements kept on changing as we went into the working of various parts from time

to time. Even with regard to this continuing obligation the nature of the undertaking has varied. Originally it was a bond. Then it was an undertaking. Then it was a simple commitment, because it was obvious even before the suspension of the scheme that the established exporters had obligations in excess of the obligations applicable to another exporter of the same commodity who was not called an established exporter. It was why the prospective exporter, if he took an advance licence, was allowed to export. The whole difference between established exporters and normal exporters is that in the operation of the scheme for established exporters, there is always one export in excess of the entitlement. If the scheme continued for 10 years, 20 half-years, there would be 20 entitlements and 21 exports—one export always in excess. The case is that against the third export of the established exporters, we must give him the third entitlement. That would keep the chain going, and on his part, he will see that he does the fourth.”

1.6 The fact that the Art Silk Export Promotion Scheme had to be revised at short intervals seems to indicate that while working out the scheme sufficient consideration was not given to details. The Sub-Committee cannot but emphasise too strongly the desirability and necessity of working out the details of a scheme with a view to giving it a fair trial over a reasonable period of time. Frequent changes in the scheme at short intervals is likely to defeat the very purpose of the scheme.

1.7. In reply to Q. No. 9 in *Appendix II* it has been stated that the Export Promotion Scheme for Art Silk Fabrics was suspended on 6th March, 1959 as the following abuses of the Scheme came to the notice of the Government:

1. Over-invoicing of exports.
2. Exporting of sub-standard fabrics.

1.8. The Sub-Committee are not convinced of the reasons for discontinuing this Scheme because:

- (a) Such mal-practices are quite common and exist in other export promotion schemes in vogue;
- (b) Even the Art Silk Export Promotion Scheme was also revised and reintroduced soon after without any provision to safeguard against these abuses.

The Sub-Committee propose to deal with the irregularities in the various Export Promotion Schemes in a separate chapter.

1.9. At their instance, the Sub-Committee have been furnished with additional information on the Art Silk Fabrics Export Promotion Scheme, which is given in *Appendix III*.

1.10. In reply to Q. No. 3(a), it has been stated that no specific amounts were prescribed for bonds required to be executed by the Established Exporters and Prospective Exporters. Licensing authorities at the ports were given discretion to fix these amounts subject to the minimum prescribed percentage of the value of the goods imported. The amounts were dependent both on the value as well as the nature of goods imported, and differed from individual to individual, though they belonged to one class of exporters *viz.*, established or prospective.

1.11. **The Sub-Committee consider that in view that because of the paramount necessity of ensuring that export obligations are fulfilled, the Ministry should have itself prescribed the specific amounts of bonds, expressed as a percentage of the value of the goods imported, rather than leaving it to the discretion to the licensing authorities at the ports.**

1.12. In answer to a question, the Additional Secretary, Ministry of Commerce admitted that it was possible that the prospective exporters and established exporters were one and the same parties as the two categories were not mutually exclusive. In the conditions of licence it was stated that it would be better that an established exporter could get a licence in respect of exports already made in the normal course and also an advance licence in respect of what he would export but subject to the conditions as for a prospective exporter. He, however, added that separate records were maintained for prospective licences.

1.13. **The Sub-Committee feel that it is anomalous that an exporter of a commodity should be regarded both as a prospective exporter and an established exporter. Such classification renders these terms meaningless. They would like the Ministry to take steps to remove such anomalies, wherever they exist.**

1.14. In regard to the forfeiture of bonds under the Art Silk Export Promotion Scheme, the Secretary Ministry of Commerce informed the Sub-Committee that (after the scheme was suspended on 5th March, 1959) "if any exporter chose to perform under a bond, then we would be in a difficult position because having performed, he would be entitled to a further import entitlement licence which

we could not give because the scheme had been suspended". He added: "This scheme was not really worthwhile and it was not a practical scheme".

1.15. Asked as to whether further licence was actually given after the scheme was suspended, the witness stated: "What happened was we gave to some. Once we suspended the scheme we said that we are also not giving further licence. One who performed was given the entitlement licence. When the scheme was suspended, we stopped it here without taking into account his performance again. Another man did not perform and therefore the bond was supposed to be forfeited. If we are to enforce the bond, then we would have to give him the licence."

1.16. The Sub-Committee are not convinced by the arguments advanced by the Secretary, Ministry of Commerce. These statements are not supported by the documents produced before the Sub-Committee. (In this connection, attention is invited to paras 1.22 to 1.26 and 14.32 to 1.36 of this Chapter). The bonds were unconditional and were to be released only on fulfilment of export obligation failing which they were to be forfeited.

1.17. The witness further stated that when the decision to suspend the scheme was taken in March, 1959, "all the implications with reference to people who performed, people who performed but did not get licence, people still to perform were not spelt out from that day. That was the explanation for the delay upto September. Therefore this position was unsatisfactory from that point of view".

1.18. The Sub-Committee fail to understand why when the decision to suspend the Art Silk Export Promotion Scheme was taken in March, 1959, the Ministry of Commerce had not taken into consideration the implications thereof. While the suspension of the Scheme obviously placed an embargo only on the further issue of import licences under the Scheme, this did not prevent the Ministry of Commerce from enforcing export of goods under the past obligations. This the Ministry failed to do.

1.19. The Sub-Committee desired to be furnished with a statement showing the total imports and exports of art silk fabrics yarn under the Art Silk Export Promotion Scheme for the years 1957-58

to 1959-60, year-wise. These figures have been furnished and are as under:

(Figures in Lakhs)

Art Silk Yarn

Year	Actual Imports
1957	1300
1958	849
1959	1123

Art Silk Fabrics

Year	Actual Exports
1957	41
1958	824
1959	219

1.20. In answer to a question, the witness stated that the bond would normally mature within a period of six months from the date of importation of goods. Just before the bonds were about to mature, the parties would come up and ask for extension of time if there was difficulty regarding production etc. If the extension of time was given, the extended date would be the date on which the maturity of bond would take place.

1.21. The Sub-Committee while referring to the Annexure to Appendix III pointed out that the total number of bonds executed under this Scheme was 6,677 and on these bonds there was an export obligation of Rs. 8.20 crores and the value of actual exports effected (and bonds redeemed) was Rs. 2.91 crores leaving a balance of Rs. 5.29 crores, which was the unfulfilled export obligation. The Secretary, Ministry of Commerce stated that this was the case in which the export obligation was not enforced because with the suspension of the scheme (according to the witness) there was nothing to enforce.

1.22. The Sub-Committee referred to Public Notice No. 30-ITC (PN)/57, dated the 16th December, 1957, a copy of which is enclosed as Appendix IV, and pointed out that it was quite clear from the above Notice that the intention was that all the imports must be tied with exports whether the bond was taken or not and that any misunderstanding on that account that they were not required to export further and that it was only an entitlement because of their past performance and that they were under no obligation to export was not correct. The witness while admitting the position stated that the thinking about the imports and the operation of this scheme had been changing. He added: "It is quite

true that the intention in the minds of the framers of the Scheme was to get the exporters entangled in a continuous export business. The only point is that during the operation of the scheme over a period of a couple of years, it was obvious that that kind of scheme could not work."

1.23. The Chief Controller of Imports and Exports added that there were two Public Notices dated the 26th May, 1958 and 6th February, 1959 modifying the decision taken on the 16th December, 1957. The Sub-Committee desired to be furnished with copies of these two Notices which have been furnished by the Ministry and are at *Appendix IV*.

1.24. The Sub-Committee note from the Public Notice dated 26th May, 1958 that Government had clarified that imports should be tied up with exports and the requirement of the bond could not be dispensed with in the case of Established Exporters. Vide the Public Notice dated 6th February, 1959, though the condition of the execution of a bond was waved in the case of established exporters, they were required to give an undertaking to the effect that they would export processed/finished goods equal to the value of the imports. Thus, it is clear that none of these two Public Notices exempted the Established Exporters from their export obligation under the scheme.

1.25. The Sub-Committee pointed out that the copy of the noting or order on the C.C.I. & E's. file regarding the suspension of the scheme did not bear out the contention that the bonds which had matured were not to be enforced or that might be allowed to lapse after the 5th March, 1959. There was a relaxation that instead of linking them with art silk only, those must be linked to some other exports. The Secretary, Ministry of Commerce stated that the decision taken on 5th March, 1959 was for the suspension of the scheme. If that scheme had been revived, the question would naturally have arisen again. But that scheme was never revived in the original form.

1.26. The Sub-Committee referred to the letter dated the 28th November, 1959 from the Mysore Silk Rayon Importers and Exporters Association which represented a section of the exporters. In this letter which was in the file of C.C.I. & E. furnished to the Sub-Committee, the Association did not claim that they were under no obligation because they had already got the licence and therefore they should not be allowed to export again. The witness stat-

ed that the exporters who were taking benefit of the whole scheme would have been very happy if the scheme was continued. They did not want to continue with that obligation but they wanted to continue the scheme so that they would be in it all the time. Then of course they would have no objection to the bonds being enforced.

1.27. During the course of evidence, when the Sub-Committee wanted to see the original file in which the decision not to enforce the bond was taken, the Secretary, Ministry of Commerce, stated: "When this question with reference to audit para was raised, the file was found to be missing. We have been trying to search out this file. But, in this particular case, the material in toto is available through the parallel file of the Chief Controller of Imports and Exports."

1.28. At this, the Sub-Committee desired to be furnished with a detailed note stating the steps taken by the Government in locating the original file which was missing and how it could be ensured that the notings on the parallel file of C.C.I. & E's. office were copies of the original file and nothing was missing and whether any Departmental enquiry was made to fix responsibility on the persons who were responsible for the maintenance of the file. The reply from the Ministry has since been received and is enclosed as *Appendix V*.

1.29. From this note, the Sub-Committee are surprised to learn that the non-availability of the file was first noticed only in January, 1965. It appears that even at the stage, the loss of such an important file was not reported to the higher authorities/police, and that a thorough physical search of the file was made only in July, 1965 when the subject was to come up for discussion with the Public Accounts Committee. The Sub-Committee also note with regret that no proper inquiry has been held to fix responsibility for the loss of the file. They are not convinced by the argument that it is not possible to fix responsibility on any person or persons for the custody of the file. The Sub-Committee, therefore, urge that all efforts should be made to locate the original file at an early date.

They also desire that a proper inquiry should be held to fix responsibility for the loss of the file containing an important decision which meant loss of public revenue, due to non-forfeiture of bonds, to the tune of Rs. 1.51 crores.

1.30. The Sub-Committee have gone through the copy of the relevant notings available in the C.C.I. & E's file No. 36|1|138|59-POL IV. This copy is reproduced in *Appendix V*.

1.31. The Sub-Committee would here like to draw specific attention to the nothing where it has been stated: "these undertakings are

an essential ingredient of our Export Promotion Schemes, and it will be undesirable to reduce the sanctity attached to them."

1.32. The Sub-Committee are of the view that the copies of the notings/orders reproduced in *Appendix VI* do not bear out that the intention was that the bonds which had matured need not be enforced or that they might be allowed to lapse after the 5th March, 1959. The notings clearly indicate that the export obligations must be retained under the scheme and tied with another scheme.

In this connection, the Sub-Committee would also like to draw the attention to the copy of the letter dated the 28th November, 1959 from the Mysore State Silk and Rayon Exporters and Importers Association (*Appendix VII*) wherein they have not claimed that they were under no obligation because they had already got the licence.

The Sub-Committee are, therefore, amazed to find that the decision of the Government in this case was not carried out faithfully. If the decision had been interpreted correctly and the export obligation insisted upon there would not have been a huge loss of about Rs. 5.29 crores of foreign exchange. Alternatively the public exchequer would have gained about Rs. 1.51 crores by the forfeiture of bond amounts.

1.33. In view of the fact that the decision not to enforce the bonds resulted in a huge loss of Rs. 1.51 crores to the exchequer, the Sub-Committee desired to know whether the Ministry of Finance were consulted before it was decided not to enforce these bonds. The witness stated that there was no such indication in the file. The representative of the Ministry of Finance confirmed that they were not consulted. The Secretary, Ministry of Commerce also admitted that in regard to the consequent loss of foreign exchange to the tune of Rs. 5.29 crores the Ministry of Finance was not consulted. The representative of the Ministry of Finance corroborated the same and stated that there was no record to show that any reference was made to them. He also added that they were consulted in the Department of Economic Affairs about Export Promotion Schemes. But in this particular case, even when the original scheme was started it was perhaps, without their concurrence. As a matter of fact, when the scheme was changed they should have been consulted. Normally they would expect such consultation. As regards the system of consultation, the Secretary, Ministry of Commerce stated that Rules of Business made it clear that in financial matters, there should be consultation with the Ministry of Finance. In this particular case whether that kind of consultation had taken place or not was not known from the available records.

1.34. The Sub-Committee fail to understand how the Ministry of Commerce could decide without even consulting the Ministry of Finance not to enforce the bonds, the non-forfeiture of which has resulted in a loss of revenue to the extent of Rs. 1.51 crores. Moreover, the Ministry of Finance were also not consulted in regard to the foregoing of the foreign exchange earning to the tune of Rs. 5.29 crores though the Rules of Business made it clear that in financial matters, there should be consultation with the Ministry of Finance. The Sub-Committee view such lapses with great concern and recommend that the Ministry of Commerce should be more careful and vigilant and consult the Ministry of Finance in matters involving huge financial implications.

Conclusion

1.35. A detailed examination of the various points pertaining to this case (referred to in Para 88 of the Audit Report (Civil) on Revenue Receipts, 1965) has revealed the following unusual features:

(i) The Export Promotion Scheme for Art Silk was started without a proper study of the details.

(ii) Frequent changes were made in the Scheme on an *ad hoc* basis from time to time.

(iii) However, the export obligation involved was unconditional inasmuch as the failure to export was to result in the forfeiture of the bond amount.

(iv) In the Public Notice dated 16th December, 1957, it was clearly notified that the licences granted under the Export Promotion Scheme were meant to boost exports and that it would be essential to tie imports with exports even in the case of established exporters. At no stage had Government decided to waive the export obligation.

(v) Even when the Scheme was discontinued, the Government decision was that the bonds should be related to other export schemes but the sanctity of the undertaking should be maintained.

(vi) No written representations from the exporters concerned for getting exemption from the export obligations were produced before the Sub-Committee.

(vii) The main file containing the original notings on which the decision to discontinue the Scheme on 5th March, 1959 was taken is mysteriously missing.

(viii) As a result of misinterpretation of the orders on the subject the export obligations at the time of the suspension of Scheme

were not insisted upon resulting in a huge loss of about Rs. 5,29 crores of foreign exchange. Alternatively, the public exchequer lost about Rs. 1.51 crores due to the non-forfeiture of the bond amount as a result of the non-fulfilment of export obligations.

(ix) Neither initially nor at any subsequent stage were the Ministry of Finance consulted in the formulation of the Scheme or its subsequent amendments. At the time of suspension of the Scheme also, the Ministry of Finance were not consulted, even though the question of enforcing export obligation which would earn foreign exchange was involved.

1.36. In view of the above fact, the Sub-Committee are unable to accept the arguments put forward by the Secretary, Ministry of Commerce that the intention in this case was that the obligation to export would lapse and therefore the bonds need not be enforced when the Scheme was suspended.

In view of the large amounts involved, the Sub-Committee desire that the whole matter should be thoroughly investigated without any loss of time with a view to fixing responsibility, taking appropriate action against the defaulting officers, adopting suitable preventive measures against occurrence of such cases in future and retrieving the loss caused to foreign exchange/public exchequer to the extent possible.

Review of Priority for Import of Art Silk

1.37. The Sub-Committee pointed out that according to the Basic Statistical Material and Monthly Statistics of Foreign Trade of India, under the heading Export and Import of Art Silk Fabrics, the import was more than the export of Art Silk Fabrics and that during the six years the adverse balance of trade on this account was Rs. 14 crores. The value of total exports of art silk fabrics during the 6 years was about Rs. 27 crores and the value of the imports was about Rs. 42 crores. The witness stated that it was quite possible. They did not pay for all the import needs. The production of man-made fibres in the earlier years was of the order of 45 million pounds only and it went up to the extent of 100 million pounds. The simple reason for this adverse balance of trade was that they had started using the man-made fibre before they could manufacture them in the country.

Asked as to why Government were spending more than what they were earning on an item like art-silk, the witness stated that the art silk yarn imports had been made to keep the industry going

which employ thousands of weavers also and it was a deliberate decision. If the figures for six years were taken into account it would be seen that the net draught today was coming to zero. He added: "The deliberate policy of course, is to progressively reduce the net draught on the foreign exchange to the extent the imports match exports, they go together. That means the export earnings must be taken for imports; otherwise, there would be no exports and that much would be the deduction in the total availability of foreign exchange. Against this background, the only net draught on foreign exchange is AU licence expenditure". The witness further stated that the art silk yarn was not of such a low priority as to be completely done away with because this was adding to the quantity of cloth available in the country and also for keeping the industry going. In reply to a question, the witness added that when it was considered necessary to import so much quantity of art silk yarn, it was not considered inappropriate to provide a part of these imports being made against exports of sugar even at a highly subsidised rate.

1.38. The Sub-Committee fail to understand why Government have deliberately given such a high priority to the import of art silk yarn even when there is adverse balance of trade and during a period of 6 years the adverse balance of trade on this account alone is Rs. 14 crores. Moreover., it is really surprising that for the sake of importing art silk yarn, Government have considered it essential to export sugar at a highly subsidised rate. In this connection, the Sub-Committee would also like to draw attention to the Press Note dated 22nd March, 1966 of the Ministry of Commerce (vide Appendix VIII) re: Ban on non-transferable specific delivery contracts in imported art silk yarn. In the Press Note it has been stated *inter alia*, "A good deal of trafficking in import licences is reported to be taking place." The Sub-Committee are, therefore, of the opinion that the priority to be given to the import of art silk should be carefully re-examined by Government in the light of their observations.

CHAPTER II—VARIOUS EXPORT PROMOTION SCHEMES AND THE IRREGULARITIES DETECTED THEREIN

Part A—General

2.1. At the instance of the Sub-Committee, the Ministry of Commerce had furnished 3 statements as follows:

- (i) A statement showing the value of exports, commodity-wise from the year 1954-55 to 1964-65—vide Appendix IX.
- (ii) A statement showing the value of import licences issued under the Export Promotion Schemes for the licencing periods 1958-59 to 1964-65—vide Appendix X.
- (iii) A statement of matured bonds executed against imports under advance licences issued for Export Promotion Schemes other than art silk fabrics scheme and the action taken by the port licencing authorities—vide Appendix XI.

2.2. The Sub-Committee referred to the statement at *Appendix IX* and desired to know how many out of the 37 principal items of India's exports were covered by the Export Promotion Schemes. The Secretary, Ministry of Commerce stated in evidence that if the number of items was taken into consideration, the exports covered by the entitlement schemes would come to 50 or 75 per cent but it would not give the correct picture as not more than one-fourth of the total exports were assisted through the Export Promotion Schemes. In regard to certain items, there was a scheme entitling exporters having 1 or 2 or 5 per cent entitlement and the object of such entitlement scheme so far was merely to make available the basic raw material more easily than they would otherwise get through the normal procedure, seeking actual user licences. There were other import entitlement schemes against manufacture where they would get double the import content of the product so that they were able to sell competitively abroad. If the entitlement schemes were not there, the exporters would get licences as actual users. It was because of the uncertainty and difficulties of getting actual users' licence that they had formulated this kind of link scheme so that no export was held up on account of the procedural and other difficulties.

2.3. When the Sub-Committee pointed out that in many items for which there were export incentives or import entitlements, there was a lot of fluctuation in export figures, the witness stated that in the complex of international trade and in the dynamics of changing circumstances there would be fluctuations whatever schemes were there. In different commodities there would be different factors. As regards engineering exports which were highly assisted by the export incentive schemes, the world trade in engineering goods was going up by leaps and bounds. The share of the developing countries in that trade was fractional and it was because of these schemes that India was occupying her place there. The witness added that without export promotion schemes, the quantum of exports would have a sudden fall. Whether the schemes were adequate or not could certainly be examined scheme-wise.

2.4. From the figures of exports given in *Appendix IX* against items No. 13 (Metals and Mfrs.) and 37 (Chemical and allied products—excl. essential oils) which are also covered by the import entitlement schemes, it would be apparent that in spite of export incentives, exports of these commodities went down in 1962-63 in the case of item No. 13 year after year and during 1960-61 and 1961-62 in the case of item No. 37. It would, therefore, appear that the purpose for which Export Promotion Schemes were initiated is not being fully achieved.

2.5. Asked whether any assessment had at any time been made by the Ministry of Commerce with a view to find out to what extent the Export Promotion Schemes were helping in increasing the exports, commodity-wise, the Secretary, Ministry of Commerce stated that it would be a bit difficult to do such an assessment quantitatively. He added that the qualitative assessment was of course done as it was borne out by the fact that cash assistance for steel items was raised continuously. On examination of any commodity if it appeared that with the additional assistance exports would tend to fall and not grow, they should have a fresh look into the scheme. If the scheme was removed, no export would take place. According to the witness, broadly speaking, for all manufacturers of engineering, chemicals, textiles and some others, but for these export entitlement schemes, the export would have fallen to a very very low figure. The witness added that assessment was done periodically as would be evident from the fact that at all the Board meetings as well as the meetings of the Export Promotion Councils, every scheme was reviewed to find out whether the assistance was really adequate or not and how exports under each sector or in each-field could be increased or maximised.

2.6. In answer to a question whether any assessment had been made of the success of these schemes *vis-a-vis* the working of the Export Promotion Councils, the witness stated that the Councils were in fact doing a lot of work to promote export consciousness as well as getting people to export the commodities. Specifically there would be some disparity in the depth of work of individual Council as it would also depend upon the type of product. The main object in the working of the Councils ought to be that apart from asking for assistance or administering the assistance part of the scheme, they should follow up on the production side with the industry so that they were able to produce articles for export of sufficient quantity and good quality. The witness added that but for the existence of the Cotton Textile Export Promotion Council and also the assistance given by the Cotton Mills Federation, cotton textile exports would have fallen almost to negligible proportions.

2.7. The Sub-Committee desired to be furnished with a note containing an analysis of the Export Promotion Schemes where entitlement was the highest and where the performance was the best—at least half-a-dozen schemes might be chosen for the analysis. *The reply is still awaited from the Ministry.*

2.8. Referring to *Appendix X*, the Sub-Committee pointed out that the average value of import licences which used to be about 15 per cent of the exports entitled to benefit had now gone up to about 30 per cent. The witness explained that one of the reasons for this was the adaptation of schemes to changing circumstances. He added that the import entitlement was calculated to twice the import content. The percentage had gone up only from April, 1962 onward rather than the earlier years as and when more products had come in which got entitlement benefits. It was not correct that the value of import licences issued under the Export Promotion Schemes had gone up because of the increase in the entitlement ratio. The whole object was that imports which were inescapably necessary for the economy were coming to some extent through the operation of the Export Promotion Scheme.

2.9. The Sub-Committee pointed out that under the Export Promotion Schemes the value of the total exports between 1961-62 and 1962-63 increased from Rs. 163 crores to Rs. 174 crores, *i.e.*, by Rs. 11 crores. The entitlements had also increased from Rs. 24 crores to Rs. 34 crores, *i.e.*, by Rs. 10 crores and desired to be furnished with a note explaining how this increased percentage of import entitlement on export was justified. A detailed break-up of all the imported commodities under the export promotion licencing might also be given. The information received is contained in *Appendix XII*.

2.10. The Sub-Committee are surprised to learn that the statistics of imports are maintained commodity-wise and not scheme-wise and that the same commodity is sometimes allowed to be imported under more than one scheme. They are, however, glad to be informed that it has since been decided to introduce code numbers to indicate on licences issued under a particular scheme so that in future this information may be available.

2.11. The witness conceded that in other items where there was no incentive at all, export figures had increased. He added that in the international pricing while some prices were in line many others were out of line and it was not a uniform picture. According to the witness, India's internal economy was not exactly price-wise parallel to the world economy. Over some sectors they continue to be competitive while on others, they were becoming progressively uncompetitive particularly in the manufacturing fields, and therefore, they had to pay the price in maintaining the export in these sectors.

2.12. The Sub-Committee desired to be furnished with copies of the review that was undertaken by Government from time to time and whether any overall review of the working of the Export Promotion Councils was made and if so, when. In this connection the Sub-Committee have been furnished with a copy of the Report of Review Committee on Export Promotion Councils (May, 1965) and a copy of the Resolution of Government dated 21st December, 1965 indicating the action taken on that Report by Government.

2.13. While appreciating the promptness with which Government has initiated action on various recommendations of the Review Committee, the Sub-Committee would like to point out that the Review Committee primarily dealt with the organisational and promotional aspects of the Export Promotion Councils, as required under its terms of reference. It did not undertake any quantitative assessment of the results achieved by various Export Promotion Schemes.

2.14. During evidence, the C.C.I.&E. stated that when the export obligations were not fulfilled, bonds were invariably forfeited as no exemptions could be made. Only established exporters to whom the licences had been given on the basis of the past exports and who insisted to continue to sign the bonds in a simple form, were allowed to export commodities of an equivalent value of bonds. The amounts of bank guarantee were fixed on the basis of approximately 30 per cent of the total value of exports. The Secretary, Ministry of Commerce conceded that in some cases the holder of a licence might prefer to pay the guarantee amount rather than fulfil the export obligation because by the time actual imports came, the internal prices went up and the economics of exports changed. He also added

that even advance entitlements were restricted only to a few exceptional cases and normally no advance licence was given since 1st September, 1965.

2.15. The Sub-Committee desired to be furnished with a note showing the amount of guarantee that was taken for different items upto 1st September, 1965 when the issuing of advance licences was discontinued. In a written reply, it has been stated that there was no fixed guarantee before 2nd December, 1964. However, the licensing authorities were taking the guarantees in their discretion upto 100 per cent. Subsequently, from 2nd December, 1964 upto 1st September, 1965, the Bank guarantee to be taken was for full 100 per cent of the value of the goods imported.

2.16. During their visit to Bombay, the Sub-Committee were furnished with a copy of the statement showing the receipts and disbursement of the Export Promotion Fund from 1959 to 31st October 1965. This is enclosed as Appendix XIII. They were given to understand that this fund was being operated by the Indian Cotton Mills Federation, and that the Textile Commissioner gave his moral support to it.

2.17. The Sub-Committee are surprised to learn that even when there is no sanction from the Government and Parliament, the Textile Commissioner gives his "moral" support to the Cotton Mills Federation for realising premium on foreign cotton and fee on Indian cotton consumption. The Sub-Committee are of the view that, however, desirable the objective, this compulsory levy has all the ingredients of a tax and hence, it should be levied only with the prior sanction of Parliament and should be operated by an official agency.

2.18. The Sub-Committee referred to page 4, para 7 of the note on "Cotton Textiles Export Incentive Scheme—Genesis and Objective of the Scheme" furnished to the Sub-Committee by the Textile Commissioner which is at Appendix XIV and asked whether any change in the import entitlement scheme was contemplated because under the existing scheme against an export of goods worth Rs. 100 the exporter would get the entitlement of Rs. 102.8. The witness stated that the entitlements were not more than 100 per cent though for purposes of computation the figure was slightly in excess. So long the availability of indigenous cotton was short of requirements, even if the export promotion scheme was not there, foreign exchange would have been spent for import of machinery and cotton. The Additional Secretary, Ministry of Commerce added that it was difficult to generate free foreign exchange and therefore imports were more and more being tied up to export.

2.19. The argument advanced by the Textile Commissioner that "it (entitlement) is invariably not more than 100 per cent—for competition purposes the figure is slightly in excess" does not appear to be convincing. The Sub-Committee would like to impress upon the Government that they should ensure that in no case import entitlement is more than 100 per cent of the export obligation, preferably it should be less.

The Sub-Committee were informed that the average entitlement is 15 per cent of the export. The Sub-Committee therefore, feel that a definite maximum limit of import entitlement must be fixed for each commodity. Any extra incentive, if necessary, should be given in Indian currency but the percentage of import entitlement should not be changed. The Export Promotion Schemes must generate free foreign exchange and hence it is imperative that this import entitlement is kept lowest possible and the exporter should be compensated by other incentives of fiscal cash subsidy nature. Also no advance import licence should be given as that has lent itself to lot of abuses.

2.20. The Sub-Committee were informed in a written reply that an audit unit was constituted in the office of the C.C.I.&E. with the principal object of making a close study of the manner of working of Export Promotion Divisions in the Port Licensing Offices and the Export Promotion Councils. They inquired when this unit was set up and what work had been done by it so far. The Chief Controller of Imports and Exports stated that this audit unit was constituted round about April, 1965. It consisted of two Joint Chief Controllers who had divided the country into two regions and they would look after the Export Promotion Councils within their own respective regions. Each of them had subordinate staff of one Assistant Controller and two other staff. Their main job was to go to the Export Promotion Councils and Licensing Offices to the manner in which the licences were processed as per the scheme laid down. It was also to be ensured in the process of such examination that there was no loophole for anybody to take improper advantage of the scheme. There had been 8 or 9 inspections already covering about 15 to 20 days in each of the sectors and on the basis of their reports, instructions had been issued from time to time in consultation with the Ministry. As the sanction for this unit was for one year at present, they would have to go to the Ministry of Finance for the continuance of the staff based on the work done by them.

2.21. The Sub-Committee are glad to know that the Audit Unit has been constituted in the office of the C.C.I. & E. They

would like to be informed of the results achieved by the Audit Unit in due course.

2.22. Incidentally, the Sub-Committee find that the compilation on Export Promotion Schemes prepared by the Directorate of Commercial Publicity has been marked as Confidential/For Official Use only. They however, feel that it is advisable to publicise this compilation in order to make it available to the general public.

2.23. The Sub-Committee also desired that a note might be furnished indicating the actual foreign exchange earned by exporters (according to the figures compiled by the Ministry of Commerce) and the foreign exchange deposited in the Reserve Bank of India, during the last three financial years, indicating reasons for difference, if any. They regret to note that the information is still awaited.

Part B—Irregularities detected in various Export Promotion Schemes

2.24. The Sub-Committee desired to be furnished with additional information regarding the mal-practices noticed in the various Export Promotion Schemes. This has been furnished by the Ministry of Commerce and is at Appendix XV. From the replies to Q. Nos. 1, 2 and 5 in this Appendix, the Sub-Committee note that the main instances where certain mal-practices and abuses were noticed are (i) the Export Promotion Scheme for Zari goods and art silk ready-made garments and (ii) the Exports Promotion Scheme for stainless Steel Products.

Some of the mal-practices/abuses involved were:

- (i) production of false documents;
- (ii) mis-declaration of export goods;
- (iii) over invoicing;
- (iv) under invoicing; and
- (v) forgery of export documents.

2.25. In the case of Zari goods and art silk ready-made garments, the nature of default committed by the exporters was either in over invoicing in some cases or taking entitlement on furnishing an undertaking but not realising the money within the due period of 180 days and even after extensions were granted by the Reserve Bank of India for one year and two years. (In some cases, no exports had taken place at all.)

2.26. The loss involved in export earnings, during the period 1960 to 31st August, 1965, as a result of mal-practices was as under:

		(Rs. in lakhs)
Sl. No.	Item	Total
A.		
1	Engineering goods	85·90
2	Vanaspati	4·19
3	Basic Chemicals	12·79
4	Plastic Goods	42·25
5	Leather Goods	13·26
6	Agarbati	5·28
7	Processed Foods	8·32
8	Handicrafts	14·40
9	Decorated-Cotton seed cake	2·71
10	Carpets	1·16
11	Handloom (textiles)	0·30
12	Tanned Hides & Skins	67·27
13	Woollen Hosiery	17·14
14	Sandalwood oil	0·64
15	Coir	5·82
16	Fish & Fish Products	16·46
17	Scheduled items	35·96
	TOTAL	<u>333·85</u>
B.	Zari Goods (in 1963).	469·71
	TOTAL OF A & B	Rs. 8·03 Crores.

2.27. The Sub-Committee referred to the written replies to Q. Nos. 1, 2 & 5 in the Appendix XV, and enquired about the types of "severe penalties" imposed. The witness stated that parties were debarred from getting licences and also prosecuted. Debarment from getting licence including A.U. Licence where the
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party was a manufacturer and that too not for one period but 2 to 4 periods was regarded a severe punishment. The witness further added that the Scheme of advance licensing was stopped from 1st September, 1965. Today the rules were that in the case of request from advance licence against confirmed orders and the letters of credit, the papers would have to come through the Port Licensing Authority, the Export Promotion Council and then to the C.C.I. & E. where a decision would be taken. Now, there was a separate register showing the number of cases where advance licenses had been given together with their total value.

2.28. The Sub-Committee desired to be furnished with two notes one giving details about the 19 cases of stainless steel products, referred to in answer to supplementary question No. 7 (Vide Appendix XV) names of the parties, estimated amount of over-invoicing involved, when the lacuna was detected and since when they were under investigation, and another on the E.P. Scheme on Zari goods—how it was initiated and the reasons for its failure and whether any action had been taken against any officer in this connection.

2.29. The note giving details about the 19 cases of stainless steel products has since been received. The note on E.P. Scheme on Zari goods has since been received and is in Appendix XVII.

2.30. The Sub-Committee regret to note the incidence of mal-practices particularly in the cases of Export Promotion Schemes for Zari goods and art silk ready-made garments. The total amount of loss due to mal-practices including those mentioned above amounted to Rs. 8.03 crores (Rs. 469.71 lakhs for Zari goods in 1963 and 333.85 lakhs for other goods from the year 1960 to 31st August, 1965). Perhaps much of the loss could have been avoided if the Ministry had been a little more careful and vigilant. Though this amount of loss when compared to the total amount of exports between 1960—65, may appear to be a small percentage, yet in actual figures, the loss of foreign exchange involved is very large. The Sub-Committee, therefore, feel that the Ministry should not relax their efforts to ensure, as far as possible, that the export obligations are fulfilled by the defaulting parties, apart from taking penal action, as necessary.

2.31. The Sub-Committee note that the Ministry have not only abandoned the Export Promotion Scheme for Zari goods and modified the scheme for stainless steel, but they have also initiated adequate steps against the defaulting firms. They hope that the Ministry would keep a continuous check on the working of other Export Promotion Schemes and will not allow the mal-practices to creep in.

STAPLE FIBRE CASE

Introductory

2.32. In order to enable diversification and blending or man-made fibres and yarn in cotton fabrics for expanding manufacture of mixed sarees, import of non-viscose staple fibre and/or viscose yarn and/or synthetic yarn up to 20 per cent of the value of the retention quota for import of foreign cotton under Cotton Textile Export Promotion Scheme was allowed, prior to 1st January, 1965 when this provision was withdrawn. The position then was that though one mill could sell the imported staple fibre with the permission of the Textile Commissioner to another mill, no such sale or transfer of imported viscose rayon yarn or synthetic yarn was permitted, and if any mill imported this yarn against its retention quota, the mill had to use it for its own consumption subject to the conditions that where synthetic fibre was to be imported a second obligation was imposed that the mills should export fabrics made out of the fibre.

Certain complaints had been received in the Textile Commissioner's Office that during the period from September, 1964 to June, 1965, a particular mill had purchased the mill entitlements for staple fibre worth about Rs. 60 lakhs from 54 different mills, in alleged collusion with the firm who figured as the authorised agent for the mill. According to the policy laid down, the mill having the import entitlement is responsible for the actual import of staple fibre subsequent to which sales or transfers would take place. It appears that the 54 mills referred to above transferred the import entitlements for synthetic fibre by giving the necessary authorisation in favour of the mill and its authorised agent. The latter appears to have managed to get the licences which were issued for non-viscose staple fibre converted into import licences for "non-viscose staple fibre and/or viscose rayon yarn and/or synthetic yarn" and imported nylon filament yarn which was not permissible.

2.33. The Textile Commissioner stated in evidence that the offences in this case, according to the legal adviser were:

- (i) Trafficking in licence, namely that an Actual User's Licence had passed to many hands without proper authority;
- (ii) Amendment of the licence to include synthetic fibre by false representation; and
- (iii) Non-enforcement of obligation to export fabrics made out of synthetic fibre.

2.34. Since a large number of mills were involved in his case and the matter was being looked into by the S.P.E. the witness stated that it was premature to come to any conclusion. In reply to a question, the witness stated that the total value for which permission was issued for the sale of staple fibre was Rs. 68 lakhs and the total value of licences already issued against this was Rs. 50 lakhs. Against this, staple fibre of non-viscose origin had been imported to the tune of Rs. 21 lakhs and synthetic yarn to the tune of Rs. 11 lakhs.

2.35. The Sub-Committee then desired to know whether enquiries had been made to find out whether one mill would be able to consume such a large quantity of staple fibre before permission was given to more than 50 mills to transfer their quota to that mill. The witness admitted that: "That is the lacuna in this, I must confess that no scrutiny was exercised". The permission to sell staple fibre was part of the permission to sell cotton. Since it was a sub item, under cotton entitlement import, the mills importing cotton were given free permission to sell it once. Although it was intended that the mill which purchased staple fibre from another mill would consume the same, no check about the capacity of the mill as such was exercised. In reply to a question the C.C.I. & E. stated that one of the conditions for the issue of Actual Users' Licences was, that what the mill imported should be made use of by them for their own purpose. He added that even if there were four items under one licence, the concession to resell with the permission of the Textile Commissioner was available for the staple fibre only. He further added that nothing special was done in this case so far as the endorsement on the licence was concerned and it was sufficient for the purpose for which it was intended. If the party thought that the endorsement gave them a particular privilege or concession it would be their own way of thinking. So far as the rules were concerned it was felt that the party who had imported the items other than the staple fibre could give them only to the mill which had obtained the licence. He, however, added that they had no occasion to obtain legal opinion on the point.

2.36. As regards the present position of the case, the representative of the C. B. I. stated that the S. P. E. had first registered a case of corruption against the officer in the office of the J. C. C. I. & E., Bombay as it was thought that the amendments that he had made were not authorised. On a report received from J. C. C. I. & E., Bombay in October, 1965, allegations against the mill were being investigated. As regards the release of the goods lying with the Customs authorities, on a legal advice, from the Ministry of Law, the matter was left to be decided by J. C. C. I. & E., and the Customs

authorities. Asked as to when the enquiry was likely to be over, the witness stated that as a very large number of firms were involved in this case, it was bound to take considerable time. If possible, they would expedite the investigation.

2.37. The Sub-Committee desired to be furnished with a detailed note fully explaining the case regarding Import of staple fibre i.e. whether any enquiry was made to find out whether one mill would be able to consume such larger quantity of fibre before the licences were transferred to it, whether the purchasing mill could indulge in re-selling, whether the endorsements made on the licence were the same as per the recommendation of the Textile Commissioner, the grounds on which the proceedings were dropped and re-opened etc. The note has since been received as is given in Appendix XVII.

2.38. From the notes furnished by the Ministries as also from the evidence tendered, it appears that a mill in collusion with its agent not only succeeded in purchasing import entitlements for staple fibre worth about Rs. 68 lakhs from 54 mills but also managed to get the licences which were issued for non-viscose staple fibre converted into import licences for "the non-viscose staple fibre and/or synthetic yarn" and imported nylon filament yarn which is not permissible with in the rules.

It is very unusual that as many as 54 mills should have thought of selling their import entitlements to one mill within a short period. It is still more curious that the agent of the mill purchasing the entitlements, who was admittedly a firm against whom investigation were made in the past on more than one occasion by the S.P.E. and whose activities were not free from suspicion could get endorsements changed on the spot at the counter in the J.C.C.I.E's office, without being questioned either by the Textile Commissioner or by the issuing authority whether the transferee mill had the requisite capacity to utilise it.

The Ministry have tried to argue that present case involved only a question of Misuse of entitlements and there was no question of loss to the Government. The Sub-Committee cannot appreciate this attitude on the part of the Ministry because—

- (a) this irregularity involves a very serious abuse of the scheme;
- (b) whether the export obligation attached to the imported yarn was completely fulfilled is doubtful; and

- (c) the purchasing mill and the firm who was acting as the authorised agent seem to have made profits by resorting to serious irregularity and subterfuge.

The Sub-Committee feel that Textile Commissioner's Office and Jt. C.C.I.E's Office should have been more careful in dealing with this firm which had come to adverse notice on more than one occasion.

The Sub-Committee are of the opinion that instructions regarding the transfer of entitlements, the circumstances under which sales can be effected etc. should be clearly endorsed on the licence itself that there would be no scope left for unscrupulous traders to indulge in such nefarious activities. The requests for transfer of entitlements should not be considered mechanically as at present, *vis-a-vis* the rules, but the consequences of such an act should also be taken note of. Changes in procedure if necessary should be effected forth-with to achieve this end. The Sub-Committee would also like the Ministry to examine and evolve measures whereby the misuse of Actual Users Licence i.e. passing through many hands without proper authority becomes an impossibility and to introduce more effective checks to ensure that export obligations are achieved. The Sub-Committee would like to be informed of the results of the investigations now being made and action taken against the delinquent officials.

Cases of irregularities under the Export Promotion Schemes

2.39. In order to get an idea about the nature of irregularities involved in the Export Promotion Schemes, the Sub-Committee had desired to be furnished with a statement containing brief particulars of irregularities that were found and referred to the S.P.E./Police by the Ministry during the years 1957—65. The Ministry furnished a statement containing 58 such cases. The summary of these cases is as under:—

- | | |
|--|-------------------|
| (a) Period under review. | 1967 to 1965 |
| (b) Total number of cases | 58 |
| (c) Total value of exports (default) involved, includes cases proved (Rs. 21.1 lakhs) and cases not proved and therefor dropped/pending (Rs. 67.3 lakhs) | Rs. 88.4 lakhs |
| (d) The total value of country's exports during the period of review | Rs. 6,158 crores. |

- (e) Total value of exports, during the period under review, which were entitled for incentives under the Export Promotion Schemes. From the average statistics of total country's exports *vis-a-vis* exports under E.P. Schemes, exports under E.P. Schemes work out to 22% of the country's total exports. On the basis of this, the value of exports under E.P. Schemes for this period 1957-65 would work out to Rs. 1,354 crores.
- (f) Percentage of loss of foreign exchange when compared to total exports under the E.P. Schemes. . 07%
- (g) Lowest value of exports (default) in one case in the year 1960 included in the Statement. Rs. 1,350/-.
(In this case, the charge was proved and departmental action was taken).
- (h) Highest value of exports (default) in one case in the year 1958 included in the statement. Rs. 26.37 lakhs
(In this case, the charge could not be proved by the S.P.E. and the case was thus closed).

2.40. The Ministry have also furnished a consolidated statement showing particulars of action taken in respect of these 58 cases of irregularities under E.P. Schemes investigated by the S.P.E./Police from 1957 to 1965. A copy of this statement is enclosed as Appendix XVIII.

2.41. The Sub-Committee while referring to the statement of 58 cases desired to know whether any inquiry had been made to find out as to why out of 22 cases referred to SPE in 1958 were from Madras. The CCI&E informed the Sub-Committee in evidence that in respect of the cases arising from Madras it was found that the description of the goods given in the documents filed with JCCI and E was different from that given in documents filed with the Reserve Bank and also the GRI form. It appeared to be the practice to mention the goods in the bill of lading and in the GRI form as "cotton goods" while in actual practice those were "art silk" because the exports were made to a foreign country and the duty levied by that country was proportionately less in the case of cotton goods

than in the case of art silk. The SPE had gone into it in great detail and decided that no penalty was to be imposed.

2.42. Regarding Case No. 26 of the statement, the witness informed the Sub-Committee that the Society was registered in Gurgaon, Punjab and was alleged to have a Branch Office in Bombay. In September, 1958, they had obtained import licences for Rs. 67,500 for woollen fabrics. Again on 25-9-1958, the Society was given an import licence for art silk fabrics for Rs. 45,000 and on 27.9.1958 another import licence for Rs. 50,000 for ready-made apparel was also given to them. The witness added that these items were licenced at that time under the Export Promotion Scheme on the condition that the importer would export goods manufactured out of the imported material equal to 133-1/3% of the value of the imported material within six months from the date of importation. Licences could be issued even to prospective exporters on production of export orders from foreign parties and this Society had applied for licences by producing orders from a merchant in Hong Kong. So, the licences were issued to them. On the 6th August, 1959, anonymous complaints were received alleging that the society had disposed of the imported material in contravention of the condition of licences and had not exported the processed goods as required. After an enquiry made by JCCI&E, Bombay, the matter was handed over to the SPE who registered the F.I.R. on 9.6.1960. The SPE sent their report to JCCI&E Bombay on 26.12.1962 in which it was stated that their investigation revealed that the Society had obtained the licences on the basis of false evidence regarding their past turnover in these items and a forged registration certificate purported to have been issued by the Assistant Registrar of Co-operative Societies, Gurgaon and that the Society had failed to export processed goods, that all the bonds executed by the Society equal to 50 per cent of the value of the imported goods were forfeited and that the goods imported by them were disposed of in contravention of the condition of the licences. On 21.1.1963, the CCI&E issued a show cause notice to the Society under the Imports (Control) Order for alleged contravention of the conditions of the licences issued to them with a view to taking penal action against the Society. When the show cause notice was received back undelivered, the Society and their employees were placed on the suspension list for issue of import/export licences and customs clearance permits. A copy of the suspension order was sent to the Society but it was received back undelivered. *The case was sub-judice at present.*

2.43. The Sub-Committee referred to case No. 3 regarding imports of betelnuts against the exports of scented betelnuts and desired

to know whether Government could exempt themselves from import obligation when a scheme was discontinued just as a party was exempted from export obligation on the suspension of a scheme. The Additional Secretary, Ministry of Commerce, stated: "The party will be exempted from export obligation, if he had not fulfilled the export obligation earlier." The Chief Controller of Imports and Exports added that although the import licence was issued to an exporter against the past performance, a condition was attached that he should continue to export. Exports were made under a particular scheme and since the export obligations had been fulfilled, the exporter had an entitlement to ask for the import licence. In this connection, the Sub-Committee desired to know whether the Ministry had ever examined whether it enabled the exporter to over-invoice his export and get foreign exchange either in black market or in open market to earn entitlement for a higher amount which would give him a bigger margin of profit and what steps had been taken by the Government to safeguard against such malpractices of overinvoicing etc. The witness stated that it was for the Customs authorities to look into it at the time the exports were made. If the Customs authorities had stated after checking that the figures were correct, they would accept them as the correct value of exports made.

2.44. The Sub-Committee pointed out that the party had exported scented betelnuts worth Rs. 6 lakhs but when details were gone into it could be found that a sum of Rs. 6 lakhs had been paid as processing charges out of the total value of exports to a firm which did not exist and desired to know how under the circumstances the Customs authorities could check whether the export was over-invoiced. The witness stated that basically, in so far as documentation was concerned, it was the Customs authorities which gave C.C.I & E. an indication as to whether the item had been over-invoiced or not. Since in this particular case the import licences had been given by the Ministry, it was being enquired into as to how Rs. 6 lakhs could be paid as processing charges. The matter was ultimately referred to S.P.E. for investigation. In reply to a question as to why the claim of the party was entertained when the firm had attempted to commit a fraud, the witness stated that they could not come to a clear conclusion. The value of the import licence was reduced in this case.

2.45. Referring to Case No. 37 re: Messrs..... which was found to be non-existent, the Sub-Committee desired to know whether it was possible to enquire on what basis the bank had given the guarantee and what steps other than forfeiture of the bond, were taken against the firm, if it had committed a breach of the

contract. The witness stated that penal action as per the provisions of the Imports (Control) Order could be taken against the party. References were also made to SPE or the police in order to locate whether the firm was in existence or not. Notices were issued to the party and departmental action was also taken against them. No independence inquiry was, however, made through the bank. In reply to a question, the witness stated that from July, 1965 they had increased the amount of the bond to 100 per cent of the equivalent value of the import licence and in the case of speculative items it could be increased further, the minimum being 100 per cent.

2.46. As regards case No. 43 the Sub-Committee were informed in evidence that before applying for the licence, the party had made a separate application to the All India Handicrafts Board for registration under the Scheme. Subsequently, action was taken to issue the licence. On receipt of a complaint an enquiry was made and it was found that the firm was not in existence. There were cases where at the time of registration the firms were in existence but afterwards they went out of existence. The Sub-Committee stated that it appeared that in this case as also in Case No. 53 the All India Handicrafts Board never verified the genuineness of the firms and only on receipt of anonymous complaints action was taken.

2.47. The Sub-Committee desired to be furnished with a detailed note relating to case No. 43 where import licence was given on the recommendation of the All India Handicrafts Board and also the procedure followed by the Board for verification before registration of firms. A copy of the note since received is given in Appendix XIX.

2.48. Asked as to how the Ministry ensured that the export obligations were fulfilled by various importers or established exporters within the stipulated time, the Chief Controller of Imports and Exports stated that at the time of issuing import licences, the period within which the export obligations had to be fulfilled was specified. When this period came to a close, notices were issued to the parties to furnish documents to show that exports had taken place. In case of difficulty, the party was given reasonable extension of the period. After the expiry of the extension period, notices were again issued to ensure that the export obligations had been fulfilled. Such action was taken in respect of all licences where export obligations were involved.

2.49. In regard to Case No. 45, the Sub-Committee desired to know the action taken by the Ministry to find out whether export obligations had been fulfilled within six months. The witness stated

that the party had produced documents to show that the stipulated quantity had been exported, but when complaints were received that the statement was false, the matter was examined and referred to S.P.E., and the party had not been issued any licence in the meantime and the final report of the S.P.E. was awaited.

2.50. From the evidence tendered and also from the notes furnished by the Ministry, the Sub-Committee find that the prevailing situation leaves much scope for improvement in the working of the schemes. The *modus operandi* of the fraudulent traders who exploit the Schemes in their own interest can be categorised roughly as below:—

- (i) production of false documents.
- (ii) mis-declaration of export goods.
- (iii) over-invoicing.
- (iv) forgery of export documents.
- (v) under invoicing.
- (vi) liquidation of the firms after enjoying the imports to escape governmental action against them.

2.51. The Sub-Committee are surprised to learn that the Ministry have to depend wholly on the customs authorities to verify as to whether the exports stipulated under these Schemes are actually effected or not. Enquiries against firms are initiated either when adverse reports are submitted by the customs authorities or when the CCI&E develop any doubt, mostly on the basis of anonymous reports. The Sub-Committee are of the opinion that the present checks against the aforesaid malpractices are not adequate because in many cases licences were issued to firms which on subsequent verification were found to be not in existence. There were 8 such cases out of the list of 58 cases furnished. The deposition of the C.C.I.&E. that "there have been cases where at the time of registration they (firms) were in existence but afterwards they went out of existence" makes it necessary to have thorough enquiries made before firms are issued import/export licences. They also feel that the checks that the customs authorities are exercising at present to detect cases of over-invoicing and other connected malpractices are inadequate as they have come across cases where on a subsequent enquiry, it was found that the parties had indulged in underhand methods which had escaped the tests of the Customs authorities (e.g., Case No. 3).

2.52. The Sub-Committee consider it most unfortunate that even the provision of securing bank guarantees has not proved to be of much avail as in one case (No. 37) a bank stood guarantee for a firm

which was not in existence. (The bond amount in this case was forfeited). Under the existing schemes, the defaulting parties could only be proceeded with under the provisions of Import (Control) Order or through the forfeiture of bonds furnished by them which till July, 1965 was only 20 per cent of the value of import licence and there was no course open to the Government whereby the parties could be compelled to fulfil their export obligations. Consequently, the fraudulent parties indulged in malpractices and could conveniently go underground when called upon to justify their actions without fulfilling their obligations under the Schemes to export and thereby the real purpose of the Schemes was defeated. The Sub-Committee fail to understand how a bank could give guarantee in respect of such non-existent firms. The Sub-Committee desire that the banks concerned should be addressed to and their explanation obtained with a view to taking corrective measures.

2.53. Even in cases where the guilt was proved the firms were to undergo imprisonment till the rising of the court and a fine of Rs. 200 only and they were debarred from receipt of licences for one or two licencing periods of six months each.

The Sub-Committee note that from July, 1965, the value of the bond amount has been raised to 100 per cent of the value of the import licence and that by the Imports and Exports (Control) Amendment Act, 1966 the period of imprisonment has been raised from one day to 6 months/2 years.

2.54. The Sub-Committee cannot get away from the impression that the fraudulent traders were in a way encouraged by the lenient and lukeworm attitude of the officials. In respect of cases where the parties had preferred false claims of exports (Nos. 4 and 8) and the fact was proved, no penal action was taken and only an amount equivalent to the amount of excess exports claimed by the parties was deducted. In another case (No. 31) even though the allegations were proved the case could not be taken to the court of law because original documents were not available. There was yet another case (No. 36) in which a fake owner of a non-existent mill could get a licence for import of art silk. The party sold the imported goods to other parties without fulfilling the export obligations. (In this case, a successful prosecution was launched and a Director and a Manager of the Company were sentenced to pay fine totalling Rs. 3,500.

2.55. The Sub-Committee take a serious view of the various malpractices noticed in the operation of the Export Promotion Schemes and regard it most unfortunate that even after several years of existence of Export Promotion Schemes, even major loopholes in

them have not been plugged and they still continue to be exposed to various malpractices and abuses.

They also strongly feel that the machinery administering the Export Promotion Schemes should be toned up in such a way that the possibilities of fraudulent practices are eliminated altogether.

2.56. The Sub-Committee have further been informed by CBI that during the period from 1957 to 1965, they had handled 1144 cases under the Import and Export (Control) Act, 1947, out of which 928 cases were referred to CBI by CCI&E, 103 cases were taken up by CBI *suo-moto* and the remaining cases were referred by various agencies like the Iron and Steel Controller, State Trading Corporation, Directorate of Industries, Directorate of Revenue Intelligence and States' Police. They have been further informed that in all such cases initial complaints were made long after the offence was perpetrated *viz.*, one to seven years, as a result of which the location of witnesses and records become difficult.

2.57. While the Sub-Committee agree that it takes some time for every department to conduct their own enquiry before handing over the case to CBI, they are not convinced that a department should take as long a period as seven years for this purpose. They feel that such a situation arises only when a department is hesitant to take a firm decision. In order to enable the Police/SPE/CBI to play an effective role, it is desirable that decisions are taken promptly and all documents/files etc. relating to the case are kept in the custody of a responsible officer till the final decision in the case is taken. The Sub-Committee would also like the CBI to take steps, to ensure that their investigations are completed more expeditiously.

Part C—Conclusion

2.58. The Sub-Committee have no doubt that in view of the adverse balance of trade and difficulties involved in earning foreign exchange even for the pressing and inescapable needs of the country, there is a great need for devising suitable incentives to diversify and stimulate the exports of the country. The various export promotion schemes have, therefore, an important role to play in this regard.

2.59. However, a detailed examination of the Export Promotion Scheme pertaining to the art silk (referred to in Para 88 of the Audit Report (Civil) on Revenue Receipts, 1965) and general review of the various export promotion schemes in operation have revealed

the following unsatisfactory features:

- (i) These Export Promotion Schemes have come into operation on an *ad hoc* basis and changes have been made in them from time to time.
- (ii) No quantitative assessment of the actual operation of these Export Promotion Schemes has been made so far to ascertain what has been the contribution in terms of export earnings under the various Export Promotion Schemes against the import entitlement granted.
- (iii) The practice of giving advance import licences in anticipation of exports has resulted in several malpractices. In a number of cases the export obligations were not fulfilled resulting in an extra drain on the foreign exchange availability, due to the import entitlements being utilised without corresponding exports.

2.60. In view of the above, the Sub-Committee suggest that Government should appoint a Committee of experts (a) to make a quantitative assessment of the operation of various Export Promotion Schemes, (b) to revise the Export Promotion Schemes in operation so as to put them on a more scientific basis with a view to ensuring that they succeed in stimulating the export in the desired direction, (c) to plug the loopholes which have resulted in various malpractices, (d) to make sure that the import entitlements are given only for such commodities as are essential for country's economy and for which no indigenous substitutes are available, and (e) to ensure that each Export Promotion Scheme generates a certain minimum percentage of free foreign exchange.

The Sub-Committee also recommend that since the advance import licences in anticipation of export have resulted in various malpractices, and since in a number of cases the anticipated exports have not taken place subsequently, the system of advance licencing should be dispensed with and import entitlements under the Export Promotion Schemes should be given only after the requisite foreign exchange has been generated through exports.

CHAPTER III—BARTER DEALS

Introductory

3.1. In 1958 there was a heavy shortage of steel and no foreign exchange was available for its imports. Therefore, at a meeting held on the 20th August, 1958, the Ministry of Finance, Planning Commission, Ministry of Commerce and Industry and the Department of Iron and Steel accepted the principle of barter. They approved of a deal which envisaged the import of steel against the export of certain items which were otherwise not easy to export. It was also expected that under such arrangements, the total exports would also increase. The items that were considered for export in this connection were manganese ore, chrome ore and other commodities export of which could be justified as additional. It was also decided that the S.T.C. might negotiate import of steel on barter basis after referring all such proposals to the Iron and Steel Controller.

Historical Background

3.2. After the principle had once been accepted that the mechanism of barter could be resorted to for import of steel, it was considered that the same principle could be extended to cover import of other items which were essentially needed in the country. To work out a scheme a small working group was constituted in the Ministry of Commerce in which representatives of the S.T.C. were also associated and, as a result, a Barter Committee was constituted in August, 1959 in which the Ministry of Commerce, Directorate General of Technical Development, D.G.S. & D. and the Ministry of Finance were represented. The Barter Committee laid down that all sanctioned barter deals were to be supervised and their implementation watched by the S.T.C. and later on MMTC as the case might be.

Guiding Principles

3.3. The prime objective behind barter/link deals was to provide a mechanism which would result in increased exports, particularly of commodities which were difficult to sell and to destinations in which India had not been able to get a foothold. The main consideration in permitting barter deals was additionality of

exports, in the sense that in the absence of such special arrangements exports of certain items and/or exports to certain destinations would not materialise. Such exports were sought to be encouraged by linking the export to an import, normally equivalent in value, of commodities which, in any case, the country would have to import. Thus, the two essential elements in the barter transactions were "additionality of exports" and "essentiality of imports". The net result of barter transactions was to minimise the expenditure in free foreign exchange by establishing a link between exports and imports, the latter being contingent upon the generation of export earnings and limited to the quantum of foreign exchange so generated. It was claimed: "The barter/link deals supplement our other export promotion measures and have to be looked upon as one element in a border strategy for the long term development of exports. In terms of total exports, they constitute a relatively small proportion and in terms of the range of items imported or exported, their impact on total trade in imports and exports is only marginal."

3.4. At the instance of the Sub-Committee, the Ministry of Commerce had furnished detailed information showing the quantity and value of exports and imports etc. under the various Barter Agreements since 1957-58 to date *vide* Appendix XX.

3.5. During the course of evidence the Sub-Committee desired to know:

- (a) How the commodities of barter i.e. for export and import were selected;
- (b) How the parties for these transactions were chosen;
- (c) How the prices of commodities selected for exports and imports were determined; and
- (d) How these barter deals were supervised.

Commodities

3.6. The Additional Secretary, Ministry of Commerce stated in evidence that there was no formal list of commodities of imports and exports under the barter deal for any year and "the items which are difficult to export are fairly known". In reply to a question, the Chairman, STC stated: "It is not possible to work out a single statement of policy or a set of information stating that these are the items we will allow for export and these are the items which we will allow for import. It is not at all practicable. Specific items are given in specific agreements." The Sub-Committee were also

informed that barter agreements were not entered into with countries with whom bilateral agreements were in force. In some of the agreements 50 to 60 commodities of export and the same number for import with specific value were laid down. There were a few countries like Egypt and Tunisia where there were specific agreements for a limited exchange of commodities. Since 1958, it was known from precedents as to what items were regarded acceptable. At this, the Sub-Committee wanted to know what difference it would make to have a list since the things acceptable were known, the witness stated, "what is in one's mind at one moment may not be known to any one". When any proposal for barter was brought forward it was first submitted to the Ministry of Commerce and then to the particular Ministry which administered the commodity and lastly to the Ministry of Finance. Without the approval of all the three Ministries, no proposal could be accepted or rejected. The Director MMTC *inter alia* stated that woollen worsted machinery etc. were approved by a technical authority like Iron and Steel Controller in the case of steel and if it belonged to textile group, the Textile Commissioner would approve it and in the case of dyes, the DGTD would approve them. Asked as to whether the Director was represented on the Barter Committee the Chairman S.T.C. stated that in the initial stages there was a barter committee not later on there was no formal committee and since the three Ministries were involved, it was not necessary to have a formal committee. As and when some new items came up and when an item was to be exchanged, from year to year, *ad hoc* informal committee meeting was called either in the Ministry of Finance, Commerce or the concerned Ministry and a decision was taken.

3.7. In a 'Note on Barters' furnished by the Ministry of Commerce to the Sub-Committee, it has been stated: "The list of Commodities permissible for exports or imports has always been kept under continuous review." In the same note, illustrative list of items has been mentioned as under:

For export: Manganese ore, ferro manganese, low grade bauxite, low grade chrome/chrome concentrates, ferro-silicon, dark gray barytes, and illeminite.

For import:—Steel, non-ferrous metals and other industrial raw materials on which free foreign exchange was being spent for import.

3.8. The Sub-Committee are not happy to learn that leaving a few items of ore, neither the MMTC nor the STC maintain any list of commodities which can be exported or imported under the

Barter Scheme. It has been stated during the course of evidence that it is not practicable to draw up any such list as the commodities are changed from time to time according to the exigencies. While the Sub-Committee concede that no permanent list of such commodities can be drawn up which will meet the varying needs of the trade over a length of time, they fail to understand why the Ministry equipped with all the necessary knowledge of the trends of internal trade and which have experience of barter deals during the last eight years or more, should not be in a position to prepare a list of items acceptable for barter from time to time. Moreover, the difficulties against the preparation of such a list do not appear to be insurmountable. The Chairman, STC stated in evidence, "Since 1958, we know from precedents as to what is regarded as acceptable. Then we consistently hold meetings, we also know that in a certain year, we may have to face difficulties." It is obvious, therefore, that the commodities which can be considered for barter are known to Government and the plea that "What is in one's mind at one moment may not be known to anyone" is not cogent enough to substantiate the stand against having a list which could be made use of by the traders of the country in general.

3.9. The Sub-Committee are glad to observe that in a subsequent meeting (arranged at the instance of the Ministry), the Secretary, Ministry of Commerce was receptive to the suggestion that a list of commodities acceptable for barter could be prepared and amended from time to time.

3.10. The Sub-Committee find that the Scheme of barter which was evolved in 1958 with the purpose of importing more steel and ultimately extended to cover the import of other items essentially needed in the country by exporting items which were 'difficult to sell' still continues to be in a nebulous state.

3.11. During the course of evidence, the Sub-Committee desired to know whether there was any possibility for interested people other than those who are already in touch with STC/MMTC to know as to what was exported or imported under barter agreements. The Chairman, STC stated, "there are certain items like iron ore, bauxite, which are known to public. Anybody can come and enquire whether he would be allowed to export such and such quantities of these items."

3.12. Subsequently during evidence before the Sub-Committee, the Secretary, Ministry of Commerce conceded that even though there was a list of commodities for imports and exports under the barter system it was at no time publicised.

3.13. Under the circumstances where there is no systematic procedure of issuing periodic press notes/circulars giving adequate information about the barter deals, excepting those who are already in the barter deals or those who have access to official hierarchy, the trading community in general is denied the benefit of getting information regarding the details of the different schemes of barter which are in operation or which are likely to be taken up or the commodities which are permitted for export/import under the barter arrangements. As it is, the initiative rests not with the Government but with each individual trader to approach the Government to find out for himself whether a particular commodity could be bartered.

3.14. Since the objective of the Scheme is to export "difficult" items, it is all the more essential that the trading community is kept fully informed. The Sub-Committee, therefore, strongly feel that the working of the present Scheme needs reorientation. They, therefore, suggest that the Ministry should devise ways and means by which all information pertaining to the barter transactions including the list of commodities are adequately publicised and are easily made available to those who want to take advantage of them.

Parties

3.15. As regards selection of parties, the Chairman, S.T.C. stated in evidence that in a barter agreement, the party was selected on the basis of respectability, creditworthiness as certified by the bankers and also the capacity to carry through the deal. If a party was found to be competent they were allowed to enter a barter deal.

3.16. In their note, the Ministry have stated that Barter proposals generally emanate from 4 categories of parties.

- (a) Parties, which are exporters of the items concerned but find it difficult to increase exports to particular destinations unless a link is established between exports and permissible imports;
- (b) Parties, which are actual users or importers of the items concerned and who otherwise would not be in a position to import the commodity or import it in adequate quantity;
- (c) International trading houses, which are desirous of increasing their sales in India, but, in the context of the foreign exchange shortage, find that the only way to do this is through accepting a commitment to export Indian products; and
- (d) Indian export houses, who specialise in such trade.

Firms who are interested in putting up proposals for export of commodities which were otherwise difficult to sell abroad by linking them up with inescapable and essential imports on a Barter basis are required to contact the State Trading Corporation or the Minerals and Metals Trading Corporation or the Ministry of Commerce. The Sub-Committee are informed that not more than one in ten or twenty inquiries/proposals has been found acceptable or approved and the rest of the inquiries/proposals have to be rejected.

3.17. The Sub-Committee feel concerned to note that more than 90 per cent of the proposals have to be rejected for some reason or the other. This only indicates that Government's policy in regard to barter deals is not fully known to the trading community in general resulting in a lot of infructuous effort by the parties concerned.

3.18. During evidence on the 22nd February, 1966, the Secretary, Ministry of Commerce had also deposed that there was liaison with the Ministry of Iron and Steel and they would not deal with any party which was put on the black-list by the Ministry of Iron and Steel during the period the party was on such black-list. But it appeared from Serial Nos. 5, 15, 36, 9, 16, 25 and 39, of Statement III of Appendix XX that the Ministry of Commerce had dealt with parties which were on the black-list.

3.19. The Sub-Committee are unable to understand how the Ministry continued to place orders on firms (*Vide* Serial Nos. 5, 9, 15, 16, 25, 36 and 39 of Statement III of Appendix XX) which were black-listed. They feel that this could happen because of lack of co-ordination and it indicates to say the least, some negligence on the part of the officials concerned. They would, therefore, urge that these cases should be thoroughly investigated and the persons found guilty should be suitably dealt with. They would also like that on the basis of such investigations adequate steps should be taken to tighten up the official procedure so as to make recurrence of such cases impossible.

3.20. The Sub-Committee wanted to know whether there were financial ceilings prescribed for different parties for these barter deals or whether a party could enter into barter commitments of any value without any limit. First, it was stated in evidence that there was no such limit. Later on, however, in the next meeting the Chairman, M.M.T.O. stated that there was a limit for each party. Then the Sub-Committee referred to Serial Nos. 1, 6(A), 6(B), and 8 of Statement VI of Appendix XX relating to a firm in Bombay and pointed out that there were 4 contracts and the party was expected to export Rs. 25 lakhs, Rs. 150 lakhs, Rs. 710 lakhs and Rs. 30 lakhs

respectively or Rs. 915 lakhs in total. Out of two contracts worth Rs. 8.60 crores [Serial Nos. 6(A) and 6(B)] this party had exported goods worth only Rs. 2 crores and 86 lakhs so far. The Sub-Committee desired to know whether the party would be able to complete the commitment in time. The Director, M.M.T.C., stated that this was a very big party and the export was to be made to Switzerland and the deal was between an Indian firm and a Swiss firm. The witness added "we have now made arrangements with them that Manganese ore will be exported by us (i.e. M.M.T.C.) and for any loss suffered we will get 25 per cent more value so that we may not suffer any loss."

3.21. From a note furnished by M.M.T.C., the Sub-Committee learnt that the total export obligation of this firm in respect of Manganese ore under the two deals i.e. 6(A) and 6(B) was Rs. 3.1 crores and the Corporation took over the export obligation to the extent of Rs. 2.6 crores which remained unfulfilled as on 31st December, 1964.

3.22. The Sub-Committee find that out of the 2 contracts worth Rs. 8.60 crores entered into with the firm, the party could export goods worth only Rs. 2.86 crores during a period of 2 years and that the validity period is only upto 31st December, 1966. They have now been informed that the party has asked for extension of the validity period upto September, 1967. From the trend of performance upto date, the Sub-Committee doubt whether the export obligation under this barter deal would be fulfilled even by the extended date viz. September, 1967. The Sub-Committee are of the view that at the time of accepting a barter deal, the capacity of the party concerned to fulfil the export obligation should be properly assessed.

3.23. They also feel concerned to learn that a substantial part of the export obligation of the party in respect of manganese ore was taken over by the M.M.T.C. for which the party was required to pay 25 per cent more value. The Chairman, M.M.T.C. explained that this was because of the policy decision taken subsequently that the export of manganese ore should be taken over by M.M.T.C. after December, 1964. Even so, the Sub-Committee are of the view that the export obligations under barter deals must invariably be fulfilled by the party concerned. They hope that such cases will not recur.

Prices

3.24. In regard to fixation of prices of commodities intended for export, the Chairman, S.T.C. stated "under these schemes it is not necessary or usual to ask the bartering party to quote the price at

which he will export a particular commodity. Before entering into an agreement we do not call upon the party to quote the prices." He added that since the contract was entered into by the bartering party with a particular seller in a country, that contract was registered with S.T.C. indicating the quantity, price and the total foreign exchange it would generate. Asked if any check was exercised in fixing the import prices, the witness stated: "We do not fix the prices; but we do see that the prices are reasonably competitive." He added that in respect of commodities where it was possible to have a pre-determined price, the S.T.C. would actually fix it and the party was tied down to the fixed price which was incorporated in the agreement. In some contracts it was not possible to fix the pre-determined prices and in such cases when the contract was placed, "we go by international quotations if they are available." If the S.T.C. had any data for comparison, the price was compared. References were also made to technical Directorates who scrutinised the price not only by comparison with the international quotations but also by the Technical Department concerned and "we also have a general knowledge as to the prices at which things get imported."

3.25. The Sub-Committee desired to know how the S.T.C. could investigate into a case where through a sale in foreign market one earned Rs. 10,000 but deposed that he had earned only Rs. 5000. The witness stated "Every contract under which foreign exchange is generated, is registered and when it is registered we have sufficient information, and if I may say so, sufficient knowledge to be able to say that the price at which the exports can take place is fairly reasonable." Moreover, they had publications which quoted prices of commodities like jute etc., from day to day.

3.26. The Sub-Committee find from Serial Nos. 2, 9, 11 and 19 of Statement I of Appendix XX that the price, quantity and quality of mica quoted therein are not consistent. For instance in Serial No. 2 the party was supposed to export 20,00,000 lbs. of Mica for Rs. 38,00,000. Actually, however, the quantity exported was 9,61,672 lbs. and the amount of foreign exchange earned was Rs. 38,11,532. They observe that cols. 6 and 8 thereof do not tally with each other and are not convinced by the argument advanced during evidence that it was because of the wide variation in the quality of mica.

3.27. In regard to the fixation of import prices, the Chairman, S.T.C. had stated during evidence: "We do not fix the prices; but we do see that the prices are reasonably competitive. . . . We also have a general knowledge as to the price at which things get imported." The Sub-Committee were, however, informed by the Chair-

main, M.M.T.C., that after the barter deal was approved and the letter of intent issued, a detailed barter contract was entered into, which stipulated the quantity, quality and price of the bartered commodities. This enabled the M.M.T.C. to exercise proper check over the value of imports and exports involved in the barter deals. The Sub-Committee, however, find that there is no such system obtaining in the S.T.C. In the case of jute goods or tobacco, the Chairman, S.T.C. stated: "We mention only the value and not the quantity either in the exporter's contract column or the implementation column". The Sub-Committee feel that unless the quantity and quality of the goods to be exported and imported are also mentioned in the contract, there is scope for the traders to get unintended benefit by the manipulation of prices. They are, therefore, of the view that the practice followed by M.M.T.C. should also be introduced by S.T.C.

Supervision

3.28: The Sub-Committee desired to know whether there was any machinery in M.M.T.C. and S.T.C. to supervise that the barter deals were fulfilled according to the barter agreements viz., the goods were exported and imported according to the terms of contract and specifications laid down and whether any physical inspection was done at any stage either at the port or at the loading or unloading points. The Chairman, M.M.T.C. stated that the Corporation had regional offices in port towns and they supervised the grades of ores and kept the Corporation fully informed according to each shipments and it was tallied and checked up with the destination results when they were received. Five per cent payment was withheld for destination results which could be realised by the parties when the final report of the destination analysis was received. This applied to all ore items and the check was exercised in all cases. He added that when a barter was negotiated with a private party the Corporation became the exporters/importers on behalf of the party and it was their direct responsibility to see that every thing was according to the terms of the contract. He further added that the Ministry of Commerce had also instituted a preshipment control on all exportable ores and this was in addition to what was done by the Corporation. Asked whether the procedure obtaining in S.T.C. was similar, the Chairman, S.T.C. stated "There is no physical control."

3.29: The Sub-Committee are surprised to note that while M.M.T.C. have considered it desirable and have introduced duplicate checks to ensure that the commodities exported under the system of barter strictly conform to the terms of the agreement, the S.T.C., a sister

organisation, have no such system. The Sub-Committee consider this to be anomalous. It is not quite understandable how the S.T.C., in the absence of any such machinery exercise any control on the quality of the goods exported under a barter.

3.30. The Sub-Committee suggest that Government should consider the question of introducing a proper system of checks by the S.T.C. regarding the specifications etc. of the bartered commodities on the same lines as by the M.M.T.C.

Essentiality of Imports

3.31. As regards Serial Nos. 35 to 39 of Statement II of Appendix dealing with export of sugar for import of staple fibre, the Sub-Committee desired to know how and on what basis a party was selected and why such a high priority was given for the import of staple fibre, art silk etc. in exchange of sugar. The Chairman, S.T.C. stated that in an item like export of sugar where international marketing was involved on a large scale, the party was selected from a list of firms of international repute. In 1962, as a large quantity of sugar was available, anyone who was in a position to export sugar at a price fixed by the S.T.C. was allowed to export.

3.32. At the instance of the Sub-Committee, the Chairman, S.T.C. agreed to furnish detailed notes on Serial Nos. 35—39 of Statement II of Appendix XX relating to Barter Deals regarding sugar. The information has been furnished and is at Appendix XXI.

3.33. From the statement at Appendix XXI the Sub-Committee find that in 1962 the Government had considered the import of staple fibre as an essential item against exports of sugar and consequently five firms were permitted to enter into barter deals. The price of staple fibre was the prevailing international price and sugar was exported at a fixed price, the difference between this fixed price and the internal price was to be shared by Government and the Indian Sugar Mills Association in a predetermined proportion.

3.34. The Sub-Committee regret to observe that while the note in question gave details about the deals no information/explanation has been given as to why high priority was given for the import of staple fibre except stating "Government had considered the import of staple fibre as an essential item against the exports of Indian sugar." The Sub-Committee feel that the import of staple fibre is not strictly consistent with one of the guiding principles for the barter deals viz., "essentiality of imports" and by importing staple fibre in a barter deal the Ministry have violated this principle.

3.35. Moreover, it should be remembered that the export price of sugar (to be sold in the international market) is in the neighbourhood of Rs. 50 a bag whereas its internal controlled price is in the neighbourhood of Rs. 120 to Rs. 130 a bag. So in view of the fact that sugar is being highly subsidised for export, care should be taken by the Ministry of Commerce that commodities like staple fibre etc. are not imported in lieu thereof. The Sub-Committee would also like to impress upon the Ministry that they should be more strict in adhering to the twin principles of the barter deals viz., essentiality of imports and additionality of exports. In this connection attention is invited to the observation of the Sub-Committee made in para 1.38 of this Report.

3.36. Regarding Serial Nos. 4 and 5 of Statement VI of Appendix XX the Sub-Committee were informed that the import licence was issued to Commonwealth Synthetics, Ludhiana at the instance of the Government of India. As per the cases referred to at Serial Nos. 4 and 5 of Statement VI of Appendix XX Sub-Committee find from the answer given to Starred Question No. 296 on 18th November, 1965 in Rajya Sabha that in 1963 the S.T.C. entered into two separate agreements with the two firms for the import of nylon tow of Rs. 25 lakhs each under water arrangements against Manganese Ore of equivalent value to meet defence requirements anticipated at that time. However, by the time the imports under these arrangements materialised, the large defence demands, which arose after the Chinese aggression in 1962, got reduced to some extent and it was found that the nylon tows were no longer required in defence production. Accordingly the imported raw materials were released for civilian consumption on conditions that it should be processed only by certain mills and distributed according to the direction of the Textile Commissioner and lastly that there should be price control. When this was released for civilian use, it was found that the parties to whom they were allotted were not lifting them and therefore, Government did not impose any price control because by that time competition had set in and the price of the imported stuff was slightly more than the material available in the country. It was also stated that it was not possible for the firms to make large profits because of the fall in price.

3.37. The Sub-Committee feel that the conditions which were laid down at the time of releasing the nylon tows for civilian use were rather unusual. Since the question of conversion of nylon tows into tops for defence production was no longer there, it is not quite understandable why it was laid down that these should be processed by only certain mills, though under the direction of the Textile Commis-

shorter. It is also not very clear why the condition of price control could not be enforced. Since the parties had refused to lift the goods, Government could have disposed them of by inviting open tenders. The Sub-Committee would like to be apprised of the considerations which weighed with the Government for acting in such a manner.

3.38. The Sub-Committee also note from Serial Nos. 5, 6 and 14 and Serial No. 1 (page 7) of Statement No. II of Appendix XX that watches, art silk yarn and paper were imported in lieu of publicity material, jute goods, textile machinery and manganese ore respectively.

3.39. From the cases cited above the Sub-Committee observe that the principle of barter viz. "essentiality of imports" has not been strictly followed. They regret such deviations and hope that adequate care would be taken to follow the principle of 'essentiality of imports' more strictly in future.

Quantum of Imports

3.40. Explaining the case in Serial No. 2 of Statement III of Appendix XX where against an export of Rs. 30.42 lakhs, the import licence given was Rs. 37.59 lakhs, the Director M.M.T.C. stated that all the licences were endorsed by the C. C. I. & E. who on information given by the M.M.T.C. certified that so much foreign exchange had been earned and only upto that extent licences were operative viz. if the value of shipment effected was Rs. 30 lakhs then out of Rs. 37 lakhs the operative portion would be Rs. 30 lakhs and there was a condition specified on the form of agreement to this effect.

3.41. Since, according to evidence, the import licences are operative only to the extent to which a party earn foreign exchange, the Sub-Committee fail to understand how the possibility of issuing import licences in excess of the amount of shipments effected by a party could exist. They would, therefore, suggest that the Ministry should consider whether the present practice could be replaced by a system where the import licences are issued only to the extent of foreign exchange earned and the element of unreality which is inherent in the present system is removed.

3.42. The Sub-Committee hope that both the Corporation ensure that the C.I.F. value of imports does not under any circumstances exceed the F.O.B. value of exports in any barter deal. As a matter of fact, the Sub-Committee would like the Ministry to examine whether it would be advisable to fix C.I.F. value of imports slightly

lower (say by 20 per cent) than the F.O.B. value of exports under every barter deal, so that each barter deal may generate some free foreign exchange for the country.

3.43. During the course of evidence it was stated that some difficult items of export were clubbed with easy and traditional items to make the export package an attractive one. The representative of the Ministry added that after some experience, the Ministry came to the conclusion that in practically all barter transactions some element of traditionality should be present, as a 'sweetening agent' or 'a cushion'. This kind of commodity, for instance, tea or jute goods could be included but never exceeding 20 or 25 per cent.

3.44. From the statement II of Appendix XX the Sub-Committee find that in a number of barter deals, the items of export consisted of 'sweetening agents' or 'cushions' only (e.g. jute goods, jute bags, tobacco etc.). While the Sub-Committee agree to the principle that a small proportion of exports may consist of traditional items, to make a barter deal attractive, they are of the view that the larger principle of additionality of exports should be observed to a greater degree than has been the practice so far.

Conclusions

3.45. In the light of the detailed examination of the barter deals, mainly from the point of export promotion, the Sub-Committee would like to make the following suggestions:—

- (a) There should be a clear formulation of the policy in regard to the acceptance of barter proposals and this should be made widely known to the public.
- (b) The healthy principle of additionality of exports and essentiality of imports should be adhered to as far as possible.
- (c) List of items acceptable for Imports and Exports for barter deals should be determined and announced each time with the Import Policy (six monthly).
- (d) Quantity, quality and price of items to be imported/exported should be clearly stipulated in each barter contract to avoid the possibility of their manipulation to get unintended benefits.
- (e) S.T.C. and M.M.T.C. should have proper and adequate machinery to know the prevailing internal and international prices of commodities.

- (f) Suitable monetary limit should be fixed for each barter contract.
- (g) C.I.F. value of imports should be 20 per cent lower than the F.O.B. value of exports in a barter deal, to generate free foreign exchange for the country.
- (h) In every barter deal, export should precede import.

Ministry of Iron & Steel

CHAPTER IV—BARTER DEALS WITH BY IRON & STEEL CONTROLLER

*Cases in which Bank-guarantee amounts due to Government
were not forfeited*

Introductory

4.1. In Chapters I to III of this Report, the Sub-Committee have dealt with in detail the cases where certain bond amounts due to Government were not forfeited in the case of Ministry of Commerce. The Sub-Committee also came across a few cases in which the Iron & Steel Controller had not forfeited bond amounts (bank-guarantees) amounting to over Rs. 51 lakhs due to Government. The Bank-guarantees had been taken by him from certain parties in pursuance of the barter deals entered into with them in 1960 for export of semi-finished steel and import of finished steel. The Sub-Committee examined *inter-alia* this failure to forfeit the bank-guarantees and the various points arising out of this examination are dealt with below:

Genesis of the Cases

4.2. In a written reply furnished to the Sub-Committee, the Ministry of Iron & Steel stated that in the latter half of 1959, due to time-lag between the commissioning of open hearth furnaces and the commissioning of Blooming and Slabbing mills of the Hindustan Steel Plants, semis (*i.e.* ingots, slabs and billets) were available as surplus because the rolling mills were not ready. In August, 1959 the Iron & Steel Controller forwarded to the Ministry a proposal received by him for the export of semis and import of finished steel from M/s Amin Chand Payarelal for advice. The Ministry were also receiving similar requests from certain other parties during the period August to October, 1959. Hindustan Steel was requested by Government to explore whether these exports might be allowed. There was also a reference from the Iron & Steel Controller received in November, 1959, asking for a clear-cut policy that should be followed in respect of barter deals. The matter was considered in consultation with the Ministry of Finance and a decision was conveyed to the Iron & Steel Controller on 14-1-1960 (*vide* copy of letter at *Appendix XXII*). By this letter the then Ministry of Steel, Mines and Fuel, Department of Iron & Steel (now Ministry of Iron & Steel) agreed to the export of 2 lakhs tons of ingots and slabs and 50,000 tons of billets on barter basis for imports of essential steel items. This empowered the Iron & Steel Controller to approve the barter deals involving export of semis and import of finished steel.

4.3. In February, 1960, the Department of Iron & Steel in consultation with the Ministry of Finance (copy of letter dated 2-2-1960. at Appendix XXIII) permitted the Iron & Steel Controller to issue pre-import licences where delay in exports was anticipated for reasons satisfactory to him, subject to certain other conditions, including production of an irrevocable letter of credit for exports or as an alternative irrevocable bank guarantee equivalent to 15 per cent of the value of import licence for the due fulfilment of export obligation. It was to be made clear to the exporters that the guarantee would be forfeited in case of failure to earn the foreign exchange by export, whatever be the reason therefor. It was also to be made clear to the exporters that in case of failure to earn the foreign exchange by export, the Iron & Steel Controller would have no further dealings with them. The guarantee would be releasable on actual export of the full quantity contracted for. Further, import licence was to be issued only in cases where a firm contract for exports existed.

4.4. Accordingly the Iron & Steel Controller entered into barter deals in 1960 with the following six parties* (among others), for the export of semis and import of steel equivalent to the value of foreign exchange earned. The table below gives the details of these cases:—

Name of the Party	Expected value of exports	Value of exports actually made	Value of pre-imports made	Bankguarantee taken but not forfeited.
(Rupees in lakhs)				
1. M/S. Amin Chand Payarelal, Calcutta	189.14	129.51	189.31	28.37
2. M/S. Ram Krishan Kulwant Rai, Calcutta	121.61	19.73	118.20	15.15
3. M/S. Khem Chand Raj Kumar, Calcutta	23.93	7.33**	20.46	2.67
4. M/S. J.S. Cohen & Co., Calcutta.	33.12	3.00	33.16	5.05
5. M/S. Surrendara Overseas (P) Ltd., Calcutta.*	38.00	17.85	43.33	Nil.
6. M/S. Apeejay (P) Ltd., Calcutta	86.41	78.19	(Details awaited)—	
TOTAL	492.21	255.61	404.46	51.24***

*Barter deals with Surrendra Overseas concluded by H.S.L. with the approval of the Department of Iron & Steel.

**Includes adjustment of foreign exchange of Rs. 1.60 lakhs earned against export of scrap and finished steel as indicated by the Ministry.

***Does not include figures regarding Apeejay (P) Ltd. as information is awaited from the Ministry.

4.5. Pre-import licences were given in all the above cases and ultimately these transactions led to the following losses/serious irregularities which came to the notice of the Sub-Committee:

1. *Loss in earnings of Foreign Exchange.*

Exports took place only to the extent of Rs. 255.61 lakhs as against the expected exports of Rs. 492.21 lakhs. There was thus a shortfall in earnings of foreign exchange to the extent of Rs. 236.60 lakhs i.e. the difference between the expected value of exports & the actual exports. Imports took place to the extent of Rs. 404.46 lakhs.

2. *Loss to Public Exchequer*

Bank-guarantees amounting to Rs. 51.24 lakhs have not been forfeited despite failure of the parties to fulfil their export obligations.

3. *H. S. L's Claims*

Besides the above, claims of H.S.L. against 4 of the above parties. (viz. M/s. Amin Chand Payarelal; Ram Krishan Kulwant Rai; Surrendra Overseas Pvt. Ltd. and Appejay Pvt. Ltd.) for non-acceptance of the deliveries of the materials etc., amount to about Rs. 61 lakhs and these cases are under court proceedings/arbitration.

Selection of Parties

4.6. In the Ministry's letter of 14th January, 1960 referred to above, it was *inter-alia* indicated to the Iron & Steel Controller that (a) "In regard to export on barter, the best way to handle things will be for you to get the offers first. These 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 of the export items."

(b) "You could also indicate to a few select firms the procedure outlined above."

4.7. The Sub-Committee enquired as to whether any tenders were issued before entering into these barter deals and how the offers were first initiated, i.e. whether they were initiated by the parties. The Secretary of the Ministry stated during evidence that the procedure regarding the export of slabs and ingots in 1960 had been described in the Ministry's D.O. letter dated 14-1-1960 (Appendix XXII). He added "apparently, at that time it was decided that open tender was not necessary." Continuing further he said "it was a common knowledge at that time that Hindustan Steel had a certain amount of surplus ingots, billets and slabs for sale. Therefore, it was the firms who approached us." The transactions were approved

provided the prices and other conditions were reasonable and provided further the parties had a contract with Hindustan Steel. The Government were approached by certain parties and those who had specialised sales knowledge in exports and imports of steel were selected and deals were entered into with them. The proposal from M/s. Amin Chand Payarelal for barter deals was received in August, 1959.

4.8. Asked if in 1959 they could examine the credentials of the parties i.e. their performance in export of steel and requisite special knowledge as no party at that time had any experience of exports of steel, the witness stated "except that the Steel Controller was perfectly well aware of what firms were dealing in steel..... he knew who were the main firms handling steel."

4.9. The Sub-Committee pointed out that the office of the Iron and Steel Controller also knew that many of the firms in this group belonged to one party alone and in view of that the Steel Controller should have settled the prices and other conditions. The witness stated "I think the Steel Controller was also guided by the letter from the Ministry that certain firms should be contacted."

4.10. On being pointed out that the system of tender was in vogue in respect of imports of steel and how could they dispense with it for exports, he stated that "so far as import is concerned, Government funds were directly involved..... There was no direct involvement of Government funds in export." When pointed out that Government involvement was no less in a barter deal than in straight transaction of imports, he stated "Most barter transactions are usually carried out at the instance of parties. We don't go about inviting open tenders for barter. I have not heard of open tenders being invited for barter deals. Usually the prices quoted by the parties are checked. If the prices are right, we agree to the transaction, otherwise not."

4.11. The Sub-Committee enquired if atleast public notice was given that Government would be allowing exports of semi-finished steel against import of finished steel. The Secretary of the Ministry stated "This was a public knowledge at that time. I cannot say that public notice was issued at that time. It was a public knowledge that H.S.L. had surplus ingots, blooms and slabs because their rolling mills were not ready." He further added "The fact remains that no public notice was issued. At that time anybody in the steel trade was welcome to come and he would know about the facts." When

pointed out that in view of the past history of these firms, they should have been careful in accepting their offers, the witness stated "I should think so."

4.12. Asked whether the biggest transactions were entered into with M/s. Amin Chand Payarelal group of firms, he replied in the affirmative and stated that their share, which was 9 per cent in imports and 12 per cent in exports of steel in 1959 increased to 59 per cent and 60 per cent respectively in 1960.

4.13. Asked what the intention was behind the instructions issued by the Secretary of the Ministry to the Steel Controller in January, 1960 that "you could also indicate to a few select firms the procedure outlined above", the witness stated that "no special reasons have been recorded on the file. In steel business there were only about half a dozen important firms. He probably meant that these important firms will deal with large quantities of steel." When pointed out that this must be applicable to all important firms and not to "a few select firms", he stated that "the Steel Controller won't select the least important firms. That was not the idea."

4.14. The Sub-Committee are unable to appreciate the manner in which the selection of parties was made by the Iron and Steel Controller in 1960 for these barter deals. At that time none of the parties had any mature experience of export of steel. Most of the parties selected were such against whom Government were obliged to take action at one time or the other. The Sub-Committee are not convinced with the argument given by the witness that there was no direct involvement of the Government funds in exports connected with these deals. The Sub-Committee feel that the Government involvement in these barter deals was no less than in a straight transaction of import of steel, especially when these deals were entered into after the decision to grant pre-import licences was taken. Another disquieting feature of this case is that neither any tenders were issued nor any public notice was given before these deals were concluded by the Iron and Steel Controller. Even the procedure described in the Ministry's letter dated 14th January, 1960 was to be indicated to "a few select firms." The Sub-Committee feel that the system of tenders which was already in vogue in the case of imports of steel, should have also been followed in these barter deals. Non-invitation of tenders thus deprived Government of the benefit of competitive terms and conditions.

Deals concluded without adequate fore-thought and Planning

(a) No prior approval of Hindustan Steel Ltd. sought:

4.15. It was indicated in the Ministry's letter of 14-1-1960 that the Finance Ministry had agreed to the exports of 2 lakhs tons of ingots/ slabs and 50,000 tons of billets on barter basis.

4.16. The Iron & Steel Controller, however, finalised deals for a total export quantity of over 3.74 lakhs tonnes of semis during the period January to May, 1960 without prior consultation with Hindustan Steel Ltd. or reference to the Ministry. Formal sanctions were issued by him to the parties in a standard letter form devised in January, 1960 for the purpose (*Appendix XXIV*). This letter indicated the quantity of semis to be exported; quantity of steel to be imported & prices thereof. It further provided that the concerned party should negotiate the price and delivery of exportable items with H.S.L. It also stipulated that exports would normally have to precede import of steel in exchange. Proposals for pre-import of steel might also be considered if satisfactory irrevocable letters of credit for exports were produced and suitable bank guarantees were furnished.

4.17. When copies of letters approving these transactions came to the Ministry, they were simply surprised and on 24th February, 1960, the Secretary of the Ministry wrote to the Iron & Steel Controller saying *inter-alia* (*vide Appendix XXV*) that:

"I find that in the following deals you have also approved the import of steel items..... 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 offers 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."

4.18. On 26th February, 1960, the Iron & Steel Controller replied (*Appendix XXVI*) to the Secretary of the Ministry to the effect that they were told by a representative of H.S.L. 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 be no difficulty in his (H.S.L. representative) being able to reduce them where necessary to fit within the revised targets.

4.19. Asked why in spite of these doubts, deals were finally concluded, the Secretary of the Ministry stated during evidence that "quite heavy cancellations (i.e. over 2.40 lakhs tonnes) were made after this letter. Subsequently, the actual quantities for which we issued import licences were quantities which were finally covered by export commitments entered into with H.S.L. (i.e. 1.33 lakhs tonnes). There was no other way. The H.S.L. will honour commitments if they had entered into export contracts."

4.20. In this connection the Sub-Committee also understood that while tendering evidence before the Committee on Public Undertakings on 18-1-1965 in connection with their examination of Rourkela Steel Plant the Chief Sales Manager, H.S.L. had stated as follows in regard to these barter deals:

"The reason is that letters came from the Iron & Steel Controller's organisation asking us to deal with these parties.... I would also like to submit that all along we have taken the view.....since this point has been raised..... we were never in favour of barter deals. We were fully aware of the difficulties; in fact, we represented to the Iron & Steel Controller that we were not in favour. But we were asked to enter into this barter deal."

4.21. The Sub-Committee pointed out that according to this evidence it was not only the Steel Controller's office but also the Ministry which forced the H.S.L. to enter into these contracts and enquired whether the H.S.L. had brought their difficulties to the notice of the Government. The Secretary of the Ministry stated during evidence that "I cannot find any letter from H.S.L. to the effect that they did not like to enter into the barter deals." The Chief Sales Manager, H.S.L., however, stated that "..... discussions took place at the level of the then Director-in-Charge of Sales and Finance and the representatives of the Government..... To the best of my knowledge we had submitted that there was less flexibility and there were certain difficulties..... What we had said was that we would prefer cash deals in preference to barter deals..... In substance what I have said is correct. But I cannot confirm whether it was put in the form of a letter or not."

4.22. When pointed out that in these circumstances when H.S.L. was not in favour of these deals, entering into these transactions was not a business deal but a deliberate action knowing fully well that they would not be able to fulfil it, the Secretary of the Ministry stated that "I have no evidence to show that these barter deals were entered into in the teeth of opposition from the H.S.L. or they had represented that there were serious difficulties." He, however, agreed that since there was the question of pre-import licences involved in these deals, a certain extra care was required on their part to ensure that the exportable quantity and quality was available in time and that it would be exported.

4.23. It is surprising that the whole scheme of these barter deals was conceived and approved by Government without the concurrence of the Hindustan Steel Ltd. Even after doubts arose on 24th February, 1960 in the mind of the then Secretary of the Ministry regarding the delivery of the exportable items, the office of the Iron and Steel Controller went on concluding the deals without prior consultation with H.S.L. As the issue of pre-import licences was involved in these deals, it was necessary to ensure that the exportable material was available in time and that further it would be exercised. The Sub-Committee are constrained to observe that adequate forethought was not bestowed by Government before approving the scheme of these barter deals and that views of H.S.L. were not given the due consideration, they deserved.

(b) *Pre-imports Decision not sound:*

4.24. As stated earlier, the Department of Iron & Steel, in consultation with the Finance Ministry decided on 2nd February, 1960 to issue pre-import licences in cases where delay in exports was anticipated for reasons satisfactory to the Iron & Steel Controller.

The Sub-Committee enquired as to whose idea (i.e. whether of merchants or of the Ministry) it was to allow pre-import in anticipation of export and what was the reference made to the Finance Ministry and agreed to by them in this regard. The Secretary of the Ministry stated during evidence that "In May, 1959, the merchants started this in connection with export of ferrous scrap. The same sort of reference came in regard to pig-iron exports also. So far as I can see, in January (1960) the Ministry itself thought that if these two things were happening in relation to ferrous scrap and pig-iron there was all the more reason in case of steel for giving the pre-import licence

.....” It was also stated that in May, 1959, issue of pre-import licences was agreed to in consultation with the Ministry of Finance in case of ferrous scrap. In November, 1959 the same was agreed to in case of exports of pig-iron.

4.25. On his attention being drawn to a letter written by the office of the Iron & Steel Controller to M/s. Amin Chand Payarelal on 17-2-62 (Appendix XXVII) according to which pre-import appeared to have been allowed at the special requests of the parties rather than in national interest, he stated that it was not so. The Sub-Committee drew the attention of the witness to the standard form of the letter (Appendix XXIV) which was issued to the parties by the Steel Controller from 29-1-60 onwards and which mentioned about giving pre-import licences in certain circumstances. The Secretary stated “It says that exports will normally have to precede imports..... Proposals for pre-imports may also be considered if satisfactory irrevocable letters of credit for exports are produced and suitable bank-guarantees are furnished.” Thereupon the Sub-Committee pointed out that if on 29-1-60 that was the policy, then what was the need for the Ministry to issue another letter on 2-2-60 to the Iron & Steel Controller laying down the policy regarding issue of pre-import licences. The witness stated “That was the normal procedure. When there was a barter deal, exports must take place first. It was felt that for the reasons that I spelt out in that note that was recorded that if we waited for that, then it would take a long time to complete the export. Therefore, the imported steel would arrive after the need for it had disappeared and when our own production has started. Therefore, it was considered that the general policy ought to be modified in case any party wish for that modification.” The Sub-Committee pointed out that in case the needs of the country were urgent as stated by the Secretary, then the question of party’s wishing any modification did not arise, as either the Government were giving pre-import licences in the national interest or they were guided by the discretion or the judgement of the parties. The Secretary of the Ministry stated “.....When they (parties) came to know of this, all these parties did ask for pre-imports.” Asked why they told the parties in the first instance on 29-1-60 regarding pre-imports, he stated that “because we wanted the steel first.” When pointed out that in that case they could have the barter system on that basis and there was no need to go to the Finance Ministry, he stated that “it was felt that in those special circumstances that prevailed in 1960, namely, we had a temporary surplus of billets; we had a surplus of slabs and ingots because the steel making capacity had not come up, it was felt that if we waited for the normal processes to come

~~to~~ i.e. the export to be completed before any import could take place, two things which were both undesirable would happen (i) the imported steel would arrive very late when the demand for it is pressing and (ii) it may arrive at a time when our own finishing facilities had been set up and the need for the steel would disappear. In those circumstances we approached the Ministry of Finance for relaxation of the normal procedure and the relaxation was agreed to by the Ministry of Finance."

4.26. On being pointed out that since the general need of steel imports was to continue in the country for quite some time, the argument put before the Finance Ministry that unless they hurried up with the imports, the need therefor might disappear and the country's needs might suffer was not a valid one, he stated that "the Steel Ministry did not contemplate for a moment that by 1960 all imports of steel would vanish. All that was meant was that certain varieties of steel which the Hindustan Steel were expected to produce in 1961 were not being produced in 1960; the need for that would disappear."

4.27. He, however, admitted that their main desire was to export the surplus semis and it was a clear understanding on the part of the Finance Ministry and the Department of Iron & Steel that imports would be allowed only to the extent to which foreign exchange would be generated by export of semis. For various reasons, pre-import licences were given and ultimately the parties failed to carry out the export obligations—thereby the main purpose of the scheme was defeated and in that process the country had lost the foreign exchange.

4.28. In a written reply explaining the reasons for inclusion of condition of pre-import licences in their standard form devised on 29.1.60, i.e., before issue of the Ministry's general instructions on 2-2-60, it was stated by the Ministry that "It is most likely that some telephonic intimation was given to the Steel Controller before final letter of 2.2.60 was issued. No written record of any discussion, however, could be traced." Asked why a record of that was not available either at the receiving end or at the despatching end, the Secretary of the Ministry stated "It is a fact that there was no record available."

4.29. The Sub-Committee also called for copies of actual references made by the Department of Iron & Steel to the Finance Ministry regarding grant of pre-import licences and their replies (Appendix XXVIII). They also had discussion with the representative of Finance Ministry in this regard. This revealed the following:

(i) First reference.

4.30. The first reference for allowing pre-import was made by the Department of Iron & Steel to the Finance Ministry on 15th May, 1959 as a result of a request from M/s. V.D. Swami and Co., with whom the Steel Controller had entered into a barter deal for export of ferrous scrap and import of steel. The Ministry of Finance (Department of Economic Affairs) recorded the following note on this file on 25-5-1959:—

“We definitely prefer that exports should precede imports. Any urgent demand could be met from the ceiling already allocated to the Iron & Steel Controller 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.”

4.31. Thus, though the Finance Ministry definitely preferred that exports should precede imports and urged that any demand, if urgent, might be met from the Iron & Steel Controller's special quota, the Department of Iron and Steel did not clearly follow the views of Finance Ministry and informed the Iron & Steel Controller as follows on 28.5.1959:

“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 export of scrap. Other cases where bank guarantee is provided may be treated in the same manner.”

(ii) Second reference.

4.32. The second reference to the Finance Ministry was made in January, 1960 in which the general question of allowing pre-imports in respect of barter deals involving export of scrap, pig iron and semis was considered. On this file, the Ministry of Finance recorded the following note on 27-1-1960:

“I understand from Deputy Secretary, Department of Iron & Steel 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 Deputy Secretary's note, before any import licence is granted. I have mentioned this clarification to Additional Secretary and we have no other comments.”

4.33. The representative of the Ministry of Finance deposed before the Sub-Committee that by a 'firm export contract' as mentioned in their note, above they meant a contract with the foreign buyers.

4.34. Though the Ministry of Finance intended that there should be a firm export contract with the foreign buyer before grant of any pre-import licence, the Department of Iron & Steel in transmitting their instructions to the Steel Controller on 2-2-60, (Appendix XXIII) laid down that "Import licence should be issued only in cases where a firm contract for export exists." This was interpreted by the office of the Iron & Steel Controller to mean a mere sales contract with Hindustan Steel Ltd., rather than a contract with the foreign buyer. The Secretary of the Ministry admitted during evidence that they did not "seem to have translated the instructions of the Economic Affairs Department in clear, unambiguous terms." When pointed out that it meant watering down the instructions of the Finance Ministry, he stated "it was not watering down; it was a question of not translating it in unambiguous terms. Watering down is deliberate; this was not deliberate." He, however, agreed that even though it was not deliberate, it did mean watering down the instructions of Ministry of Finance.

4.35. The Sub-Committee regret to observe that the whole case regarding grant of pre-import licences makes a very unhappy reading. The idea of granting pre-import licences was initiated first of all by merchants in May, 1959 in the case of exports of ferrous scrap and a similar reference came to the Department of Iron and Steel in September, 1959. The Department of Iron and Steel allowed pre-imports in that case in May, 1959 after consulting the Ministry of Finance. Even at that time the Ministry of Finance had clearly stated that they definitely preferred exports preceding imports and any urgent demand could be met from the ceiling already allocated to the Iron and Steel Controller. Despite that, permission for pre-import was given in that case.

Later on, in January, 1960 when these barter deals were being finalised with these parties, the Department of Iron and Steel made it a general issue and referred the matter to the Ministry of Finance who laid down that they agreed to the issue of pre-import licences provided there was a firm export contract and suitable letters of credit/bank guarantees (15 per cent of the import licences) were furnished. The Sub-Committee regret to observe that these views of Ministry of Finance were not communicated in clear and unambiguous terms by the Department of Iron and Steel, with the result that the Iron and Steel Controller understood firm export contract as a

mere sales contract with H.S.L. rather than firm contract with the foreign buyer. Even the Secretary, Ministry of Iron and Steel admitted in evidence that "the Ministry of Iron and Steel do not seem to have translated the instructions of the Economic Affairs Department in clear and unambiguous terms." The Sub-Committee feel that by not issuing the instructions regarding pre-import licences in clear and unambiguous terms, the Ministry of Iron and Steel watered down the instructions of the Finance Ministry, even though it might not have been deliberate, as stated by the Secretary. The Sub-Committee cannot but deprecate in strongest words this failure on the part of the Iron and Steel Ministry.

4.36. The Sub-Committee also fail to appreciate how the office of the Iron and Steel Controller could give this meaning to the export contract. He regarded the export contract as domestic contract rather than a contract with a foreign buyer.

4.37. The Sub-Committee were given to understand that before the Steel Controller issued his letter on 29th January, 1960 sanctioning some of these deals stipulating *inter-alia* issuing of import licences, it was likely that some telephonic intimation in this matter was given to the Iron and Steel Controller before the final letter dated 2nd February, 1960 was issued. No record of this telephonic intimation was available either at the despatching or receiving end. The Sub-Committee fail to understand as to why a record of such an important communication was not kept at either end.

4.38. The Sub-Committee also feel that as a result of granting of pre-import licences, the main purpose of earning foreign exchange by export of semis with a view to import finished steel was defeated. After the parties were given pre-import licences, they failed to carry out a major portion of their export obligation resulting in a loss of foreign exchange earning of Rs. 236.60 lakhs. The Sub-Committee, therefore, cannot help observing that the decision to allow pre-import was not based on sound premise and left much to be desired.

(c) *Pre-import allowed without even ensuring a contract with HSL*

4.39. The Sub-Committee were informed that the procedure adopted by the office of the Iron & Steel Controller in entering into these deals and in granting pre-import licences was to first verify that there was a valid contract between HSL and the party for export of semi-finished steel and thereafter give an import licence on application by the firm on furnishing the requisite bank-guarantee of letter of credit. However, in one instance (i.e., of M/s. Ram Krishan

Kulwant Rai) a licence was issued "inadvertently" even without their entering into a contract with the H.S.L. This firm made an offer in March, 1960 and the deal was approved by the office of the Iron & Steel Controller on 5-5-60 and the import licence was issued on 7-6-60 (5 I/Ls. of value of Rs. 101 lakhs were issued). This 'mistake' was found out in November, 1960 and efforts were made to persuade H.S.L. to make available the steel for being exported and thereby earn foreign exchange to off-set the foreign exchange lost by way of imports.

4.40. Asked when the omission came to their notice and whether any responsibility was fixed in the matter, the Deputy Steel Controller stated that "the firm submitted an import licence application. There was a bank guarantee and they asked for pre-import licence. It is necessary to find out whether H.S.L. has contract or not. It was not done in this case by mistake. Assistant Checking Officer did not check it. H.S.L. said that the firm approached them for contract, they have not signed the contract; they (i.e., Steel Controller) have given import licence. They found that mistake has occurred. The letter was written by the Controller to the Chairman, H.S.L. that this mistake occurred and H.S.L. agreed to finalise the contract with them. This was squared up. There was lapse on the part of the officer concerned. He was told to be more careful in future. Actually there was mistake on everybody's part. Responsibility was there squarely on all of them, the firm, the officer and clerk concerned."

4.41. When pointed out that this mistake came to their notice when the matter was reported by H.S.L. otherwise there was no system by which they could discover it, he stated "it ought to have been checked. I quite agree that there was no regular system." It was also stated that the original deal was sanctioned in May, 1960 and the mistake came to their notice only in November, 1960. By that time i.e. November, 1960, the party had made imports of 8297 tonnes of steel valued at Rs. 95.08 lakhs and a balance of 149 tonnes worth Rs. 3.90 lakhs was only left. The customs permit was stopped at that time until the party entered into contract with H.S.L. (which was done on 18-1-61). The party made the remaining imports worth Rs. 3.90 lakhs by February, 1961, thus making total imports of Rs. 98.98 lakhs. In regard to exports made, the Deputy Steel Controller stated that "they have not exported anything. The contract with H.S.L. is in dispute. They have not taken any material at all." As regards bank guarantees, he stated "that also has expired."

4.42. Asked why in spite of all this happening, they did not have any departmental enquiry against the officer concerned, the Deputy Steel Controller stated that "the officer concerned who happened to be myself, put the entire case before the Controller. He could have done it, I was myself the officer so what can I say. It is a very bad case. I am very much concerned about it. I quite agree it is a very serious lapse. I was feeling very much about it. I myself wrote that it is a very serious lapse. I signed it. I should have checked it." When asked whether he took any action against persons who put up the papers to him, he stated that "I have warned them. After all he is a poor clerk. I have reported to the Iron and Steel Controller and said 'it is upto you to take whatever action you consider necessary'."

4.43. In order to get a contract entered into by this party with H.S.L., the Iron & Steel Controller took up the matter with the Chairman, H.S.L. in November, 1960. In this connection, the Sub-Committee also noticed from the D.O. correspondence that passed between the Iron & Steel Controller and the Chairman, H.S.L. (Appendix XXIX) that the Chairman, H.S.L. in his letter dated 26th November, 1960, had pointed out to the Iron & Steel Controller that "offering material for export to this party at this stage could result in considerable criticism." The Steel Controller in his reply dated 13-1-61 stated that "I am a little puzzled at your statement to the effect that offering materials for export to Ram Krishan Kulwant Rai could result in considerable criticism." On being pointed out that even this observation of 26th November, 1960, of Chairman, H.S.L. did not arouse any curiosity in the Ministry or the Steel Controller's office to go into the details of the case, but on the other hand efforts were made to justify the whole thing, the Secretary of the Ministry stated during evidence that "what the Chairman, H.S.L. said was that materials lying in stock at their plants could now be sold by them on cash and that barter deal would result in considerable criticism. That is the burden of this letter. The Steel Controller's point is that it is not correct to sell everything against cash. Therefore, he says that he is a little puzzled, etc." He, however, admitted that the Iron & Steel Controller was bound to write such a letter and that "it is a perfectly possible interpretation" of the position that the Steel Controller was in a tight corner at that time and wanted to cover up the mistake as soon as possible.

4.44. Asked at what stage this serious mistake came to the notice of the Ministry and what action they took on that, the witness

stated that copies of the correspondence between the Steel Controller and H.S.L. were sent to the then Secretary of the Ministry and that in a note written by him on 28-1-1961, on the Steel Controller's letter of 13th January, 1961 itself it is stated "It is the rejection of this proposal by the H.S.L. which will invite criticism." Continuing the witness stated "I cannot find from the file any action recorded. It appears that he (the then Secretary of the Ministry) also took the view that it was a genuine mistake."

4.45. In this context the Sub-Committee noticed that before writing his first letter of 14-11-60 to the Chairman, H.S.L. on this matter, the Steel Controller had informal discussions with Chairman, H.S.L. and the then Secretary of the Ministry at Dum Dum Airport on 13-11-60. The latter also spoke to the Chairman, H.S.L. about this matter. Asked whether the Secretary's good office was used because the Steel Controller could not persuade the Chairman, H.S.L. and correct the mistake, the witness stated that "it did not appear like that." On being pointed out that though the then Secretary of the Ministry came to know about the mistake, he had no comments to make upon that but on the other hand he could not restrain himself from commenting on one sentence of the Chairman, H.S.L., the witness stated that "I think he must have accepted that it was a genuine oversight."

4.46. Asked whether any record of the discussion at Dum Dum Airport was kept by the then Secretary of the Ministry, the witness replied in the negative.

4.47. One of the main conditions for allowing pre-import licences was that there should be a firm export contract, by which the Ministry of Finance meant a contract with the foreign buyer, but which was wrongly interpreted by the Iron and Steel Controller as a mere sales contract with the Hindustan Steel Ltd. This was a condition precedent before granting any import licence. The Iron and Steel Controller issued import licences worth over Rs. 1 crore in favour of M/s. Ram Krishan Kulwant Rai in June, 1960 without verifying that there was a valid contract between the party and the Hindustan Steel Ltd. This was completely in contravention of the instructions of the Ministry of Iron and Steel and the Sub-Committee feel that this was a very serious lapse. It is not easy for the Sub-Committee to believe that import licence worth more than a crore of rupees could be issued at a time to a single party by 'mistake'. The Sub-Committee cannot understand nor can it approve of the system under which import licences worth more than a crore of rupees could be issued to a party inadvertently by 'mistake'. The Sub-Committee take a very serious view of this 'mistake' or inadvertence.

4.48. It is also very surprising to note that there is no regular system in the office of the Iron and Steel Controller to detect such mistakes and they came to know about it only in November, 1960, when H.S.L. pointed out after five months of the issue of imports licences and by which time the party had made bulk of imports.

4.49. What is still more disquieting is the fact that in spite of the frank admission by the defaulting officers of the seriousness of the lapse, no enquiry seems to have been held by the Steel Controller into the matter. There appears to have been no feeling in the Steel Controller's office that something serious had happened. On the other hand persistent efforts were made to cover up the whole thing and the H.S.L. was made to enter into a contract with the party by seeking the intervention of the then Secretary of the Ministry.

4.50. The Sub-Committee also note that it was only after an informal discussion at Dum Dum Airport on 13th November, 1960 when the three officers, mentioned above, met there that the letter was written by the Iron and Steel Controller to the Chairman, H.S.L. and copies endorsed to the then Secretary of the Ministry. The Sub-Committee feel that information regarding this lapse having taken place, was brought to the notice of the Ministry of Iron and Steel in a roundabout manner rather than in a straightforward report that something serious had happened and that the Iron and Steel Controller was taking steps to rectify the same.

4.51. Though the then Secretary of the Ministry came to know about this mistake, he simply acquiesced in it and had not a single word to say about it and even did not keep a record of the discussion he had with the officers at Dum Dum Airport. On the other hand he could not restrain himself from commenting against an observation of the Chairman, H.S.L. who wanted to be straightforward and firm. Such an attitude of the then Secretary of the Ministry could not be free from public criticism. The Sub-Committee feel that there was a positive failure on the part of the Department of Iron and Steel to enquire into this lapse.

4.52. The net result of this costly mistake has been that the party, even though it entered into an agreement with H.S.L. in January, 1961, failed to export any quantity of steel and the country suffered a loss of foreign exchange earnings of about Rs. 1 crore in this case. The Sub-Committee feel that this is a serious lapse which needs enquiring into for fixing responsibility.

(d) *Delay in exports not examined in each case:*

4.53. The Sub-Committee enquired whether, before granting pre-import licences, the Steel Controller examined and satisfied himself in each case that delay in exports was anticipated as visualised in the Ministry's instructions of 2-2-1960. The Secretary of the Ministry stated during evidence that "As far as I can make out, he proceeded on the general assumption that it would take sometime for Hindustan Steel to complete these supplies which were intended for export and in that general view, he seems to have felt that to speed up the supply of imported steel, pre-import licence might be allowed. I can't say that in each case he has specifically recorded that he has satisfied himself that there would be delay in export and so pre-import may be allowed."

4.54. When pointed out that it comes to this that the instructions of the Ministry were watered down by the Steel Controller, the witness stated that "As I see it, the real laxity was in not watching the proper enforcement of the bank-guarantee. There I agree entirely with you. But otherwise he was not watering down our instructions. The whole object of these instructions was to allow pre-import. He was realistic in feeling that export will take a little time. But I do agree that he failed in watching the implementation of the bank-guarantee."

4.55. The Sub-Committee regret to note that the Iron and Steel Controller did not examine in each case whether delay in exports was anticipated as he was required to do in accordance with the Ministry's letter dated 2nd February, 1960 and he merely proceeded on general assumption that it will take sometime for H.S.L. to complete these supplies. The Sub-Committee are of the view that the Iron and Steel Controller failed to comply with the clear instructions of the Ministry in this case.

4.56. In this connection it is pertinent to mention that the entire barter scheme was evolved to export surplus semis and, therefore, more importance should have been given to the main objective of the scheme. Even if the completion of the exports was likely to take time, the import licence could have been issued to the extent to which the foreign exchange was actually earned by the exporters and as and when it was so earned.

Failures in regard to Bank-Guarantees

4.57. To ensure exports taking place, the letter of the Department of Iron & Steel dated 2-2-1960 to the Iron & Steel Controller stipulated *inter-alia* the following conditions before a pre-import licence was given:

- (a) The production of an irrevocable letter of credit assigned in the favour of the exporter for the value of the entire export quantity;
- (b) In case the exporter was not able to procure an irrevocable letter of credit for the entire quantity of export then he might be asked to furnish an irrevocable bank guarantee equivalent to 15% of the value of the import licence applied for.
- (c) It should be made clear to the exporter that the guarantee would be forfeitable in case of failure to earn the foreign exchange by export, whatever be the reason therefor.
- (d) The guarantee would be releasable on actual export of the full quantity contracted for.

Accordingly, the Iron & Steel Controller issued pre-import licences and obtained bank guarantees, as follows:

Name of the Party	Bank guarantee taken		Imports		Exports	Whether bank guarantee forfeited or not
	Date of Receipt	Amount (Rs. lakhs)	Value of I/Ls. issued (Rs. lakhs)	Value of actual imports made (Rs. lakhs)	made (Rs. lakhs)	
1	2	3	4	5	6	7
(1) M/s Amin Chand Pyarelal.	(i) 14-3-60 (ii) 22st, 22nd and 29th June, 1960	13.25 15.12	95.22 (issued on 16-3-60) 100.84 (41/Ls issued in June/July, '60)	88.99 100.32	59.94 69.57	No "
(2) M/s Ram Krishan Kulwant Rai	(i) .. (ii) 1-6-60	Nil 15.15	Issued in July, '60; value not known 100.73 (5 I/Ls issued on 7-6-60)	19.22 98.98	19.73 Nil	.. No
(3) M/s J.S. Cohen and Co.	9-2-60	5.05	33.12 (one I/L issued on 10-2-60)	33.16	3.00	..
(4) M/s Khem Chand Raj Kumar	30-8-60	2.67	20.64 (2 I/Ls issued on 19-9-60)	20.46	7.32	..
(5) M/s Surrendra Overseas Pvt. Ltd.	..	Nil	(2 I/Ls issued on 5-8-60 and on 5-4-61, value not Known)	43.33	17.85	..
(6) M/S Ape jaj Pvt. Ltd.	..	..	(AWAITED)	..	78.19	..
TOTAL	..	51.24**	..	404.46*	255.61	Nil

*Excludes value of imports by Apeejay (Pvt.) Ltd. which is awaited.

**Does not include amount of bank guarantee furnished by Apeejay Pvt. Ltd. for which information is awaited.

It will be seen that though all the parties failed to fulfil their full export obligations, bank guarantee has not been forfeited in any case. The various failures in taking of bank guarantees are discussed below:

Terms of the Guarantee

Inadequate consideration by the Ministry:

4.58. One of the most important conditions regarding granting of pre-import licences in these barter deals was furnishing of irrevocable bank-guarantees where irrevocable letters of credit could not be obtained. The Sub-Committee noted that in May, 1959, granting of pre-import licences in respect of deals involving export of ferrous scrap were agreed to be given by the Department of Iron and Steel against a bank-guarantee of 20% of the deal, though the Iron & Steel Controller had suggested that it should be 15%. Later on, in February, 1960, the Ministry reduced it to 15% in all cases of pre-imports. Asked about reasons for this reduction in the percentage of bank-guarantee, the Secretary of the Ministry stated during evidence that "no reasons are recorded in our papers as to why later on it was 15% and earlier it was 20%. All that I can say is the same officer seems to have taken a harsher view at one time and rather a more liberal view the next time."

4.59. When pointed out that in November, 1959 (*vide* Appendix XXX) in the case of pre-imports against export of pig iron they informed the Iron & Steel Controller that even 20 per cent guarantee was not sufficient and had asked him to insist on production of irrevocable letters of credit in all cases, even though he suggested that it would be difficult to obtain letter of credit and a guarantee higher than 20 per cent might be specified in consultation with Finance, the witness stated that they did that at the instance of the Ministry of Finance and that it was a specific case. Subsequently when the general question of pre-imports was considered in January, 1960, the Department of Iron & Steel suggested 15 per cent guarantee and the same was agreed to by the Ministry of Finance. He also stated that the Deputy Secretary concerned was the same on both the occasions.

4.60. Asked whether the fact that they were previously getting 20 per cent bank-guarantee was brought to the notice of the Finance Ministry at the time of consideration of the general question of pre-imports, he replied in the negative. The Sub-Committee then enquired from the representative of the Ministry of Finance as to why they agreed to 15 per cent guarantee when they themselves

took the view that even 20 per cent was inadequate. In subsequent written reply (Appendix XXXI) furnished by the Ministry of Finance, they have stated:

".....From the copies of notes mentioned in 2(a) above, it seems that when the Ministry of Steel, Mines & Fuel (Deptt. of Iron & Steel) came up for allowing pre-import in January, 1960, they explained the necessity for the parties furnishing a bank-guarantee to the extent of 15 per cent of the value of import licence applied for. No mention was, however, made to the effect that the procedure that was being followed till that time was that parties were required to furnish a bank guarantee of 20 per cent of the value of import licence. The Ministry of Finance, Department of Economic Affairs' concurrence in the proposal of the Ministry of S.M.&F. was mainly on the necessity of furnishing a bank guarantee and not so much on the percentage figure. Moreover, the reference to the E.A. Department in fact, did not contain any specific proposal for a reduction of the percentage figure from 20 per cent to 15 per cent."

4.61. The Sub-Committee feel that while referring this case to Ministry of Finance in January, 1960, the Department of Iron & Steel should have mentioned that previously they were getting bank-guarantee equivalent to 20 per cent of the value of the import licence in similar cases. They regret to note that this was not done, nor was a specific proposal made to Ministry of Finance regarding reduction of amount of bank guarantee from 20 per cent to 15 per cent. This, the Sub-Committee feel, was an omission on the part of Department of Iron & Steel, more so, because almost at the same time opinion was held that even 20 per cent bank-guarantee was not an adequate safeguard and the letter of credit must be insisted upon. It also appears that the Iron & Steel Controller wanted that a higher amount of bank -guarantee may be prescribed as it was not possible to get letters of credit and for that he asked the permission of the Finance Ministry. They are unable to appreciate why thinking about the quantum of bank-guarantee changed in the Ministry of Iron & Steel within so short a period, especially when the nature of deals, the parties and the officers concerned were the same. This is yet another instance of inadequate consideration of the whole matter of these deals.

Bank guarantee form:

4.62. The Sub-Committee were informed during evidence that although the Ministry's letter of 2-2-1960 laid down that the party should furnish an absolute guarantee to export, the Solicitor of

the Iron & Steel Controller (Government Solicitor) in drafting the guarantee form took the view that no bank would agree to such an absolute guarantee. He (Solicitor) worded the bank guarantee form (at Appendix XXXII) in a qualified manner in that the condition of the guarantee was that "the Iron & Steel Controller has agreed to enter into contract with the obliger (i.e. the party) for import of.....on the undertaking of the obliger to export....
.....produced by M/s. Hindustan Steel Ltd. within 3 months from the date of delivery of the material, by M/s. Hindustan Steel Ltd." Therefore, the actual form of the bank guarantee as drafted by the Solicitor was quite different in all material respects from the intentions of the Government's letter.

4.63. Asked why they went to the Solicitor when the terms of the guarantee were already known to them and a guarantee form was in use earlier for export of ferrous scrap, pig iron etc., the Secretary of the Ministry who made available a copy of the old guarantee form (Appendix XXXIII) stated that "this bond (old guarantee bond) is obviously not suitable for the type of transactions we were going to enter into."

4.64. Asked if there was any failure when old form was in use, the Deputy Iron & Steel Controller stated that there had been no failures. Asked why then they changed it and referred the matter to the Solicitor, he stated "because of the Ministry's letter where some conditions were given for pre-imports, we thought that we should have a look at the form and we sent it to the Solicitor. He felt that this form is not suitable and he drafted a different form."

When pointed out that the previous form was better than the revised one as under that, the currency period of the guarantee could be fixed by Government as they considered necessary, the Secretary of the Ministry stated that "the main failure was not in watching when the bank-guarantee was expiring and taking timely action."

4.65. The Sub-Committee enquired if the Controller was not at fault in not insisting on bank guarantees in terms of Ministry's letter dated 2-2-1960, the Secretary stated that "The Steel Controller, when he found that the Solicitor drafted the bank guarantee in a form which did not entirely carry out the wishes of the Ministry should have really brought this matter to the notice of the Ministry or taken it up again with the Solicitor. There was undoubtedly failure on his part to do so. Quite often as laymen we issue instructions and lawyers draft them differently. I do not say that it was a grievous omission although it would have been better

if he had brought it to our notice so that we could have either modified our instructions or acquiesced in that particular form of guarantee."

4.66. This is yet another case where Iron & Steel Controller did not carry out the conditions laid down by the Ministry in their letter dated 2-2-1960 regarding furnishing of bank guarantee. The Iron & Steel Controller was responsible to the Ministry. If he felt any difficulty in getting guarantees in the form required, he should have placed the matter before the Ministry for their consideration. The Sub-Committee regret to note that this was not done. On the other hand he referred it to the Solicitor who drafted the guarantee form which was not in consonance with the intention of the Ministry.

The Sub-Committee fail to appreciate the attitude of the Government Solicitor who took upon himself obligation to advise that no bank would agree to such a bank-guarantee. Instead of drafting the document and embodying the intentions of the Government, he went outside the scope of his duties and drafted a form which was least satisfactory.

The result has been that limited, conditional and qualified bank-guarantees were furnished by the parties and accepted by the Iron & Steel Controller, with attendant difficulties in enforcing the same. The Sub-Committee cannot help feeling that there was a serious lapse on the part of Iron & Steel Controller in taking guarantees in a form which did not carry out intentions of the Ministry.

4.67. They would also recommend that Government should look into this matter and prescribe a suitable bank-guarantee form for use by the Iron & Steel Controller in future.

Guarantee amounts released in driblets:

4.68. The instructions of the Ministry of Iron & Steel dated 2-2-1960 stipulated that "the guarantee will be releasable on actual export of the full quantity contracted for." It was, however, noticed from the written replies that in actual practice the Steel Controller had been releasing the guarantee amount in driblets as and when a party exported small quantities.

Explaining this, the Secretary of the Ministry stated during evidence that on 9-9-1960, the Iron & Steel Controller wrote to the Ministry to say that "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 barter deal and thereby earned foreign exchange. We have acceded to their request after satisfying ourselves that the export had already been made and foreign exchange earned by the parties." On 21st September, 1960, the Ministry confirmed that the action taken by the Controller was in order (copies of these letters at Appendix XXXIV).

4.69. When asked why they deviated from the instructions of the Ministry as accepted by the parties, the witness stated that "apparently the Steel Controller thought that the proposition put by the exporters was a reasonable one and accepted it; the Ministry confirmed later this action." When pointed out that reasonableness was decided by them in the first instance in February, 1960, he stated that "when a party represents, there is nothing to stop us from reconsideration." He, however, admitted that "the only thing is, he (Steel Controller) need not have done this and then asked for approval. It would have been preferable for him to take the previous order of the Ministry."

4.70. Asked which were the parties from whom requests were received by the Iron & Steel Controller, he stated that the first representation was from M/s. Amin Chand Payarelal on 19-7-1960 and the same was acceded to by the Controller on 27-7-1960. The second time, the same party represented on 7-9-1960 and it was acceded to by the Controller on 9-9-1960. At that time a letter was also sent to the Ministry, there being no letter to them in the first case.

4.71. When pointed out that the Steel Controller's letter to the Ministry mentions about receipt of "some requests from some of these import licence holders" and was misleading, he stated that "there were two cases, but the party was the same."

4.72. Asked how the Ministry confirmed the action of the Steel Controller in the absence of details regarding the representations i.e. names of firms, their performance, etc., he stated that "the Ministry would not decide on the basis of the name of the firm, etc. They would decide the question of principle only." When pointed out that it was a request from one party only and not a widespread hardship, he stated "others also took advantage of this later on."

4.73. It is astonishing that a particular firm's requests for release of bank guarantee amounts were immediately acceded to by the office of the Iron & Steel Controller in direct contravention of the Ministry's instructions dated 2nd February, 1960. It is all the more disturbing to note that in the first case which was received by the Iron & Steel Controller on 19th July, 1960 and agreed to by him

on 27th July, 1960, he did not inform the Ministry at all. The second case from the same party was received by Iron & Steel Controller on 7th September, 1960. He agreed to the same on 9th September, 1960 and then only informed the Ministry. The Sub-Committee regret to note that the Iron & Steel Controller did not pay proper attention to the instructions of the Ministry. The Ministry too, when they were informed, did not take the trouble of going into the matter properly but simply acquiesced in the action of the Steel Controller. The Sub-Committee feel that the action of Ministry was hasty. It was not a hardship as to call for a change in the policy originally enunciated by the Ministry in consultation with the Ministry of Finance. Public money was at stake in these transactions and bank guarantees should have been released on export of full quantity contracted for as originally envisaged. The manner in which both the Steel Controller and the Ministry acted in this matter indicates that they did not safeguard the public interest adequately.

Failure to take Bank-guarantee from M/s. Surrendra Overseas:

4.74. No bank-guarantee was taken from M/s. Surrendra Overseas in respect of 2 import licences against which import worth Rs. 43.33 lakhs were made by them. Explaining this, the Deputy Iron & Steel Controller stated during evidence that they "did not ask for bank guarantee because the materials were urgently needed for Hindustan Steel. Here we were pressing them to get the import first. One of the licences was issued to Hindustan Steel itself (with letter of authority to the party)."

4.75. Asked how they ensured that the export obligation would be fulfilled by the party, he stated that "there was the contract with HSL executed by the firm to export." When pointed out that it was immaterial for whom the material was needed, he stated that "that was the consideration the Iron & Steel Controller followed and even the Secretary of the Department of Iron & Steel. In one case the Controller himself permitted it. In second case there was a quantity of 5,000 tons which the Secretary, Department of Iron & steel approved. Approval was taken verbally. The material was for HSL and they said bank-guarantee should not be taken." As to how this firm was selected, he stated that "HSL selected in both the cases, with the approval of the Iron & Steel Controller." The Secretary of the Ministry stated that "that was the decision of these people. In one case HSL is itself shown as importer and also exporter."

4.76. The Sub-Committee are unable to appreciate why bank-guarantee was not taken in this case for the due performance of

the export obligation. It was a case where pre-import licences were granted. Bank-guarantees are taken for fulfilling the export obligation and has nothing whatsoever to do with for whom the imported material is meant. Since the export obligation was attached to this transaction also the case did not deserve a departure from the established procedure. It is regrettable that both the Iron & Steel Controller and the Ministry deviated from the established procedure in this case.

Failure to watch renewal of Bank-guarantees:

4.77. The Sub-Committee enquired whether any of the bank-guarantees taken from the firms, who were allowed pre-imports, was in force today; circumstances under which they were allowed to lapse before they were forfeited and whether the office of the Iron & Steel Controller asked the firms to extend the guarantees from time to time. In a written reply thereto, the Ministry of Iron & Steel have furnished copies of correspondence (some of the letters at Appendix XXXV) regarding extension of bank guarantees. It has also been stated that "The firms appear to have extended the old B.G. (bank guarantee) so long as they had definite expectation of getting export materials from H.S.L. After, however, disputes arose with HSL with regard to quality and price, they did not extend the B.G. The B.Gs. were not enforced by Iron & Steel Controller in time in the hope of exports materialising after satisfactory solution of the disputes. Unfortunately B.Gs. had meanwhile expired."

4.78. It would be seen from Appendix XXXV that there have been several failures on the part of the office of the Iron & Steel Controller in this matter. The most important of these failures has been that the Iron & Steel Controller did not ask the parties to renew the bank-guarantees in time. In many cases he asked the parties to renew the bank-guarantees several months after the bank-guarantees had already expired e.g. in the case of M/s. Amin Chand Payarelal the bank-guarantees expired in February and June, 1961. It was only in November, 1961 that the Controller asked the firm to renew these i.e. 5 to 9 months after the date of expiry. In the case of M/s. Khem Chand Raj Kumar the bank-guarantees expired on 28-2-61 and it was only on 2-6-61 that the Iron & Steel Controller asked the firm to renew the same. In the case of M/s. J. S. Cohen and Co., the bank-guarantee had expired on 1-1-62 and it was on 15-2-62 that the Steel Controller asked the firm for its renewal. In the case of M/s. Ram Krishan Kulwant Rai the bank-guarantee expired on 2-10-60 and the Controller wrote to the firm to renew the same on 31-10-60.

4.79. The Sub-Committee pointed out that the Iron & Steel Controller did not watch the bank-guarantees even after several months of their expiry. The Secretary of the Ministry stated "It is a fact that there was laxity in watching the renewal of the bank-guarantees. There is no use in saying that it was not so". When pointed out that this laxity in watching the renewal of bank-guarantees had cost the Public Exchequer several lakhs of rupees, the Secretary of the Ministry stated ".....I do not think it has cost the public exchequer anything. What has happened is that a certain amount of foreign exchange which we expected to earn, we failed to earn....." On being pointed out that if the Government had forfeited the bank-guarantees for failure of these parties, the Government would have got the amount, the Secretary stated "to that extent we can say that it has cost the exchequer."

4.80. The Sub-Committee feel that there was an understandable positive failure on the part of the Iron & Steel Controller in not watching the bank-guarantees properly and renewing the same timely. This was the primary factor leading to the failure in forfeiting the bank-guarantees worth over Rs. 51 lakhs for non-fulfilment of the contractual obligations. No satisfactory explanation was given to the Sub-Committee regarding non-pursuit of the bank-guarantees in time.

The Sub-Committee feel that the failure to pursue the bank-guarantees requires to be investigated in details and responsibility therefor to be fixed.

Other failures in regard to bank-guarantees:

4.81. A few other failures which took place in non-pursuit of bank-guarantees are also indicated below:

- (a) The Controller confirmed on 9th September, 1960 to the bankers of M/s. Amin Chand Payarelal reduction in the amount of bank-guarantee from Rs. 13,24,800 to Rs. 11,91,952 without waiting for the undertaking from the firm to furnish a fresh bank-guarantee before the expiry of letter of credit, as required.
- (b) A guarantee of the above firm had expired in December, 1960 and the Controller was asking to renew the same in January, 1961. The same party had not yet renewed. But at the same time (5-1-61) the Controller agreed to reduce the amount of another bank-guarantee furnished

by the same party. The Secretary of the Ministry admitted during evidence that "they could have actually used it as a handle in the other case."

- (c) The bank-guarantee to the extent of 15 per cent of the import licence was required to be taken but in one case of M/s. Amin Chand Payarelal it was noticed that the bank-guarantee was short by about Rs. 1 lakh. This was attributed to a mistake in calculation. This was set right later.
- (d) The Controller went on giving further import licences and customs clearance permits to the parties in spite of having given warnings to them to withhold these until bank-guarantees were renewed (Appendix XXXVI).

4.82. The Sub-Committee find that there have been several failures in taking and enforcing bank-guarantees in these barter deals. Firstly, the Department of Iron and Steel wanted to have absolute bank-guarantees but the Iron & Steel Controller reduced it to a limited and conditional bank-guarantee in consultation with the Solicitor. Secondly, even these limited bank-guarantees were released by the Controller in dribblets i.e. as and when a portion of exports took place. Thirdly, there was a complete laxity in the office of the Iron & Steel Controller in watching the bank-guarantees and getting them renewed in time. Ultimately it came to this that the limited bank-guarantees were accepted. Even those limited bank-guarantees were not watched effectively by the Iron & Steel Controller and they expired. The parties have also not renewed these bank-guarantees in spite of repeated reminders from the Iron & Steel Controller. Thus non-forfeiture of bank-guarantees have resulted in a loss of over Rs. 51 lakhs.

4.83. The Sub-Committee are constrained to observe that the whole scheme of taking bank-guarantees in these barter deals was a complete failure and was primarily due to the failure of the office of the Iron & Steel Controller. They desire that the different lapses in this case may be investigated with a view to fixing responsibility.

Performance of the contracts

(a) *Performance not satisfactory:*

4.84. As stated earlier, contracts were entered into (i) by the Iron & Steel Controller with the parties (standard form of the contracts) at Appendix XXIV and (ii) by the parties with H.S.L. for the

purchase of H.S.L.'s semi-finished steel for export on barter basis. Table below shows the quantity and value of exports expected to be made, exports actually made and the balance:

Material	Quantity expected to be exported tonnes	Value in Rupees (Lakhs)	Qty. actually exported tonnes	Value in Rupees (Lakhs)	Balance quantity tonnes	Value in Rupees (Lakhs)
Ingots	45,562	.	29,401		16,161	
Slabs	52,538	492 21	21,112	255 61	31,426	236.60
Billets	35,420		15,924		19,496	
TOTAL	1,33,520	492 21	66,437	255 61	67,083	236 60

Of the total quantity to be exported, 91,222 tonnes was on "tested" basis and 42,298 on "as is where is" basis. As against this, actually exports of "tested" materials were 55,390 tonnes and of "as is where is" 11,047 tonnes only.

4.85. The Sub-Committee were informed that H.S.L. has preferred claims amounting to Rs. 61.14 lakhs on 4 parties (viz. Amin Chand Payarelal, Surrendra Overseas, Ram Krishan Kulwant Rai and Apeejay (P) Ltd.) (statement at Appendix XXXVII). Parties were also stated to have preferred counter claims, and two of these cases (i.e. of Apeejay Pvt. Ltd. & Surrendra Overseas) were under court proceedings and the other two cases (i.e. of Amin Chand Payarelal & Ram Krishan Kulwant Rai) were under arbitration. There were no claims of H.S.L. on the other two parties.

4.86. Asked on what grounds the parties refused to take deliveries, the Chief Sales Manager, HSL stated during evidence that "The parties, despite repeated intimations to them, either did not acknowledge the letters or just said that the material was not suitable for their requirements and they sent various types of letters." Asked why they transported the materials to the port, he said that "we had hired some dumps at Vizag and Calcutta. There was no proper storage space at works. Even today our practice is this. We always transport material well ahead of time and keep it in storage. In respect of these commodities rail movement and steamer movement is extremely difficult." When pointed out that since the parties were not accepting they should not have sent the material, he stated that "After a substantial quantity of

material had reached the ports then only they raised about this point." Asked on what basis the parties objected to the quality of the goods, he stated "they did not at all acknowledge our letters in spite of repeated reminders. In some cases they did not open the letter of credit. The ships nominated by them did not actually arrive at the port. This way, the contracts were frustrated."

4.87. Asked why HSL had no claims against other two parties viz. M/s. J. S. Cohon & M/s. Khem Chand Raj Kumar who had also not lifted the quantity contracted for or lifted only part of it, the Chief Sales Manager, H.S.L. stated that "there was no failure on the part of the parties to take delivery of whatever we have made and the rest we could not supply. We were advised that we may not proceed against these parties and there will be no point in entering into litigation." When asked why they did not manufacture the goods contracted for, he stated that in the case of M/s. Khem Chand Raj Kumar "the last supply was made on 28th February, 1961 which the party accepted and we wanted to deem it as extension of the contract (which had already expired on 30th November, 1960) but they (party) did not agree."

4.88. The Sub-Committee were also assured by the witness that the H.S.L's claims amounting to over Rs. 61 lakhs against the four parties were not likely to be time barred for want of action on their part.

4.89. As these cases between Hindustan Steel Ltd. and the parties are *sub judice*, the Sub-Committee do not wish to comment on them at this stage.

4.90. The Sub-Committee enquired whether it was a fact that export of steel involved a loss and import of steel a profit and that is why this export commitment was not honoured. In a written reply the Ministry of Iron & Steel stated as follows:

"Under present conditions of the international market, the export of steel involved a loss. Import of steel gives profit and that is apparently the reason why the exports are linked with import in a barter transaction. As has been stated there have been reasons why export commitment were in some cases not honoured but it is conceivable that in view of this inherent loss in export there might have been a tendency not to honour the commitments and to back out. Legal opinion is being sought as to whether any claim can lie on the firms for their failure to export against imports already made resulting in more profits to them than was due to them under the deal."

4.91. Asked what had been the legal opinion, the Secretary of the Ministry stated during evidence that the Deputy Legal Adviser had advised on 31st January, 1966 as under:—

“We find that the firms’ applications were not addressed to the President of India, nor were the letters of sanction signed for and on behalf of the President of India. In the circumstances, in our opinion, the barter sanctions do not amount to a concluded contract between the parties. As such any breach of the sanction is not enforceable in a court of law.”

4.92. When pointed out that the show cause notices served to the parties indicated that there was a breach of the Iron and Steel Control Order, the witness stated that in that connection the Deputy Legal Adviser had stated that “the Iron & Steel Control Order may also be amended by addition of a clause to the effect that failure to export steel pursuant to barter transactions in respect of controlled categories would be punishable offence under the Iron & Steel Control Order.”

4.93. When pointed out that in 1959 a similar point was raised by the Controller’s office that since these barter agreements were not entered into in the name of the President they were defective and not enforceable, the witness stated “you are quite right. That point was unfortunately raised in connection with direct purchase by the Steel Controller. I agree that we should have been wiser after that and in every contract we should have put it.”

4.94. When asked whether the present agreement (standard form at Appendix XXIV) between the Steel Controller and the parties was a contract or not, the witness stated that “It is a peculiar type of contract. It is not an ordinary type of contract. It is a Government approval given under certain conditions, you can call it a contract, if you like.”

4.95. As against the contractual export obligation of Rs. 492.21 lakhs actual exports were Rs. 255.61 lakhs only i.e., a shortfall of Rs. 236.60 lakhs. Quite apart from whatever cases may be going on in courts of law or arbitration, the Sub-Committee consider it very unfortunate that Government now find themselves in a helpless position. The difficulty regarding the form of the contract was known to the Ministry even in 1959 and there should have been enough warning to the office of the Iron & Steel Controller to put his house in order before he entered into these contracts in 1960.

They hope that at least now the Ministry would be wiser and take steps to prescribe a suitable contract form for barter deals as well as amend the Iron & Steel Control Order.

(b) *Action against the Parties*

4.96. The Department of Iron & Steel's letter dated 2nd February, 1960 to the Steel Controller regarding pre-import licences *inter alia* stipulated that "It should also be made clear to the exporter that in case of failure to export, Iron & Steel Controller will have no further dealings with him."

4.97. Asked whether this condition was enforced when the parties failed to export, the Secretary of the Ministry stated during evidence that "we consulted the Vigilance Commission and their advice was that we could not black-list them (parties) on this ground." Reference to the Vigilance Commission was stated to have been made on 27th March, 1965.

4.98. When asked why they referred the case to the Central Vigilance Commission, especially when in the case of a party from Kanpur, it was not referred to the Commission and the party was black-listed by them permanently from 1962, he stated that the Commission's order requiring their consultation in such cases came in 1964. That order had subsequently been amplified and the Commission's consultation was now required only in corruption cases and not where firms alone were involved. Continuing he said that "the Vigilance Commission gave their advice on 4th February 1966 in which they stated that the question of black-listing was the concern of the administrative Ministry and it was for the administrative authorities to deal with such cases."

4.99. Asked whether they had since intimated to the Iron & Steel Controller not to deal with these parties, he stated that "black-listing was a confidential action and they had to examine whether there was any justification for it." When pointed out as to what they had in mind at the time of stipulating the condition that there would be no further dealings with these firms, he stated that "definitely that is the intention; but as it so happened this type of absolute injunction cannot be strictly carried out."

4.100. On being pointed out that they had used different expressions in the written replies viz. "black-listing" and "business suspension" etc., he stated that "the only difference is that when we formally black-list a party, then we inform all the Departments of

the Government. Suspension of business can be ordered by any one Department without necessarily asking all the Departments to suspend the business." When pointed out that they could therefore suspend business with the parties even without black-listing, he stated "It is possible. Even suspension is ordered after going into the merits of the case."

4.101. In this connection the Sub-Committee also noticed from the written replies that show cause notices (copies at Appendix XXXVIII) were issued by the Iron & Steel Controller to the firms in April, 1964, although their failures to export occurred in 1960. Asked about reasons for this delay, the Secretary of the Ministry admitted during evidence that "there was definitely delay in black-listing or taking action for black-listing." On being pointed out that the show cause notices were loosely worded in that there was nothing at all about exports, he agreed that "the drafting is very poor."

4.102. The Sub-Committee note that one of the main conditions stipulated in the Ministry's letter dated 2nd February, 1960 was that the Iron & Steel Controller will have no further dealings with the exporter in case of failure to export. In all these cases the parties failed to export either the full quantity contracted for or at all. The Sub-Committee regret to observe that even this simple stipulation of the contract regarding stopping of dealings, was not carried out. For the various reasons no action has been taken so far by the Iron & Steel Controller or the Ministry against these parties. In view of the fact that the Government were obliged to black-list them or suspend the business on a number of occasions, the Sub-Committee feel that the Iron & Steel Controller should have been extra careful while entering into these barter deals involving huge amounts. Even when the failure of the parties to fulfil their export obligations took place in 1960, the Iron & Steel Controller issued show cause notices to them only in April, 1964 of which "the drafting is very poor" was admitted by the Secretary. The Sub-Committee feel that there was unduly long delay in initiating action against these parties. And there is no justification at all for this "very poor drafting".

(c) Future Policy regarding Barter Deals

4.103. In regard to future barter deals contracts, the Secretary of the Ministry stated during evidence that "so far as steel is concerned, my own opinion is to stop all barter deals. They have led to all kinds of abuses. I am personally against them. In fact, last year we asked the M.M.T.C. to take over all imports of steel

where barter were involved. But under some export incentive scheme, certain things are allowed". When pointed out that M.M.T.C. would again deal with the same parties he stated "that was my one objection to hand it over to them. I have handed over only a part of it. Unless they make direct arrangements, they will again have them as handling agents. We have given them only a part of it to get themselves going on this line."

4.104. It was further stated by the Iron & Steel Controller in evidence that for the last 4 or 5 months, exports of scrap were being canalised through a separate organisation called the Metal Scrap Trading Corporation in which one third equity was held each by furnace owners, exporters and the M.M.T.C. When pointed out that Government had taken no shares in it and at the same time all ferrous scrap exports had been given to this Corporation, the Secretary of the Ministry stated that "we are trying to introduce a little order in a system where there was complete disorder". When suggested that it might be declared a Government company, he stated that "the object is not to make profits. The object is simply to regulate the rather dis-coordinated export trading in scrap that was going on."

4.105. As admitted by the Secretary of the Ministry, barter deals have led to all kinds of abuses. In view of this it requires a serious consideration on the part of the Government whether such deals should be allowed and if so under what circumstances and through what agency. In the opinion of the Sub-Committee such deals should normally be handled directly by the S.T.C./M.M.T.C. They would recommend that after a careful examination Government should enunciate a clear policy in the matter.

Other matters relating to the working of the Organisation of Iron and Steel Controller

(a) Organisation

Future of the Steel Controller's Organisation

4.106. The Sub-Committee enquired whether in view of the reduced work in the Iron and Steel Controller's office due to the decontrol of most of the steel items and taking over of planning and distribution of steel by the Joint Plant Committee it was necessary to have its present elaborate set up. The Secretary of the Ministry stated during evidence that "I would like to reserve my answer because we have appointed a special Committee under the Chairmanship of Shri Khadilkar, M.P. He is looking into it."

System of licence numbering

4.107. From a statement showing the import licences issued by the Iron & Steel Controller to all commercial importers of the value of Rs. 5 lakhs and above during the years 1959 to 1965, the Sub-Committee noticed that import licence bearing same number had been issued to two different parties. Further earlier numbers were issued on a later date and later numbers on earlier date as per instances given below:

<i>Name of Party</i>	<i>I/L. No. & Date</i>
1. M/s Khandelwal Bros (P) Ltd., Calcutta	00002 dt. 8-1-59
2. M/s J.S. Cohen & Co.	-do- dt. 13-1-59
3. -do-	00004 dt. 13-1-59
4. State Trading Corporation of India	00001 dt. 12-1-59

4.108. Asked about reasons for this, the Deputy Iron and Steel Controller stated during evidence that in the statement only serial number had been mentioned but code words were also there and licences were quite different. He also admitted that the statement was incomplete in that certain numbers had not at all been given there. When asked why incomplete information was furnished, he stated that "The statement was prepared on the basis of the weekly bulletin issued by the Commerce Ministry. The statement was required quickly. We thought that that was the place where this information would be available. We did not consult our own register."

4.109. On being pointed out that the statement was sent through the Ministry and they took some time to verify it, the Secretary of the Ministry stated "I apologise for this omission."

4.110. The Sub-Committee enquired whether the import licences were machine numbered, the Secretary of the Ministry stated "as I see thing before me, after the letter No. SIC/IL/15, there is a pin pointing by machine just like perforation." He, however, promised to furnish an upto date statement showing the licences issued for Rs. 5 lakhs and above duly checked by Audit. The Sub-Committee subsequently received a statement from the Audit with a note thereon. A portion of the note is reproduced below:

"It has been observed that the import licences were not machine numbered and no counter-foils were maintained by the Iron and Steel Controller. Only office copies of the licences issued were stated to have been kept in different files. It has also been noticed that the registers maintained by the Iron and Steel Controller, Calcutta, did not bear any attestation of the

entries made therein. These were not closed and submitted to any supervisory officer. In view of the position stated above it does not seem possible for Audit to state whether the statements prepared by Audit are correct and complete in all respects.

Moreover, no uniform procedure was followed by the Regional Offices for allotting numbers to import licences. In view of this, Audit could not verify whether there was an omission to record any import licence actually issued in the respective registers."

4.111. The Audit also pointed out a number of items which were not included in the statement furnished by the Ministry to the Sub-Committee. They also pointed out some of the items which appeared in the Ministry's statement but which were not included in the statement prepared by Audit. It appeared that all the registers were not made available to the Audit by the office of the Iron and Steel Controller.

4.112. The Sub-Committee are alarmed to note that there is an appalling state of affairs so far as the issue of import licences and maintenance of records thereof by the office of the Iron and Steel Controller is concerned. These import licences were neither machine numbered; nor were proper records maintained in the office of the Iron and Steel Controller. The registers maintained for this purpose did not bear attestation of the entries made by any officer. Further, no uniform procedure was followed by the Regional offices of the Iron and Steel Controller in allotting numbers to import licences, etc.

4.113. The Sub-Committee regard this state of affairs as very serious as this can lead to many complications. They desire that the procedure regarding maintenance of records of issue of import licences in the office of the Iron and Steel Controller and its branches should immediately be examined in consultation with Audit and suitable remedial measures taken.

(b) Prices and Distribution

4.114. The Sub-Committee noticed the following features in regard to the control over the prices and distribution of materials by the Iron & Steel Controller under these barter transactions:

(i) Element of profit not known

4.115. The Sub-Committee enquired as to what control was exercised by the Iron and Steel Controller over the steel imported under these barter deals, what margin of profit was allowed and

what steps were taken to prevent it from going to the black-market. In a written reply, the Ministry of Iron and Steel stated that "Import of Steel was allowed on condition that it would be sold to the nominees of the Iron and Steel Controller at prices determined by Controller. Imports were frozen under Iron and Steel (Control) Order as soon as Customs Clearance Permits were issued. Thereafter Release Orders were issued in favour of individual allottees. The ceiling of CIF price was fixed on the basis of Metal Bulletin Price. Internal selling price was fixed after allowing 4 per cent on account of handling cost for *ex jetty* deliveries and 7½ per cent for *ex godown* deliveries over the full landed cost or the Col. I price whichever was more. The element of Profit involved in these deals is not known."

4.116. Asked why the element of profit was not known, the Secretary of the Ministry stated during evidence that "on the face of it, there is no special profit involved. To be quite frank about this, the people have their own ways of making profits." On being pointed out that since the prices and distribution was controlled by the Iron and Steel Controller, there should be no difficulty in determining the profits, he stated that "profit can be from 4 per cent to 7½ per cent on all imports. On exports we do not know as to what their margin of profit is." Asked why they could not know the profits on exports, he stated that "Because, for the exports, the prices at which they sell are mentioned in the invoices. We know the difference in prices. That difference will be the profit they earn. So, on the face of it there is no special profit for the exports. But if there is any hanky-panky case, then there may be some profit." When pointed out that the quota and distribution of the imported materials was controlled by them, he stated that "If a thing is not disposed of within two to three months or four months they (importers) are allowed to have free sales out of that. In that they make all kinds of profits. Technically speaking, they are supposed to give those quantities of materials to the people who have got quotas".

(ii) *Basis of price fixation not sound*

4.117. The Sub-Committee were informed that both the import and the export prices of steel were fixed with reference to the Metal Bulletin prices, which appeared weekly. On being asked whether they had paid any attention to an observation of the Audit in 1961 that metal bulletin prices were not a proper guide and that these should be based on actual prices paid in previous months, the Secretary of the Ministry stated during evidence "Not a great deal. We still think that the metal bulletin is a better guide."

4.118. In this context it was noticed that under an import licence given by the office of the Iron and Steel Controller to M/s. Amin Chand Payare Lal, the firm had imported 159 tons of stainless steel sheets in 1960 for Rs. 10.04 lakhs which worked out to about Rs. 6,000 per ton. Asked how this price was determined, the Secretary of the Ministry stated in evidence that "stainless steel prices are not ordinarily quoted in metal bulletin. The prices have been fixed by the Price Accounts Officer. It is all varying with different gauges." He promised to check up and furnish a note which has since been received.

4.119. It is observed from this note that the prices for the stainless steel were fixed by the office of the Iron and Steel Controller after inviting quotations from overseas suppliers through certain importing houses like Mahindra and Mahindra, Amin Chand Payare Lal and also through STC.

4.120. The Sub-Committee are not entirely satisfied with the present system of pricing and distribution of imported steel. So far as pricing is concerned, the Iron and Steel Controller mainly relied on Metal Bulletin prices. This was objected to by Audit but the Department still felt that the Metal Bulletin was a reliable guide. In some categories, however, like stainless steel, even this guide *viz.* Metal Bulletin prices was not available. The basis adopted in fixing stainless steel prices was unsatisfactory inasmuch as competitive quotations were obtained through interested parties and not through independent sources. The Sub-Committee, therefore, feel that during the period of so many years of its existence, the office of the Iron and Steel Controller should have evolved a more reliable and rational method regarding pricing of the material involved in barter deals. As regards the distribution of the imported steel, the Sub-Committee were given to understand that after about 120 days of the import of materials, the importers are permitted to sell it to the quota-holders. The Sub-Committee feel that some check should be exercised by the office of the Iron and Steel Controller on such releases of steel to the quota-holders by the importers so as to avoid any possibility of the sale to unauthorised persons.

Dealings with the Parties

(a) Ramification of the Parties

I. Multifarious activities

4.121. The Sub-Committee have been informed that of the six parties, with whom these barter deals were entered into, three (*viz.* Amin Chand Payare Lal, Surrendra Overseas, Apeejay Pvt. Ltd.

belong to the same group. This group has several other firms in various activities and in steel alone there are 21 firms (list at Appendix XXXIX).

4.122. Other two firms viz. Messrs Ram Krishan Kulwant Rai, Khem Chand Raj Kumar involved in these deals are also stated to be inter-related with M/s. Amin Chand Payare Lal group of firms. These parties have their own associates (list at Appendix XL).

II. Predominance in Steel Trade

4.123. It was stated by the Secretary of the Ministry during evidence that the share of Amin Chand Payare Lal group of firms was 9 per cent in imports and 12 per cent in exports of steel in 1959. It increased to 59 per cent and 60 per cent respectively in 1960.

III. Ex-employees working in these firms

4.124. A few of the ex-employees of the office of the Iron and Steel Controller are working in these firms.

IV. Cases of employees under investigations

4.125. For irregular dealings with these firms, cases of some of the employees of the office of the Iron and Steel Controller have been/are being investigated by the SPE. In one case one of the officers of the office of Iron and Steel Controller is being prosecuted in the court of Special Judge, Delhi.

V. Blacklisting/suspension of business dealings

4.126. The Sub-Committee were informed that a number of times Government had blacklisted or suspended business with M/s. Amin Chand Payare Lal and their associates as follows:—

Name of the Party	No. of times blacklisted/suspension of business	Period	Remarks
1) Amin Chand Payare Lal	2	i) 4-8-54 to 29-1-57	Done by Ministry of Works, Housing & Supply.
		ii) 31-7-63 to 31-7-65	Done by Ministry of Iron & Steel.
2) Surrendra Overseas	2	i) 26-10-56 to 29-1-57	Done by Ministry of Works, Housing & Supply. Ministry of Iron & Steel.

1	2	3
	ii) 31-7-63 to 31-7-65	Done by Ministry of Iron & Steel.
3) Surrendra Overseas Ltd.	I 31-7-63 to 31-7-65	Do.
4) International Sani- tary Engineers.	I 15-9-54 to 29-1-57	Done by Ministry of Works, Housing & Supply.
5) India Engg. Works.	I 4-8-54 to 29-1-57	Do.
6) Metal Import, Calcutta.	I 31-7-63 to 31-7-65	Done by Ministry of Iron & Steel.
7) Apeejay Private Ltd.	I Do.	Do.
8) Amin Chand Payare Lal Tin Container Unit.	I Do.	Do.

It was also stated by the Ministry of Iron & Steel that they issued an order on 16th November, 1962 that all business dealings with Amin Chand Payare Lal group of firms should be suspended by HSL and Iron & Steel Controller until the dispute leading to accumulation of semis at the ports was finally settled. This suspension still continued.

4.127. The Sub-Committee enquired about reasons for suspension of business by the Ministry of Iron & Steel with M/s. Amin Chand Payarelal for two years from 31st July, 1963 to 31st July, 1965. The Secretary of the Ministry stated during evidence that this case related to the disposal of some 700 tons of imported rounds in an irregular manner by Surrendra Overseas (an associate of M/s. Amin Chand Payarelal). Office note suggested that "there can be two ways Surrendra Overseas can be penalised. They can be black listed or business dealings might be suspended. Both can be of permanent nature or for particular period. Suspension of business dealings with the firm and its allies and associated concerns with the Iron & Steel Controller for a period of 2 years will meet the requirements of the case. That was accepted. The Minister said it will be a general order so that other Government departments and Government institutions also do not deal with this firm..... Then the letter from Iron & Steel Controller came enquiring into the matter. This was then discussed with the

Minister and he said that it was not his intention to include transport lines within the scope of his order. After reconsideration he decided that it is enough if our order was to suspend dealings with M/s. Surrendra Overseas and allied concerns for 2 years only. This will apply only to Iron & Steel Controller."

Asked why the Minister changed his mind that the order should not be communicated to the other departments, the witness stated that a letter dated 17th July, 1963 from the Controller enquiring whether business suspension was to be applied to Apeejay Lines also was received. This was put up to the Minister who said it was not his intention to include transport lines such as Apeejay within the scope of his order. After reconsideration, he had decided that it would be enough if their orders for suspension of the business dealings with M/s. Surrendra Overseas and allied concerns were for 2 years. These orders would apply only to the Iron & Steel Controller.

4.128. The Sub-Committee are unable to understand the circumstances under which the Minister changed his previous orders so soon that the business suspension with M/s. Aminchand Payarelal group of firms should not be communicated to other Government Departments.

(b) *Favours shown to Parties*

Unauthorised Imports by M/s. Metal Imports, cleared by the Steel Controller

4.129. In June, 1959 a barter deal involving export of pig iron and import of steel was entered into by the Iron and Steel Controller with M/s. Metal Import Private Ltd. (an associate firm of M/s. Amin Chand Payare Lal). On 8/9th September, 1959, the Iron and Steel Controller wrote to the Ministry to say that the firm had shipped some steel plates (about 1,000 tonnes out of a total quantity of 8,500 tonnes) and that "on the assumption that the procedure about import prior to export by giving a bank guarantee for 20 per cent of the 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 customs clearance permit for this material in order to avoid any demurrage" (letter at Appendix XLI).

Asked why goods imported without a valid import licence were allowed to be cleared, the Secretary of the Ministry stated during evidence that "Import licence was there; it was on the condition that import would be made after the exports. This was not previously a pre-import case. It was a barter case of export against import. The import licence has been issued subject to the condition

that exports would take place first and that condition was disregarded by the party. Therefore, the warning was given." When pointed out that it was a conditional import licence and was not operative till the exports were made, he admitted that "they were not validly supposed to operate on that".

4.130. One of the reasons given for issuing customs clearance permit was to avoid demurrage. On being pointed out that the demurrage was to be paid by the party and they therefore gave the C.C.P. in the party's interest, the Deputy Iron and Steel Controller stated that "they asked for it and we accepted, after giving warning". He also stated that normally they did not give clearance certificate for unauthorised imports. When asked under what authority they gave permission for clearance of such unauthorised imports, the Secretary of the Ministry stated that "the Steel Controller as the licensing authority will have the power". In a subsequent written reply they have stated as follows:

"Iron and Steel Controller has powers under the Import and Export Control Act to issue I/Ls. or C.C.Ps. provided the item desired to be imported is licensable by him. In exercise of these powers and taking into account, the circumstances of each case, orders were given by him in each individual case.

In this connection, clause 3(i) of Imports (Control) Order 1955 (as amended upto 18th March, 1964) is reproduced below:—

"Restriction on Import of certain goods—(i) 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."

4.131. Asked whether there were any other cases in which the office of the Iron and Steel Controller had allowed clearance of imports without valid import licence, the witness promised to furnish the information later. This has since been received and is at Appendix XLII. Some of these other cases are briefly discussed here under:

(1) *M/s. Ram Krishan Kulwant Rai*

4.132. A barter deal licence was issued to this party on 7th August, 1961 for import of 4081.39 M/Tons of B.P. sheets Hot Rolled and Cold Rolled sheets a c.i.f. value of Rs. 28:90 lakhs, with the stipulation that the "foreign exchange will be adjusted against the

foreign exchange to be earned by the export of pig iron—Remittances will not be permitted to be made till export.”

It was, however, noticed that the shipments for importing the following consignments were effected on 10-6-1961 and 30-6-1961, i.e. prior to issue of the import licence:

- (i) 2949.183 M/Tons of B.P. Sheets valued at Rs. 20,80,943/-
- (ii) 1050.817 M/Tons B.P. Sheets Cold Rolled valued at Rs. 7,41,457/-.
- (iii) 81.39 M/Tons Cold Rolled Steel Sheets valued at Rs. 57,428/-.

4.133. To regularise the above shipments against the barter sanction, import licences were issued as per Controller's order and thereafter C.C.Ps. were issued for the above consignments.

(2) *State Trading Corporation of India with L/A to M/s. Amin Chand Payarelal*

“The following Barter Import Licences were issue to State Trading Corporation of India Ltd., New Delhi with L/A to M/s. Amin Chand Payare Lal, 135, Canning Street, Calcutta with the condition that foreign exchange against these licences is adjustable against foreign exchange earned by export of Manganese Ore:

L.No. & Date	Materials	Qty. in M/Tons	C.I.F. Value in rupees
1. SIC/BR/D/1001/36 dt. 8-2-61	Drum Sheets Cold Rolled.	1305.479	11,08,400
2. SIC/BR/D/1001/37 dt. 8-2-61	M/S. Cold Rolled Sheets Deep Drawing.	508.727	4,31,000
3. SIC/BR/D/1001/38 dt. 8-2-61.	Do.	536.91	4,77,620

Shipments of all consignments relating to the above Import Licences were effected on 6th November, 1960, 3rd November, 1960, 23rd November, 1960, 28th November, 1960 i.e., prior to issue of the above Import Licences.

“Shipments of materials before issue of the above import licences were condoned by Controller.”

(3) *M/s. Amin Chand Payarelal*

4.134. “M/s. Amin Chand Payarelal, Calcutta imported one consignment of M. S. Sheets for a C.I.F. value of Rs. 6,64,372/- at Bombay without any licence. The consignment was considered as un-

authorised. However, on firm's undertaking to re-export the entire consignment to the Country of Origin, the Iron and Steel Controller granted a clearance permit (without any Exchange Control copy for remittance) for clearance from port and storage in their godown for onward re-export. For execution of re-export suitable Bond was obtained."

(4) *M/s. Apeejay Private Ltd.*

4.135. "M/s. Apeejay Private Ltd. Calcutta imported two consignments of M. S. Sheets for C.I.F. value of Rs. 2,15,684/- and Rs. 7,32,165/- at Calcutta without any licence. The consignments were considered as unauthorised import. However, on firm's undertaking for re-export the entire consignments to the Country of Origin, the Iron and Steel Controller granted Clearance permits (without Exchange Control copies for remittance) for clearance from Port and storage in their godown for onward re-export. For execution of re-export suitable Bond was obtained." (This case has been dealt with below separately).

4.136. From the above the Sub-Committee find that in quite few cases parties imported materials either without any valid licence or without any licence at all. It seems that the parties took the office of the Iron & Steel Controller for granted to issue them any licence whenever they required etc. In the case of M/s. Amin Chand Payarelal and Apeejay (P) Ltd., (this case has been dealt with separately also) there were no import licences and the consignments were considered as unauthorised imports. Even then the office of the Iron & Steel Controller granted C.C.Ps. (without exchange control copies for remittance) and permission for storage in their godowns.

4.137. The Sub-Committee feel that the granting of C.C.Ps. in these cases was irregular and action should have been taken against the parties under the Import and Export (Control) Act, 1947.

The Sub-Committee also fail to understand how the shipments of the materials in the case of M/s. Ram Krishan Kulwant Rai took place in June, 1961 when barter import license was given on 7th August, 1961 and in the case of M/s. Amin Chand Payarelal (transaction through the S.T.C.) the shipment of all the consignments took place in November, 1960, when the import licences were issued in February, 1961. The Sub-Committee feel that the shipment of the materials before the sanction of the import licence was a clear case of unauthorised import and action should have been taken under the Sea Customs Act and Import and Export (Control) Act, 1947. The condonation of these irregularities regarding shipments made prior to

the issue of import licences by the Iron & Steel Controller was in the opinion of the Sub-Committee, a serious lapse.

4.138. It is strange that such unauthorised imports have mainly been made by the same group of firms and they had been condoned by the office of the Iron & Steel Controller. The Sub-Committee would recommend that Government should go into all these cases and find out the precise reasons for these irregularities so as to plug loopholes, if any, in the existing regulations to avoid recurrence of such cases.

Manipulation of imports by M/s. Apeejay Pvt. Ltd.

4.139. Full details of the barter deal entered into with M/s. Apeejay Private Ltd. were not furnished by the Ministry of Iron & Steel in written replies due to the reasons that the case was with the Special Police. Asked in what connection the case had been taken by the Special Police, the Joint Director, Central Bureau of Investigations stated during evidence that they received a report from the customs that this firm had imported goods (in October, 1961) worth Rs. 9 lakhs without an import licence and they had detained the same. But later on clearance permit was granted by the office of the Iron & Steel Controller on the condition that these goods should be re-exported by 30th December, 1961. This date was further extended from time to time. At the time of re-export of the goods on 30th October, 1962, it was found that they were not the same goods as had been imported. Their investigation had been completed and the matter was now pending with the Central Vigilance Commission.

4.140. Asked why the office of the Iron & Steel Controller allowed clearance of these unauthorised goods, the Secretary of the Ministry stated in evidence that "The firm when it imported this particular material had a valid licence for import against barter deal for a particular value. Because the firm was able to import the goods in its own ships, there was some saving in foreign exchange in freight and, therefore, it exceeded the quantities which had been mentioned in the licence and brought extra steel for the amount of foreign exchange which had been saved in freight. . . . So the Steel Controller allowed it to be cleared from the customs because no foreign exchange was involved but said that this must be re-exported." When pointed out that since the goods were to be re-exported what was the need for Controller's clearance and they could have been dealt with by the customs, the Deputy Iron & Steel Controller stated that

firm represented to them that "these materials had already been unloaded and they had thought that it was within their right. We disallowed their claim. Then they represented to us that because they had already unloaded it and were paying heavy wharfage, they may be allowed to take them back and this request was acceded to." It was also stated that it was laid down in the customs clearance permit that the goods will be stocked in some godown and inspection both prior to clearance and then every week thereafter carried out till they were re-shipped.

4.141. The Sub-Committee pointed out that the goods in question were imported without any valid import licence and they could have been seized by the customs. The Secretary of the Ministry stated "all that I can say is that this particular matter is with the Central Vigilance Commission." On being asked as to why the goods in question should be cleared from the docks and brought to the godowns and if they did that what would happen to the foreign exchange. The Secretary of the Ministry stated "on re-export we will earn foreign exchange." Asked whether they actually earned foreign exchange, he added "what happened ultimately was that the Ministry decided that since this thing (semi-plate) was urgently required by the country, a part of it was utilised here."

4.142. When pointed that this manipulation of imports to the extent of Rs. 9 lakhs should have put the Controller's officers on guard and they should have enquired as to how the foreign exchange was found and where the malpractice was taking place and reported the matter to the Foreign Exchange Control, the Secretary of the Ministry stated that he could not tell whether the Steel Controller went into the matter or not without looking at the file and undertook to furnish a note later (Not received—awaited).

4.143. In this context, the Sub-Committee were also given to understand that Amin Chand Payarelal group of firms has a shipping Company of their own called the Appejay Lines. When asked whether it had ever occurred to the Steel Controller that because these parties might be importing the cargo in their own ships there could be manipulation about quantity in the manifests, bills of lading, etc., the Secretary of the Ministry replied in the negative and added that customs exercised some checks in this regard.

4.144. The Sub-Committee also understand from the note furnished by the SPE in this case that M/s. Apeejay (P) Ltd., Calcutta submitted applications to the Iron & Steel Controller on 12th October, 1961 for customs clearance permits in respect of consignments which

were imported without any valid import licence. The firm in their application kept column 4 regarding No. and date of import licence against which shipment was made, blank.

4.145. On being asked about it the firm requested for clearance against their previous licences Nos. 60, 95, 96, 97 and 98 but on scrutiny it was found that the balance against these licences was almost nil. On 30th October 1961, the Iron & Steel Controller, therefore, ordered that "the material should be taken back from the country." One of the officers *viz.* Assistant Director, Shipping an *ex-officio* Deputy Iron & Steel Controller had even then pointed out that the goods having arrived without licence, final adjudication proceedings lay with customs and the question of issue of custom clearance permit did not arise. However, Controller's orders were communicated to the firm in a letter dated 1st November, 1961 for reshipment of the materials to the country of origin.

4.146. The firm in their application dated 1st November 1961, prayed for the issue of C.C.P. to avoid unnecessary expenditure and undertook to arrange re-shipment after clearance. In the office of the Iron & Steel Controller, the Assistant Director of shipping again advised against the issue of C.C.Ps, while another Deputy Controller suggested that the firm should be required to store some materials in their bonded warehouse, but was doubtful about the propriety of issuing the C.C.P. The matter was discussed on 4th November, 1961 and the Controller decided to issue customs copy of the import licence without exchange control copy on the firm giving bank-guarantee for 10 per cent of the cost and freight value of the goods and on their undertaking to re-ship the materials on or before 30th December, 1961. The proposed bond was referred to the Government Solicitor on 6th November, 1961 for vetting. The Government Solicitor expressed the view that there was no provision in the Iron & Steel Control Order empowering the Controller to issue order for reshipment of the material unauthorisedly imported. He felt that only the Collector of Customs had these powers. In disregard of this opinion, C.C.Ps were issued on the conditions (i) that the goods will be reshipped to the country of origin by 30th December 1961, and will not be sold in India; (ii) that the goods will be stocked in some of the godowns of the firm and will be subject to inspection both prior to clearance and also every week after clearance by an inspector of the Iron & Steel Control Organisation; and (iii) the party would execute bond on adequately stamped paper for 10 per cent of the *c.i.f.* value together with the Reserve

Bank of India concurrence. The Sub-Committee also noted from the note of the S.P.E. that the goods were not inspected weekly as prescribed in the C.C.P.

4.147. The note of the S.P.E. also indicated that when these goods were being reshipped, it was observed that M/s Apeejay Pvt. Ltd. *vide* shipping bill No. 1379 dated 30th October, 1962 tendered for re-export of 104 bundles weighing about 200 M/Tons and an inspector of the Iron & Steel Controller Organisation certified the same on the shipping bills. Similarly on 6th November, 1962 the same inspector certified another bill No. 532 dated 6th November, 1962, for 294·501 M/Tons. When few of the packages were opened and checked by the Customs after receipt of information of mis-declaration, it was found that the actual weight was less than what had been declared. It was found that first case consisted of 103 bundles weighing 83·92 M/Tons as against 104 bundles of declared weight of 200 M/Tons *vide* shipping bill No. 1379 of 30th October, 1962. Similarly against shipping bill No. 532 dated 6th November, 1962 for 294·501 M/Tons consisting of 168 bundles it was found that there were 169 bundles weighing only 93·280 M/Tons. There were thus false declarations in respect of weight and there was also false certification by the office of the Iron & Steel Controller.

4.148. In this case, M/s. Apeejay (P) Ltd. imported materials worth Rs. 9 lakhs without any import licence. When this unauthorised material was caught by the customs, the party was able to get it released by getting a custom clearance permit from the Iron & Steel Controller. What is most objectionable in this case is that the Iron & Steel Controller disregarded the views of the Government Solicitor and Assistant Director of Shipping and issued the custom clearance permit in favour of the party. But for this C.C.P. the goods would have been confiscated by the customs and action could be taken against the party under the Import & Export (Control) Act, 1947. Another disquieting feature of this case is that even when the party undertook to re-export the material imported unauthorisedly, they made a false declaration regarding the weight of the material etc., and an officer of the Iron & Steel Controller Organisation gave a false certificate certifying accuracy of the quantity declared.

4.149. The Sub-Committee feel that there were several lapses in this case which are as follows:—

- (1) The application of the firm dated 12th October, 1961 was vague and incomplete as they left column No. 4 regarding No. and date of the import licence against which shipment was made blank.

- (2) The C.C.P. was issued by the Iron & Steel Controller in spite of the objections raised by the Assistant Director of Shipping and the Government Solicitor.
- (3) Re-export itself was a concession to the party as otherwise the goods should have been confiscated.
- (4) The Office of the Iron & Steel Controller did not carry out weekly inspection of the goods in the godowns of the firms, as contemplated in their own instructions on C.C.P.
- (5) There was a false declaration at the time of re-export by the party and there was also a false certificate of the inspector of the Office of the Iron & Steel Controller.
- (6) No enquiry regarding payments in foreign exchange as well as other matters connected with this case have been carried out. Apparently there was a connivance of the Office of the Iron & Steel Controller in the whole transaction.

4.150. The Sub-Committee regret to note that the action of the Office of the Iron & Steel Controller in this case left much to be desired.

4.151. Since these parties have their own shipping line, the Sub-Committee feel that this should have cautioned the Office of the Iron & Steel Controller about the possibility of manipulation in manifest and bills of lading. But they regret to note that no notice of this seems to have been taken by the Iron & Steel Controller.

M/s. Khem Chand Raj Kumar given industrial licences for tin plate plants despite defaults.

4.152. The Sub-Committee were informed that M/s. Khem Chand Raj Kumar were given industrial licences, for setting up two tin plate plants as follows:—

- (i) On 28th March, 1963 for a hot dipped tin plates plant of 20,000 tonnes annual capacity at Calcutta; and
- (ii) on 11th September, 1964 for an electrolytic tin plates plant of 60,000 tonnes annual capacity at Bombay. Further imported tin mill black plates (a raw material for the above tin plates) were released by the Iron & Steel Controller to this party since February, 1961.

4.153. Asked why these licences were given when the party had failed to fulfil its export obligations and how the raw material was released to them even prior to licencing, the Secretary of the Ministry stated during evidence "the first one given on 28th March, 1963 was not a fresh one. It was an industrial licence in the sense that this company had already been in the tin plate business and had got a licence from the Controller under the Iron and Steel Control Order some time in 1954. What happened later was, in 1963 they pointed out that their capacity was a little larger than the capacity which they had been authorised by the Controller (i.e. 10,000 tons). Since there was serious shortage of tin plate in the country at that time we permitted that capacity to be created." When pointed out that no scheduled industry could come into existence without permission under the Industries (Developing and Regulation) Act, 1951, he stated that "under the Iron & Steel Control Order, the Controller is permitted or authorised to issue licences for the setting up of an iron and steel industry (if it was a small scale industry with capital below Rs. 5 lakhs)." On being pointed out that a plant of 10,000 tons capacity could not be established with less than Rs. 5 lakhs capital, he stated that "it was not a complicated sort of plant. Some heavy furnace was required for this plant. It would not cost much. Because of that and because there was hardly any foreign exchange involved, we agreed." He, however, promised to check up as to how this permission was given by the Controller and furnish a note later. The note received is at Appendix XLIII.

4.154. As regards electrolytic plant, Bombay, the witness stated that "By 1964 it had become very clear to us that the production of tin plate in the country was not keeping pace with the demand. At this stage M/s. Khem Chand Raj Kumar who were already in the tin plate business in a small way with their Calcutta plant came up with a proposal that they could import a second-hand plant from the United States for a comparatively small sum. We knew that the Rourkela tin plate plant which had a capacity of 1,00,000 tonnes eventually had cost us Rs. 2 crores in foreign exchange. M/s Khem Chand Raj Kumar's proposal was for a foreign exchange of Rs. 25 lakhs with which he could get a tin plate electrolytic plant of 60,000 tonnes capacity. This seemed to us an extremely attractive proposition. Therefore, in 1964 we authorised this import both having regard to the need for tin plate and the importance of producing electrolytic tin plate instead of hot tin plate. The plant has actually gone into production."

4.155. On being pointed out that at the stage of granting these licences they could have insisted on the party to complete their obligation for export, he stated that "this party has not repudiated his past obligations to the best of my knowledge." When his attention was drawn to the correspondence between the office of the Iron & Steel Controller and the party (Appendix XXXV) according to which this firm had been curt and not very polite with the office of the Iron & Steel Controller and had not written letters in a way they should have been written to a Government officer like Iron & Steel Controller, he admitted that "that is not very good, that I agree." He added that "I am advised, for whatever it is worth, that these letters are drafted by the legal advisers and they have in fact apologised orally to the Steel Controller that this might go to court and so we have to take steps but we are sorry we have to write such letters."

4.156. Asked on what basis the release of tin mill black plates (which totalled 6,776 tons between the period May to October, 1965) was made to the Bombay unit before its going into production, the witness stated that "they first said that this would go into production in March. Secondly, their capacity in 60,000 tons a year i.e., 5,000 tons a month consumption. They ought to have three or four months stock".

4.157. The party did not complete its export obligation. Against expected exports of Rs. 23.93 lakhs, they made actual exports of Rs. 7.33 lakhs only. They did not pay any heed to orders of the office of the Iron & Steel Controller in this regard. On the other hand they had shown impolite behaviour in correspondence with the Iron & Steel Controller. In spite of this, the firm was given not only two industrial licences for setting up tin plate plants in 1963 and 1964, but also imported raw material was released even before the plant went in production without asking them to fulfil their past obligation regarding exports of semis. To say the least this was all very strange.

Other Special Favours

4.158. From the written replies furnished by the Ministry of Iron & Steel, the Sub-Committee noticed several other instances of special favours shown by office of the Iron & Steel Controller to M/s. Amin Chand Payarelal and their associate firms, including *inter alia* the following:

(i) Unusual expediency shown in dealing with firm's letters

For instance M/s. Amin Chand Payarelal wrote a letter on 13th September, 1960 to the office of the Iron & Steel Controller, who replied that letter on the same day and on the next day he wrote to the

firm's bankers confirming the reduction in the amount of the bank guarantee. On the other hand HSL wrote a letter to the office of the Iron & Steel Controller on 3rd February, 1961 and it was acted upon by him on 10th April, 1961 i.e. after more than 2 months. (Appendix XXXV).

The Secretary of the Ministry stated during evidence that "It was a very fast work on their part."

(ii) *Differential treatment to parties*

It was noticed that the Steel Controller in his letters to various parties (M/s. Amin Chand Payarelal, V. D. Swamy, Sharda Bros., etc.) had made different stipulations in regard to the period of furnishing bank guarantees. The Secretary of the Ministry stated during evidence that it was before the procedure was crystallized by the Ministry's letter of 2nd February, 1960. As to why different procedure was followed for different parties before that he said "I cannot answer this."

4.159. The Sub-Committee fail to understand how these special favours have continued to be shown by the office of Iron & Steel Controller to these groups of firms for so long.

Cases reported in earlier Audit Reports

4.160. Cases in which undue benefit or concession was given to one or the other associate firms of M/s. Amin Chand Payarelal, as reported in various Central Civil Audit Reports, and the recommendations of the Public Accounts Committee on some of these cases are given in Appendix XLIV of the Report. Besides, this group of concerns owes large amount as surcharge to the Iron & Steel Equalisation Fund, the recovery of which has been pending for a very long time.

The Sub-Committee are constrained to observe that Government had not taken a serious view of these objections; had they taken proper and timely action on the recommendations made by the Public Accounts Committee in their earlier reports, the loss to Government could have perhaps been avoided by stoppage of dealings with this group of firms.

Conclusion

4.161. In the preceding paragraphs the Sub-Committee have already discussed in detail the various lapses which took place at different stages in respect of these barter deals. The main idea behind these barter deals was to export semi-finished steel like billets ingots and slabs, etc., and to earn foreign exchange with a view to import finished steel. Very soon the Government deviated from this idea and they started allowing pre-imports. The various

conditions prescribed by the Ministry of Finance for permitting pre-imports were diluted, may not be deliberately, by the Department of Iron & Steel. Whereas the Ministry of Finance had clearly stated that there should be a firm export contract, the office of the Iron & Steel Controller understood the same, from the instructions communicated by the Department of Iron & Steel, as merely a sales contract with H.S.L. Even this condition regarding verification of contract with the H.S.L. was not kept in view by the office of the Iron & Steel Controller in a number of cases and they had to cancel such barter deals later. In one case (M/s. Ram Krishan Kulwant Rai) even an import licence worth over Rs. one crore was issued to that party without such verification. To say the least, the Iron & Steel Controller did not follow the instructions issued by the Department of Iron & Steel in their letter dated 2nd February, 1960. All this resulted in the failure of the parties to earn foreign exchange worth Rs. 236.60 lakhs.

4.162. Another main condition laid down by the Department of Iron & Steel was to get the irrevocable guarantee to the extent of 15% of the value of import licence. Due to various reasons which the Sub-Committee have already discussed in detail, the Iron & Steel Controller got only limited and conditional guarantees. Even these limited and conditional guarantees were not pursued properly so far as their enforcement was concerned; with the result that they expired and the Government could not forfeit them for failure of the parties to fulfil their export obligations. This resulted in a loss of over Rs. 51 lakhs to the Exchequer. The Sub-Committee view this loss with great concern.

4.163. Another disquieting feature of the whole case is that even though the Government was obliged to black-list or suspend business with the parties quite a number of times in the past, the Iron and Steel Controller was not vigilant enough while entering into these deals with them. On the other hand even special favours were shown to these parties by issuing C.C.Ps. when they imported certain materials without any import licence or by reduction of the amount of their bank-guarantees in anticipation of the sanction of the Department of Iron & Steel. Further even when the failures of the parties took place in 1960, show-cause notices were issued to them in April, 1964 only. The parties have not yet been penalised departmentally or otherwise for their failures. There were thus a number of failures on the part of the Ministry/the office of the Iron & Steel Controller.

4.164. There were many defaults on the part of the parties also in these deals. They failed to fulfil their export obligations attached to these imports. Apart from this some of them were responsi-

ble for bringing materials into the country without any import licence and also in furnishing false information in manifest and the bills of lading. Many officers of the office of the Iron & Steel Controller (Senior/Junior) are involved in irregular deals with these parties. Further many officers of the Controller's office have after retirement/retranchment/resignation/dismissal found employment in one or other private firms (including those in this group) dealing with import/export of steel.

There is also a claim of over Rs. 61 lakhs of H.S.L. against four of these parties. In connection with the dealings of these parties with the H.S.L., the Committee on Public Undertakings of the Parliament have already recommended a thorough enquiry at the highest level in para 139 of their 11th Report.

4.165. Briefly there were the following serious lapses in this case:

1. Issuing of instructions prescribing the conditions for pre-import licences in ambiguous terms by the Department of Iron & Steel.
2. Failure of the Office of the Iron & Steel Controller in:
 - (a) verification of the existence of firm export contracts;
 - (b) taking limited and conditional bank-guarantees in place of absolute bank-guarantees;
 - (c) not watching the bank-guarantees properly and their renewal in time;
 - (d) not enforcing the bank-guarantees;
 - (e) issue of C.C.Ps. in cases where the parties imported materials without any valid import licence;
 - (f) failure on the part of the office to investigate how unauthorised imports were financed by these parties;
 - (g) giving of a false certificate on the bills of lading of M/s. Apeejay (P) Ltd. by an officer of the office of the Iron & Steel Controller;
 - (h) delay in taking action against the parties due to failure in fulfilling their contractual obligations.

Apart from the above, there were other serious lapses on the part of the Iron & Steel Controller organisation, which have been discussed in detail in the preceding paragraphs.

4.166. The dealings of the parties have also not been found above board. They imported materials in some cases without import

licence. They did not fulfil their export obligations even though they were given pre-import licences against which they made full imports. The failings of the parties become all the more serious in view of the facts that they have been given import licences worth about Rs. 17 crores involving cases of licences above Rs. 5 lakhs alone during the years 1959—65.

4.167. In view of the lapses which have taken place in these deals, both in the offices of the Government as well as on the part of the parties, these cases require a thorough probe. In the case of the officers of the Government, the Sub-Committee also desire that responsibility should be fixed for the various lapses. The Sub-Committee therefore, suggest that these cases should be investigated by a high powered Committee which should consist of a person of the status of a High Court judge; an officer from the office of the Comptroller & Auditor General of India; an officer from the Central Board of Revenue well-versed in Customs Law, Import and Export (Control) Act 1947 and Income-tax Law. This high powered Committee should be suitably assisted by an agency expert in investigation of the cases.

4.168. This high-powered Committee should investigate the various lapses which have been dealt with in this report in all the preceding paragraphs.

4.169 The Sub-Committee also desire that pending the fulfilment of export obligations attached to these import licences, or the completion of the above investigation (which ever is earlier), the Government should suspend all further dealings with the defaulting firms, as was envisaged in the Ministry's policy letter dated the 2nd February, 1960.

NEW DELHI;
21st April, 1966.
1st Vaisakha, 1888 (S).

R. R. MORARKA,
Chairman,
Sub-Committee of the Public
Accounts Committee.

APPENDIX I

(Vide Para 1.4 of this Report)

List of additional Points in respect of Para 88 (Failure to forfeit bond amounts due to Government) of Audit Report (Civil) on Revenue Receipts, 1965.

1. When was the Export Promotion Scheme first introduced and what were its salient points?
2. The total number with value of import licences issued during each year since 1957 under the above Scheme.
3. Conditions, if any, on which the above licences were issued.
4. Whether those conditions were observed or any default was committed.
5. Names of parties who committed the default and the penalty, if any, imposed on them.
6. Statement showing the total export, commodity-wise and year-wise, due to the Export Promotion Scheme since 1957.
7. Statement showing the changes made from time to time in the Export Promotion Scheme.
8. Names of the countries to which our exports have increased since 1957 as a result of this export Promotion Scheme.
9. Whether the Export Promotion Scheme has been abused by any firm or party and, if so, the nature of such abuse, and the action taken by the Government thereon.

APPENDIX II

(Vide Para 1.4 of this Report)

Information re. Art Silk Fabrics Export Promotion Scheme

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE

SUBJECT:—*Public Accounts Committee—consideration of Audit Report (Civil) on Revenue Receipts, 1965—Para 88, failure to forfeit bond amounts due to Government.*

Will the Lok Sabha Secretariat kindly refer to their O.M. No. 2|1|3|65-PAC, dated the 25th May, 1965, and 2nd July, 1965 on the subject mentioned above?

2. The information so far collected in respect of the Artsilk Fabrics Export Promotion Scheme for the period 1st January, 1957 to 6th March, 1959 is given below seriatim:—

1. A provision was made for the import of artsilk yarn against Exports of Artsilk fabrics against Serial No. 177 (Annexure A) Part IV Section II of the Red Book for the period January—June 1957 i.e., with effect from 1st January, 1957, Licences were to be granted under this scheme on the basis of 2|3rd of f.o.b. value of actual exports of artsilk fabrics irrespective of whether the exporter was a manufacturer or not. The licences were to be granted after exports had actually taken place against applications made on quarterly or half yearly basis as was convenient to the manufacturer|exporter. This Scheme was also extended (Annexure B) to the exoprt of artsilk hosiery goods against the actual exports effected after 31st December, 1956.

This changes effected from time to time in the Scheme are indicated in Public (Annexure C) Notice No. 57-I.T.C. (PN)/57, dated 28th August, 1957 and also in Appendices XLII of the Red Books for April—September, 1958; and October 1958—March, 1959—of which extracts are enclosed. (Annexures D. & E.)

2. Please see Statement I enclosed.
3. Please see Statement II enclosed.

4. According to the Scheme prevalent during 1957—59 the licensing was done on a prospective basis as well as on the basis of past exports; the prospective basis started on 1st July, 1957.

In the case of prospective licences, a bond with bank guarantee was taken from the exporter and in cases where the exporter did not fulfil export obligations laid down under the Scheme, as amended from time to time, such bonds were forfeited by the Government. The total value of defaults in the case of prospective licences during the two year period comes to Rs. 55 lakhs. The question of loss of revenue in this category of licences does not arise as the requisite amount under the bonds had been recovered.

In the case of past exports *i.e.*, established exporters, licences were issued only to those exporters who had actually effected exports during the quarter or six months after the introduction of the Scheme and subsequently amended from time to time. In the beginning, the established exporters were required to give a bond with bank guarantee ranging from 10% to 50% of the value of the licence with a view to achieving that the exporters again effected exports equal to the value of the goods imported by them. The object behind this being to ensure the continuity of exports for the sake of export promotion. It was subsequently decided during the October 1958—March, 1959 period to take only simple bonds from the exporters for a reasonable amount and the bank guarantee was accordingly dispensed with. Therefore, with effect from 6th February, 1959, the exporters were merely required to give a simple undertaking instead of a bond to effect further exports of the value of imports effected by them.

The above decisions were taken on the ground that in respect of licences granted on prospective basis, the exporters had to effect exports only once against import licences granted to them while in respect of established exporters they were required to effect exports on a continuing basis once they started earning entitlements. There was thus a discriminatory element applying to them as compared to the prospective exporters. The established exporters had already earned foreign exchange after the introduction of the Scheme against the exports effected, while the

prospective exporters did not earn foreign exchange in advance. During the currency of the Scheme, however, for the sake of export promotion, the condition of further exports was not disturbed thus helping to maintain continuity of exports to the extent possible. The condition of further exports in the case of established exporters may not have been insisted upon. On the suspension of the then existing Scheme, however, the condition could not in any case be enforced.

5. The required information is still awaited from the Licensing Authorities and will be forwarded as soon as it is received.
6. Please see Statement III enclosed.
7. Please see answer to enquiry No. 1 above.
8. The countries to which our exports have increased since 1957 as a result of this export Promotion Scheme are:—
Aden, Afghanistan, Ceylon, Iran, Malaya, Mauritius and Singapore.
9. The following abuses in the Export Promotion Scheme came to the notice of the Government:—
 1. Over-invoicing of exports;
 2. Exporting of sub-standard fabrics.
 Because of these abuses the Export Promotion Scheme was suspended on 6th March, 1959.
3. The delay in replying is very much regretted.

G. R. KADAPA,
Deputy Secretary.

*The Lok Sabha Secretariat (PC), New Delhi (with 5 spare copies)
Ministry of Commerce U.O. No. 5(19)/64-Tax(F), dated the
11th July, 1965.*

Copy with a copy of the enclosures forwarded to:—

1. A.G.C.W.M., New Delhi. (Shri M. K. Jain, Assistant Accounts Officer).
2. Shri P. Sabanayagam, Chief Controller of Imports and Exports, New Delhi, with the request that the information

required under item 5 (i.e., names of the parties who committed the default and penalty, if any imposed on them) may please be arranged to be furnished to the Ministry at once.

3. Budget Accounts Section (with 40 spare copies).

(G. R. KADAPA),
Deputy Secretary.

Copy of Office Memorandum No. 2|1|3|65|PAC dated 25-5-1965 from Lok Sabha Secretariat New Delhi to the Ministry of Commerce, New Delhi.

SUBJECT:—P.A.C.—*Consideration of Audit Report (Civil) on Revenue Receipt, 1965.*

The undersigned is directed to request the Ministry of Commerce to furnish 40 copies of the notes duly vetted by Audit on the following points in respect of Para 88 (failure to forfeit bond amounts due to Government) of Audit Report (Civil) on Revenue Receipts, 1965:—

1. When was the Export Promotion Scheme first introduced and what were its salient points.
 2. The total number with value of import licences issued during each year since 1957 under the above scheme.
 3. Conditions, if any, on which the above licences were issued.
 4. Whether those conditions were observed or any default was committed.
 5. Names of parties who committed the default and the penalty, if any, imposed on them.
 6. Statement showing the total export, commodity-wise and year-wise, due to the Export Promotion Scheme since 1957.
 7. Statement showing the changes made from time to time in the Export Promotion Scheme.
 8. Names of the countries to which our exports have increased since 1957 as a result of this export promotion scheme.
 9. Whether the Export Promotion Scheme has been abused by any firm or party and, if so, the nature of such abuse, and the action taken by the Government thereon.
2. The information may please be furnished by the 15th June, 1965 for the information of the P.A.C.

ANNEXURE—A

Extracts from Import Trade Control Policy Book for the Licensing period January-June, 1957

Part and S. No. of I.T.C. Schedule	Description	Licensing Authority	Policy for Established Importers	Validity of licences	Remarks
177	Art Silk Yarn & Thread	Ports	15%	Six months	<p>(7) A specific ceiling has also been set apart for licensing "art silk yarn" against actual export after 31-12-1956 of "Indian Art silk Fabrics", but for this purpose, exports to Nepal, Tibet, Sikkim, Bhutan and Portuguese Possessions in India will not be taken into account. Licences will be granted on a basis of 2/3rd of the f.o.b. value of actual exports of Indian Art silk Fabrics, irrespective of whether the exporter is a manufacturer or not. Licences will be granted only after exports have taken place and applications can be made each quarter or on half yearly basis, as may be convenient. Such licences will be subject to all other conditions mentioned in remark (3). An additional condition for grant of these licences will be that re-import of the exported consignment of Art silk fabrics, against which a licence is being sought under this provision, will not be allowed and, for this purpose, the Licensing Authority may either obtain an affidavit from the applicant or satisfy itself that actual payment has already been received.</p>

ANNEXURE—B

GOVERNMENT OF INDIA

**MINISTRY OF COMMERCE AND CONSUMER INDUSTRIES
(Import Trade Control)**

Public Notice No. 26-I.T.C. (PN) /57

New Delhi, the 18th March, 1957.

SUBJECT:—*Import of Art Silk Yarn falling under S. No. 177 Part IV of I.T.C. Schedule during January-June, 1957 period.*

Attention is invited to the remark (7) appearing against S. No. 177 Part IV in Section II of the Import Trade Control Policy Red Book for January-June 1957 period, wherein it has been provided that import of Art silk yarn will be licensed against actual export after 31-12-1956 of art silk fabrics, provided certain conditions stated therein are satisfied.

2. It has been decided to extend this concession to export of Indian art silk hosiery goods also. The first sentence of that remark may be substituted by the following sentence:—

“A specific ceiling has also been set apart for licensing ‘art silk yarn’ against actual export after 31-12-1956 of ‘Indian art silk fabrics as well as Indian art silk hosiery goods’ but for this purpose, export to Nepal, Tibet, Sikkim, Bhutan and Portuguese possessions in India will not be taken into account.”

Sd./- S. K. SINHA.

Chief Controller of Imports and Exports.

ANNEXURE—C

COPY

GOVERNMENT OF INDIA

**MINISTRY OF COMMERCE AND INDUSTRY
(Import Trade Control)**

Public Notice No. 57-ITC (PN) /57

Dated 28th August, 1957.

SUBJECT:—*Licensing of Art silk yarn, Art silk fabrics, etc. under the Export Promotion Scheme during July-September, 1957.*

Attention of the registered exporters is invited to the broad features of the Export Promotion Scheme as outlined in Appendix VI to

the import policy pamphlet for the current quarter July-September, 1957.

2. With a view to stimulate exports of Indian art silk fabrics, it has been decided to grant import licences at the ports under the Export Promotion Scheme for the import of permissible varieties of art silk yarn to actual exporters up to the following percentage of the rupee equivalent of foreign exchange earned on the basis of the f.o.b. value of the art silk goods exported:—

- (i) 66-2/3 per cent. in the case of Indian art silk sarees, and
- (ii) 100 per cent. in the case of other Indian artsilk fabrics including Indian art silk hosiery goods.

These licences will be subject to the following conditions:—

- (a) 10 per cent. of the face value of these licences may be utilised for import of permissible spare parts of machinery for the manufacture of art silk cloth.
- (b) The licensees may be permitted to import art silk fabrics up to 15 per cent. of the face value of these licences.

3. Licences will normally be granted on the basis of actual exports effected on or after 1st January, 1957. In cases where licences under the Export Promotion Scheme have already been obtained against such exports, the applicants would be entitled to apply for a licence representing the difference between the value entitlement in accordance with this Public Notice and that obtained earlier. Art silk mills may, however, be given such licences in anticipation of exports, subject to their furnishing a bond acceptable to the licensing authorities.

4. Applications together with acceptable documentary evidence in support of past exports should be made to the licensing authorities at the ports as early as possible.

ANNEXURE—D

Copy of Appendix XLII from Import Trade Control Policy Book for April-September, 1958.

SUBJECT:—*Licensing of Art silk yarn, Art silk fabrics, etc. under the Export Promotion Scheme during July-September, 1957.*

Attention of the registered exporters is invited to the broad features of the Export Promotion Scheme as outlined in Appendix VI to the import policy pamphlet for the current quarter July September, 1957.

2. With a view to stimulate exports of Indian art silk fabrics, it has been decided to grant import licences at the ports under the Export Promotion Scheme for the import of permissible varieties of art silk yarn to actual exporters up to the following percentage of the rupee equivalent of foreign exchange earned on the basis of the f.o.b. value of the art silk goods exported:—

and 'sarees' of Indian art silk sarees, and 99 (i)

(ii) 100 per cent. in the case of other Indian art silk fabrics including Indian art silk hosiery goods.

(iii) These licences will be subject to the following conditions:—

(a) 10 per cent of the face value of these licences may be utilised for import of permissible spare parts of machinery for the manufacture of art silk cloth.

(b) The licences may be permitted to import art silk fabrics up to 10 per cent of the face value of these licences.

3. Licences will normally be granted on the basis of actual exports effected on or after 1st January, 1958. Art silk mills may, however, be given such licences in anticipation of exports subject to their furnishing a bond acceptable to the licensing authorities.

4. Licences for import of art silk fabrics will also be granted against the exports of embroidered and handstitched goods on indigenous art silk fabrics. Such licences will be granted to the extent of 15 per cent of the value of exports effected on or after 1st January, 1958.

5. Applications together with acceptable documentary evidence in support of past exports should be made to the licensing authorities at the ports as early as possible.

Public Notice No. 34/58/10-5-1958

For purposes of exports of Indian art silk sarees under the Export Promotion Scheme, the term 'sarees' is defined as under:—

"Any type of grey, bleached, dyed or printed fabric of plain weave which—

(i) has a width ranging between 33" and 52".

(ii) has coloured woven, printed or embroidered border or borders.

- (iii) has coloured woven, printed or embroidered heading or headings;
- (iv) is in lengths ranging between 5 yards and 9 yards; and
- (v) which is commonly known by that name.

ANNEXURE—E

Copy of Appendix XLII from Import Trade Control Policy Book for the licensing period October, 1958—March, 1959

SUBJECT:—*Licensing of Art Silk yarn, Art Silk Fabrics, etc. under the Export Promotion Scheme.*

Attention of the registered exporters is invited to the broad features of the Export Promotion Scheme as outlined in Appendix XXIII.

2. With a view to stimulate exports of Indian Art Silk Fabrics, Sarees, garments, hosiery and other art silk manufactures, it has been decided to grant import licences at the ports under the Export Promotion Scheme for the import of permissible varieties of art silk yarn to actual exporters upto the following percentage of the rupee equivalent of foreign exchange earned on the basis of the f.o.b. value of the art silk goods exported, or the value assessed by customs, whichever is less.

- (i) 66½ per cent. in the case of Indian art silk sarees, and
- (ii) 100 per cent. in the case of other Indian art silk fabrics including Indian art silk hosiery goods.

These licences will be subject to the following conditions:

- (a) 10 per cent. of the face value of these licences may be utilised for import of permissible spare parts of machinery for the manufacture of art silk cloth.
- (b) The licences may be permitted to import art silk fabrics upto 15 per cent. of the face value of these licences.
- (c) In the case of licences granted against the exports of Indian Art Silk Hosiery goods, the licensee may be permitted to import upto 5 per cent. of the face value of the licence, buttons, zip-fasteners, elastics, and such other embellishments as are normally used in the art silk hosiery goods exported.

3. Licences for import of art silk yarn may also be issued against exports of staple fibre fabrics and art silk and staple fibre mixed fabrics in the manner indicated above.

4. Licences issued for the import of Art Silk Yarn under the above provisions may be utilised for import of Nylon Yarn.

5. The parties who have already secured licences for import of Art Silk Yarn against exports of Art Silk Fabrics can effect exports of Staple Fibre Fabrics in place of Art Silk Fabrics as required of them and such exports will be accepted for redemption of the bonds executed by them.

6. Licences against exports of embroidered and hand stitched goods on indigenous Art Silk Fabrics (other than garments), garments made by indigenous Art Silk Fabrics and 100 per cent. Art Silk braided threads, strings, laces, spindle tapes, ribbons and shoe laces will be granted in the manner indicated below:—

(a) Against exports of embroidered under/or hand stitched goods on indigenous Art Silk Fabrics (other than garments), licences for import of Art Silk Yarn will be granted to the extent of 35 per cent. of the value of exports. 40 per cent. of the face value of such licences may be utilised for import of Art Silk Fabrics.

(b) Against exports of garments made by indigenous Art Silk Fabrics, licences will be granted for import of Art Silk Yarn to the extent of 50 per cent. of the value of exports. 5 per cent. of the face value of such licences may be utilised for import of buttons, zip-fasteners, elastics and such other embellishments.

(c) Against exports of 100 per cent. Art Silk braided threads, strings, laces, spindle, tapes, ribbons, and Shoe laces licences for import of Art Silk Yarn only will be granted to the extent of 35 per cent. of the value of exports.

7. Applications together with acceptable documentary evidence in support of past exports should be made to the licensing authorities at the ports as early as possible.

8. For purposes of export of Indian art silk sarees under this Appendix, the term 'sarees' is defined as under:—

“Any type of grey, bleached, dyed or printed fabrics of plain weave which—

(i) has a width ranging between 33” and 52”;

- (ii) has coloured woven, printed or embroidered border or borders;
- (iii) has coloured woven, printed or embroidered heading or headings;
- (iv) is in lengths ranging between 5 yards and 9 yards; and
- (v) which is commonly known by that name."

9. Whereas licences under the above provisions will be granted on the basis of actual exports, an exception will be made in the case of Art Silk Mills and Hosiery factories who may be given such licences in anticipation of exports subject to their furnishing a bond acceptable to the Licensing authorities. Prospective licences may also be granted to the exporters other than Art Silk Mills and Hosiery Factories, provided the exporters as well as the mill or the hosiery factory with whom he has made arrangements for the manufacture of goods give a joint undertaking for making further exports.

10. Licences will be granted on the basis of actual exports, payments in respect of which have been received on or after the 1st July, 1958.

11. The above provisions will apply to Art Silk Fabrics containing more than 90 per cent. of Art Silk. The proposal for the issue of licences for import of Art Silk Yarn against exports of fabrics containing 90 per cent. or less of Art Silk is under consideration. The policy and procedure for the grant of such licences will be announced later.

STATEMENT—I

Statement showing the number and value of Import Licences issued under Export Promotion Scheme for Art Silk Fabrics during 1957—March, 1959.

Year	Ports	Special Export Promotion for Art Silk fabrics for import of art silk yarn				Total	
		Advance licences		Licences to Established Exporters		No.	Value in Rs.
		No.	Value in Rs.	No.	Value in Rs.		
from 1-1-57 to 31-3-1958 . . .	Calcutta	N.A.	3,000	N.A.	10,76,852	N.A.	10,79,852
	Madras . . . . .	}	..	..	..	..	..
	C.L.A., New Delhi						
	Ernakulam						
from 1-4-1958 to 6-3-1959 . . .	Calcutta	N.A.	4,92,764	N.A.	64,96,299	N.A.	69,89,063
	Madras	15	1,99,000	113	14,26,000	128	16,25,000
	C.L.A. . . . .	}	..	..	..	..	..
	New Delhi						
	Ernakulam						
from 1-1-57 to 6-3-59 . . .	Bombay.	231	2,10,87,674	2028	8,84,23,724	2259	10,95,11,398
GRAND TOTAL			2,17,82,438	..	9,74,22,875	.	11,92,05,313

Note.—No. of licence issued from Calcutta not available. For Bombay, separate figures for the two periods not yet received.

STATEMENT II

*Conditions imposed on the E.P. licences during 1957-59***(A) Printed Conditions:**

- (i) This licence will be subject to the condition in force to the goods covered by the licence, as described in the relevant Import Trade Control Policy Book, or any amendment thereof made upto, and including the date of issue of the licence, unless otherwise specified.
- (ii) It is also the condition of the licence that;
 - (a) Where an irrevocable letter of Credit is opened by the holder of the licence to finance the import of any goods covered thereby, then the authorised dealer in foreign exchange, through whom the Credit is opened, shall be deemed to be a joint holder of this licence to the extent of the goods covered by the Credit;
 - (b) The goods for the import of which this licence has been granted shall be the property of the licensee at the time of import;
 - (c) Payments authorised to be made against it shall not cover any commission, discount, or like rebates, allowed by the foreign suppliers|manufacturers to the concessionaries i.e. the importers in India.

(B) Additional Conditions:

There were no other conditions against past exports of art silk fabrics and art silk hosiery from 1st January, 1957 to 30th June, 1957.

From 1st July, 1957 to March, 1958, the conditions against issue of licences on prospective basis and against past exports were as laid down in paragraph 6 of Appendix XXIII which is reproduced below:—

“These licences will be subject to the condition that the importer will, within six months of the importation of the licensed articles, export the processed|finished goods of a value corresponding to twice the c.i.f. value of his imports to foreign countries excluding Nepal, Tibet, Sikkim, Bhutan and Portuguese Possessions in India, if the licensable percentage in column 5 of the table attached to this Appendix is, say 50 per cent, or four times the c.i.f. value of the imports if the percentage in column 5 is 25 per cent.,

and so on. In pursuance of this condition the established exporters and the prospective exporters, including Co-operative Societies, will be required to execute a bond in the form appended to this Appendix, with the Import Trade Controller concerned at the time of clearing the goods through Customs. In the case of established exporters who have already effected the exports without seeking any earlier import licence under this Scheme, the bond would be required only for the value of the import licence which is in excess of the prescribed percentage. The importer will be required to execute a bond, duly guaranteed by a scheduled bank, to the extent of not less than 10 per cent. of the value of the goods imported, and this can be suitably raised at the discretion of the licensing authority, in the case of goods, which, either because import thereof is banned or highly restricted, carry much higher margins of profits. The bond will be cancelled on production of bills of lading, invoice, bank certificates etc., showing that the required Rupee equivalent of the foreign exchange has been received in payment of the f.o.b. value of the articles exported under this Scheme. In the event of failure to comply with the aforesaid conditions, the amount of the bond will become payable to Government as a penalty and in addition the importer will render himself liable to further action under the Imports and Exports (Control) Act, 1947, and the Imports (Control) order, 1955. The licences granted under this scheme, will be subject to the condition that only such goods should be imported as are specifically needed for use in the finished product and that the same will be consumed in the manufacture of the articles concerned which will ultimately be exported to the foreign market to the extent prescribed. If the goods, imported under the licences are not utilised for this purposes, the licence-holder shall not dispose them of except with the permission of the licensing authority, who may require the licence-holder to sell the goods at no-profit basis to any person nominated by the licensing authority."

The conditions prescribed in Para 6 of Appendix XXIII applicable for the licensing period 1st April, 1958 to September, 1958 are reproduced below:—

"These licences will be subject to the condition that the Importer will, within six months of the Importation of the licensed articles, export the processed/finished goods of a

value equal to 133 1/3 per cent. of the value of his imports, or half the value of the finished goods which can be made from the imported materials according to the percentage given in Column 5 of Annexure I, to foreign countries excluding Nepal, Tibet, Sikkim, Bhutan and Portuguese Possessions in India. In pursuance of this condition the established exporters and the prospective exporters, including Co-operative Societies, will be required to execute a bond in the form appended to this Appendix (Annexure II) with the Import Trade Controller concerned at the time of clearing the goods through Customs. The importer will be required to execute a bond, duly guaranteed by a scheduled bank, to the extent of not less than 10 per cent. of the value of the goods imported, and this can be suitably, raised at the discretion of the licensing authority, in the case of goods, which, either because import thereof is banned or highly restricted, carry much higher margins of profits. The bond will be cancelled on production of bills of lading, invoices, bank certificates etc., showing that the required Rupee equivalent of the foreign exchange has been received in payment of the f.o.b. value of the articles exported under this Scheme. In the event of failure to comply with the aforesaid conditions, the amount of the bond will become payable to Government as a penalty and in addition the importer will render himself liable to further action under the Imports and Exports (Control) Act, 1947, and the Imports (Control) Order, 1955. In the case of established exporters who have already effected exports without seeking any earlier import licence under this scheme the above condition will be modified to the extent that they will be required to export processed/finished goods equal to the value of imports. Bonds would also be taken from them but the licensing authorities may do away with Bank Guarantee or Surety while taking bonds from Established Exporters who are of good standing and whose performance has been satisfactory. The licences granted under this scheme, will be subject to the condition that only such goods should be imported as are specifically needed for use in the finished product and that the same will be consumed in the manufacture of the articles concerned which will ultimately be exported to the foreign market to the extent prescribed. If the goods imported under the licence are not utilised for this purpose, the licence-holder shall not dispose them of except with the permission of

the licensing authority, who may require the licence-holder to sell the goods at no-profit basis to any person nominated by the licensing authority."

From 1st October, 1958 to 5th February, 1959 conditions were as mentioned in para 6 of Appendix XXIII of the Red Book for the period October 1958-March, 1959. During this period the established exporters were not required to execute bond with bank guarantee but they were only required to give a simple bond for reasonable amount and which is also reproduced below:—

"These licences will be subject to the condition that the Importer will, within six months of the importation of the licensed articles export the processed|finished goods of a value equal to 133 1/3 per cent. of the value of his imports, or half the value of the finished goods which can be made from the imported materials according to the percentage given in Column 5 of Annexure I, to foreign countries excluding Nepal, Tibet, Sikkim, Bhutan and Portuguese Possessions in India. In pursuance of this condition the established exporters and the prospective exporters, including Co-operative Societies, will be required to execute a bond in the form appended to this Appendix. (Annexure II) with the Import Trade Controller concerned at the time of clearing the goods through Customs. The importer will be required to execute a bond, duly guaranteed by a scheduled bank, to the extent of not less than 10 per cent. of the value of the goods imported, and this can be suitably raised at the discretion of the licensing authority, in the case of goods, which, either because import thereof is banned or highly restricted, carry much higher margins of profits. The bond will be cancelled on production of bills of lading, invoices, bank certificates etc., showing that the required Rupee equivalent of the foreign exchange has been received in payment of the f.o.b. value of the articles exported under this Scheme. In the event of failure to comply with the aforesaid conditions, the amount of the bond will become payable to Government as a penalty and in addition the importer will render himself liable to further action under the Imports and Exports (Control) Act, 1947, and the Imports (Control) Order, 1955. In the case of established exporters who have already effected exports without seeking any earlier import licence under this scheme the above condition will be modified to the extent that they

will be required to export processed/finished goods equal to the value of imports. Bonds would be taken from them for a reasonable amount and the bank guarantee will be dispensed with."

From 6th February, 1959 established exporters were required to produce a simple undertaking instead of a bond.

The Scheme was suspended with effect from 6th March, 1959 by a Public Notice No. 15-ITC (PN) |59, dated the 6th March, 1959—copy enclosed.

Public Notice No. 15-ITC (PN) /59

New Delhi, the 6th March, 1959.

SUBJECT:—*Licensing of Art Silk Yarn, Art Silk Fabrics, etc. under the Export Promotion Scheme.*

Attention is invited to the provisions contained in Appendix XLII to the Red Book for October 1958-March 1959 Licensing period, whereby licences for the import of art silk yarn will be issued to exporters of Indian Art Silk Fabrics, Sarees, Garments, Hosiery and other Art Silk Manufactures.

2. As some modifications of this scheme are considered necessary, it has been decided to suspend the operation of the scheme with immediate effect. Pending further orders. Port licensing officers will not entertain applications for import of art silk yarn, under the Export Promotion Scheme.

3. Applications for import licences for art silk yarn already submitted under the Export Promotion Scheme but which are still pending with the Port Licensing Authorities for verification of value etc., will be scrutinised by a Committee which is being appointed to assist the port licensing Authorities in this matter.

Sd/- S. N. BILGRAMI,
Joint Secretary to the Government of India.

STATEMENT III

Statement showing Exports of Fabrics of Artsilk and Synthetic Fibres

<i>Year</i>	<i>alue in lakhs of Rs.</i>
1957-58	42
1958-59	953
1959-60	328

APPENDIX III

(Vide para 1.9 of this Report)

MINISTRY OF COMMERCE

Answers to the additional list of points relating to Art Silk Fabrics Export Promotion Scheme

Q. 1. (a) Please state precisely the conditions that were required to be fulfilled by established exporters in respect of licences granted during the period from January—June, 1957.

(b) What considerations weighed with the Government in deciding on the grant of licences on prospective basis with effect from 1-7-1957.

A. 1. (a) E. P. licences required to be issued under the scheme during the period January—June, 1957 were subject to the conditions detailed in the remarks column against serial No. 177—IV of Section II of the Red Book for January—June, 1957 viz.,

(a) Licences will not be valid for import of:—

(i) Double yarn

(ii) Fourth Quality Yarn

(iii) Yarn of deniers between 101 to 119, 121 to 149 and 151 to 160, all inclusive.

(iv) Art silk thread

(b) Upto 5 per cent of the face value of quota licences can be utilised for the import of Acetate Yarn of 120 to 150 deniers.

Applications from Actual Users for permission to import small quantities of three types of yarn will be considered in the second half of Jan.—June, 1957 licensing period on the basis of their:—

(i) Actual consumption, and

(ii) Actual off-take of the indigenous product during six months ending 31-3-57.

(c) Licence holders will not be permitted to utilise more than 20 per cent of the face value of their licences for import of 120 deniers art silk yarn in bright finish and not more than 7½ per cent of the face value of their licences for the import of 150 deniers art silk yarn in bright finishes. These restrictions will apply to all types of yarn excluding Acetate, Cuprammonium and other non-viscose yarn of 120 and 150 deniers. For Acetate yarn of these deniers see remarks (b) above.

NOTE:—These restrictions apply to only yarn of bright finish and not to dull finish.

(d) Licences will not be valid for import of staple fibre yarn but may be utilised for import of other synthetic yarns like Nylon, Grillion, Ardil and Casein. Licences for staple fibre yarn of 80 counts and above will, however, be granted to Actual Users on an *ad hoc* basis in consultation with the Textile Commissioner.

(e) An additional condition for grant of these licences will be that re-import of the exported consignment of Art Silk Fabrics, against which a licence is being sought under the provision, will not be allowed and, for this purpose the licensing Authority may either obtain an affidavit from the applicant or satisfy itself that actual payment has already been received.

A. 1. (b) General provision regarding prospective licensing in respect of E.P. Schemes like leather goods and Suitcases, Hand—stitched Articles made of Textile, Fabrics Indian Embroidered Sarees, Washing Soaps etc. already existed even prior to 1st July, 1957 in para 3 of Appendix XXIII to the Red Book for Jan.—June, 1957. General provision regarding prospective licensing was made applicable to the Art Silk E.P. Scheme in August, 1957 (*vide* Public Notice dated 28th August, 1957). The reason for this was to stimulate exports of Art Silk Fabrics.

Q. 2. It is stated that during the period July, 1957 to March 1958 the export commitment for the established as well as the prospective exporters was twice the value of imports. Subsequently in respect of prospective exporters it was reduced to 1½ of the value of imports/or half the value of finished goods and for established exporters to equal to imports. Please state:—

- (i) the reasons for this change; and
- (ii) the reasons for differential treatment of established and prospective exporters.

A. 2. The position is that the prospective licences were subject to the condition that the importer would, within six months of the importation of the licensed articles, export the processed/finished goods of a value corresponding to twice the c.i.f. value of their imports, to foreign countries, excluding Nepal, Tibet, Sikkim, Bhutan and the then Portugese Possessions in India, if the licensable percentage in column 5 of the table attached to Appendix XXIII of the import Control Policy Red Book was, say 50 per cent, or four times the c.i.f. value of the imports if the percentage in column 5 was 25 per cent and so on.

2. (i) The reason for this change would appear to be the gradual liberalisation of the export obligation with a view to inducing more persons to export.

2. (ii) The difference in the conditions to be fulfilled by the two types of exporters was obviously because, in the case of established exporters, it was merely a question of maintaining continuity in exports and licences were issued according to the exporters' actual entitlements, whereas, in the case of prospective exporters, the licences, were more in the nature of a loan and thus constituted a large measure of assistance pending the fulfilment of their obligation against which Government therefore considered it necessary to stipulate a somewhat higher export obligation from them.

Q. 3. (a) Please state precisely the amount of bond that was required to be executed by the established and prospective exporters from time to time and what were the reasons for differential treatment therein, if any.

(b) It is noted that during the period July, 1957 to March, 1958, the established exporters required to give a bond with bank guarantee. Subsequently (from the period April to September, 1958), it was changed to only simple bonds and further to simple undertaking in February, 1959. What were the precise reasons for these changes?

(c) How many licences and of what value were issued from February, 1959 till the suspension of the scheme in March, 1959?

A. 3. (a) No specific amounts were prescribed for bonds required to be executed by the Established Exporters and Prospective Exporters. Licensing Authorities at the ports were given discretion to fix these amounts subject to the minimum prescribed percentage of the value of the goods imported. The amounts were dependent

both on the value as well as the nature of goods imported, and differed from individual to individual though they belonged to one class of exporters viz. established or prospective, as is explained below.

The bond required to be executed by prospective exporters, duly guaranteed by scheduled bank, varied between minimum 10 per cent to 50 per cent of the value of the goods imported during the different Licensing periods and this minimum could be suitably raised at the discretion of the licensing Authorities, in case of goods which either because import thereof was banned or highly restricted carried much higher margin of profit.

For established exporters, a bond with a bank guarantee ranging from 10 per cent to 50 per cent was taken in the beginning; even this condition of bank guarantee could be waived at the discretion of the Licensing Authorities if the exporters were of good standing and with satisfactory past performance. Thereafter, bank guarantee was completely dispensed with and bond could be taken for a reasonable amount only. From 6-2-1959, these exporters were required to give simple undertaking only.

(b) Since the established exporters had already made exports and earned foreign exchange it was obviously felt that the condition of Bank guarantee need not be insisted upon. For apparently the same reason it was considered that even a bond was unnecessary and accordingly a simple undertaking was eventually stipulated.

(c) 222 licences of a value of Rs. 1,04,49,202 were issued from February, 1959 till the suspension of the Scheme in March, 1959.

Q. 4. (a) It is noted that Government announced on 2-9-1959 not to enforce the bonds/undertakings which matured after 6-3-1959 (i.e., the date on which this scheme was suspended). Please state:—

(i) when was this decision taken;

(ii) the reasons for such a decision; and

(iii) was the Ministry of Law consulted before taking this decision?

(b) What was the amount of such bonds/undertakings: The amount of licences to which they related and export liability thereof may also be stated.

(c) Were the financial implication of this decision worked out before announcing it? If so, what were they?

(d) Have there been any such cases in respect of other Export Promotion Schemes? If so, please furnish details:

A. 4. (a) (i) 25-8-1959.

(ii) Though the bonds entered into by the exporters were unconditional it was felt that, in equity, consideration must be given to the fact that bonds had been entered into by the exporters on the assumption that the schemes of incentive will continue. Since the scheme was withdrawn, it was felt that it would not be fair to insist on the fulfilment of the bonds.

(iii) The available papers do not indicate that the Law Ministry was specifically consulted in the matter.

(b) Information regarding this is given in the Annexure.

(c) The question does not arise in view of answer to 4 (a) (ii) above.

(d) Yes, Export Promotion Schemes for manufactured shoes, manufacture of polyvenyl plastic sheets, processed dyes, Hand stitched articles made of Art Silk textile fabrics, Art silk ready made garments etc.

Q. 5. It is stated that this scheme was suspended with effect from 6-3-59 due to abuses of the nature of (i) over-invoicing of exports and (ii) exporting of sub-standard fabrics. Please state:—

(i) when these abuses came to the notice of Government;

(ii) their effect on the earnings of foreign exchange and on trade;

(iii) the number of such cases that have come to notice and the amount involved; and

(iv) the steps taken against the parties concerned.

A. 5.

(i) Towards the end of 1958.

(ii) The effect on earning of foreign exchange on the exports of art silk fabrics as such was not perhaps adverse, since the malpractices noticed did not indicate that the foreign exchange had not been received. But by these abuses, more art silk yarn was being imported into the country than

is justified by the real export; and this if allowed to continue, could, it was feared, affect the demand for indigenous yarn, and the pattern of prices in respect of the imported yarn.

(iii) Information in this respect is not available.

(iv) A special sub-committee was formed to examine all the pending applications for art silk yarn under the scheme and to consider those applications for grant of incentive licences if considered admissible on the basis of assessed value.

Q. 6. Has this Scheme been totally abandoned or does it continue in a modified form? Please furnish details.

A. 6. The Scheme was reintroduced with effect from 1-7-1959 in a modified form. In the revised scheme the entitlement for Art silk yarn remained at 100 per cent but the entitlement was granted on the "assessment value" of exports based on prices prevailing in international markets. Only manufacturer-exporters were made eligible for the grant of entitlements for art silk yarns.

A 2 per cent entitlement was granted to processors and merchant exporters for the import of dyes and chemicals. Also the goods intended for export were subject to pre-shipment inspection for quality control.

Annexure to Appendix III

(a) Statement of Bonds executed against Prospective Exporters Licences and action taken under the Special Export Promotion Scheme For Art Silk Fabrics (Appendix 4)

	Total number of bonds matured	Bond Amount	Bond Amount Guaranteed by the Bank	Value of Imports	Value of export obligation	Bonds re-deemed		Bonds forfeited			Bond Amount Outstanding			Remarks
						No. of Bonds re-deemed	Export obligation	No.	Bond Amount	Bank Guarantee Amount	No.	Bond Amount	Bank Guarantee Amount	
						6(a)	(b)	7(a)	(b)	(c)	8(a)	(b)	(c)	
1958-59	181	..	47,79,399	146,99,598	146,99,598	176	146,60,430	5	..	19,984	..	..	..	..
1959-60	51	..	13,26,021	26,72,887	27,09,401	51	27,09,401	..	..	..	..	..	..	..
1960-61	8	..	8,712	78,087	9,03,423	8	9,03,423	..	..	..	..	..	..	..
Total	440	..	61,14,132	1,74,50,572	184,02,422	235	183,69,154	5	..	19,984	..	..	..	..

(b) Statement of Bonds executed against Established Exporters Licences to make further exports and action taken under the Special Scheme for Art Silk Fabrics (Appendix 5)

	Total No. of bonds matured	Bond Amount	Bond amount guaranteed by the Bank	Value of imports	Value of export obligation	Bonds re-deemed		Bonds forfeited			Bond amount outstanding			Remarks
						No. of bonds re-deemed	Export obligation	No.	Bond Amount	Bank guarantee amount	No.	Bond Amount	Bank Guarantee amount	
						6	7	8	9	10	11	12	13	
1958-59	664	30,35,237	3,801	82,66,020	86,30,927	653	85,63,070	1	..	150	10	49,492	..	..
1959-60	5,961	215,08,285	..	722,63,647	731,00,876	1,373	203,83,312	1	740	..	4,987	1,50,90,352	..	..
1960-61	52	62,131	..	2,18,623	2,18,623	49	2,04,702	1	837	..	2	3,320	..	..
Total	6,677	246,05,703	3,801	807,58,290	820,00,986	2,075	231,50,484	3	1,577	150	4,996	1,51,43,164	..	Not entered in view of Govt. general decision.

(c) Statement of Matured Bonds redeemed against Imports made by Established Exporters to make further Exports and action taken by the Licensing Authorities (All Schemes including Art Silk Export Promotion Scheme)

Year	Matured Bonds					Bonds re-deemed				Value of un-fulfilled export obligation	Bonds forfeited			Bonds amount outstanding			Remarks
	Total No. of bonds matured	Bond amount not guaranteed by Bank	Bond amount guaranteed by the Bank	Value of imports	Value of export obligation	No. of Bonds re-deemed	Export obligation	Value of Bonds not guaranteed by Bank	Value of Bonds amount guaranteed by Bank		No.	Bond amount	Bank guarantee amount	No.	Bond amount	Bank guarantee amount	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1957-58	30	20,210	..	1,66,043	3,75,345	27	2,63,275	19,219	..	22,070	3	900	..	..	..	..	..
1958-59	1,088	31,79,579	96,909	1,05,42,214	1,30,60,761	995	1,44,41,003	33,72,464	56,753	6,19,798	16	18,260	150	76	1,28,855	..	Not entered in view of general decision of Govt.
1959-60	3,462	2,56,39,183	3,29,841	8,93,11,815	9,27,77,547	2,899	3,42,08,895	92,29,513	3,08,650	5,42,68,662	8	72,161	17,115	5,595	1,63,28,599	1,026	
1960-61	417	9,64,239	6,26,147	91,61,496	94,08,972	290	85,38,880	5,97,297	5,39,880	9,62,712	30	19,238	16,381	137	3,47,704	6,886	
1961-62	449	48,94,993	9,29,875	1,50,82,799	1,52,88,306	297	1,11,05,720	25,36,667	1,09,888	41,81,686	16	66,458	39,459	156	22,47,808	74,528	
1962-63	22	55,793	16,672	1,59,041	1,76,516	22	1,76,516	55,793	16,672	
1963-64	2	13,040	..	13,037	65,185	..	..	..	..	..	..	..	..	2	13,340	..	65,185 Export as- sessment.
1964-65	1	18,400	..	18,400	1,36,856	5	1,36,856	..	..	..	..	..	..	..	..	..	Bond taken against export of finished leather (Part rema)
Total	10,471	3,55,16,356	19,39,458	12,44,83,663	13,13,19,610	4,492	6,70,10,337	1,60,73,163	17,86,003	6,42,52,288	123	1,76,817	70,115	5,856	1,00,65,156	81,456	

APPENDIX IV

[Vide para 1.22 of this Report]

(I)

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

(Import Trade Control)

Public Notice No. 80-ITC(PN)/57

New Delhi, The 16th December, 1957.

SUBJECT: *Issue of licences under the Export Promotion Scheme.*

Attention is invited to para 6 of Appendix XXIII to the Red Book for Oct. '57—March '58 period according to which licences issued under the Export Promotion Scheme (whether to Established Exporters or Prospective Exporters) will be subject to the condition that the importer will within six months of the importation of licensed articles export the processed/finished goods of a value to be worked out according to the percentage prescribed in Col. 5 of the annexure to the said Appendix XXIII.

2. In the said para 6 of Appendix XXIII it has been further provided that in order to ensure compliance of the above condition, the importers will be required to execute a bond in the prescribed form with the Import Trade Controller concerned at the time of clearance of the goods from the Customs, and that in the case of established exporters who have already effected exports, the bond would not be taken. This waiver of the requirement of bond in the case of established exporters has given rise to an impression that the Import Licence is granted to them as a subsidy for the past performance and that it is not incumbent on them to export the finished goods to the required extent in pursuance of the condition mentioned in para 1 above.

3. To avoid all possible misunderstandings it is hereby notified that the licences granted under the E. P. Scheme for import of materials to be used in the manufacture/processing of finished goods are

meant to boost exports and it would be essential to tie up imports with exports even in the case of Established Exporters. It has, therefore, been decided that the established exporters will also be required to execute a bond at the time of clearance of goods in the form annexed to Appendix XXIII. However, the licensing authorities may in their discretion do away with bank Guarantee or surety while taking bonds from the Established Exporters who are of good standing and whose past performance had been satisfactory.

Sd/- (S. N. BILGRAMI)
Joint Secretary to the Government of India.

Copy:

Copy to all concerned
 By order etc.

Sd/- (M. P. ALEXENDER)
Joint Chief Controller of Imports & Exports.

(II)

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY

(Import Trade Control)

Public Notice No. 44-ITC(PN)/58

New Delhi, the 26th May, 1958.

SUBJECT:—*Issue of licences under the Export Promotion Scheme.*

Attention is invited to the provisions contained in Public Notice No. 80-ITC(PN)/57, dated the 16th December, 1957 whereby bonds are required to be taken from Established Exporters who had already exported the goods.

2. Established Exporters claiming licences on the basis of their past exports have, however, made a representation against the above decision on the score that they have already effected exports without taking any assistance from the Government and that the condition of making further exports should not be imposed in their case.

The matter has been carefully considered and it has been decided that imports should be tied up with exports and the requirement of the bond cannot be dispensed with in the case of Established Exporters. However, Established Exporters who ask for import licences after first effecting exports will be shown the following concessions in the matter of taking bonds:—

- (i) The bank guarantee will be dispensed with.
- (ii) Bond will be taken for a reasonable amount.

3. The Established Exporters who have already been granted licences under the Export Promotion Scheme subject to the provisions contained in the Public Notice No. 80-I.T.C. (PN)/57, dated the 16th December, 1957 will also be entitled to the said concessions and they may approach the licensing authority for modification of the conditions imposed on the licences granted to them, wherever necessary.

Sd/- (NAGENDRA BAHADUR)

Joint Secretary to the Government of India.

Copy:

Copy to all concerned

By order etc.

Sd/- (M. P. ALEXENDER)

Joint Chief Controller of Imports & Exports.

(III)

GOVERNMENT OF INDIA

MINISTRY OF COMMERCE AND INDUSTRY
(Import Trade Control)

Public Notice No. 9-ITC(PN)/59

New Delhi, the 6th February, 1959.

Magha 17th 1880(S).

SUB:—Import licences issued to Established Exporters under the Export Promotion Scheme-Bond conditions on—

Attention is invited to the concluding portion of paragraph 6 of Appendix XXIII to the Red Book for the October, 1958,—March 1959 period wherein it is stated that in the case of established exporters

who have already effected exports without first obtaining an import licence under the scheme, the condition regarding execution of a bond will be modified to the extent that they will be required to export processed/finished goods equal to the value of imports and that bonds will be taken from them for a reasonable amount without a bank guarantee.

2. Representations have been received from established exporters that they may not be required to execute a bond. The matter has been carefully considered and it has been decided that the execution of a bond need not be insisted upon in the case of established exporters and that it would be sufficient, if they give an undertaking to the effect that they will export processed/finished goods equal to the value of the imports.

Sd/- (S. N. BILGRAMI)

Joint Secretary to the Government of India.

Copy:

Copy to all concerned

APPENDIX V

(Vide para 1.28 of this Report)

A detailed note stating the steps taken by Government in locating the original file which was missing and how it could be ensured that the notings on the parallel file were exact copies of the original file and nothing was missing and whether any Departmental inquiry was made to fix responsibility on the persons who were responsible for the maintenance of the file.

The Public Accounts Committee desires to have a detailed note stating the steps taken by Government in locating the original file which was missing and how it could be ensured that the notings on the parallel file were exact copies of the original file and nothing was missing and whether any departmental enquiry was made to fix responsibility on the persons who were responsible for the maintenance of the file.

The Commerce and Industry Ministry file which contained the original notings is not traceable and in spite of all our efforts, it has not been possible to trace it.

From the counter-part file of Chief Controller of Imports and Exports' office No. 36/138/59-POL. IV, it appears that the number of the Commerce and Industry Ministry file which is not traceable is 166(10)/EPD/II/59. From the fact that extracts have been taken in the Chief Controller of Imports and Exports' office counter-part file, it is clear that the file which is not traceable had gone to Chief Controller of Imports and Exports' Office in 1959. It has not been possible, however, to find any definite reference to the movement of the file. A thorough physical search of the file was made in July, 1965 when the subject was to come up for discussion with Public Accounts Committee, but no trace of the file could be found.

Another search for the file has been made recently and a physical search of the file in all possible Sections was conducted. Besides, the records in the concerned Sections in the Office of the Chief Controller of Imports and Exports were also physically verified. In spite of all this, it has not been possible to trace the file.

It may be mentioned that it is common practice in the Secretariat that extracts are taken from the file of one Section or Ministry and normally the extracts taken are exact copies of the original file.

Since the non-availability of the file was first noticed only in January, 1965, it is not possible now to fix the exact point of time when the file has been lost or mis-placed and it is not possible to fix responsibility on any person or persons for the custody of the file. However, efforts are still being made to trace the file.

APPENDIX VI

(Vide para 1.30 of this Report)

File No. 38|138|59|Pt.-IV

*Extracts of notes taken from Ministry of Commerce and Industry
file bearing No. 1004|DD(N)|59|16274, dated 28-8-59*

Discussed with Addl. Secy.

Though the bonds entered into by the exporters appear to be unconditional, yet in equity it cannot be denied that account must be taken of the fact that bonds were entered into under the tacit understanding that the schemes of incentives would continue.

In view of this basic fact, the best course would appear to be to integrate the question of redemption and fulfilment of bonds with any scheme, interim or final, that is to be devised in respect of export of rayon piece goods. Till that is done it would not be right in equity to insist on fulfilment of bonds.

This subject could also be discussed in the meeting with the Textile Commissioner and JS(R) on the 9th.

Sd/- Illegible
4-6-59

JS (NB) should also see.

Sd/- Illegible
5-6-59

Draft submitted for approval.

Sd/-Hargundas
20-6-59

Sd/- Illegible
22-6-59

S. No. (2)—Issue

S. No. (3)—FR.

For information.

Sd/-Hargundas
21-7-59

This will need to be looked into further. These undertakings are an essential ingredient of our export promotion schemes, and it will be undesirable to reduce the sanctity attached to them.

Sd/- Illegible
29-7-59

CCI(DC(C) to kindly speak.

Sd/- S. N. BILGRAMI
30-7-59

CCI&E (Shri S. P. Chopra)

Min. of C. & I. U. O. No. 3874-EP. II/59/15185 dt. 8-8-59

Relaxation is only proposed in respect of the category whose bonds matured after the 5th March, 1959, the date on which the Export Promotion Scheme was suspended. As AS(C) is aware import licences were granted to exporters (other than mills) only on the basis of past performance. With a view, however, to maintain continuity of exports on the understanding that the Export Promotion Scheme as originally envisaged would continue to be in operation, the export obligation was stipulated as equal to the value of imports and the exporters were required to execute a bond. Now that the scheme has been suspended it is felt that there is justification for the proposed relaxation. The Tex. Commissioner is also in favour of this relaxation, vide S. No. 3

Sd/- S. N. Bilgrami
19-8-59

AS(C)

Dy. Minister

Sd/-K. B. Lall. 20/8/59

Sd/- Satish Chandra 22/8/59

M(C&I) may also see.

Sd/- K. B. Lal
24-8-59

Sd/-
25-8-59,

Sd/- S. N. Bilgrami
26-8-59

S. No. (4) which is fresh receipt from Shri Ghorpade is placed below. I have sent an interim reply (confidential)—to him in order to give him an idea of what we are thinking on the subject.

CCI&E may kindly issue detailed instructions to the port officers in accordance with the decision on prepage.

CCI&E (Shri Chopra)

Sd/- V. M. Srikumaran Nayar

U.O. No. 1004/DD(N)/59/16274 dt. 28-8-59.

28-8-59

APPENDIX VII

(Vide para 1.32 of this Report)

Letter from Mysore State Silk & Rayon Exporters & Importers Association

**The Mysore State Silk & Rayon Exporters & Importers Association
(Registered under Mysore Societies Act, 1904)**

**41, Chowdeswari Temple Street
Bangalore-2**

Dated 28th November, 1959

**The Chief Controller of Imports & Exports,
Udyog Bhavan, New Delhi.**

Dear Sir,

SUB: Redemption of Bond executed under Export-promotion scheme

We wish to bring to your notice that the Port Licencing Authorities are sending reminders to some of our Members who had executed Bond at the time of clearness of goods, to show evidence of exports for the redemption of the Bond.

In this connection we wish to state that as a result of the suspension of the Export Promotion Scheme for Art Silk Yarn suddenly on 6th March 1959, the export trade has been paralysed. The smooth continuity of the Scheme has been broken at a time when all the Exporters here had earmarked bulk goods for export and eventually the trade came to a standstill. It has become very difficult to revive the lost market till this day in the face of keen competition of other nations.

As a result of many representations both to you and the Commerce Minister, the Scheme was again introduced; but entitled only Actual Manufacturers to export under the Scheme. Thus only a Section of the Exporters is being encouraged to export, whereas the Merchant Exporters are totally dismissed under the Scheme.

This class of Merchant/Exporters are at a great disadvantage, as only these exporters had developed the overseas markets and their well-laid connections are shattered. This has disabled them to keep upto the magnitude of exports and they have fallen far below their expectations.

Lastly the Manufacturer/Exporters are made able to offer goods cheaper to the Buyers and this has created an adverse effect on the Merchant/Exporters.

All the above contribute to the temporary inability to show evidence of exports for the redemption of the Bond. We request you to kindly consider the above facts and issue orders to the Port Licencing Authorities to relax the conditions of the Bond.

We wish to add that we have already represented to the Textile Commissioner Bombay that the Merchant Exporters should also be included in the Scheme in view of the fact that the incentives for all items are fixed and it would be reasonable not to discriminate the Exporters.

Thanking you.

Yours faithfully,

For the Mysore State Silk & Rayon
Exporters & Importers Association.

Copy to: J. C. C. & T. Bombay/Madras.

Jt. Secretary.

APPENDIX VIII

(Vide Para 1.38 of this Report)

GOVERNMENT OF INDIA

PRESS INFORMATION BUREAU

PRESS NOTE

Ban on Non-Transferable specific Delivery Contracts in Imported Art Silk Yarn

The Government of India, banned forward trading in art silk yarn on the 17th December, 1962. It has been observed that the prices of imported art silk yarn have been ruling at high levels. A good deal of trafficking in import licences is reported to be taking place, resulting in hardship to the industrial consumers. The Central Government have, therefore, decided, on the recommendation of the Forward Markets Commission, to extend the ban on forward trading to non-transferable specific delivery contracts in imported art silk yarn throughout the country. Necessary notifications under Section 18(3) of the Forward Contracts (Regulation) Act, 1962, have been issued today. To ensure continuity of supplies to industrial users, the outstanding contracts in imported art silk yarn which provide for shipment upto the date of the notifications, have been exempted from being closed out.

The Central Government, by another notification under Section 27 of the said Act, have exempted forward contracts entered into for the import of art silk yarn into India. The Central Government have also exempted non-transferable specific delivery contracts entered into by (i) The State Trading Corporation of India Ltd., (ii) Messrs. Rayex (India) Private Ltd., and (iii) Association of Man-made Fibre Industry, Bombay, for the sale of art silk yarn imported into India, from the provisions of Section 17 of the said Act.

Ministry of Commerce.

New Delhi, March 22, 1966 (Chaitra 1, 1888 Saka).

APPENDIX IX

[Vide paras 2.1, 2.2 and 2.4 of this Report]

Statement showing the value of exports, Commodity-wise from the year 1954-55 to 1964-65

(Rs. in lakhs)

S.No.	Commodity	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
1	Tea	14672	10914	14515	11365	12974	12924	12360	12226	12882	12338	12466
2	Jute Yarn & Mfrs.	12381	11825	11921	11114	10853	10987	13515	14479	14845	15523	16867
3	Cotton yarn & Mfrs.	6717	6855	6711	6256	5171	6898	6198	5317	5381	6096	6368
4	Coir fibre, yarn & Mfrs.	897	961	950	812	822	886	867	1117	1201	1138	1145
5	Woollen carpets, rugs, mats & mattings etc.	387	397	410	434	453	491	479	428	434	526	543
6	Woollen worsted fabrics	3	2	7	15	59	71	44	17	42	147	73
7	Iron Ore & concentrates	421	627	931	1186	972	1459	1703	3542	3532	3640	3744
8	Manganese ore	1292	1072	1604	2970	1365	1189	1403	1073	802	838	1314
9	Iron & Steel scrap	170	268	399	141	222	499	550	625	195	497	567
10	Mica	672	837	877	866	961	1001	1015	966	1033	918	986
11	Kynite ore	59	77	74	80	53	61	64	75	98	65	78
12	Salt	34	33	53	43	44	52	59	16	42	73	68
13	Metals & Mfrs.	213	270	154	203	246	377	1187	1263	534	947	1637
14	Hides & skins tanned or dressed	2057	2253	2097	2094	1884	3044	2485	2533	2245	2620	2724

(Rs. in lakhs)

S.No.	Commodity	1954-55	1955-56	1956-57	1957-58	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65
15	Hides & skins raw	713	653	598	675	814	1123	946	879	1089	1011	914
16	Coffee	765	150	669	673	788	633	722	903	761	831	1335
17	Spices	1168	1067	910	800	801	1446	1661	1751	1378	1602	1676
18	Tobacco	1299	1183	1383	1583	1617	1454	1574	1497	1927	2249	2584
19	Vegetable oil—essential	234	273	274	281	189	239	411	451	427	939	328
20	Oil cakes	148	530	167	276	1065	2100	1430	1732	3110	3538	3974
21	Gums resins & lac	1150	1300	1113	828	702	828	861	664	715	801	763
22	Oils non-essential	2002	3435	1558	1059	640	1481	854	582	1315	1992	699
23	Sugar incl. molasses	44	96	266	114	419	171	328	1533	1805	2601	1794
24	Fruits & vegetables	1339	1529	1798	1916	2195	2167	2598	2551	2673	3011	3676
25	Fish & fish preparations	449	376	511	458	572	583	462	388	401	571	682
26	Cotton raw	1013	2969	1346	903	1662	1007	867	1432	1218	1209	1059
27	Cotton Waste	1005	969	704	551	600	442	289	525	430	441	353
28	Wool raw	861	973	999	1108	874	1111	711	842	564	543	759
29	Bones	243	274	255	227	206	205	261	291	286	245	289
30	Bristles	84	93	104	88	110	142	124	110	155	140	139
31	Art silk fabrics	59	53	61	41	824	219	316	670	690	993	634
3	Coal and coke	588	431	554	527	560	472	333	242	281	235	453

33	Cement	87	52	43	38	61	87	64	90	29	76	30
34	Footwear	156	153	133	280	213	395	308	240	276	361	427
35	Red earthen tiles	54	42	36	40	40	41	50	25	14	19	6
36	Sports goods	18	16	15	10	10	12	14	18	18	21	22
37	Chemical & allied Products (excl. essential oils)	614	571	547	298	347	350	343	329	359	410	662
Grand Total of export including others		59243	59632	60445	56110	58083	63965	66022	67969	71361	79367	81537

APPENDIX X

[Vide Paras 2.1 and 2.8 of this Report]

Statement showing value of import licences issued under the Export Promotion Schemes

(Rs. in crores)

S. No.	Licensing Period	Total exports under E.P. Schemes	Value of import Licences issued under E.P. Schemes
1	2	3	4
1	April 58—March 59	115	19
2	April 59—March 60	142	24.4
3	April 60—March 61	127	20.9
4	April 61—March 62	163	24.6
5	April 62—March 63	174	34.9
6	April 63—March 64	216	60.0
7	April 64—March 65	210	58.2

APPENDIX

(Pks para 2-1 of this Report)

Statement of Maturity Bonds Exacted Against Imports made under Advance Licenses issued for Schemes Other than First SSB Fabric Scheme and Action taken by The Port Licensing Authorities.

Year	Matured Bonds					Bond re-deemed				Value of unfulfilled export obligation	Bonds forfeited			Bond amount outstanding				
	Total No. of Bonds matured	Bond amount not guaranteed by Bank but against L/C	Bond amount guaranteed by the Bank	Value of imports	Value of export obligation	No. of bond re-deemed	Export obligation	Bond amount	Value of bond amount guaranteed by the Bank		No.	Bond amount	Bank guarantee amount	No.	Bond amount	Bank guarantee amount	Export obligation	Remark
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
57-58	13	..	22,431	1,01,728	3,66,547	7	3,09,672	..	15,802	98,875	6	..	6,689	..	..	..	..	..
58-59	350	..	4,98,394	1,29,20,207	77,44,451	308	72,69,989	..	3,07,450	4,74,462	13	..	8,995	29	..	51,249	4,74,749	..
59-60	739	3,960	25,59,72	1,17,34,599	3,33,81,872	589	2,35,48,915	..	16,49,003	98,32,057	83	..	4,24,995	67	3,960	2,82,774	93,61,313	..
60-61	1062	510	47,90,255	1,12,78,556	2,63,43,982	765	2,05,73,371	..	36,90,313	57,70,211	250	510	9,39,550	47	..	1,60,792	34,91,643	..
61-62	685	27,063	33,05,047	66,30,219	2,81,13,334	595	2,29,34,479	27,063	26,64,419	51,78,855	161	..	6,00,213	19	..	1,02,813	29,21,121	..
62-63	345	5,000	3,57,5,600	66,39,447	3,1,89,462	328	3,40,11,158	5,000	32,35,433	11,78,324	15	..	1,44,735	2	..	1,05,422	21,044 + 64,830 Yds.	..
63-64	354	1,28,595	43,67,042	62,84,535	1,78,83,589	274	1,28,31,338	91,515	31,61,675	53,52,911	15	2,111	1,34,860	65	24,890	12,44,065	62,38,557	..
64-65	689	1,52,793	1,26,02,175	1,22,57,668	6,98,92,435	437	4,51,69,915	77,596	97,94,544	207,22,540	21	1,875	3,54,601	231	36,856	49,23,847	94,82,242	..
Total	4237	3,17,801	3,27,38,576	7,38,46,849	21,46,09,232	3,213	16,63,42,817	2,11,374	238,06,239	485,66,415	504	4,496	25,94,170	..	..	..	..	..

Period of Outstanding Bonds as on 1-4-1965.

Year	Bonds Re-deemed				Bonds Forfeited				Bond actually outstanding				
	No.	Bond amount	Bond amount with Bank Guarantee	Export obligation	No.	Bond amount	Bond amount with Bank Guarantee	Export obligation	No.	Bond amount	Bond amount with Bank + Guarantee	Export obligation	
1957-58	..	..	..	..	..	..	..	..	..	..	..	..
1958-59	28	..	52,649	4,70,929	..	..	..	..	1	..	600	13,120	
1959-60	57	..	2,08,393	91,54,118	8	..	..	13,791	1,64,946	2	3,960	590	42,216
1960-61	44	..	29,54,208	34,22,466	2	..	..	7,777	58,708	3	..	4,675	12,469
1961-62	7	..	48,445	17,47,580	1	..	..	363	726	11	..	54,005	11,72,315
1962-63	1	..	1,316	21,044	..	..	..	..	..	1	..	1,94,086	64,830 Yds.
1963-64	12	25,690	96,622	10,34,390	..	..	..	..	..	53	600	11,95,418	98,48,128
1964-65	8	..	79,074	3,35,601	..	..	..	..	..	223	73,994	47,33,773	85,26,499
	355	25,690	34,91,797	161,86,081	11	..	..	21,313	2,22,380	304	77,652	61,83,147	1,96,15,387 + 64,830 Yds.

APPENDIX XII.

[Vide Para 2.9 of this Report]

A note explaining how increased percentage of import entitlement on export was justified and a detailed break-up of all the imported commodities under the Export Promotion Licensing.

(i) For a particular period, there cannot be direct relation between value of physical exports and value of import licences during the same period for the reason that licensing in 1961-62 would really be in respect of physical exports during 1960-61. There is always a time-lag of anything like six months or one year between the dates of exports and claiming and issue of import licences.

The import entitlements for exports of several items grouped under any one scheme vary from item to item of export. These incentives are necessary even for maintaining our exports of these manufactured goods, even apart from helping the overall increase of these exports in the long run.

It happens that while the export of an item coming within a particular group carrying a higher percentage of entitlement may have been exported directly in larger quantities than items within the same group carrying a lower percentage of entitlement. Hence given the same value of exports for two different periods, value of import licences is bound to vary.

(ii) The statistics of imports are maintained commodity-wise and not scheme-wise and the same commodity is sometimes allowed to be imported under more than one scheme.

It has since been decided to introduce code numbers to indicate on licences issued under a particular scheme so that in future this information may be available.

APPENDIX XIII

[Vide Para 2.16 of this Report]

Statement showing the receipts and disbursement of Export Promotion Fund from 1959 to 31st October, 1965.

Receipts.

	Rs.	Ps.
(1) Premium on foreign Cotton	43,83,09,079	92
(2) Premium on Imports under E.P. Scheme 'B' Essentiality certificate	2,18,21,368	10
(3) Fee on Indian Cotton Consumption	2,81,01,643	93
(4) Levy for non-import of American Cotton	23,23,270	00
(5) Fee for non-fulfilment of Export Obligation	37,97,391	38
(6) Premium on CO ₂ & Baramati Cotton	51,500	00
(7) Margin on Distribution of Cotton	3,32,769	30
	49,47,37,022	63

Disbursement.

Export Promotion	37,63,52,545	58
Incentive for 'B' Essentiality certificate	2,45,98,299	17
Refund of Regulatory Custom Duty	2,30,98,554	20
Contributions to Exhibitions	17,12,000	00
Share of Administration Expenses	12,24,062	80
Payment to Texprocil and Handloom Export Promotion Council being Federation's contributions against their expenses	12,32,932	00
	42,82,18,393	75
Balance as on 31st October, 1965	6,65,18,628	88

APPENDIX XIV

(Vide para 2.18 of this Report)

Note of Cotton Textiles Export Incentive Scheme

GENESIS & OBJECTIVE OF THE SCHEME

Since the beginning of 1958, there was a steady and continuing decline in the exports of cotton textiles. The year closed with an export figure of 587 million yards as against 844 million yards in 1957. The causes for the decline in India's export trade of cotton textiles were mainly the fierce competition from other countries, notably Japan and China; the comparatively lower quality of Indian goods on account of their not being produced on modernised and automatic machinery, the uncompetitive prices of Indian cloth which again was an off-shoot of outmoded machinery and the general shrinkage in the international trade in cotton textiles.

2. The Textile Enquiry Committee, 1958 (Joshi Committee) had recommended the adoption of certain specific measures to restore the export trade in cotton textiles. The Committee after examining the causes for the decline in export of cotton textiles came to the conclusion that unless special measures were taken to rehabilitate the outmoded machinery in a number of cotton textile mills and to improve the quality and competitiveness of the Indian products, it will be difficult to arrest the decline. It was also pointed out that apart from the question of quality, the rigid price/cost structure made it almost impossible for cotton textile industry to compete in the world markets, especially against State-controlled industries which were known to be offering textiles in the international markets at below cost price, the difference being loaded on to internal prices. Pakistan had also introduced a currency retention scheme, which enabled the exporter to make up the losses on exports by gains on imported items.

3. The Ministry after a comprehensive review of the difficulties experienced in the export of Indian cotton Textile came to the conclusion that it was urgently necessary to improve the competitive capacity of the Indian cotton piecegoods and also to enable the textile mills to undertake modest programme of modernisation and rehabilitation. It was also considered necessary that greater attention had to be paid to increase exports of processed cloth which would earn more foreign exchange than would be the case if export of cloth were to be predominantly in grey form.

4. basic aim of the Scheme was to use imports of textile dyes, millstores and textile machinery as an incentive to sell cheaper and to produce better quality cloth. A formula was also evolved whereby import of cotton could be used as an incentive for export of cloth.

5. In evolving the integrated special export promotion scheme for cotton textiles, it was realised that a selective approach was inescapable, although non-discriminatory solutions were preferable. The Ministry was of the view that direct subsidies did not provide a solution and might only serve to provoke countervailing duties and other embarrassing reactions. The next factor which had to be taken into account was the GATT angle. The GATT ensures that our goods are not discriminated against, either in terms of tariff or in terms of quotas, in comparison with the goods of other countries. It, however, contains a provision under which if our goods are subsidised, countervailing duties can be levied. Having regard to this position and the possible likelihood of the measures contemplated under the Scheme being regarded as a breach of our international obligations by providing an indirect element of subsidy the scheme was devised and drawn up on the justification of facilitating import of raw materials, machinery and accessories needed for the industry and to overcome our balance of payment position difficulties. Thus the cost in foreign exchange involved in import of dyes and chemicals under the scheme waste be found by savings on normal imports through established importers of dyes and chemicals millstores and cotton yarn, in regard to import entitlement for cotton, it was envisaged to tie a part of the import to the total imported requirements of cotton, while the entitlement of machinery was related to the Monetary ceiling feasible of being found for the modernisation of the equipment in the textile industry.

6. Under the Cotton Textiles Export Incentive Scheme mills whose cloth/yarn are exported are granted entitlements upto specified percentages on the f.o.b. value of cloth/yarn exported, for import of—

- (a) essential raw materials like coaltar dyes, textile chemicals, etc. as well as cotton.
- (b) textile machinery for modernisation and rehabilitation of the productive plant, eventually to improve the quality of the cloth.

Exporters of cloth/yarn are granted import entitlements for import of only coaltar dyes and chemicals. It is permissible for the ex-

porters to sell the imported dyes and chemicals to the textile industry, the realisation on such sale constituting the incentive for them. Similarly, mills importing the dyes and chemicals are also permitted to sell the imported dyes and chemicals found surplus to their requirements. In regard to import of foreign cotton, a Scheme of Incentive is being operated by the Indian Cotton Mills Federation under which, on all imported cotton, premium at a specified percentage is collected from the mills needing such cotton, and the Fund formed thereby is utilised for disbursing cash incentive to mills exporting cloth/yarn at specified percentages.

II

DETAILS OF IMPORT ENTITLEMENTS AND INCENTIVES

7. The Scheme has been revised from time to time. The position is detailed below in a tabular form for purposes of easy understanding:—

	As on 31st Dec. 1961		As on 1st Jan. 1962		As on 15-11-1965	
	Manu- facturers	Export- ers	Manu- facturers	Export- ers	Manu- facturers	Export- ers.
Coal-tar dyes & textile chemicals	7% of the f.o.b. value of cloth/yarn exported.	3%	10% of the f.o.b. value of cloth/yarn exported.	5%	7.5% of the f.o.b. value of cloth/yarn exported.	3.75%
Cotton	66 2/3% of the f.o.b. value of cloth/ yarn exported	Nil	66 2/3% of the f.o.b. value of cloth/ yarn exported	Nil	66 2/3% of the f.o.b. value of cloth/ yarn exported	Nil
Textile Machinery.	10% of f.o.b. value of cloth/yarn exported.	Nil	10% of the f.o.b. value of cloth/ yarn exported.	Nil	25% of the f.o.b. value of cloth/yarn exported.	Nil

8. The basis for grant of import entitlement for cotton was again revised with effect from 1st December, 1963 (i.e.) with regard to exports of cloth effected on and after 1st December, 1963. The table below would indicate the current position with regard to retention

and surrenderable cotton under the Cotton Textile Export Incentive Scheme:—

Against export of cloth of the f.o.b. value of Rs. 100/-.

(a)	(b)	(c)	(d)
Category of cloth	Retention cotton	Surrenderable cotton	Total
(a) Coarse and Medium	40	262/3	66 2/3
(b) Coarse and Medium with a price of 110 P. or over per sq. metre	56	24	80
(c) Coarse and Medium with a price of 150 P. or over per sq. metre	72	18	90
(d) Fine	66 2/3	33 1/3	100
(e) Superfine	100	Nil	100

9. Category of Yarn.

(a) Yarn of counts below 60s	40	26-2/3	66-2/3
(b) Yarn of counts 60s and above	66-2/3	Nil	66-2/3

10. The proportion of PL 480 cotton, global cotton of 1-1/16" and above but below 1-3/16" and of global cotton of 1-3/16" and above to the total retention is given in the following table:

	PL480 cotton retention	Global 1-1/16" and above but below 1-3/16" retention	Global 1-3/16" and above retention	Total cotton retention
Coarse and medium and/or yarn below 60s	25%	25%	50%	100%
Fine fabrics and or yarn of 60s and over	10%	30%	60%	100%
Superfine fabrics	10%	Nil	90%	100%

11. On the surrenderable cotton cash premia payable are currently as under:

Market of Export	Premium payable against export of	
	Cloth	Yarn
1. U.K. Australia and New Zealand	21%*	26½%
2. U.S.A. and West Europe	50%	50%
3. Rest of the World	36%	36%

N.B. (1):—Upcountry mills situated at a distance of 322 KM. and above from the port towns will be eligible to receive an additional cash incentive of 3 per cent.

(2) Effective from exports made on and from 1st October 1965, mills are being allowed a special additional cash incentive of Rs. 5 as an *ad-hoc* measure for a period of six months to give a fillip to exports.

12. A. Three-Man Committee consisting of the Additional Textile Commissioner, the Secretary-General of the Indian Cotton Mills Federation and the Chief Executive of the TEXPROFIL has been set up to examine requests for special rates of incentives over the normal rates of cash incentives as prescribed and sanction wherever such special incentive is considered necessary.

13. It was permissible for mills to import non-viscose staple fibre and/or viscose rayon and/or synthetic yarn upto 20 per cent of the value of their retention quota for import of foreign cotton for production of "mixed fabrics" for export. This provision has, however, been withdrawn as from 1st January, 1965.

14. Import entitlement for import of permissible items of textile machinery is being calculated at 25 per cent of the F.O.B. value of the cloth and/or yarn exported. The 25 per cent machinery entitle-

*Nil:—On that portion of the compulsory surrender value of the cotton entitlement for export effected to the U.K. on and from 1st May, 1965.

ment is to be utilised in the following manner:

- (a) 80 per cent of 25 per cent of the value of import entitlement will be issued to the mills concerned for importing textile machinery with option to the mills receiving the import entitlement to transfer the value of the entitlements to any other manufacturer of textiles. The prior approval of the Textile Commissioner, Bombay, should be obtained as regards the type or kind of machinery sought to be imported.
- (b) 20 per of 25 per cent of the value of the import entitlements will be valid for import of permissible raw-material/components needed for the manufacture of textile machinery in India and should be transferred by the mills earning the entitlements to the indigenous machinery manufacturers on such terms and conditions as may be prescribed by the Textile Commissioner.

15. On the f.o.b. value of the exports of cloth and yarn, whereas the exporters are eligible to receive import entitlements for dyes and chemicals only, the mills on the same F.O.B. value of the cloth and yarn are eligible to receive import entitlements for dyes and chemicals, cotton and textile machinery. The incentives under the scheme is however greater in the link established between import of cotton and export of cotton textiles.

16. The premia (cash incentive) against the value of cotton entitlement surrendered is being disbursed by the Indian Cotton Mills Federation from the Export Promotion Fund maintained by the I.C.M.F. The Fund is mainly financed out of the premia collected on the value of foreign cotton licensed for import.

17. An important provision introduced in the Scheme is that effective from 1st July 1965 grant of import entitlements against export of all textiles including cotton textiles should be only on production of Bank Certificates evidencing realisation of foreign exchange against exports of a certificate issued by the Export Credit and Guarantee Corporation wherever exports are covered by the Corporation's guarantee.

Comparative Statement of Mills-made Cotton—Piece-Goods

Average Price realisation of Cotton Piece-goods from 1953 to 1965.

Year	Lakh Metres	Lakh Rs.	Unit Value per metre in Rs.
1953.	5973·0	5088·0	0·85
1954.	8210·0	6490·0	0·79
1955.	7457·0	5811·0	0·78
1956.	6805·0	5257·0	0·77
1957.	7717·0	5963·0	0·77
1958.	5369·6	4122·6	0·77
1959.	7448·8	5472·3	0·74
1960.	6353·6	5470·3	0·86
1961.	5251·4	4616·5	0·88
1962.	4648·5	39995·6	0·86
1963.	4856·9	4102·2	0·84
1964.	5070·2	4929·6	0·97
1965 (Jan.-Sept.)	3685·4	3567·7	0·97
Estimated	(3965·3)	(3828·9)	(0·97)

SOURCE:—D.G.C.I.S., Calcutta.

J.C.C.I., Bombay.

D.T.L.E., Bombay Customs.

Note:—Figures in brackets represent exports in the corresponding period of the previous year.

Comparative Statement of Export of Mill-made Cotton Yarn

Average price realisation of cotton yarn from 1955 to 1965 and unit price.

Year	Lakh Kgs.	Lakh Rs.	Unit Value per Kg.
1955	83·0	334·0	4·02
1956	55·0	250·0	4·55
1957	75·0	312·0	4·16
1958	141·8	584·3	4·12
1959	96·8	380·2	3·93
1960	64·1	370·4	5·78
1961	71·4	372·8	5·22
1962	104·2	528·8	5·07
1963	135·5	619·1	4·57
1964	123·1	584·4	4·75
1965 (Jan-Sept)	91·6	472·5	5·16
Estimated	(97·2)	(453·6)	(4·67)

SOURCE : D.G.C.I.S., Calcutta.

D.T.L.E., Bombay Customs.

NOTE : —Figures in brackets represent exports in the corresponding period of the previous year.

APPENDIX XV

[Vide para 2·24 of this Report]

Additional Information regarding Malpractices noticed in Export Production Schemes

Q. No. 1. Which are the schemes in which malpractices/abuses were noticed?

Q. No. 2. What was the nature of malpractices/abuses involved?

Q. No. 5. What was the *modus operandi* adopted by the defaulters in regard to the malpractices/abuses noticed in the operation of (i) the export promotion scheme for zari goods and art silk ready-made garments, & (ii) the export promotion scheme of stainless steel products?

A. Nos. 1, 2 & 5.—The main instances where certain malpractices and abuses were noticed are (i) the Export Promotion Scheme for Zari goods and art-silk readymade garments and (ii) the Export Promotion Scheme for Stainless Steel Products. In case of other Export Promotion Schemes, no major complaints of abuses have been received. Only a few isolated complaints regarding some abuses were received in respect of other Schemes. There were no specific complaints about particular defects in any Export Promotion Schemes other than the two Schemes mentioned above.

Some of the malpractices/abuses involved as reported were:

- (i) production of false documents;
- (ii) mis-declaration of export goods;
- (iii) overinvoicing;
- (iv) underinvoicing;
- (v) forgery of export documents.

In the case of Zari goods and art-silk ready-made garments, the nature of default committed by the exporters was either in over-invoicing in some cases or taking entitlement on furnishing an undertaking but not realising the money within the due period of 180 days

and even after extensions were granted by Reserve Bank of India for one year and two years. In these cases, severe penalties have been inflicted as mentioned in answer to Q. 4 and prosecutions will be launched wherever possible. In the few cases of stainless steel products, the default committed was either overinvoicing or incomplete description of goods so that the checking of correct invoice values was difficult.

Q. No. 3. What was the loss incurred to Government as a result of these malpractices/abuses?

A. No. 3.—From the exports so far received, the statement at Appendix X gives the loss involved in export earnings as a result of malpractices. As regards estimated loss of foreign exchange in the case of failure to fulfil the obligations under advance licensing, the position has already been indicated in Appendices VII and IX enclosed with the reply to the points originally made by the Sub-Committee of the Public Accounts Committee.

Q. No. 4. What penal and preventive measures were taken when these malpractices/abuses were noticed?

A. No. 4.—Failure to bring back the export earnings in the case of export of Zari goods, in which entitlements were obtained on the basis of legal undertaking to produce banker's certificate within 180 days has been dealt with, without exception, by deregistration of the firms concerned. It was in this small Scheme only that undertakings were not fulfilled in a very large number of cases, and the total losses involved has been given in statement at Appendix X, part B.

In all these cases of abuses or malpractices, in addition to deregistration, these firms have been reported to the Reserve Bank of India as well as to all the Licensing Authorities so that any facilities either of release of foreign exchange or licensing or assistance from Government of any type are withheld from them. Also some of the cases have been handed over to the Central Intelligence Bureau for prosecution. As regards preventive measure, the following action has been taken:—

(i) The Export Promotion Scheme for Zari goods and Art-silk Readymade Garments was withdrawn in the same year 1963 and has not been since revived.

(ii) The Export Promotion Scheme for Stainless Steel was modified, the import entitlement being related to the weight of exported material as it was not possible to assess and fix the international

prices of these products because of small packets of numerous types of their products and the highly speculative character of stainless steel in our country where there is no indigenous production of stainless steel and the raw material is heavily in demand for domestic consumption.

(iii) Even though there were not many cases of abuses and out of 3 to 4 lakh of exporters of the country, the number of firms reported so far after years of continuous audit, inspection and scrutiny by all authorities viz. customs, licensing authorities, Reserve Bank of India, Export Promotion Councils, Commodity Boards etc. for export earnings either defaulted or substantially unrealised was less than 200, the facility for obtaining import entitlement licences on the basis of legal undertaking to produce banker's certificate within 180 days has been withdrawn.

(iv) the basis of advance licensing has been tightened.

(v) *Overinvoicing*.—In India's export trade, as in every country in the world, it is under-invoicing which is more prevalent than over-invoicing or over-valuation. Our own experience here, both of the Customs Department and Licensing Authorities, is under-invoicing than over-invoicing. As far as over-invoicing is concerned, it is practically non-existent because it involves larger receipts of foreign exchange which is not a practical proposition. Therefore, incidence of over-invoicing is insignificant. However, in a few cases where non-realisation or partial realisation of foreign exchange receipts against exports takes place, particularly in cases where substantial import entitlements are available, several measures have been taken and stipulations made as mentioned below so as to completely rule out and minimise the possibilities of over-invoicing or over-valuation. In cases where a few fraudulent exporters resort to over-invoicing, severe penalties are inflicted. With the further stipulation of production of banker's certificates before entitlements can be allowed, the possibility of over-invoicing which itself was marginal is ruled out.

Due to the system of fixing schedule of international prices on the lower side and after full scrutiny of international prices in case of several export products under the schemes and on account of the procedure for maintenance by concerned Export Promotion Councils of international prices of export products, the cases of overinvoicing are extremely few and rare. Entitlement is granted on the basis of such scheduled prices maintained or notified by the Sponsoring

Authorities or the invoice prices, whichever is less. The items where such schedules have been notified are:

- (i) Art silk fabrics,
- (ii) Natural silk and tussore silk fabrics and
- (iii) Woollen fabrics and Woollen goods.

The items where the Councils have fixed schedules of international prices to guide the Councils and exporters to check the invoice prices are (i) Engineering goods, (ii) non-ferrous metal products and (iii) plastics. The imports of rough diamonds, rough precious and semi-precious stones etc. and export of cut, polished and finished set or un-set diamonds, precious and semi-precious stones are done entirely by Customs Appraisers on international basis and regulations.

(vi) *Underinvoicing*.—For export of several products, minimum export prices are formally notified or informally regulated so as to avoid under-invoicing, under-cutting or under-selling. No exports are allowed below such notified prices. As a measure of abundant caution the main products whose exports are regulated as above are cardamom, tobacco, Bleeding Madras fabrics, Bleeding Madras garments, jute goods where every export contract is registered and approved by a Committee, iron and steel, iron ore from Goa, vanaspati, refined oil.

Q. No. 6. How many complaints of shipment of sub-standard goods were received? What was the amount involved and what action was taken?

A. No. 6.—The number of complaints received by various bodies regarding attempts to ship sub-standard goods are very few. This is not to say that such practices have not been indulged in at all but such complaints were very rare. The Quality Control Regulations and pre-shipment inspection has been enforced with regard to goods covered by some of the Export Promotion Schemes as well as in respect of most of the exports, assisted or moving without any assistance. This has reduced the shipment of sub-standard goods very much.

Q. No. 7. How many complaints of over-invoicing were received and what action was taken in this regard?

A. No. 7.—Complaints of overinvoicing are received by the various Export Promotion Councils, Commodity Boards and Licensing Authorities and sometimes by the Ministry who take action on the lines of

Para 6.1 of Appendix 23 of the Red Book. On the basis of information received from various authorities viz., Councils, Customs Authorities, Licensing Authorities, Commodity Boards etc., it appears that over and above zari goods, there were about 44 complaints (including 19 cases of exports of stainless steel products) of overinvoicing so far. This has to be compared to almost five lakhs shipments per year. In most of these cases of complaints of overinvoicing, the firms have been deregistered and debarred from taking any entitlements and will be black-listed and other penalties are being inflicted. In a few cases, the entitlements were suitably cut as per provisions under the schemes or entitlements were totally withheld. A few cases are still under investigation. Cases of exports of stainless steel utensils made during the year 1963 (since then the scheme has been thoroughly recast as mentioned earlier) are being looked into by the Ministry to find out if any case of overinvoicing has gone unnoticed. So far 19 cases of stainless steel exports have been detected and are under investigation. All these 19 cases have been placed under the Abeyance List pending final action.

Q. No. 8. A detailed note may please be furnished about the functions of the Audit Party and the inspection team of the C.C.I. & E's Office.

A. No. 8.—An Inspection and Audit Unit has been constituted in the Office of the Chief Controller of Imports and Exports with the principal object of making a close study of the manner of working of Export Promotion Divisions in the Port Licensing Offices and the Export Promotion Councils. This unit inspects and recommends measures to streamline the existing procedures in order to make the schemes more effective, useful and also free them from irregularities or abuses. This team, after each study, also makes recommendations for plugging loopholes and making improvements in the various schemes with a view to promote better and larger exports. The activities of this Unit are not kept confined to inspection of export promotion work as detailed above but are also extended to include discussions with the Customs Houses and the Reserve Bank of India on matters concerning import and clearance of goods under Export Promotion Schemes, repatriation of foreign exchange against exports covered by these schemes, payment of commission to the foreign agents, remittances on account of compensation for defective quality, short shipment, etc. Also the Unit reports on any legitimate facilities that the exporters require and makes suggestions on steps required to be taken to remove difficulties experienced by exporters.

Q. No. 9.—It is understood that the entitlements of non-viscose staple fibre are given to the textile mills against their export of

cotton piece-goods. While issuing the entitlement certificates, the office of the Textile Commissioner gives the following description in the said certificates:

“Import of non-viscose Staple Fibre and/or Viscose Rayon Yarn and/or Synthetic Yarn and/or Polynosic Viscose staple Fibre”.

It is also understood that only the entitlements of non-viscose staple fibre are allowed for sale to the textile units with the permission of the office of the Textile Commissioner.

Only those mills which do not sell their non-viscose staple fibre entitlement are entitled to import Viscose Rayon Yarn and/or Synthetic yarn and/ or Polynosic Viscose Staple Fibre, but for their own consumption and not for sale.

- (i) Have any complaints been received by the Textile Commissioner's Office that some mills in Bombay have purchased these entitlements after getting necessary permission from the Office of the Textile Commissioner, but instead of non-viscose staple fibre they have through their agents imported viscose staple fibre or Synthetic yarn and/or Polynosic Viscose staple fibre?
- (ii) A detailed note indicating the nature of complaints received, investigations made and the results of such investigation may please be furnished.
- (iii) What is the total amount involved in this malpractice?
- (iv) What is the amount of loss, if any, suffered by the Government on this account?
- (v) What is the action taken (both penal and preventive) to avoid recurrence of such irregularities in future?

A. No. 9.—In order to enable diversification and blending of man-made fibres & yarn in cotton fabrics for expanding manufacture of mixed sarries, import of non-viscose staple fibre and/or viscose yarn and/or synthetic yarn up to 20 per cent of the value of the retention quota for import of foreign cotton under the Cotton Textile Export Promotion Scheme was allowed. However as these fibres and yarn became increasingly available to satisfy the small requirements of cotton textile mills, this provision was withdrawn from 1st January, 1965. So long as these imports were allowed against exports made before 1st January, 1965, the position is that though one Mill could sell the imported staple fibre with the permission of the Textile Com-

missioner to another Mill, no such sale or transfer of imported viscose rayon yarn or synthetic yarn was permitted and if any Mill imported this yarn against its retention quota the Mill had to use it for its own consumption subject to certain conditions.

(i) & (ii) Certain complaints had been received in the Textile Commissioner's office and the matter had been reported to the Ministry recently. It was reported that during the period from September 1964 to June 1965, a particular Mill had purchased the import entitlements for staple fibre worth about Rs. 60 lakhs from 54 different Mills, in alleged collusion with a firm who figured as the authorised agent for the Mill. According to the Policy laid down, the Mill having the import entitlement is responsible for the actual import of the staple fibre subsequent to which sales or transfer could take place. It appears that the 54 Mills referred to above have transferred the import licences for synthetic fibre by giving the necessary authorisation in favour of the Mill and its authorised agent. The latter appears to have managed to get the licences which were issued for non-viscose staple fibre converted into import licences for "non-viscose staple fibre and/or viscose rayon yarn and/or synthetic yarn" and imported nylon filament yarn which was not permissible. The Mills who have complained to the Textile Commissioner have generally taken the stand that they effected sale of staple fibre only under the import licences and that the Mill and the agents referred to above somehow or other by dubious practices managed to get the import licences converted to synthetic yarn without their knowledge or consent.

On receipt of information that such consignments of nylon filament yarn imported as above were about to be cleared through the Customs or were shortly to arrive, the Textile Commissioner took up the matter with the Collector of Customs, Bombay. The Collector of Customs has, it is understood, held up the clearance of several consignments pending enquiry. The Textile Commissioner has also informed all the Collectors of Customs at the various ports in India similarly. Some consignments had already been cleared before the matter came to the notice of the Textile Commissioner and the Collectors of Customs.

The Textile Commissioner has already held meetings with the Customs and the Licensing Authorities at Bombay regarding action to be taken on consignments held up. It has been agreed that detailed case-study would be made immediately and legal advice taken on the further course of action. The Licensing Authorities have already issued notices to all the concerned licensees and holders of Letters of

Authority to return the same without further commitments. They have also issued Show Cause Notices to the licensees as to why their licences should not be cancelled on the ground that they were issued by mistake or mis-representation of facts.

Some cases have already been enquired into and the materials collected so far were sent to the Legal Adviser of the Textile Commissioner for advice.

On receipt of advice in the particular cases referred to the Legal Adviser and in view of the complexity of the problem, it has now been decided to hand over these cases to the Special Police Establishment for full investigation. Accordingly, the Joint Chief Controller of Imports and Exports, Bombay, has already sent a report to the Superintendent, Special Police Establishment, Bombay. The Special Police Establishment has been specially requested to take charge of the cases regarding the consignments held up by the Customs since immediate action is required in view of some notices served on the Collector of Customs intimating that the parties may approach the High Court if immediate clearance is not effected.

Some consignment have also been held up in other ports. Many of the Mills have, however, approached the Textile Commissioner intimating their willingness to use the yarn imported in accordance with the policy governing the Scheme and in such cases clearance has been authorised. The Textile Commissioner has also proposed to take similar action in case other Mills concerned also give an undertaking to utilise the yarn in the above manner.

(iii) As already mentioned earlier, the report indicates that import entitlements purchased by the Mill may be of the order of Rs. 60 lacs in value.

(iv) Question of loss suffered by the Government does not arise. The question is one of misuse of the entitlements. If the mills would have used it, it was alright. If the transfer and import would have been only of the staple fibre it would have been alright. It is conversion of the licence and import of nylon yarn which is objectionable because no such transfer or sale of synthetic yarn was permissible.

(v) Further action to be taken in the matter will be decided on receipt of a detailed report from the Textile Commissioner along with the legal advice obtained by him. The alleged malpractice has taken place not because of any deficiency in the Export Promotion Scheme itself. It is question of fraud or cheating. Relevant instructions are clear enough and if the malpractices are proved, severest action will be taken under the relevant laws of the country.

ANNEXTURE

A Statement showing item-wise value of exports (excluding Zari Goods) against which foreign exchange has not been realised from the year 1960 to 31st August, 1965.

S. No.	Item	Total <u>(Rs. lakhs)</u>
1	Engineering Goods	85.90
2	Vanaspati	4.19
3	Basic Chemicals	12.79
4	Plastic Goods	42.25
5	Leather Goods	13.26
6	Agarbati	5.28
7	Processed Foods	8.32
8	Handicrafts	14.40
9	Decoratiated Cotton seed cake	2.71
10	Carpets	1.16
11	Handloom (textiles)	0.30
12	Tanned Hides & Skins	67.27
13	Woollen Hosiery	17.14
14	Sandalwood oil	0.64
15	Coir	5.82
16	Fish & Fish Products	16.46
17	Scheduled Items	35.96
	TOTAL	<u>333.85</u>

B. Statement in respect of Zari Goods where foreign exchange has not been realised at Bombay, Calcutta and Madras Ports in 1963..

Zari Goods	469.71 lakhs
TOTAL OF A+B=	8.03 crores
TOTAL EXPORTS OF THE YEARS 1960 TO 31-8-65 (5 years & eight months)	4167.87 Crores

This is a very minor amount and bulk of which is accounted for by the faulty zari scheme which has been stopped immediately. Also from A much amount is expected to be realised. As compared to 2 per cent to 5 per cent of non-realisation in export receipts throughout the world, our non-realisation as above have been insignificant.

APPENDIX XVI

[Vide para 2.29 of this Report]

A detailed note on the Export Promotion Scheme on Zari Goods.

The need for making concentrated efforts in the field of exports was felt during the Second Five Year Plan. One of the steps taken by the then Ministry of Commerce and Industry was to ask the Commodity Boards to take measures for promotion of exports of respective commodities dealt with by them.

Among other commodities Government's attention was drawn to the possibilities of larger exports of zari goods. The Zari Enquiry Committee set up by the Government had observed that sufficient attention had not been paid to the promotion of exports of zari. The Committee further observed that "the future prospects of zari export appears fairly good. There has already been a shift in the export demand, especially from countries with high level of income such as, West European countries, British Dominion and the United States. Given proper qualities, competitive prices and an all-out desire for export, much could be achieved in capturing some of these markets which are today being catered to by other countries".

The export of zari until then had been static as shown below:—

	(Rs. in lakhs)
1956-57	.. 25.69
1957-58	.. 23.90
1958-59	.. 24.50

The help provided to encourage the exports of zari consisted of the following provisions:—

(a) Import entitlement was provided against export of imitation zari goods:—

Copper	.. 36½%
Tissue paper	.. 1%
Gilding Chemicals	.. 2½%

(b) The scheme provided for registration of exporters on the basis of past exports or on firm orders for more than Rs. 10,000 during any of the three calendar years preceding that of registration.

(c) The scheme also provided for advance licensing for imported materials against entitlement for firm orders supported by irrevocable letter of credit or such other convincing evidence which may satisfy the Handicrafts Board of the *bona fides* of the exporters.

The question of stepping up exports in the light of the Zari Enquiry Committee was discussed with the trade. They were in agreement that there was substantial scope for expansion of exports of Zari. But they considered the promotional measures inadequate. They submitted that only a few items of raw materials required by these industries were offered under the above scheme which did not cover several important raw material items required for zari goods etc. and expressed dissatisfaction with the scheme. They argued that the problem of including zari embroidered goods under the Export Promotion Scheme for zari was very important and that several items with good export potential had been left out. It was their considered belief that if these items particularly zari embroidered sarees, embroidered and ornamental footwears and bags etc. were included in the Scheme and if proper incentives were allowed, it would boost up the export trade. The trade submitted that the incentives should be raised from 40% to 75%. Following these discussions with the trade the All India Handicrafts Board collected specific data concerning the items required for manufacture, and also the cost of manufacture, in order to arrive at the reasonable export assistance necessary for increasing the export of these items.

The various suggestions made by the trade were accepted and based on the data supplied by the industry (as per annexure 'A') it was agreed to raise the import entitlement to 75%. A consolidated scheme was therefore issued which provided entitlement of 75% of the f.o.b. value of export on zari, embroidered and woven articles of zari and brocades of zari. The details may be seen at Annexure 'B'.

This consolidated scheme did not include some of the real zari items which required imported gold and silver at international prices. The internal prices of gold and silver both of which were produced in the country in very small quantities were extremely high as compared to their international prices. Our zari goods containing gold and silver had to compete against such zari goods produced by Japan, Israel, France, Middle East Countries and African countries where gold and silver were available at low world prices. Therefore, further discussions took place with the representatives of Trade and

with officers of the Ministry of International Trade and finally with the officers of the Ministry of Finance where the requirements of the Trade for fixing entitlement of 75% was discussed.

The total import entitlement was suggested to 75% taking into account the requirements of other items leaving gold and silver, i.e., raw silk, art silk and gilding chemicals. During discussion with the officers of the Ministry of Finance, it was impressed that in the end-product 14% was the requirement of gold and 50% of silver, both at international prices and the balance would consist of chemicals, art silk, raw silk, etc. Till then there was no Export Promotion Scheme for real zari goods containing gold and silver and the requirements of gold and silver were met by the industry by purchases from within the country. The problem, however, was that the gold was no longer available and internal prices of silver and gold were substantially out of alignment in relation to international prices. It was urged during discussion that this was making the industry non-competitive in the international markets and that if the exporters could have silver and gold at international prices, exports would be increased substantially. This proposal was finally accepted and an Export Promotion Scheme for real zari was issued; the details may be seen at Annexure 'C'.

While in the scheme of art silk fabrics, the Textile Commissioner always used to fix international prices against which import entitlements were allowed and used to check up these prices with the ruling international prices of such fabrics, in case of made-up articles of art silk and natural silk fabrics with zari embroidery and zari stitching, it was impossible to correctly fix international prices in advance. No two pieces of zari goods can be uniform price and the dimensions of different types of fabrics and garments and made-up articles varied from consignment to consignment and even within the same consignment. Therefore, the Customs officials used to appraise the valuation before passing the goods. The appraisers also used to contact the local trade to fix up the correct f.o.b. prices. Several times, reports were being received from the trade that the Customs officials put them to a lot of harassment and difficulties on account of this valuation. Likewise, frequent reports were being received from the Customs that they were under constant difficulties in appraising the prices and the traders were never satisfied with whatever values they fixed in the Customs valuation. The AIHB, the Textile Commissioner and the Ministry of Commerce tried to resolve the situation. But there was hardly any satisfactory method by which the correct appraised f.o.b. values could be pre-determined or assessed at the time of passing the goods. This was entirely a

new experiment for such item where the international prices were most fluctuating and also the packet of import entitlement was of a profitable character. Even though the packet of import entitlement was similar to the one in art silk fabrics, as mentioned above, in case of exports of art silk fabrics, there was a standard cloth construction and yardage by which it was very easy to fix up correct international prices of similar fabrics whereas zari goods consisted of wide range of products being more or less a matter of fashion and changing designs and taste, no parallel goods were available in international markets to compare the Customs valuations. Thus, in the nature of things itself, the problem was of a very difficult nature.

Despite the best efforts on the part of the trade, All India Handicrafts Board, Customs and the Government, it was not possible to regulate the prices of such exports. In order to prevent the abuses taking place in this scheme, Government decided as a first step to withdraw the system of advance licensing and to watch the impact of this modification. Even after this new modification was practised for one month, complaints were being received about the harassment to the trade on the one hand and the difficulties of Customs valuation on the other. Therefore, to take a safer course even at the cost of losing the exports, Government decided to totally withdraw the scheme from December 1963. Since then several Committees—technical committees, inter-Ministerial Committees and expert committees—have gone into this matter as to whether the zari goods scheme could be revived so that any possibilities of larger exports of made-up articles, garments and zari goods of art silk, natural silk and mixed fabrics could be permitted. After the stoppage of the Scheme in December 1963, Government, at one stage, even thought of creating a Central Garment Corporation in cooperation with the trade and industry so that all such zari goods and made-up articles could be canalised for their exports through a single Corporation. Even after examining the possibilities of such a Corporation, it was felt that it will be impossible to fix up correct international prices on the one hand and to make good the losses involved in exports of these goods as these losses were so heavy due to the local prices being very high and the international competitive prices being very low. Thus there was no way to compensate such losses either through import entitlements or heavy cash subsidies and even the mechanism of canalising them through a Central Garment Corporation would not be of much use. Therefore, Government finally decided not to revive any scheme of this nature for zari goods.

Present position therefore is that the Government has no scheme to assist the exports of such zari goods.

Thus, it will be seen that no particular officer or officers were responsible for the defects in the scheme. The entire range of products was of such a type that no stipulation could have been satisfactory. In the nature of things where the products are of such diversified character with the prices varying according to designs and fancies of the foreign customers and with such high internal ruling prices of the basic fabrics and raw materials, the only conclusion was not to promote such exports unless somebody was prepared to export such products without any incentive or assistance. Thus, in the major effort for export promotion it is obvious that such minor and few cases are bound to happen occasionally where in spite of the precautions, some abuse can occur. But when they come to the notice and are detected as was the case with the exports of zari goods and exports of stainless steel goods, immediate remedial measures are taken. It is our good fortune that in the intense effort on so many fronts of the most difficult national task of export promotion we have had such rare (one or two) cases, where abuses did take place and which were prevented and could be removed only by stopping the scheme because the nature of products was such that it was impossible to regulate them under any set of discipline excepting to totally prohibit and discourage the exports of such goods.

Annexure A

Grouping of *Zari* (Gold Thread) and *Zari* Products like Badla Chalak, Salma, Sitara, Ring Katori, Gijai, Sadi, Kangani, etc. as per contents.

Bullion content per 100 tolas of *Zari*

Real	Gold	Silver	Yarn
1	2	3	4
<i>Group A (i)</i> Gold Gilded Real thread on cotton	Upto 4 Grams	50	40
(ii) Gold Gilded Real <i>Zari</i> Products	Upto 4 Grams	98	Nil
<i>Group B (i)</i> Gold Gilded Real <i>Zari</i> thread on Silk	From 4 Grams to 8 Grams	70	30
(ii) Gold Gilded Real <i>Zari</i> products	From 4 Grams to 8 Grams	98	Nil
<i>Group C (i)</i> Gold Gilded Real <i>Zari</i> thread on Silk	From 8 Grams to 11 Grams	70	30
(ii) Gold Gilded Real <i>Zari</i> products	From 8 Grams to 11 Grams	98	Nil
<i>Group D (i)</i> Gold plated Real <i>Zari</i> thread	Above 11 Grams	70	30
(ii) Gold plated Real <i>Zari</i> products	Above 11 Grams	98	Nil

Note.—The Base Metal for all these is Silver

	Gold	Copper	Yarn
<i>Group E (i)</i> Gold Gilded Imitation <i>Zari</i> thread	Upto 3 Grams	40	60
(ii) Gold Gilded Imitation <i>Zari</i> products	Upto 3 Grams	98	Nil

Note.—The Base Metal for this is Copper.

Note.—All the other products like Kinkhab, Laces & Fith Borders, *Zari* textiles and *Zari* embroidered items (which are also exported) are the by-products of the above main products.

ANNEXURE B

S.No. Description of goods to be exported	Total import entitlement	Metals allowed	Limits upto which materials specified in Col. 4 may be imported	Remarks & Conditions, if any
II. Imitation zari, embroidered & woven articles of imitation zari and brocades of imitation zari etc.	75% of the F.O.B. value of exports.	Glass beads, Chattons, Copper, Synthetic fibres, gilding chemicals, Art Silk yarn, raw silk. (permissible varieties).	Within this 75%, the entitlement can be utilised for import of glass beads and chattons not exceeding 5% of F. O. B. export value; copper not exceeding 36% of F.O.B. export value; synthetic fibres not exceeding 5% of F.O.B. export value; gilding chemicals not exceeding 3% of the F.O.B. export value.	The Corporation (HHEC) will supply glass beads and chattons within this percentage, as desired by the exporters.

ANNEXURE C

S.No.	Description of goods to be exported.	Total import entitlement	Materials allowed	Limits upto which materials specified in Col. 4 may be imported	Remarks & Conditions, if any.
1	2	3	4	5	6
I.	Real zari, embroidered & woven articles of real zari, brocades of real zari, etc.	75% of the F.O.B. value of exports.	Gold, Silver, Art Silk Yarn, raw silk, man-made fibres, gilding chemicals (permissible varieties).	Within this 75% the entitlement can be used for import of gold not exceeding 14% of F.O.B. export value; silver not exceeding 50% of F.O.B. export value; man-made fibres not exceeding 8% of F.O.B. export value; and gilding chemicals not exceeding 3% of F.O.B. export value.	Besides art silk, raw silk synthetic fibre & gilding chemicals (permissible type), gold and silver will also be imported by the exporter directly. Licence for gold and silver will be issued by the Reserve Bank. The utilization of gold will be reported by the exporters as per the provisions of Gold Control Rules in force from time to time and as per instructions that may be issued by Gold Board in this connection from time to time.

APPENDIX XVII

(Vide Para 2.37 of this Report)

A detailed note fully explaining the staple fibre case.

Information on the following points is given below:

- (i) Whether any inquiry was made to find out whether one mill would be able to consume such a large quantity of fibres before the licences were transferred to it;
- (ii) Whether the purchasing mill could indulge in regselling;
- (iii) Whether the endorsement made on the licence was the same as per the recommendation of the Textile Commissioner;
- (iv) The grounds on which the proceedings were dropped and re-opened.

Regarding (i)

The permission issued by the Textile Commissioner was to cover the sale of staple fibre after the import of the material and no permission was given for the sale of quota letters or import licences. Since the permission to sell staple fibre of non-viscose origin imported by Cotton Textile Mills against export of cotton textiles was at the rate of premium prevailing in the market, it was assumed that no mill purchasing staple fibre will purchase a quantity in excess of their requirements. It may also be mentioned that the permission to sell the staple fibre in this case was applied for by as many as 54 different mills over a period of ten months from September 1964 to June 1965. There was also no set time limit for consuming the staple fibre; it was open to the mills to stock the fibre and consume it over a period of time.

Regarding (ii)

No re-selling of the staple fibre purchased by a mill was intended to be allowed.

Regarding (iii)

The following endorsement was typed on the licences:—

“The quantity of staple fibre imported against this allocation shall not be transferred or sold by you to any other per-

son or persons without the written permission of the Textile Commissioner."

This endorsement was made as per recommendation of the Textile Commissioner.

Regarding (iv)

The proceedings for the cancellation of licences under Clause 9 of the Imports (Control) Order, 1955 were started, but licences have not been cancelled as the Ministry of Law advised that the licences having expired, it was not necessary to cancel them.

It was also found that the parties had opened letters of credit through the banks for importing goods against the licences much earlier than the issue of the show cause notices. The goods had already been shipped during the period of validity of the licences and had also reached the Indian port. Therefore, proceedings have since been started under Clause 10-C of the Imports (Control) Order, 1955 for giving direction for disposal of the imported goods to persons nominated by the Import Trade Control Authority at a price stipulated by them and within the specified time.

APPENDIX XVIII

[Vide para 2.40 of this Report]

Consolidated statement showing particulars of action taken in respect of 58 cases of Irregularities under e.p. scheme investigated by the S.P.E./police, from 1957 to 1965

Cases in which parties have been Prosecuted (1)				Cases in which departmental action was taken (2)			
No. of cases in which parties were punished by the Courts.	No. of cases let off the by Courts.	No. of cases which are <i>sub-judice</i> in the Courts.	Number of firms debarred for specified periods	No of cases in which parties were warned.	No. of cases in which charges could no. be established by S.P.E. & cases closed.	Pending with S.P.E.	
(a)	(b)	(c)	(a)	(b)	(c)	(d)	
Case (2)	—	case (26)	Case (1)—1 half yearly period.	Case (7)	Case (3)		
Case (9)			Case (9)—Indefinitely as defunct.	Case (28)	Case (2)		
Case (10)			Case (10)—1 half yearly period.		Case (4)		
Case (11)			Case (11)— —do—		Case (5)		
Case (12)			Case (12)— —do—		Case (6)		
Case (14)			Case (14)— —do—		Case (8)		
Case (15)			Case (15)— —do—		Case (13)		
Case (33)			Case (17)—2 half yearly periods.		Case (16)		
			Case (23)— —do—		Case (18)		
			Case (24)—1 half yearly period.		Case (19)		
			Case (26)—Indefinitely as non-existent.		Cases (20)		
			Case (29)—2 annual periods.		Case (21)		
					Case (22)		

			Case (30)—1 annual period. Also Oct. '60 to March '67 under R.P. Scheme.		Case (25)		
			Case (31)—For 50% of their entitle- ments from 1-10-64 to 30-9-65.		Case (27)		
			Case (32)—Indefinitely as non- existent.				
Case (36)	Case (40)	—	Case (33)— —do—				
Case (38)	Accused died during trial.		Case (34)—Indefinitely as non- existent.	Case (39)	—	Case (45)	
Case (44)			Case (35)—1 Annual period.	Case (42)		Case (46)	
			Case (36)—Indefinitely as non- existent.			Case (47)	
			Case (37)— —do—			Case (48)	
			Case (38)—2 Annual periods.			Case (49)	
			Case (41)—1 Annual period.			Case (50)	
			Case (43)—Indefinitely as non- existent.			Case (51)	
			Case (44)— —do—			Case (52)	
			Case (54)—2 Annual periods.			Case (53)	
						Case (55)	
						Case (56)	
						Case (57)	
						Case (58)	
Total	11	1	1	25	4	15	13

APPENDIX XIX

(Vide para 2.47 of this Report)

MINISTRY OF COMMERCE

*A detailed note relating to case No. 43 under Export
Promotion Schemes*

General Procedure followed by the All India Handicrafts Board before registration of a firm:

The parties have to apply for registration in the prescribed form. In that form, the parties are required to quote the Income tax Verification No. also. A copy of this form is at Annexure indicating the general procedure for registration of firms under Export Promotion Schemes. The firms have also to send with their application for registration a certificate from their Bankers in regard to their financial soundness. Till 2-12-63, the All India Handicrafts Board did not make any reference to the Bankers direct in order to verify the genuineness of the Banker's certificates produced by the applicant-firms. Thereafter, the Board introduced a change in the procedure whereby references were made to the Bankers asking them to confirm having issued the Bank-certificate furnished by the party. A further change was introduced in the procedure with effect from 5-5-64 when it was decided that before registering the firm, the registering authority should make a reference to the licensing authority in whose jurisdiction the Head-office of the applicant firm lies, to ascertain if the licensing authority have any objection to the registration of the firm from the point of view of blacklisting or otherwise.

2. The present procedure followed by the All India Handicrafts Board for registration of exporters:

The present procedure followed by the All India Handicrafts Board for registration of exporters is that as soon as an application is received by the Board, a reference is made to the Bankers as well as to the licensing authorities. To verify the firm's past exports or internal turn-over or production in handicrafts, the Board ask the firm to submit an additional certificate from their Bankers or Chartered Accountants, giving the export figures for the last three years. No confirmation, however, is taken from the bank or chartered ac-

countants for having issued this certificates certifying the firm's exports or internal sales or production during the last three preceding years. In case this is more than Rs. 5000 in handicrafts, the firm becomes eligible for registration. No other verification is done for the firm's existence before issue of the registration. On receipt of the application, the application is diarised and put up to the Assistant concerned for processing. A processing sheet evolved by the Handicrafts Board is used by the Assistant. Required documents, as mentioned above, are looked into by him and put up to the concerned officer. At this stage, a reference is made to the bank for having issued the certificate of financial soundness. Another reference is made to the licensing authorities to obtain their clearance from blacklisting or otherwise. The final registration is issued only if clearance is received from the licensing authorities and confirmation of bank for the issue of their certificate for the soundness of the party is received and if the firm satisfies the condition of registration regarding their past exports etc.

3. The documents submitted by an applicant for import entitlements are taken as genuine unless there is some suspicion. No prior verification of the documents is done.

Facts of the case of M/s. N. G. Kesavlal:

4. This party applied for registration under the Export Promotion Scheme for Handicrafts to the All India Handicrafts Board on 5-4-63. Subsequently on 9-4-63, they produced a certificate dated 6-4-63 purported to have been issued by the Punjab National Bank Ltd., Chawri Bazar, Delhi to the effect that the firm were maintaining a current account with the Bank for the last 6 years, that they were honest and fair in their dealings and that they enjoy a very good market reputation and were mainly carrying on export and import business. The certificate also mentioned that the party was in a position to import or export goods worth Rs. 4,50,000 in one lot. With their letter dated 9-4-63, the party also furnished a statement of exports made by them during 1960-61, 61-62 and 62-63 to U.K. duly authenticated by Auditors. It was on the basis of these documents that the firm were registered vide Registration Certificate dated 29-5-63 by the All India Handicrafts Board with effect from 5-4-1963. The certificate of Registration was personally collected by the party against a receipt signed by them.

5. On 2-5-63, the party made an application to the Director, All India Handicrafts Board for Release order for Brass Billets. This application was actually received by the All India Handicrafts Board on 13-5-63. All India Handicrafts Board issued a release-order for

Rs. 14,460 on 15-5-63 under intimation to the Managing Director, Handicrafts and Handloom Export Corporation of India, Delhi. The party made payment of Rs. 14,460 plus 2 per cent sales tax through a draft in the name of Handicrafts & Handloom Exports Corporation and got delivery of 4900 kg of Brass Billets from the Officer-in-charge, Common Facility Centre of the Handicrafts & Handloom Export Corporation at Moradabad by 7-6-63.

6. On 2-5-63, the party made an application for the import of Ivory Unmanufactured on the basis of exports said to have been made for Rs. 66,000. The application was received by the All India Handicrafts Board on 6-5-63 and was accompanied by a Bill of Lading, Bank Certificate regarding receipt of payment and invoice. It was forwarded by the Board to the Joint Chief Controller of Imports and Exports, C.L.A., New Delhi on 1-6-63 with the recommendation for an import licence for Ivory unmanufactured for Rs. 33,000. The party had not quoted the Income tax Verification No. in their application and stated that they had applied for the same. In terms of the policy and procedure in force, a licence for Rs. 33,000 as recommended by the All India Handicrafts Board was issued on 19-6-63. The party was requested to produce the Income tax Verification Certificate within 15 days from the date of issue of the licence. But they failed to produce the Income tax Verification Certificate within the given time. Therefore on 24-7-63, they were reminded to furnish the Income tax Verification Certificate within 10 days. Simultaneously, on 25-7-63, a reference was made to the Punjab National Bank for verification of the Bank certificate produced by the party. On 29-7-63, the Bank replied that they had not issued any such certificate to the party. The letter sent to the party on 24-7-63 asking them to produce the Income tax Verification Certificate was also received back undelivered on 17-8-1963.

7. On 2-5-63, the party made another application for import of Zinc and Tin for Rs. 75,000 against their exports worth Rs. 1,20,500. The application was received by the All India Handicrafts Board on 13-5-63 and was accompanied by Bills of Lading, Bank Certificate regarding receipt of payment and Invoices. The application was forwarded by the All India Handicrafts Board to the Joint Chief Controller of Imports, C.L.A., New Delhi with a recommendation for the grant of a licence for Rs. 28,920 on 15-5-63. On 26-6-63, a reference was made to the party by the Joint Chief Controller of Imports, C.L.A. asking them to explain how the dates of the invoices were subsequent to the dates of Bill of Lading. In reply to this, the party stated in their letter dated 1-7-63 that on the request of their buyers they had exported the goods on despatch-certificates and

afterwards made out invoices. As the Bank-certificates was not clear, Joint Chief Controller of Imports made a reference to the Punjab National Bank on 26-7-63 for verification of the Certificate issued by them. On 28-8-63, The Bank denied having issued the certificate. An interim reply sent to the party on 25-7-63 had also been received back undelivered on 7-8-63 with the postal remarks 'not known'. Hence no licence was issued in this case.

8.7 Immediately on receipt of intimation from the Bank, the Customs authorities were alerted not to honour the licence already issued and the matter was handed over to the S.P.E. on 28-9-63. The SPE registered the FIR on 8-10-63. The licence was also cancelled on 27-9-1963. S.P.E. sent their report on 30-6-64, which revealed that the firm was a bogus one and was not in existence. It also revealed that the import licence obtained by the party had not been utilised at any port. The licensing authorities were accordingly alerted not to issue any licences in the name of this party or its proprietor Shri N. G. Kesavlal in future without obtaining specific instructions from the Hd. Qrs. office of the ITC Organisation.

9. The Vigilance Officer of the Department of Social Security (The A.I.H.B. was under Department of Social Security upto February 1966 before being brought under the Ministry of Commerce) had gone into the details of this case and was advised by the S.P.E. that a Departmental enquiry be conducted for fixing the responsibility and to find out whether there has been any lapse on the part of any officer or officials. Accordingly a departmental enquiry is being conducted. As soon as the enquiry is completed, strict action will be taken against the officials found responsible for any lapse or misuses. OSD (Vigilance) of Ministry of Commerce has now taken over this enquiry.

Annexure to Appendix XIX

Form of application for Registration under Export Promotion Scheme

Dear Sirs,

Subject:—Registration under the Export Promotion Scheme
for_____

Kindly register as under the above Scheme as Manufacturer exporters/Merchant exporters of_____ (here mention the major products covered by the Scheme, exported by you).

1. (a) Name and address (with telegraphic address and telephone No.) of Registered Office, Head Office and Branches.

(b) Whether proprietary/Partnership concern or Private/Public Limited Company or Co-operative Marketing Society etc. (Names of proprietors/Partners/Directors/Managing Directors should be furnished with their permanent addresses).

(c) Names of the associate firms for whom the applicants act as agents in export business.

(d) Name and address of the applicants' banker.

(e) Income-tax Verification Number and date.

2. (i) Date of establishment of business/factory in India.

(ii) Date of commencement of export business.

(iii) Capital employed.

3. Whether licensed/registered under the Industries (Development and Regulation) Act. If so, number and date of licence/registration certificate.

4. Whether products manufactured are on approved (DGS&D) rate/running contract, I.S.I. certification marked G.T.H. Alipore tested or otherwise quality controlled (specify the scheme of Quality Control applicable).

5. Whether enlisted with DGTD/State Director of Industries/Development Commissioner, S.S.I.

6. (a) Details of past exports during the last three years, if any. (Products for which registration is sought and other products not covered by the Scheme should be indicated):—

Year	Description	Quantity	f.o.b. Value	Unit Value	Major Countries in which exported
------	-------------	----------	--------------	------------	-----------------------------------

(in case where there is no export, statement on internal sales turnover for the last three years of the items desired to be exported, duly attested by the auditors, should be submitted).

6. (b) Details of commitment of future export for the succeeding three years:—

Year	Description of goods to be exported	Quantity	Value
------	-------------------------------------	----------	-------

7. If new to export field, state details of any overseas market surveys conducted or of export promotional efforts made.

8. Have any complaints been received in respect of quality/delivery/after sales-servicing of goods exported in the past and if so how were they disposed of.

9. If merchant exporter, please indicate what arrangements have been made with manufacturers/manufacturer whose products to be exported.

10. Export commodities in respect of which recognition is sought.

11. Whether the firm is already registered exporter for some other commodity. If so, give recognition number and details thereof.

12. (a) Whether a member of any recognised Trade body, if so, give particulars.

(b) Whether the firm is registered under the Factories Act. If so, registration No. and date.

(c) Whether he holds a Corporation or Municipal licence from his factory premises for the current year. If so, number and date of licence and the name of the issuing authority.

13. A certificate from the applicant's bankers certifying the financial position.

14. Whether the applicant would choose to claim import entitlement on monthly, quarterly, six monthly or yearly basis or claim the entitlement immediately after effecting the exports.

We hereby solemnly declare the above stated information to be true and correct and undertake without any reservation to:

- (i) abide by the terms of the Registration Certificates granted to us on all our exports,
- (ii) use the import licences and quotas/permits of indigenous materials granted to us under the scheme for the purpose for which they are issued and under the terms and conditions under which they are issued,
- (iii) agree to abide by any Code or conduct that may be prescribed by _____

We further understand that our registration is liable to be cancelled in the event of breach of any of the undertakings mentioned above or for ceasing to fulfil the conditions for registration of the positions of the Export Promotion Scheme.

Yours faithfully,

Name in Block letters

Designation

Residential Address

APPENDIX XX

(Vide Para 3.4 of this Report)

Statements showing the quantity and value of exports and imports etc. under the various Barter agreements since 1957-58 to date.

MINISTRY OF COMMERCE

Q. No. 1	Item 2	Reply 3
1	A statement showing the quantity and value of exports and imports under the various Barter Agreements since 1957-58 till date (agreement wise and year wise)	<p>Six statements showing commodity and value of exports and imports under various barter deals agreement wise since the year 1957-58 is enclosed. A reference to the date of approval is also given in the relevant col.</p> <p><i>Statement No. I</i></p> <p>Barter deals of S. T. C. against export of manganese and other ores prior to the incorporation of the M.M.T.C. in 1963.</p> <p><i>Statement No. II</i></p> <p>Statement showing exports and imports made under barter by the S.T.C excluding those under statement No. I.</p> <p><i>Statement No. III</i></p> <p>Statement showing exports and imports made under barter by the M.M.T.C. for import of steel materials.</p> <p><i>Statement No. IV</i></p> <p>The exports and imports made by the M.M.T.C. under the first C.C.C. barter.</p> <p><i>Statement No. V</i></p> <p>Exports and imports made by the M.M.T.C. under the second C.C.C. barter.</p>

1

2

3

Statement No. VI & VI A

Statement showing exports and imports made by the M.M.T.C. for import of raw materials.

The information relating to quantities imported or exported has been indicated where available.

- 2 Where any import advance licenses issued in anticipation of exports in regard to any of the above agreements? If so, full particulars thereof may be furnished.
- Advance import licences were issued in anticipation of exports in regard to very high priority items like steel up to the end of the Year 1959. Such cases are mentioned in statement No. I. After the year 1959 even for high priority items like steel, this practice was discontinued. There were, however, three more cases after the year 1959 when advance import licences were issued. These are— (1) Item No. 27 of Statement No. I. Here the S.T.C. itself had to import stainless steel against exports of manganese ore and no private party was involved. (2) Item No. 6(a) and (b) in Statement No. VI. In this case imports were allowed to precede exports subject to the *condition that no payment in respect of import was allowed to be made until the foreign exchange by export had materialised.* The preimport was thus financed by suppliers credit and not by advanced release of foreign exchange. (3) Item No. 4 and 5 of Statement No. VI. In this case the party was authorised to import nylon tows before realisation of the foreign exchange on the export of manganese ore. This was allowed as a special case on an emergency basis as it was required for Defence purposes at the time of Chinese invasion. The import was also debited to the foreign exchange ceiling allocated to the Textile Commissioner for defence purposes ultimately to be recouped by the export of manganese ore. The export obligation has since been fulfilled.

1	2	3
<p>3 Whether there were any failures in fulfilling the export obligations under barter deals? If so, full particulars there of indicating action taken, if any may please be furnished.</p>		<p>In respect of cases prior to 1960, apart from a few cases of marginal shortfalls in the fulfilment of export obligations the only case where there was a substantial failure in fulfilling the export-obligation was that indicated under item No. 6 in Statement No. I. Apart from the forfeiture of the Bank guarantee, departmental action has also been taken against the firm. In respect of other cases, the value of imports actually allowed has always been restricted to the value of the exports effected and the foreign exchange realised, and import licenses are endorsed with a stipulation to the above effect. Sl. nos. 2 & 3 in Statement III are typical examples.</p>

Statement I

Regarding Barter Deals against Export of Manganese and other Ores

S. No.	Name of the beneficiary	Barter No.	Approvals Date	Item exported	Qty. (tons)	Value (Rs.)	Actual Qty. Shipped (Tons)	Amt. of payment received (Rs.)	Items to be imported	Value of I/L (Rs.)	Remarks
1	2	3	4	5	6	7	8	9	10	11	12
1	All India Stainless Steel	Approval SC(B)-15 (29)/59	5-9-1959	Mn. Ore Cr203	26300 3650	2571650 681143	25863 3662	2350115 768383	Stainless Steel	3245100 (Value of actual Imports)	3148273
						3252793		3118508		23117325	
2	Aminchand Payarelal	CP/152/AP/450 CP/161/AP/137 CP/152/AP/624 CP/161/AP/773 CP/152/AP/485	15/16-9-59 26-5-59 4-12-59 23-12-59 25-9-59	Mn. Ore Cr 203 Kyanite Mica	171700 7000 1950 2000000 lbs	20694221 1109125 534950 3800000	158814 6944 1900 961672	18563886 1027109 531156 3811532	M.S. Plates B. P. Sheets C. R. Bars Tinplates Wire, G.P. Sheets, M. S. Rounds Tinplate		
3	Angiras Bros	CP/152/Ang. Bros/59/635 CP/152/Ang. Bros/59/846	11/13-11-59 25-1-60	Mn. Ore Cr203	11000 500	1077425 83125 1160550	10450 501	1022644 102160 1124804	W/W	995076	
4	B.R. Herman & Mohatta	CP/152/H&M/59/627 CP/152/H&M/59/779	11/12-11-59 24-12-59	Mn. Ore	30100	2588067	28617	2271671	BP, MS, CR Sheets Wire Rods, CRCA Sheets (DD Qty)	2261416	

5	Bengal Corpn.	CP/152/B.	9-3-59	Mn. Ore	15000	1832932	14930	1645721	BP & GP Sheets	1645720
6	Chamanlal Bros.	CP/152/C&B/306	1-8-59	Mn. Ore	74200	10823350	38792	8352204	HB Wires, MS Plates, GP&BP Sheets, Signal GI Wire Stainless Steel	10045700 9431739 (value of actual Imports)
		CP/152/C&B/422	12/14-9-59							
		CP/152/C&B/423	12/14-9-59							
		CP/152/C&B/163	5/6-6-59							
		CP/152/C&B/182	15-6-59							
		CP/152/C&B/220	1/2-7-59							
		CP/152/C&B/307	1-8-59							
7	Devidayal Stainless Steel Ltd.	1/10/STC/Bart.(59)	9-2-59	Mn. Ore	30000	3833250	30239	3387056	Stainless Steel	3513426
8	Hind Ind. Corpn.	CP/152/HIC/183	15-6-59	Cr203	3500	754028	3257	675350	BP Sheet, GI Wire	638350
		CP/152/HIC/1458	7-7-60							
9	Khem Chand Raj Kumar	CP/152/KR/848	25-1-60	Mica	1000000 lbs.	1900000		1922292	GR Sheets	1866380
10	Khemka (Agencies) Ltd.	CP/152/Khemka/59	24/25-8-59	Mn. Ore	4800	416000	4816	400600	GI Wires	375725
11	Mahindra & Mahindra	CP/152/M&M/333	11-4-59	Mn. Ore	95100	12315783	79287	} 14108389	RS Joists Plates, MS Billers MS&BP Sheets	14853983 14505742 (Value of actual Imports)
		CP/152/M&M/330	13-8-59	Cr203	24500	3967950	24085			
		CP/152/M&M/606	12-8-59	Mica	50000 lbs.	950000	42065			
		CP/152/M&M/876	6-11-59				lbs.			
			9-2-60							

1	2	3	4	5	6	7	8	9	10	11	12
		CP/152/M&M /238 & 237	8-7-59								
		CP/152/M&M /302	1-8-59								
		CP/152/M&M /582	22-10-59								
		CP/152/M&M /211	30-7-59								
		CP/152/M&M /134	26-5-59								
		SC(B)15(30) 59	9-2-59								
		SC(B) 15(11) 58	20-1-59								
		CP/152/MM/ 58	20-12-58								
12	Malkhram (I) Private Ltd.	CP/152/Milkhi- ram/59/218	8-8-59	Mn. Ore	45000	6536000	43692	5937707	GI Wires, MB Plates, G I. Sheets.	5877033	
		CP/152/Milkhi- ram/59/623	10-11-59								
13	Minex Corpn.	CP/152/SR/ 1490	21/22-7- 60	Cr203	2500	634125	1811	363845	HB&GI Wires, Wires, BP& CRCA Sheets	358725	
14	Mulraj G. Dungarsey.	CP/152/Dun- garsey/320	10-8-59	Mn. Ore Bauxite	38900 9000	3479871 291000	36601 10580	2872142 308787	BP&GP Sheets	3705000 3112663 (Value of actual Imports)	
						<u>3770871</u>		<u>3180929</u>			
15	N. K. Pat- kar & Co.	CP/152/Pat- kar/1747	26-9-60	Mn. Ore	62300	4013628	65462	3878499	BP&SR Sheets, CR&CP Sheets.	3795521	

16	Oscar Eng. Works.	CP/162/Oscar/22/25-8-59 359	Mn. ore Kyanite Cr 302	14000 300 2000	1760667 81201 370500	12538 225 1912	1378166 54867 338433	GI Wire HB Wire GP sheets	1761410
					2212368		1771466		
17.	P.L. Bhatt.	CP/152/PLB/ 317	7/10-8-59 Mn. ore	8500	710719	7849	624913	Elc. Tin. plate	575000
18	R.B.Thakur & Co.	CP/152/RB/58	30/31-12-59 Mn. ore	95200	Rs. 90 lacs (about)	92406	8524747	Tin plates & other steel	7691277
19.	Ramkishan Kujwant Rai.	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/ 111/60/1853	30-9/ 10-59 8-9-59 2-12-59 8/9-9-59 19/21-2-59 18-11-60	Mn. ore Cr. 203 Kynite MNO2 Mic.	225750 29800 550 1375 70000 lbs.	22354691 4047806 128220 400136 1282500 lbs.	225424 23857 504 1353 72940 lbs.	S.s. steel Strips/ BP, HR,CR & GP sheets/ Tin Plate W.W.MS Plates GI Wire/BP Sheets (DD lty).	24925742
20	Rungta Sons.	CP/152/Sree/ Laxmi.	15-6-59 Mn. ore	8500	706505	7678	557733	Plates	668240
21	S.N.Khaitan & Co.	CP/152/Satya- Narain Khaitan /77	24-12-59 Mn. ore	65750	4525279	66611	4042120	BP/GP Sheets GI wire Rods.	4042120
22	Steel Rolling Mills.	CP/152/M 416	10-9-59 Mn.ore	23000	2310875	24868	2350445	MS. Billets BP Sheets	2343330
23	Surrender Overseas.	CP/152/SO/59 323	10/14-8-1959 Mn. ore	20000	1850125	22402	1898071	BP Sheets GP Sheets	1894150
24	Thimma Reddy.	CP/152/NC/ 421	12-9-59 Mn. ore	6000	513000	5855	460440	Elec. Tin Tin plate w/w	460000

1	2	3	4	5	6	7	8	9	10	11	12	13
25	V.D. Swamy	CP/152/VDS/ 208	23-6-59									
		CP/152/VDS/ 59/319	8-8-59	Mn. ore Cr203	91800 1000	10778871 97375	83115 962	9699983 94000	BP/GP Sheets	10017503		
						10876246		9793983				
26	Western Rubber Tyre Co.	6/128/59-ST	13-5-60	Mn. ore	10500	1361375	10440	1243147	Tyres	1250134		
27	STC	CP/152/STC 11/60/567	17-5-61	Mn. ore	214316	22867456	163210	17285213	Stainless Steel/ Steel	16817931		
		CP/152/STC Pt. II/477	23-4-60 25-4-60									
		CP/152/SS 60/1330	25-5-61 1-11-61									
		CP/152/Kashi- moto/836	19-1-60									
						170034924		148881672		148741317		

Other than Steel Barfers

S.No.	Bartering firm	Approval No. & Dt.	Validity	Export items	Qty. Shipped	Value (in Rs.)	Import items	Value (in Rs.)
1.	Ram Bahadur Thakur	33-MD(92)/62 28-11-62	27-11-66	Manganese Ore	102595 (tons)	4992771	Ship	nil.

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STATEMENT II
Statement Showing Exports and Imports Made Under Barter.

(Rs. In lakhs)

Sl. No.	Name & Style of agreement and date	Items of export & imports with ceiling				Implementation of exports	Extension granted by Govt. if any	Implementation of imports	Reasons for shortfall if any	Terms of payment	Remarks
		Exports	Ceiling	Imports	Ceiling						
1	2	3				4	5	6	7	8	9
1	M/s. U.P.C.C., New Delhi. dt. 27-8-59.	Jute goods	12.58	Forson Tractors & Spares.	12.58	12.58 } 1959-60 1960-61	Completed within the validity period.	12.58 } 1959-60 1960-61	No Shortfall.	Exports have preceded imports. Imports took place to the extent of the funds generated by way of exports. Bank Guarantee and/or Performance Bond covered the transactions.	These barter were approved by the barter committee set up in the Ministry of Commerce.
2	M/s. East Asiatic Co., New Delhi. dt. 28-12-59.	Cotton seeds	8.80	Newsprint	8.80	8.80 } 1959-60 1960-61	"	8.80 } 1959-60 1960-61	"	"	"
3	M/s. Bengal Corporation Ltd., Calcutta. dt. 24-11-59.	Jute goods	52.70	Steel material	52.70	52.70 } 1959-60 1960-61	"	52.70 } 1959-60 1960-61	"	"	"
4	M/s. Shaw Wallace & Co. Ltd., Calcutta. dt. 20-12-59.	Jute Gunnies	24.00	Ammonium Sulphate.	24.00	24.00 } 1959-60 1960-61	"	24.00 } 1959-60 1960-61	"	"	"
5	M/s. Gupta Brothers, Bombay. dt. 20-4-60.	Govt. Publicity Material	1.00	Watches	1.00	1.00 (1960-61)	"	1.00 (1960-61)	"	"	"
6	M/s. Marubeni Ltd., Bombay. dt. 21-4-60.	Jute goods	75.00	Art Silk yarn	37.50	40.00 (1960-61)	"	20.00 (1960-61)	The value of the barter reduced subsequently.	"	"
7	M/s. Henna Caviary, Delhi. dt. 29-4-60.	Henna	10.00	Cellophane paper	10.00	0.48 (1960-61)	"	"	Imports did not take place as firms request for free distribution was turned down by the Govt.	"	Balance cancelled.
8	M/s. Associated Traders, Madras. dt. 21-6-60.	Jute goods	6.50	Garage & Automatic Maintenance tools.	6.50	6.50 (1960-61)	"	"	"	"	"
9	M/s. Janki Das Ram Gopal, Calcutta. dt. 29-4-60.	Jute goods	36.13	Steel Material	18.07	5.80 (1960-61)	"	2.90 (1960-61)	Firms request for extension of the deal not agreed to.	"	Deal was restricted to the actual exports & imports.
10	M/s. P. Nayar Corpn., Calcutta. dt. 20-5-60.	Jute goods	25.00	Steel Material	12.50	25.50 (1960-61)	"	3.00 (1960-61)	"	"	"
11	M/s. East Asiatic Co., Madras. dt. 6-7-60.	Cotton Seed Cakes	16.40	Printing Machinery.	16.40	12.00 (1960-61)	"	12.00 (1960-61)	Deal was restricted Rs. 12 lakhs subsequently.	"	"
12	M/s. Tirven, New Delhi. dt. 28-2-59.	Jute goods Pepper Castor Oil Manganese Ore.	228.00	Five Fokker Aircrafts.	228.00	228.00 } 1959-60 1960-61	"	228.00 } 1959-60 1960-61	"	Payment in blocked Rs. 12 lakhs was concerned to be repatriated on generation of funds as intimated to IAC by STC.	STC was concerned with exports only. Imports by the IAC.

1	2	3	4	5	6	7	8	9
13	M/s. Binai Corpn- Frozen Meat recon. dt. 26-8-60.	1:00 High Speed tools & Alloy Steel.	1:00	1:00 (1960-61)	"	1:00 (1960-61)		In all cases exports have preceded imports. Imports took place to the extent of the funds generated by way of exports. Bank Guarantees and/or Performance Bond covered the trans- actions.
14	M/s. Rank Lal & Textile Machinery Co., Bombay. 2-5-61	12:00 Art Silk Yarn	12:00	3.51 (1961-62)	"	1:75 (1961-62) (1962-63)	Firm requested for higher margins on imports, therefore Govt. allowed 50% imports. Balance not permitted.	" Balance cancelled.
15	M/s. UPCC, New Delhi. 2-5-61.	25:00 Fordson Tractor Parts.	25:00	25:00 (1961-62)	"	25:00 (1961-62)		"
16	M/s. Khandelwal Ferro-Manganese Brothers. 30-10-61.	43:00 Steel Material	43:00	43:00 (1961-62)	"	43:00 (1961-62) (1962-63)		"
17	M/s. Mikhi Ram Ferro Manganese (India)(P) Ltd., Bombay. 30-10-61.	78:38 Steel Material	78:38	34:89 (1961-62) (1962-63)	"	34:89 (1961-62) (1962-63)	50% imports.	" 50%
18	M/s. Shaw Wallace Jute Bags Co. New Delhi. 25-7-61.	18:97 Ammonium Sulphate.	18:07	18:97 (1961-62)	"	18:97 (1961-62)		"
19	M/s. P. Nayyar Corpn., Jute bags Calcutta. 29-7-61.	25:50 Ammonium Sulphate.	25:50	25:50 (1961-62)	"	17:37 (1961-62) 8:17 (1962-63*)		" *Dispute arose about prices. Imports were effected when dispute settled.
20	M/s. Potas Ferti- Jute bags liers Ltd., Bombay. 17-8-61.	20:00 Murate of Potash.	20:00	20:00 (1961-62)	"	20:00 (1961-62)		"
21	M/s. Mitani & Co., Sugar New Delhi. 2-11-61.	132:02 Urea	132:02	132:02 (1961-62) (1962-63)	"	132:02 (1961-62) (1962-63)		"
22	M/s. Goldstar, Ltd., Sugar New York. 10-11-61	37:50 Urea	37:50	37:50 (1961-62) (1962-63)	"	37:50 (1961-62) (1962-63)		"
23	M/s. Cogis, Italy. Iron Ore 16-5-62.	28:33 Ammonium Sulphate.	28:33	28:33 (1962-63)	"	28:33 (1962-63)		"
24	M/s. Intereze Italia. Iron Ore 16-5-62.	28:33 Ammonium Sulphate.	28:33	28:33 (1962-63)	"	28:33 (1962-63) (1963-64)		"
25	M/s. E. D. Loupo. Iron Ore 9-6-62.	28:33 Ammonium Sulphate.	28:33	28:33 (1962-63)	"	28:33 (1962-63) (1963-64)		"
26	Goldstar Ltd., Sugar I.N.C. New York. 23-2-62.	212:00 Urea	212:00	(1962-63) 212:00 (1963-64)	"	212:00 (1962-63) (1963-64)		"
27	M/s. Intereze, New Sugar York. 5-3-62.	37:00 Urea	37:00	27:00 (1962-63)	"	37:00 (1962-63)		"
28	M/s. Intereze Italia. Iron Ore Milano. 13-3-62.	28:33 Urea	28:33	28:33 (1962-63)	"	28:33 (1962-63)		"

1	2	3	4	5	6	7	8	9
29	M/s. Cogas Italy, Iron Ore 13-3-62.	28.33 Urea	28.33	28.33 (1962-63)	"	28.33 (1962-63)	"	"
30	M/s. Herman & Sugar Motana, Delhi.	104.00 Urea	104.00	104.00 (1962-63)	"	104.00 (1962-63) (1963-64)	"	Against ceiling approved for sugar.
31	M/s. International Sugar Trading Co., Calcutta. 2-6-62.	105.00 Urea	105.00	105.00 (1962-63) (1963-64)	"	105.00 (1962-63) (1963-64)	"	"
32	M/s. Calabrian Co. Sugar Inc. New York. 2-6-62.	72.00 Ammonium Sulphate.	72.00	72.00 (1962-63) (1963-64)	"	72.00 (1962-63) (1963-64)	"	"
33	M/s. International Sugar Ore and Fertilizers, New York. 4-6-62.	36.00 Urea	36.00	36.00 (1963-64)	"	36.00 (1962-63)	"	"
34	M/s. Hindistan Des- lers, Calcutta. 26-6-62.	32.00 Urea	32.00	32.00 (1962-63)	"	32.00 (1962-63) (1963-64)	"	"
35	M/s. Khem Chand Sugar Rajkumar, Delhi. 11-7-62.	31.00 Staple fibre	31.00	31.00 (1962-63)	"	31.00 (1962-63)	"	"
36	M/s. Bharat Trading Sugar Co., Bombay. 11-7-62.	47.00 Staple fibre	47.00	47.00 (1962-63)	"	47.00 (1962-63)	"	"
37	M/s. Rallis Bros. Sugar Switzerland. 10-8-62.	16.87 Staple fibre	16.87	16.87 (1962-63)	"	16.87 (1962-63)	"	"
38	M/s. Golobeta Ltd., Sugar 10-8-62.	85.34 Staple fibre	85.34	85.34 (1962-63) (1963-64)	"	85.34 (1962-63) (1963-64)	"	"
39	M/s. Industrial Sugar Engg., Bombay. 25-8-62.	30.66 Staple fibre	30.66	30.66 (1962-63)	"	30.66 (1962-63)	"	"
40	M/s. Mulreni G Sugar Dangresy. 27-8-62.	15.66 Cotton	15.66	15.66 (1962-63)	"	15.66 (1962-63)	"	"
41	M/s. Vaid Bros., Sugar Bombay. 12-9-62.	34.47 Dye & Pharma- ceutical inter- mediates.	34.47	34.47 (1962-63)	"	34.47 (1963-66)	"	"
42	M/s. Ajanta Inter- national Bombay 5-10-62.	31.32 Cotton	31.32	31.32 (1962-63)	"	13.32 (1962-63)	"	"
43	M/s. Inter Ore, New York. (L.T. Agreement) 10-6-62.	Raw Sugar Crystal Sugar Fertilizers Sulphur Asbeston Zinc.	Raw Sugar Crystal Sugar Raw Sugar	1210.00 } 1962-63 1963-64 550.00 } 1962-63 1963-64 1647.14 (1964-65)	Fertilizers Sulphur Asbeston Zinc Fertilizers	588.12 } 35.00 } 1962-63 135.00 } 1963-64 120.00 } 757.83 (1964-65)	"	Exports were contracted on calendar year basis under long term 3 year contract for 2 lakh tons raw sugar to USA etc. & 1 lakh tons crystal sugar to Canada. Imports took place after generation of foreign exchange. Price based on average LDP formula. No export of Crystal Sugar during 1964-65.

1	2	3	4	5	6	7	8	9	
44	M/s. Tirven IAC/ Fokker Barter II 17-10-61	1 Ferro Mn Ky- nite	40:00 Import of five fokker friend- ship Aircraft by the IAC	268:00	Ferro Mn & Ky- nite	12:19	No shortfall	Under the Agreement payment for imports was to be made in blocked Rs. in India and repatriated after exports had taken place and funds gener- ated as indicated by STC to IAC from time to time.	Items 5 & 6 may be combined so far as value is concerned. Items 7, 8, 9 & 12 may be combined so far value is concern- ed. Main Agreement entered into between IAC & Fokker. STC asked to look after implementation of exp-715 only
		2 Mn Ore	79:00		Mn Ore	13:56			
		3 Tobacco	30:00		Tobacco	2:54			
		4 Cigars & Ciga- rettes	5:00		Leather Mfg	0:16			
		5 Readymade gar- ments	30:00		Melasses & lower Alcohol	0:70			
		6 Boots Shoes & Leather Mfg	20:00		Silk & Art Silk fab- rics	62:63			
		7 Molasses & Po- wer Alcohol	30:00		Cow mats & mat- tings	3:77			
		8 Cast Iron pro- ducts	30:00		Vanaspatti Coffee & canned pitta	35:25			
		9 Bicromates	25:00		Chrome Ore & Bau- xite	4:17			
		10 Plastic Mfg	5:00						
		11 Silk Art Silk fabrics Handi- crafts Coir Mats & matings	12:50			71:74			
		12 Vanaspatti Coffee Canned fish & Prawns	12:50		Ferro Mn & Ky- nite	31:39			
		13 Chrome ore & Bauxite	17:00		Mn Ore	59:43			
		14 Chrome con- centrates	10:00		Tobacco	26:80			
			346:00		Leather Mfg	1:29			
					Melasses & Power Alcohol	5:00			
					Silk & Art Silk fab- rics Coir mats & matings	8:39			
					Vanaspatti, Coffee & Canned pitta	57:20			
					Chrome ore & Bau- xite	4:60			
						194:10			
					Mn Ore	1:50			
					Tobacco	0:26			
						2:16			
45	M/s. Potash Jute goods Fertilizer Ltd. Bombay 12-3-63	56:00	Muriate of Po- tash	56:00	Jute goods	56:00	Muriate of Potash	56:00 (1963-64)	
46	M/s. P.S.C. 715 Barter 18-11-63	10:00	Betelnuts Gambier	1:00	Kulroots	10:00	Betelnuts "	0:50 (64-65) 0:50 (65-66) Gambier	1:00 (65-66)
47	M/s. Cigno, Italy 15-4-64	43:34	Ammonium Sulphate	43:34	Jute goods	43:34	Ammonium Sulphate	43:34 (64-65)	
48	M/s. JCI, New Delhi 6-6-64	46:48	Ammonium Sulphate	33:33	Jute Goods	46:48	Ammonium Sul- phate	33:33 (64-65)	

Five Fokker
Friendship Air-
crafts by the IAC
worth 268-Rs. lakhs (1963-64)

1	2	3	4	5	6	7	8	9			
49.	M/s. Potash Fertilizer Ltd., Bombay 30-7-64	1. Jute bags	75.33	Muriate of Potash 117.00	Jute bags	46.85	Muriate of Potash	41.03 (64-65)	As readmade garments did not move a qty. of 5900 tons of Muriate of Potash has been transferred to the new letter dt. 8-10-65 with Govt's approval.		
		2. Mn. Ore	16.67		Tea	2.09		"		64.72 (65-66)	
		3. Readymade garments	15.00		Mn. Ore (through MMTC)	7.01					
		4. Tea	5.00			---					
		5. Coir mats & matings	5.00			55.95					
			---			---					
			117.00			---					
			---			---					
						Jute bags		56.20			
						tea		2.89			
			Mn. Ore	8.87	(64-66)						
			Coir mats & matings	4.50							

				72.45							

50.	M/s. Mukherji G. Durgarey, Bombay (24-2-64, 16-12-64 & 2-1-65)	160.00	Dye & Pharmaceutical intermediates	160.00	Lemongrass Oil	114.52 (64-65)	Dye & Pharmaceutical intermediates & aromatic chemicals.	98.00 (64-65) (65-66)			
					"		41.60 (65-66)				
							160.12				
51.	M/s. PSSIC. Chandigarh	10.00	Betelnuts	1.00	Kuthroos	2.31 (64-65) 6.06 (65-66)	Beelona	0.50 (65-66)			
					"		8.37				

52.	M/s. Potash Fertilizer Ltd., Bombay 6-12-65	1. Gunny bags	51.59	Muriate of Potash 84.25	Gunnies	33.46	Muriate of Potash	31.85 (65-66)			
		2. Tea	5.55		Tea	5.29					
		3. Coir mats & matings	2.61		Coir mats & matings	0.30					
		4. Animals Hair	3.59			---					
		5. Shellac and Natural Gums	1.31			39.05					
		6. Marine food	3.27			---					
		7. Cashew kernels	4.57			---					
		8. Mushrooms	1.96			---					
		9. Decolled cakes	9.80			---					
			---			---					
	84.25		---								

N.C.

Statement showing implementation of barter deals other than for Import of Steel by MMTC

EXPORT ITEM

Manganese Ore

Sl. No.	Barter Approval		Export Contracted		Shipment		Import item	Remarks
	Name of the Party	Dated	Qty.	Value (Rs.)	Qty.	Value (Rs.)		
1.	M/s. Ram Bahadur Thakur.	18-10-60	1,16,150	88,58,409	[1,09,780	76,47,895.00	Paper	Rs. 36.43 lakhs utilised for Paper and balance for steel.
2.	M/s. Golodetz	9-5-62	1,00,150	1,11,78,400	86,314	93,20,779.65	Polyester fibre	Fully utilised.
3.	M/s. Friedlander (Philipe) Bros.	27-7-62	15,200	14,61,237	15,647	14,35,761.28	Urea	Do.
4.	Do.	27-7-62	26,650	36,16,602	24,952	34,84,927.00	Ammonium Sulphate	Do.
5.	M/s. Potash Fertilizers	12-3-63	40,000	31,11,250	39,081	28,66,387.18	Muriate of Potash	Do.
6.	M/s. Friedlander, (Philipe) Bros.	18-3-63	10,000	11,52,800	10,029	11,91,301.18	Ammonium Sulphate	Do.

Statement III

Statement showing implementation of barter deals concluded for the Import of Steel—as on 31-12-65

(Value in Rs. Lakhs)

S. No.	Name of the bartering Party	Date of approval	Validity period	Item of export	Value of barter deal	Value of shipment effected	Value of import licences issued	Remarks
1	2	3	4	5	6	7	8	9
					Rs.	Rs.	Rs.	
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	Mn. 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	Manganese Ore & Ferromanganese	31.68	30.35	31.38	
4.	M/s. Khem Chand Rajkumar, Delhi.	1-4-63	31-12-64	Manganese Ore & Chrome Ore.	100.00	93.05	85.89	
5.	M/s. Ramkrishan Kulwantrai, New Delhi.	30-7-63	31-12-64	Manganese Ore	100.00	91.26	76.89	
6.	M/s. Shantilal Khushaldas, Margao (Goa).	10-6-63	31-12-64	Manganese Ore	62.00	30.66	19.11	
7.	M/s. Hindustan Wires Ltd. Calcutta.	25-5-63	30-12-64	-do-	4.02	3.68	3.46	
8.	M/s. Natwarlal Shamaldas, Bombay.	16-6-63	31-12-64	-do-	20.00	20.72	15.12	

9.	M/s. P. Singh, Calcutta . . .	28-9-63	31-12-64	Do.	47.50	..	11.90	Letter of Authority transferred to M/s. Rajkumar (India) 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. Bombay.	27-11-63	31-12-64	Manganese Ore & Fe. Mn.	30.00	20.50	30.00	
12.	M/s. Chase Bright Steel Ltd. Bombay.	6-12-63	6-6-64	Manganese 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	Do.	6.75	4.65	3.24	
15.	M/s. Ramkrishan Kulwantrai, New Delhi.	13-11-63	13-12-64	Do.	35.00	31.73	22.31	
16.	M/s. Rajkumar (I) Ltd. Delhi .	10-1-64	31-12-64 31-12-65	Manganese Ore & Chrome Ore.	200.00	143.16	67.95	
17.	M/s. M. Golodetz & Co. Inc. New York.	10-1-64	31-12-64	Manganese Ore	170.00	162.25	169.37	
18.	M/s. Meteor Pvt. Ltd. New Delhi.	16-1-64	31-12-64	Manganese Ore & Chrome Ore.	20.00	11.57	11.57	
19.	M/s. Jaggi Bros. Calcutta .	10-6-63	31-12-64	Manganese Ore & Chrome Ore.	7.50	4.11	..	

1	2	3	4	5	6	7	8	9
20.	M/s. Sandvikens, Sweden	5-2-64	30-9-64	Manganese Ore	10.40	9.85	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 ENT/PP-208(40)60 dt. 29-8-60 which was utilized for import of steel, vide Ministry of Commerce U. O. No. 83/62/60-ST. dt. 22-6-64.
22.	M/s. Khandawal Bros. Pvt. Ltd. Bombay.	10-1-64	31-12-65	Ferromanganese slag	50.00	1.34	1.20	
23.	M/s. Agencia Figueredo, Goa	18-9-64	31-3-66	Iron Ore fines/Blue Dust.	80.00	13.47	74.34	
24.	M/s. B. R. Herman & Mohatta, Calcutta.	7-10-64	31-12-65	Chrome Ore/Concentrates.	70.00	19.22	..	
25.	M/s. Rajkumar (India) Ltd., Delhi.	17-4-65	31-12-65	Do.	50.00	..	..
26.	M/s. Amin Chand Payarelal, New Delhi.	10-9-65	3-12-65	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	Do.	7.50	..	..

29.	M/s. Inden Biselers, Madras	20-4-65	31-12-65	Ferromanganese	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. S. 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 Mar- gao (Goa).	18-5-65	31-3-66	Do.	40.00	..	..
35.	M/S. Industrial Engg. Co. Bombay.	18-5-65	31-3-66	Do.	26.00	16.06	..
36.	M/S. Ramkrishan Kulwantra New Delhi.	18-5-65	31-3-66	Do.	90.00	13.96	..
37.	M/S. Enterprise & Management P. Ltd. Bombay.	18-5-65	31-3-66	Do.	25.00	..	..
38.	M/S. Inden Biselers, Madras	18-5-65	31-3-66	Do.	12.70	1.65	..
39.	M/S. Electrolytic Tinplates Ltd. Bombay.	21-5-65	31-3-66	Do.	45.00	..	..
40.	M/S. India Flexible Tubes Mfg. Co. Bombay.	30-6-65	31-3-66	Palmyre Fibre	3.00	0.25	..

1	2	3	4	5	6	7	8	9
41.	M/S. Ashtek Metal Pressing Works, Huttli.	30-6-65	30-9-65	Permissible Ores	5.00	..	..
42.	M/S. New Iron & Metal Indus. Kanpur.	30-6-65	30-9-65	Do.	3.20	..	..
43.	M/S. National Metal Indus. Bombay.	7-7-65	30-9-65	Permissible Ores	5.00	..	..
44.	M/S. Standard Wire Products, Bombay.	2-7-65	30-9-65	Do.	4.00	..	..
45.	M/S. Delhi Trading Corp. Calcutta.	1-9-62	30-6-64	Mill Scale Scrap.	12,000M/T	4.14	4.14	
46.	M/S. Grand Smithy Works, Howrah.	1-9-62	30-6-64	Do.	12,000M/T	5.92	3.2	
47.	M/S. Indian Steel Corp. Calcutta	17-9-62	30-6-64	Do.	12,000M/T	4.42	4.40	
48.	M/S. Indian Steel Eqpt. Calcutta.	17-9-62	30-6-64	Do.	12,000M/T	5.33	5.33	
49.	M/S. Jai Trading Corp. Calcutta	10-9-62	30-6-64	Do.	12,000M/T	3.36	3.32	
50.	M/S. Delhi Trading Corp. Calcutta.	30-4-63	30-6-65	Do.	30,000M/T	4.23	1.83	
51.	M/S. Grand Smithy Works, Howrah.	29-4-63	30-5-65	Do.	30,000M/T	8.62	0.19	
52.	M/S. Harbanslal Malhotra, Calcutta.	31-7-63	31-3-65	Do.	25,000M/T	8.44	7.66	
53.	M/S. N. Vrajilal & Co. Bombay .	16-1-64	30-6-65	Do.	5,000M/T	1.33	..	

54.	M/S. Indian Steel Corp. Calcutta.	3-11-63	31-3-65	Do.	15,000M/T	6.32	..
55.	M/S. Indian Steel Eqpt. Calcutta	29-5-64	30-6-65	Do.	20,000M/T	6.03	..
56.	M/S. Indian Steel Corp. Calcutta	23-1-65	30-6-65	Do.	25,000M/T	4.67	..
						<u>1,006.09</u>	<u>842.10</u>

Statement IV
MANGANESE & OTHER
(C.C.C. BARTER)
IST C.C.P. BARTER INDO-U.S

Sl. No.	Commodity	Quantity contracted	1960-61		1961-62	
			Qty. L/T	Value \$	Qty. L/T	Value \$
EXPORT :						
1	Ferro-Manganese	1,12,000	44,163	88,03,939	66,616	1,34,51,485
2	Manganese ore	1,55,000 plus against conversion cost.	1,46,772	53,80,525	2,03,903	54,13,791
3	Thorium Nitrate .	250 short ton.	..	..	132 short ton.	4,75,081
4	Chrome ore	against conversion cost.	1,156	40,286	3,790	1,18,288
5	Manganese Dioxide	Do.	..	..	149	8,748
TOTAL .			..	1,42,24,750		1,94,67,393

IMPORT :

- 1 Cotton
- 2 Wheat }

TOTAL VALUE OF IMPORT \$ 3,48,35,066

TOTAL VALUE OF EXPORT \$ 3,48,02,516

Difference of \$ 32,550 will be covered by shipment of manganese during 1966.

ORES DIVISION

SECTION)

AGREEMENT DATED 3-3-1959

1962-63		1963-64		1964-65		TOTAL	
Qty. L/T	Value \$	Qty. L/T	Value \$	Qty. L/T	Value \$	Qty. L/T	Value \$
..	..	..	..	..	..	1,10,779	222,55,424
25,200	4,58,079	5,164	1,30,416	2,932	47,226	3,83,971	1,14,30,037
1 10 short ton	4,74,651	..	..	..	..	242 short ton	9,49,732
..	..	..	..	..	..	4,946	1,58,574
..	..	..	..	..	..	149	8,748
9,32,730		1,30,416		47,226		3,48,02,516	
						74,500 (bales)	78,17,698
						4,53,490 L/T	2,70,17,368
						TOTAL	3,48,35,066

Statement V
MANGANESE & OTHER ORES DIVISION
(C.C.C. BARTER SECTION)

2nd C.C.C. Barter INDO U.S. AGREEMENT DATED 27-6-1963

Sl. No.	Commodity	Contracted quantity	1963-1964		1964-1965		1965-66(Upto 31-12-65)		Total	
			Qty.	Value \$	Qty.	Value \$	Qty.	Value \$	Qty.	Value \$
EXPORT										
1	Ferro Manganese	1,28,000L/T	19,170	31,62,875	67,332	1,11,08,994	27,836	45,92,634	1,14,333	1,38,64,503
2	Manganese Ore	3,00,000L/T	..	..	1,14,555	42,31,523	54,310	19,87,900	1,68,865	62,19,423
3	Seryl Ore	6,000S/T	..	..	..	..	2,000	7,20,540	2,000	7,20,540
TOTAL			19,170	31,62,875	1,81,887	1,53,40,519	84,146	76,01,074	2,85,203	2,58,04,468
IMPORT :										
1	Cotton		..	..	60,787 (bales)	1,00,10,822	53,330 (bales)	90,24,958	1,14,117 (bales)	1,90,35,780

Statement VI

Statement showing implementation position of barter deals concluded for the import of Raw Materials against Rs. Eight Crores Ceiling
(As on 31st December, 1965)

(Value in rupees lakhs)

S.No.	Name of the Bartering Party	Date of approval	Validity period	Item of export	Value of barter deal.	Value of shipments effected.	Item of import	Value of import licences issued	Remarks
1	2	3	4	5	6	7	8	9	10
1	M/s. Ciba of India Ltd., Bombay.	5-7-63	31-3-64	Manganese ore	25.00	25.00	Coaltar Dyes	25.00	
2	M/s. Valia Brothers, Bombay	5-6-63	31-8-64	Manganese ore	25.00	24.65	Coaltar Dyes	25.00	
3	M/s. M. Goldetz & Co. Inc. New York, (I.C.I.)	1-8-63	30-4-64	Manganese ore	10.00	10.38	Dispersed Dyes	10.00	
4	M/s. Arthur Import & Ex- ports, Bombay.	15-7-63	30-9-64@	Manganese ore	25.00	25.00	Nylon Tows	25.00	} @Exports since granted MMTC
5	M/s. Commonwealth Synthe- tics, Ludhiana.	11-2-63	31-12-63@	Manganese ore	25.00	286.38	Nylon Tows	25.00	
6	(A) M/s. CIBA of India Ltd. Bombay. (B) M/s. Ciba of India Ltd., Bombay.	27-8-63 24-12-63	27-8-66 31-12-66	Mn. ore, bauxite ilmenite Mn. ore, bauxite & iron ore fines	150.00 710.00	..	a) Pesticides & Raw materials b) Pesticides, spg. eqpt., Pharmls, Epoxy resins & Macary.	142.96 75.97	} *Imports limit- ed to Rs. 300 lakhs.
7	M/s. Valia Brothers, Bom- bay.	28-1-65	28-1-64	Manganese ore, Bauxite & Cassiope ore/ conc	100.00	74.35	Agro Chemicals	88.80	

1	2	3	4	5	6	7	8	9	10
8	M/s. Ciba of India Ltd., Bombay.	4-12-63	31-12-65	Manganese ore	30.00	25.57	Pharmaceuticals	29.00	
9	M/s. Friedland & Ores & Metal, New Delhi (A/C M/s. Sandoz).	24-1-63	31-12-64	Manganese ore	24.00	21.40	Pharmaceuticals	23.07	
10	M/s. Hoechst Pharmaceutical Industries Ltd., Bombay.	16-2-64	30-11-64	Mn. ore & Fe. Mn.	7.00	7.00	Pharmaceuticals (Metamizol)	7.00	
11	M/s. Biochem Pharma. Bombay.	14-2-64	30-11-65	Manganese ore	5.00	5.00	Pharmaceuticals (A.T.S.)	5.00	
12	M/s. Khandelwal Laborsto- ries, Bombay.	7-5-64	31-12-65	Mn. ore & Fe. Mn.	5.00	4.99	Pharmaceuticals	5.00	
13	M/s. I.C.I. (I) Ltd., Cal- cutta.	14-8-64	31-12-64	Mn. ore.	5.00	4.54	Pharmaceuticals	5.00	
14	M/s. Addison Paints & Che- micals, Madras.	16-10-63	31-3-64	Mn. ore	12.20	12.20	Industrial Che- micals.	12.20	
15	M/s. Fireclander Ore . & Metal, New Delhi.	16-10-63	31-3-64	Ilmenit	5.00	5.00	Titanium Dioxide	5.00	
15	M/s. M. Golofetz & Co., Inc, New York.	23-5-63	30-6-65	Mn. ore and Cchrome ore/conc.	100.00	77.51	Woollen Worsted Machinery	100.00	
17	M/s. Union Bearing & Mfg. Co., Bombay .	8-1-64	30-6-64	Mn. Ore	3.75	3.75	Roller & Taper bearings	3.75	
18	M/s. Govt. Soap Factory, Bangalore.	30-5-64	31-12-64	Mn. Ore	22.00	16.20	Raw Materials & Machinery	12.50	
19	M/s. Madhoram Moolchand Bombay (A/C Ashok Ley- land).	4-1-64	31-12-64	Mn. Ore	18.25	10.41	Autospares	12.64	

20	M/s. Premier Automobiles, Madras.	5-8-64	31-12-64	Mn. Ore	5.00	5.00	Autospares	5.00
21	M/s. Inden Biselers, Madras.	19-12-63	31-3-64	Mn. Ore.	5.20	5.20	Anthraquinone	5.20
22	(a) M/s. Inden Biselers, Madras.	12-9-62	31-12-64	Mn. ore/minor minerals Palmyra fibre & stalks. }	113.00	54.01	(a) anthraquinone	56.50
	(b) M/s. Inden Biselers, Madras.	28-10-62	19-4-66				(b) Textile Machy.	6.05
							<u>703.54</u>	<u>710.64</u>

Statement VI-A

Statement showing implementation Position of Barter deals concluded for the Import of Raw Materials against Rs. Three Crores ceiling as on 31-12-1965.

(Value in Rs. Lakhs)

Serial No.	Name of the bartering party	Date of approval	Validity period	Item of export	Value of barter deal	Value of shipment effected	Item of import	Value of import licences issued	Remarks
					Rs.	Rs.		Rs.	
1	M/s. Tata Pison Industries Ltd., Bombay.	30-11-64	31-3-65	Ferromanganese	7.50	7.50	Agrochemicals	7.50	
2	M/s. Bharat Mills Private Ltd., Bombay.	1-12-65	30-6-65	Permissible	20.00	..	Do.	-	
3	M/s. Hoechst Pharmaceuticals Ltd., Bombay.	28-11-64	31-3-65	Manganese Ore and Ferromanganese	6.00	6.00	Pharmaceuticals	6.00	
4	M/s. Rallis India Ltd., Bombay.	13-9-65	31-12-65	Ferromanganese	3.00	3.00	Do.	..	
5	M/s. Products and Produce Private Ltd., Bombay (a/c M/s. Cyanamid)	22-4-65	30-6-65	Do.	4.00	4.00	Do.	4.00	
6	M/s. Pfizer Private Ltd., New Delhi.	10-5-65	30-6-65	Do.	10.00	10.00	Do.	10.00	
7	M/s. German Remedies Bombay.	30-11-64	31-12-64	Manganese Ore	7.00	6.85	Do.	7.00	

8	M/s. Meteor Private Ltd., New Delhi (a/c M/s. Sandoz)	30-11-64	31-12-64	Manganese Ore	20.00	20.00	Dye Int. Textile Chem. and Agrochemicals.	20.00
9	M/s. Inden Riselers, Madras (a/c M/s. J. K. Synthetic M/s. Addisons Paints M/s. Shalimar Paints)	9-9-64	31-3-66	Ferrosilicon	25.00	25.00	Industrial raw materials	16.00
10	M/s. Hindustan Celluloid & Plastic Industries, Bombay.	30-11-64	31-12-65	Mn. Ore Fe. Mn. & Bauxite	5.00	4.00	Do.	5.00
11	M/s. Cellulose Products of India Ltd., Ahmedabad.	30-11-65	31-12-65	Ferromanganese & Bauxite	5.00	3.78	Do.	..
12	M/s. Mithen Mercantile Corporation Bombay (a/c M/s. Blundel Eomite M/s. Goodlass Nerclac M/s. United Coloun.	1-12-64	31-3-65	Fe.Mn/Fe.Mn. Slag	5.00	} 9.65	Industrial raw materials	10.00
		23-7-65	31-12-65	Do.	5.00			
			31-12-65	Do.	3.00			
13	M/s. Smith Kline & French (India) Ltd., Bombay.	12-4-65	30-9-65	Fe. Mn/Slag & Ferrosilicon	2.35	2.20	Do.	2.35
14	M/s. Ferro Alloys Corpn. Bombay (a/c M/s. Camphor & Allied).	22-4-65	30-6-65	Ferromanganese	10.00	10.00	Do.	..
15	M/s. Aniline Dyestuffs Pharm. Bombay.	11-5-65	30-9-65	Fe. Mn. Ferrosilicon & Bauxite.	3.00	3.00	Do.	..
16	M/s. Hoechst Pharmaceuticals Ltd., Bombay.	16-6-65	30-6-65	Fe. Mn/Fe. MN Slag	15.00	15.00	Agrochemicals Pharm. & Dye Intermediates	10.00

Serial No.	Name of the bartering party	Date of approval	Validity period	Item of export	Value of barter deal	Value of shipment effected	Item of import	Value of import licences issued	Remarks
17	M/s. Khandelwal Bros. P. Ltd., Bombay.	23-11-64	31-12-65	Fe.Mn./Fe.Mn. Slag.	20.00	20.00	Dye Int.	9.89	
18	M/s. Inden Bislers, Madras.	19-4-65	31-3-66	Gray Rock Barytes	2.50	1.63	Titanium dioxide		
19	M/s. Khandelwal Udyog Ltd., Bombay.	1-12-64	31-12-65	Ferromanganese Fe. Mn. Slag.	2.63	2.63	Crane components		
20	M/s. Raliwelf India Ltd., Bombay.	2-12-64	30-6-65	Fe. Min.	4.00	4.00	Mach. components	4.00	
21	M/s. National Chemicals Industrial Private Ltd., New Delhi.	12-10-65	31-12-66	MN Ore	7.50		Dye Int.		
22	M/s. Meteor Private Ltd., New Delhi (a/c I.C.I.).	6-1-64	31-12-64	Manganese Ore	50.00	43.28	Caustic Soda	50.00	
23	M/s. Associated Pharma. New Delhi.	22-9-65	31-12-65	Mn. Ore Fe. Mn. Slag and Bauxite.	5.00	1.20	Pharmaceuticals		
24	M/s. Universal Ferro & Allied Chemicals Bombay (a/c M/s. Indian Cable Co.).	11-6-65	31-12-65	Fe. Mn/Slag	5.93	4.54	Non-ferrous Metals	5.93	
25	M/s. Industrial Engg. Co., Bombay.	9-10-64	31-12-65	Bauxite	15.00	0.67	Do.		

26	M/s. Eximp Corp. (I) P. Ltd., Bombay.	26-3-65	31-12-65	Do.	15.00	..	Do.	..
27	M/s. Inden Biselers, Madras.	10-5-65	31-3-65	Do.	20.00	..	Non-ferrous metals & raw materials	..
28	M/s. Natwarlal Shamaidas Bombay (a/c M/s. Bom- bay Metal, M/s. Metallica Works	10-5-65	31-12-65 31-3-66	Fe. Mn/Slag & Bauxite	25.00	11.84	Non-ferrous metals & R.M.	1.51
29	M/s. Inden Biselers, Madras A/c M/s. Associated Batteries M/s. D. Waldie & Co. M/s. Associated Pigments M/s. Oldham & Sons. M/s. Universal Cables M/s. Indian Smelting M/s. Indian Battery Mfg. M/s. Eyre Smelting M/s. Port Gloster	9-9-64	31-3-66	Ferrosilicon	75.00	23.66	Non-ferrous Metals Steel & Raw Material	18.07
30	M/s. Rajkumar (I) Ltd., Delhi.	21-5-65	31-12-65	Bauxite	25.00	..	Non-ferrous metals	..
31	M/s. Khandelwal Bros. Pvt. Ltd., Bombay a/c M/s. Bharat Battery M/s. Cable Corpn. M/s. Hindustan Metals M/s. Asian Cables	19-4-65	31-12-65	Fe.Mn.Slag	50.00	6.84	Non-ferrous metals	6.84
32	M/s. Halar Minerals Jamnagar (a/c. M/s. Oriental Power)	2-8-65	31-12-65	Bauxite	2.65	1.30	Do.	2.65
33	M/s. B.K. Herman & Mohatta, Calcutta	7-10-64	31-12-65	Bauxite/ Ilmenite	25.00	..	Do.	..
TOTAL								
						251.57		196.74

APPENDIX XXI

[Vide Para 3·32 of the Report]

Further Information re: Barter Deals on Sugar

Sl. Nos. 35 to 39 of the Statement

Agreements with:—

- (i) M/s. Khemchand Rajkumar, Delhi Dated the 11th July, 1962.
- (ii) M/s. Bharat Trading Co., Bombay dated the 11th July, 1962.
- (iii) M/s. Rallis Bros., Switzerland, dated the 10th August, 1962.
- (iv) M/s. Golodetz Ltd., dated the 10th August, 1962; and
- (v) M/s. Industrial Engg., Bombay dated the 25th August, 1962.

Five barter deals for exports of sugar against import of staple fibre were concluded with the above firms with the approval of the Government. A statement showing the details regarding prices, destination of exports and country of origin of items of imports into India etc. is attached. The Government had considered the import of staple fibre as an essential item against exports of Indian sugar.

Sugar was supplied at price fixed by Government generally on the basis of the London Daily prices. Our country was faced with a large surplus of sugar in 1962. Government, therefore, decided to offer sugar for export under barter arrangements.

In order to ascertain the prevailing international prices of staple fibre, references were made by the STC to the Textile Commissioner, Bombay and our Embassies in Tokyo, Paris and Italy. The prices agreed to and paid for the staple fibre were the prevailing international prices. The imported staple fibre was delivered to the Indian Cotton Mills Federation for distribution.

SUGAR/STAPLE FIBRE BARTERS

Sl. No	Party's Name and date of Agreement	Export				Import				Remarks
		Item	Qty.	Price Value	Destination	Item	Qty. in tonnes	Price Value	Country of Origin	
1	2	3	4	5	6	7	8	9	10	11
1	M/s. Khemchand Rajkumar. 11-7-62	Sugar	10,000 M/T	£ 23/- for C/D/E-29 & off-colour in a mixed package FOB stowed Indian ports. (Total Rs. 31 lacs).	Non-preferential markets. Hongkong Middle East.	Staple fibre 1.5 denier 1.5* staple	(Approx) 1200	22nd per lb. CIF (Total Rs. 31 lacs).	Japan	
2	M/s. Bharat Trading Co. 11-7-62	Sugar	15,000 L/T	£ 23/10/- for C-29 £ 23/- for D-29 FOB stowed (Total Rs. 47 lacs).	Middle East Ports, Pakistan, Hongkong.	—do—	1800	—do— (Total Rs. 47 lacs).	Japan	
3	M/s. Ralli Bros. Switzerland. 10-8-62	Sugar	5,500 M/T	£ 23/- for D-29 or E-29 at seller's option FOB stowed. (Total Rs. 16.87 lacs)	Pakistan and/or other non-preferential markets.	—do—	625	21d per lb. CIF landed (Total Rs. 16.87 lacs).	Japan	
4	M/s. Golodetz Ltd., 10-8-62.	Sugar	20,000 M/T	£ 27/10/- for Indian white crystal sugar FOB stowed. (Total Rs. 85.34 lacs).	Canada	—do—	3000	—do— (Total Rs. 85.34 lacs)	Canada/U.K.	

1	2	3	4	5	6	7	8	9	10	11
5	Industrial Engineering Co. 25-8-62	Sugar	10,000 L/T	£ 23/- for D/29 at seller's option FOB stowed or FOR border W/East Pakistan. (Total Rs. 30.66 lacs).	Pakistan	Staple fibre 1.5 denier 1.6" staple	1200	21d per lb. CIF landed (Total Rs. 30.6)	Japan	

APPENDIX XXII

[Vide para 4.2 of this Report]

(Copy)

SECRETARY, IRON & 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 up to 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 business-like way. It should be possible to close deals within a week of the receipt of an offer.

Yours sincerely,

Sd/- S. Bhoothalingam.

Shri A. S. Bam, ICS,
Iron & Steel Controller,
33, Netaji Subhas Road,
CALCUTTA-1.

APPENDIX XXIII

[Vide para 4.3 of this Report]

No. SC(C)-5(5)/60.

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron and Steel)

New Delhi, the 2nd February, 1960.

Magha 1881 (Saka).

From

Shri C. A. Nair,
Officer on Special Duty.

To

The Iron & Steel Controller,
33, Netaji Subhash Road,
Calcutta-1.

SUBJECT.—*Procedure for barter deals.*

Sir,

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 deals, 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.

2. 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% 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.

Yours faithfully,

Sd/- C. A. NAIR,
Officer on Special Duty.

APPENDIX XXIV

[Vide para 4:16 of this Report]

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.

Dear Sirs,

SUBJECT : *Export of in exchange of import of Steel materials.*

Please refer to the correspondence ending with letter Nos..... both dated.....addressed to you by Hindustan Steel Co. (Transport & Shipping Office) 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 toyou will have to import prime quality steel of the following categories and sizes at CIF Indian Port price per ton as indicated below:

Category	Size & Specification	Quantity in tons	C & F price per M/Ton (Basis)
----------	----------------------	------------------	-------------------------------

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 thewill 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 & 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 licence on application.
- (5) P. & A.O.

Dy. Iron and Steel Controller.

APPENDIX XXV

[Vide para 4:17 of this Report]

No. SC(C)-5(12)/60.

GOVERNMENT OF INDIA

SECRETARY, IRON & STEEL

MINISTRY OF STEEL, MINES & FUEL
NEW DELHI

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
(iii)	M/s Ramakrishna 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 officers 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. BHOOTHALINGAM

Shri A. S. Bam, ICS,
Iron & Steel Controller,
Calcutta.

APPENDIX XXVI

[Vide para 4.18 of this Report]

COPY .

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 barterers are concerned, I am awaiting your instructions about tendering.

Yours sincerely,

Sd/-

(A. S. BAM).

Shri S. Bhoothalingam, ICS,
Secretary to Govt. of India,
Department of Iron & Steel,
Maulana Azad Road,
New Delhi.

APPENDIX XXVII

[Vide para 4.25 of this Report]

IRON AND STEEL CONTROLLER, CALCUTTA

No. CP/AP/35/60/II/101

Dated, the 17-2-1962.

M/s. Aminchand Payarelal.
135, Canning Street,
Calcutta.

SUBJECT: *Barter deal involving export of 20,000 tons of Billets and import of finished steel materials—furnishing of fresh Bank Guarantee.*

Ref.: Your letter Nos. EXP/6A & EXP/7 both dated 15-2-62.

Dear Sirs,

Your attention is invited to this office letter No. CP AP 35 60 II 1388 of 8-11-1961, wherein you were asked to furnish a fresh Bank Guarantee which has not yet been furnished. It is not followed why you should not furnish Bank Guarantee as pre-import was allowed in view of your special request and this office could very well have refused to allow pre-import strictly speaking.

In view of the accommodation allowed to you, you are honour-bound to furnish Bank Guarantee till such time the whole matter is settled one way or other.

We trust you will not fail to furnish Bank Guarantee whatever may be the merits of your case, we should have your reply within 7 days hereof.

Yours faithfully,

Sd/- L. K. BOSE

Asst. Iron & Steel Controller.

Copy to:

S. I. C. Branch with the request to consult Barter Purchase Section before issue of any Import Licence or Customs Clearance Permit in favour of the firm in question.

Sd/- L. K. BOSE

Asst. Iron & Steel Controller.

APPENDIX XXVIII

[Vide para 4.29 of this Report]

Extracts of notes recorded from file No. SC(B)-15(70)/59

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 per cent 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 per cent of the value of the deal, i.e., for Rs. 3.5 lakhs (as against 15 per cent 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.

Ministry of Finance

(SM&F Division—Shri V. Ramachandran).

Ministry of Finance

(Deptt. of Economic Affairs—Shri E. Kolet)

Min. of SM&F. Deptt. 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 per cent. In case E.A. Deptt. agreed to this they may kindly say if for future transactions as well as on similar requests against past deals also this basis could be adopted.

Sd/- (V. Ramachandran)
16-5-1959
Under Secy.

E.A.D. (Shri E. Kolet)

Ministry of Finance (I&S, HSPL Division)

u.o.No. IS—2164/59 dt. 18-5-59.

MINISTRY OF FINANCE

Department of Economic Affairs

Ministry of SM&F's note on p. 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 Govt. 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 core of the plan or for maintenance of economy; the exports are clearly in addition to the normal exports and there is exportable surplus of the 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 per cent 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 deals, 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 per cent of the value of the deal, evidencing the *bonafide* 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.

DS (E. C. II)

Sd/- (A. SITARAMAN)

23-5-59

We definitely prefer that exports should precede imports. Any urgent demand could be met from the ceiling already allocated to the I&SC and it is open to him to import these requirements through this party & ensuring exports in due course. This will ultimately save the use of free resources.

Sd/- (Y. I. SHAH)

25-5-59

Min. of Finance (Iron & Steel Div.)—Shri V. Ramachandran

Min. of Finance (DEA) u.o. No. 2022-CIE/59 dt. 25-5-59.

Copy of notes 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 & Co.	30,000 (Under consideration)	
4. Ramkrishna 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 credits 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 certified that they have received an irrevocable letter of credit assigned in their favour for the value of the entire export quantity

of

(b) furnishes a bank guarantee equivalent to 15 per cent of the value of the import 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/- (S. BHOOTHALINGAM)
18-1-60

Sd/- (S. BHOOTHALINGAM)
20-1-60

A. P. A. may kindly see before issue. We discussed this yesterday.

Sd/- (G. RAMANATHAN)
20-1-60

In so far EAD have no objection, we have no comments. I have mentioned to JS' (I&S) also. He agrees.

Sd/- V. RAMACHANDRAN
.dt. 23-1-60

EAD (Shri Jagannathan)

Min. of Finance (I&S HIP Divn.) u.o. No. IS-224/60, dt. 23-1-60.

Please see and keep copies and return to F.A. (Iron and Steel) assuming you have no comments.

Sd/- S. JAGANNATHAN
24-1-60

I understand 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. Secy. Shri Jagannathan and we have no other comments.

Sd/- Y. T. SHAH
dt. 27-1-60

Deptt. of Iron and Steel (Shri G. Ramanathan, IAS, Dy. Secy).

Min. of Finance (Deptt. of Economic Affairs)

u.o. No. 471-C.I.R. /60 dt. 29-1-60

APPENDIX XXIX

[Vide para 4.43 of this Report]

D.O. No. C/RKKK (32)/60.

Confidential

November 14, 1960.

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 the 6th of May, 1960 the firm accepted the terms and conditions laid down by us.

On 1st 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 per cent 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 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 & 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 & ingots which are lying in stock at Rourkela irrespective of the quality & Analysis of this materials from stock. I enclose a copy of 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

Encl:—

Shri J. M. Shrinagesh
Chairman,
Hindustan Steel Ltd., Ranchi.

Copy to:—(1) Shri S. Bhoothalingam,
Secretary to the Govt. of India,
Deptt. of Iron and Steel,
New Delhi.

(Copy)

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 by 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 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 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.

Sh. A. S. Bam, Iron & Steel Controller,
33, Netaji Subhas Rd. Calcutta.

Yours sincerely,
Sd/- J. M. SHRINAGESH

From (copy)

A. S. Bam

D.O. No. CP|RKK(32)|60|

Iron and Steel Controller.

dt. 13-1-1961

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 a 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 Controller 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 5,226 tons of ingots to Surrendra Overseas on barter basis at \$ 53 f.o.b. The price offered to Ram Kishan Kulwant Rai viz. \$ 84 f.o.b. per metric ton, which I understand the firm is prepared to accept its, therefore, certainly very much attractive to cause any criticism to HSL.

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 downward trend in recent months and further delay may only complicate matters.

Your sincerely,
Sd/- A. S. BAM

Sh. J. M. Shrinagesh,
Chairman, HSL, P.O. Hinoo Ranchi.

Copy forwarded to Shri S. Bhoothalingam, Secretary to the Government of India, Ministry of Steel, Mines & Fuel, Department of Iron and Steel, New Delhi.

Sd/- A. S. BAM
Iron and Steel Controller.

APPENDIX XXX

(Vide para 4.59 of this Report)

D.O. No. SC (B)-12(48)|59

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES & FUEL

(Department of Iron & Steel)

Dated. New Delhi, 26/30th Nov. '59.

Dear Shri Mukherjee,

Please refer to your D.O. letter No. PIE/5 dated 17th September, 1959 to Shri Ramanathan regarding export of pig iron by Messrs Metal Imports. We have considered the matter in consultation with the Ministry of Finance. We feel that it would not be sufficient if a bank guarantee for 20 per cent of the FOB value of the pig iron to be exported is obtained. We consider that it will be better in all cases for the Iron & Steel Controller to insist on the parties producing irrevocable letters of credit to the full value of the exports before allowing any imports. Further each case has to be considered on its merits. Ministry of Finance want to be assured that the delay in exports of pig iron has not been due to any fault on the part of the exporter. On hearing from you we will process the case further with the Ministry of Finance (EAD).

Yours faithfully,

sd|-

C. A. NAIR.

Shri S. C. Mukherjee,
Dy. Iron & Steel Controller,
33, Netaji Subhas Road,
Calcutta-3.

APPENDIX XXXI

(Vide para of 4:60 of this Report)

Ministry of Finance O.M. No. 1360-CIE (II) 66 dated 19-3-1966

From the copies of notes mentioned in 2(a) above, it seems that when the Ministry of SM&F came up to the Department of Economic Affairs with the proposal for allowing pre-import in January, 1960, they explained the necessity for the parties furnishing a bank guarantee to the extent of 15 per cent of the value of import licence applied for. No mention was, however, made to the effect that the procedure that was being followed till that time was that parties were required to furnish a bank guarantee of 20 per cent of the value of import licence. The Ministry of Finance, Department of Economic Affairs' concurrence in the proposal of the Ministry of S.M.&F was mainly on the necessity of furnishing a bank guarantee and not so much on the percentage figure. Moreover, the reference to the E.A. Department in fact, did not contain any specific proposal for a reduction of the percentage figure from 20 per cent to 15 per cent.

Sd/ (S. G. RAMACHANDRAN),
Jt. Secy. to the Govt. of India.

To
Lok Sabha Secretariat,
(Shri R. M. Bhargava,
Under Secretary.

APPENDIX XXXII

(Vide para 4.62 of this Report)

NON JUDICIAL STAMP RUPEES TEN

Dated the 17th April, 1966.

KNOW YE ALL BY THESE PRESENTS that we a firm registered under the Indian Partnership Act and carrying on business amongst other places at.....hereinafter referred to as the OBLIGOR (which term shall unless excluded by or repugnant to the subject for context include the partners therein for the time being and their respective heirs, executors, administration and assigns)a Banking Company having its registered office at.....and branch office *inter alia* at hereinafter referred to as the SURETY (which terms shall unless excluded by or repugnant to the subject or context include its successor or assigns) are held and firmly bound unto the PRESIDENT OF INDIA hereinafter referred to as the 'GOVERNMENT' (which term shall unless excluded by or repugnant to the subject or context include his successor of successors in office and or assigns) to pay the sum of.....for such will and treaty to be made by the obligor and the Surety bind ourselves jointly and severally by these presents:—

SIGNED SEALED & DELIVERED BY THE Obligor this
WHEREAS the Government that the Iron & Steel Controller has agreed to enter into a Contract with the Obligor for import of on the undertaking of the Obligor to export produced by Messrs. Hindustan Steel Ltd., within three Steel Ltd., AND WHEREAS the Obligor and the Surety have at the direction of the Government entered into the bond as above-written as a security for honouring the undertaking of the Obligor to export.....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 an arrange export out of India of.....produced by the Hindustan Steel Ltd., within three months out of India from the date of delivery of the materials by Hindustan Steel Ltd., 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 agree 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 WHERE OF the parties of these presents have hereunto set their hands and seals this

SIGNED SEALED AND DELIVERED BY

Signed Firm.

the Obligor

above named

in the presence of:

SIGNED & DELIVERED for and on behalf of the

Valid upto.....
Signed Bank.

They Surety above named

by the said Bank at

in the presence of:—

APPENDIX XXXIII

(Vide para 4.63 of this Report)

GUARANTEE BOND

In consideration of the President of India (hereinafter called "the Government") having agreed to exempt..... (hereinafter called "the said Contractor(s) from the demand, under the terms and conditions of an Agreement dated.....made between The Iron & Steel Controller, Government of India and.....(Firm).... for..... (hereinafter called "the said Agreement"), of security deposit for the due fulfilment by the said Contractor(s) of the terms and conditions contained in the said Agreement, on production of a Bank Guarantee for Rs..... (Rs.....) only. We,(Bank).....do hereby undertake to indemnify and keep indemnified the Government to the extent of Rs..... against any loss or damage caused to or suffered by the Government by reason of any breach by the said Contractors of any of the terms or conditions contained in the said Agreement.

We.....(Bank).....further agree that the guarantee herein contained shall remain in full force and effect during the period that would be taken for the performance of the said Agreement and that it shall continue to be enforceable till all the dues of the Government under or by virtue of the said Agreement have been fully paid and its claims satisfied or discharged or till the Iron & Steel Controller, Ministry of Steel, Mines & Fuels certified that the terms and conditions of the said Agreement have been fully and properly carried out by the said Contractor(s) and accordingly discharges the guarantee, subject however that the Government shall have no rights under this bond after the expiry of.....from the date of its execution. We(Bank).....lastly undertake not to revoke this guarantee during its currency except with the previous consent of the Government in writing.

APPENDIX XXXIV

(Vide para 4.68 of this Report)

Copy of D.O. No. C|AP(35)|60 dated 9-9-1960 from Iron & steel Controller, Calcutta to 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 per cent 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 licences 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 letters 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 periods 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.

Copy of D.O. No. SC(B)-23(5) 60 dated 21-9-1960 from Ministry of Steel & Mines & Fuel, New Delhi to Dy. Iron & steel Controller, 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 XXXV

(Vide para 4.77 of this Report)

Copies of Correspondence between the Iron and Steel Controller and parties regarding bank guarantees, etc.

(a) **Correspondence between the Iron and Steel Controller & M/S. Amin chand Payarelal**

Copy of letter No. MS/ACPL/BR/4/5853 dated the 19th July, 1960 from M/s. Aminchand Payarelal, Calcutta to the Iron and Steel Controller, Calcutta

SUB: Your office letter Order No. C/AP/(35)/60 dated 19-3-1960 for export of Slabs and import of Steel.

We beg to submit that we have given you three Guarantees for Rs. 3,12,300, Rs. 6,25,000 and Rs. 5,74,700 and got the necessary Import Licences.

We are now pleased to inform you that we have received the Letter of Credit from our foreign buyers for U.S. \$ 410000—being the value of approximately 5,000 Metric Tons of Slabs.

We would now request you to kindly allow us to reduce the value of the Guarantees furnished by us by 15 per cent of the value of the Letter of Credit. The original Letter of Credit is enclosed for your inspection and return. On receipt of your confirmation we would request our bankers to reduce the value accordingly.

Thanking you,

Copy of letter No. C/AP/(35)/60 dated the 22nd July, 1960 from Iron and Steel Controller, Calcutta to M/s. Aminchand Payarelal, Calcutta

SUB: Export of Slabs and imports of steel.

Please refer to your letter No. MS/ACPL/BR/4(5853) dated 19th July, 1960, on the above subject. It is noticed that the period of validity of the letter of Credit has not been indicated in the cable advice. As the import licences in question are valid upto 30th November, 1960, we would have no objection to your reducing the Bank Guarantees to

the extent of the value of the Letter of Credit provided the Letter of Credit is valid upto a date later than 30th November, 1960. You should also give an undertaking to furnish a Bank Guarantee before the expiry of the Letter of Credit in case you are unable to get further extension thereof and you are not able to complete the exports within the existing period of validity of the Letter of Credit.

Copy of letter No. MS/ACPL/BR/4/5864 dated 22nd July, 1960 from M/s. Amin Chand Payare Lal, to the Iron and Steel Controller, Calcutta

SUB: *Your office letter order No. C/AP/(35) (60 dated 19-3-1960 for export of Slabs and Import of Steel.*

We thank you very much for your letter No. C/AP/1357/60 dated 21/22-7-1960.

In this connection we confirm that we undertake to furnish a Bank Guarantee before the expiry of the Letter of Credit in case we are unable to complete the exports within the date of validity of the Letter of Credit.

We are now enclosing an advice from our bankers that the amount of the Guarantee has been reduced by Rs. 2,95,200/- being the 15 per cent value of the Letter of Credit shown to you.

We would now request you to kindly confirm to our bankers that the same is acceptable to you.

Copy of letter No. C/AP/(35)/60, dated the 27th July, 1960 from the Iron and Steel Controller to the Manager, the Punjab National Bank, Ltd. Calcutta and copy endorsed to M/s. Aminchand Payarelal, Calcutta

SUB: *Reduction in amount of Bank Guarantee No. 400/60 of 21-6-1960 for Rs. 3,12,300/- in favour of M/s. Amin Chand Payarelal, Calcutta.*

With reference to the above, I have to confirm that reduction of the amount of Bank Guarantee No. 400/60 of 21-6-1960 from Rs. 3,12,300/- (Rupees three lakhs twelve thousand and three hundred only) to Rs. 17,100 (Rupees seventeen thousand and one hundred only) is acceptable to this office, subject to the conditions enumerated in this office letter No. C/AP/35/60 dated 21-22/7/1960 addressed to the firm.

Copy of letter No. MS/ACPL/BR/3/7319 dated the 7th September, 1960 from M/s. Amin Chand Payare Lal, Calcutta to the Iron and Steel Controller, Calcutta

SUB: Your office letter order No. C/AP(35)/60 for import of Steel against export of Billets.

Further to our letter No. MS/ACP/BR/3/5716 of the 1st July, 1960, we are pleased to inform you that we have been able to get further export orders for 2368 tons. Out of this, a quantity of 967-3-3-20 tons has already been shipped. The original Mate Receipts dated 13-8-1960 from the Scindia Steam Navigation Co. Ltd., is enclosed for your inspection and return. We are also enclosing a copy of the Credit opened by the First National City Bank of New York dated 27th July, 1960 for a value of \$ 87,348:00 together with M/s. Industrial Importers Private Limited's letter No. E14/3456 of the 29th June, 1960. The total value of the quantity already shipped comes to £ 34842-6-3: Rs. 4,66,183/-. The value of the Credit on the First National City, Bank of New York is Rs. 4,19,470/-.

We would now request you to reduce the value of our Guarantee No. 278 dated 20th May, 1960 for Rs. 13,24,800/- by 15 per cent of the above value viz. Rs. 1,32,848/- only. The value of our Guarantee will now stand reduced to Rs. 11,91,952/- only. Kindly confirm that this is acceptable to you to enable us to advise our bankers accordingly.

Thanking you,

Copy of letter No. C/AP/(35)/60, dated the 9th September, 1960 from Iron and Steel Controller, Calcutta to M/s. Amin Chand Payare Lal, Calcutta

SUB: Export of Billets and Import of Steel.

Please refer to your letter No. MS/ACPL/BR/3/7319 of the 7th instant on the above subject. It is noticed that 967-3-3-20 tons of Billets have already been exported as evidenced by the Mate Receipt furnished by you.

As regards the Letter of Credit copy of which was furnished by you, it is found that it is valid only upto 23rd September, 1960 while the Import Licence in question is valid upto 31st December, 1960. We have therefore no objection in your reducing the Bank Guarantee to the extent of 15 per cent of the value of the Imports and the Letter of Credit but you should give us an undertaking to furnish a Bank Guarantee before the expiry of the Letter of Credit in case you are

unable to get further extension thereof and you are unable to complete the exports within the existing period of validity of the Letter of Credit.

Copy of letter No. C/AP/35(60) dated the 9th September, 1960 from Iron and Steel Controller, Calcutta to the Punjab National Bank Ltd., Calcutta and copy endorsed to M/s. Amin Chand Payare Lal, Calcutta

SUB: *Reduction in amount of Bank Guarantee No. 278/60 dated 20th May, 1960 for Rs. 13,24,800/- in favour of M/s. Amin Chand Payare Lal, Calcutta.*

With reference to your letter No. LG, 278/60 of the 9th instant, I have to confirm the reduction of the amount of Bank Guarantee No. 278/60 dated 20th May, 1960 from Rs. 13,24,800 (Rupees thirteen lakhs and twenty four thousand and eight hundred only) to Rs. 11,91,952/- (Rupees eleven lakhs ninety-one thousand and nine hundred and fifty two only) is acceptable to this office subject to the conditions enumerated in this office letter No. C/AP/35(60) dated 9th September, 1960.

Copy of letter No. MS/ACPL/BR/3/7363 dated the 13th September, 1960 from M/s. Amin Chand Pyare Lal, Calcutta to Iron and Steel Controller, Calcutta

SUB: *Your Office Letter Order No. C/AP(35)/60 for import of steel against export of billets.*

Further to our letter No. MS/ACPL/BR/3/7319 dated 7th September, 1960 we are pleased to inform you that we have been able to get orders for export of 10,000 tons of Billets. Our buyers have also opened the L/Credit, valid upto 30th September, 1960 which we are enclosing herewith in original for your inspection and return to us and true copies for your records.

We would now request you to kindly reduce the value of our Guarantee No. 278 dated 20th May, 1960 by 15 per cent of the above value, namely Rs. 6,89,644/- only. The value of the guarantee will now stand reduced to Rs. 5,02,308/-. Kindly confirm that it is acceptable to you and advise the Bankers accordingly.

Thanking you,

Copy of letter No. C/AP/(35)/60 dated the 13th September, 1960 from Iron and Steel Controller, Calcutta to M/s. Amin Chand, Pyare Lal, Calcutta.

SUB: *Export of Billets and Import of Steel.*

Please refer to your letter No. MS/ACPL/BR/3/7363 dated 13th September, 1960, on the above subject.

It is noticed from the Letter of Credit furnished by you that is valid only upto 30th September, 1960 while the Import Licence in question is valid upto 31st December, 1960. We have, therefore, no objection in your reducing the Bank Guarantee to the extent of 15 per cent of the value of the Letter of Credit but you should give us an undertaking to furnish a Bank Guarantee before the expiry of the Letter of Credit in case you are unable to get further extension thereof and you are unable to complete the exports within the existing period of validity of the Letter of Credit.

Copy of letter No. C/AP/35 (60) dated the 14th September, 1960 from the Iron and Steel Controller to the Punjab National Bank Ltd. Calcutta, and copy endorsed to M/s. Amin Chand Pyare Lal, Calcutta.

SUB: *Reduction in amount of your Bank Guarantee No. 278/60 dated 20th May, 1960 for Rs. 13,24,800/- in favour of M/s. Amin Chand Pyare Lal, Calcutta*

With reference to your letter No. LG-278/60 of date, I have to confirm that the reduction of the amount of Bank Guarantee No. 278/60 dated 20th May, 1960 from Rs. 11,91,952/- (Rupees Eleven lakhs Ninetyone thousand nine hundred and fifty two only) to Rs. 5,02,308/- (Rupees five lakhs, two thousand three hundred and eight only) is acceptable to this office, subject to the conditions enumerated in this office letter No. C/AP/35 (60) dated 13-9-1960.

Copy of letter No. MS/ACPL/BR/4/8078 dated the 8th November, 1960, from M/s. Amin Chand Pyare Lal, Calcutta to the Iron and Steel Controller, Calcutta.

SUB: *Export of 20,000 tons of Billets and 25,000 tons of Slabs on barter basis.*

We invite your kind attention to your letter No. C/AP/(35)/60 dated 22-7-1960 and C/AP(35)/60 dated 27-7-1960 addressed to our Bankers with a copy to us.

In this connection, we have to state that our Overseas suppliers have placed further order for 5,000 tons of Slabs and increased the value of the credit by further \$ 4,10,000/- valid upto 12th January, 1961. The original extension of the L/C is enclosed for your inspection and return.

Under the circumstances, we would request you to kindly reduce the amount of the Bank Guarantee furnished by the Punjab National Bank by further amount of Rs. 2,95,200 (Rupees two lakhs ninetyfive thousand and two hundred only) being the 15 per cent value of the above L/C increased.

We would request you to kindly confirm to our bankers that the same is acceptable to you.

In this connection, we also confirm that we undertake to furnish the Bank Guarantee before the expiry of the L/C, if we are unable to complete the shipment within the validity period of the L/C.

Thanking you

Copy of letter No. MS/ACPL/BR/4/8285 dated 22nd/23rd November, 1960 from M/s. Amin Chand Pyare Lal, Calcutta to the Iron and Steel Controller, Calcutta

SUB: *Your office letter order No. C/AP/ (35) /60 dated 19-3-1960 for export of Slabs and import of Steel.*

We thank you very much for your letter No. C-AP (35)-60 dated 11th instant.

In this connection we confirm that we undertake to furnish a Bank Guarantee before the expiry of the letter of credit in case we are unable to complete the exports within the date of validity of the letter of credit.

We are also enclosing an advice from our Bankers that the amount of the Guarantee has been reduced by Rs. 2,95,200 being 15 per cent value of the letter of credit shown to you.

We would now request you to kindly confirm to our Bankers that the same is acceptable to you.

Thanking you.

Copy of letter No. MS/ACPL/BR-4/8289, dated the 22nd/23rd November, 1960 from M/s. Amin Chand Payare Lal, Calcutta, to the Iron and Steel Controller, Calcutta.

SUB: Export of 20,000 tons of Billets and 25,000 tons of Slabs on barter basis.

With reference to the above and further to our letter No. MS/ACPL/BR-4/8285 of date, we are pleased to inform you that our Overseas buyers have placed a further order for 6000 tons of slabs and have increased the value of the Letter of Credit by further amount of \$4,98,000 valid upto 31-12-1960.

Under the circumstances, we would request you to kindly reduce the amount of the Bank Guarantee furnished by the Punjab National Bank Limited by further amount of Rs. 3,58,560 (Rupees three lakhs fiftyeight thousand five hundred sixty only) being the 15, per cent value of the Letter of Credit.

We would request you to kindly confirm to our bankers that the same is acceptable to you.

In this connection, we also confirm that we undertake to furnish the Bank Guarantee before the expiry of the Letter of Credit, if we are unable to complete the shipment within the validity period of the Letter of Credit.

Thanking you.

Copy of letter No. CP/AP/35/60/1953 dated the 15/16 December, 1960 from Iron and Steel Controller to the Punjab National Bank, Calcutta and copy endorsed to M/s. Amin Chand Payare Lal, Calcutta, for information.

SUB: Export of 20,000 tons of Billets and 25,000 tons of Slabs on barter basis in exchange of import of finished steel materials by M/s. Amin Chand Payare Lal, Reduction in amount of Bank Guarantee No. L/G/402/60 dated 21-6-1960 for Rs. 6,25,000 in favour of Messrs Amin Chand Payare Lal, Calcutta.

With reference to your communication dated 22-11-1960, this is to confirm that the reduction of the amount of Bank Guarantee No. L/G/402/60 of 21-6-1960 from Rs. 6,25,000 (Rupees six lakhs twenty-five thousand only) to Rs. 3,29,800 (Rupees three lakhs twentynine thousand eight hundred only) is acceptable to this office, subject to the conditions enumerated in this office letter No. C/AP/35/60 dated 11-11-1960.

Copy of letter No. MS/ACPL/BR-4, dated 22nd December, 1960 from M/s. Amin Chand Payare Lal, Calcutta to the Iron and Steel Controller, Calcutta.

SUB: Bank Guarantee for Rs. 5,74,700.

We thank you very much for your letter No. CP/AP/36/60/1952 dated 15/16-12-60 and as desired therein, we are sending herewith an amendment to the above Bank Guarantee duly stamped and signed by our Bankers reducing the amount of the Bank Guarantee to Rs. 2,16,140.

We would now request you to kindly confirm the same to our bankers and oblige.

Thanking you.

Copy of letter No. CP/AP/35/60/1953/8, dated the 5th January, 1961 from the Iron and Steel Controller to the Punjab National Bank Limited, Calcutta.

SUB: Export of 20,000 tons of Billets and 25,000 tons of slabs on barter basis in exchange of import of finished steel materials by M/s. Amin Chand Payare Lal Reduction in amount of Bank Guarantee No. LG. 418/60, dated 2-7-1960 for 5,74,700 in favour of M/s. Amin Chand Payare Lal, Calcutta.

With reference to your communication dated 22-12-1960, this is to confirm that the reduction of the amount of Bank Guarantee No. LG-418/60, dated 2-7-1960, from Rs. 5,74,700 (Rupees five lakhs seventy four thousand and seven hundred only) to Rs. 2,16,140 (Rupees two lakhs sixteen thousand one hundred and forty only) is acceptable to this office subject to the conditions enumerated in this office letter No. CP/AP/35/60/1952 of 15/16-12-1960 (copy enclosed).

(Copy)

Ref: CP/AP/35/60/10
M/s. Aminchand Payare Lal,
135, Canning Street,
Calcutta.

Dated, the 6th January, 1961.

Dear Sirs,

SUB: Replacement of Bank Guarantee

With reference to the above, it is stated that Bank Guarantee (1) No. LG-400/60 for Rs. 3,12,300 subsequently reduced to Rs. 17,000.

(ii) No. LG-402/60 for Rs. 6,25,000 subsequently reduced to Rs. 3,29,800 and (iii) No. LG-418/60 for Rs. 5,74,700 have expired on 20-12-1960, 21-12-1960 and 1-1-1961 respectively.

You are therefore requested to replace the same immediately. Unless Bank Guarantees are replaced, no C.C.P. against import licences issued against materials produced by Hindustan Steel Limited, will be issued.

Yours faithfully,

Sd./- B. B. MUKERJEE,
Asstt. Accounts Officer.
for Iron and Steel Controller.

Copy to:—

S.I.C. Branch with the request to consult barter Purchase Section while issuing CCPs in favour of M/s. Aminchand Payarelal, Calcutta against I/Ls. issued against export of materials produced by Hindustan Steel Limited.

Sd./- B. B. MUKERJEE,
Asstt. Accounts Officer.
for Iron and Steel Controller.

(COPY)

AMINCHAND PAYARELAL

135, Canning Street,
Calcutta.
12th January, 1961.

Ref: MS/ACPL/BR-4/120/
The Iron and Steel Controller,
33-Netaji Subhas Road,
Calcutta-1.

SUB: *Extension of validity of the Bank Guarantee*

Dear Sir,

Nos. (i) LG-400/60

(ii) LG-402/60

(iii) LG-419/60

are sent herewith, receipt of which please acknowledge.

Thanking you,

Very truly yours,
Aminchand Payarelal.
Sd./

(COPY)

Hindustan Steel Limited, 2, Fairlie Place, Calcutta-1.

3rd February, 1961.

The Iron and Steel Controller,
33-Netaji Subhas Road,
Calcutta-1.

Atten: Shri S. C. Mukherjee.

SUB: *Our Export Sale Contract No. 7 for 25,000 tons of Slabs A/C.
Messrs. Aminchand Payarelal against Barter.*

Ref: Your letter No. CP/AP/(35)/60/1985, dated 24th December,
1960.

Dear Sir,

With reference to the above we wish to bring to your kind notice the fact that over thirteen thousand tons of materials constituting the balance to be delivered to the Party against the above Contract has been lying at Visakhapatnam Port in our Stock-yard for a long period of time. In spite of repeated reminders Messrs. Aminchand Payarelal have failed to make necessary arrangements for shipments. We are to request you, therefore, kindly to bring pressure on them to take necessary steps to lift the entire balance tonnage which is ready for delivery.

Thanking you,

Yours faithfully,
Sd./-. K. E. R. UNNI,
Asstt. Sales Officer,
for Chief Sales Manager.

*Copy of letter No. CP/AF/35/60/256, dated the 24/25th February,
1961 from the Iron and Steel Controller to M/s. Aminchand
Payarelal, Calcutta.*

SUB: *Barter deal involving export of 20,000 tons of Billets in exchange
of finished steel materials—Replacement of Bank Guarantee.*

With reference to the above it is stated that the validity period of Bank Guarantee No. LG. 278/60 for the sum of Rs. 13,24,800 will expire on 28-2-1961.

Your are therefore requested either to extend its validity period or to replace the same before expiry of the Guarantee.

Sd/- L. K. BOSE,

Asstt. Iron & Steel Controller.
for I&SC.

Copy to:—Steel Import Control Branch, with the request to consult barter section before issuing any CCPs in future in favour of the firm in respect of Hindustan Barter.

Copy of letter No. CP/AP/35/60/407, dated the 10th April, 1961 from the Iron and Steel Controller to M/s. Aminchand Payarelal, Calcutta and copy to HSL.

SUB: *Lifting of 25,000 tons of slabs of Hindustan Steel Ltd., for export.*

It is understood from Hindustan Steel Ltd. that 11,000 tons of Slabs are lying ready for export on your account for 3 months and that you have failed to make arrangements for Shipment of the materials. You are hereby directed to make immediate arrangements for acceptance and Shipment of the materials and to report the position within 15 days from date of this letter. In the event of your failure to do so, suitable steps will be taken against you which may include suspension of further business dealings with you.

Copy of letter No. CP/AP/35/60/II/1388, dated 8-11-1961 from the Iron and Steel Controller to M/s. Aminchand Payarelal, Calcutta.

SUB: *Barter deals involving export of Billets and Slabs and import of finished materials, Submission of Fresh Bank Guarantee.*

With reference to the above, it is stated that validity period of the Bank Guarantee Nos. L/G. 278, L/G. 400/60, L/G. 402/60 and LG, 418/60 expired on 23-2-1961, 19-6-1961, 20-6-1961 and 30-6-1961 respectively. You are therefore, requested to replace the said Bank Guarantees immediately. Neither any Import Licence nor any CCPS will be issued in your favour if fresh Bank Guarantees are not received in replacement of the above guarantees with 7 days from date which please note.

Copy to:—S.I.C. Branch for information with the request to, please consult Barter Purchase section before issuing any I/L or C.C.P. in favour of the firm in question.

Copy of letter No. CP/AP/35/60/II/dated the 8th December, 1961 from Iron and Steel Controller to M/s. Aminchand Pyarelal, Calcutta and copy to S.I.C. Branch for information.

SUB: Barter deals involving export of Billets and Slabs and import of finished steel materials—Submission of Fresh Bank Guarantee.

Please refer to this office letter No. CP/AP/35/60/II/1388 dated 8-11-1961 on the above subject and expedite furnishing of fresh Bank Guarantee as requested therein. Please note that neither any import licence nor any CCP will be issued in your favour unless the Bank Guarantees as called for, are furnished.

Copy of letter No. MS/ACPL/EXP/dated 28th December, 1961 from M/s. Aminchand Payarelal to Iron and Steel Controller, Calcutta.

SUB: Submission of Bank Guarantees against export of Slabs and Billets.

With further reference to our earlier letter on the above subject, we have to inform you that we anticipate that our Bankers will give us the Bank Guarantee by the 20th January, 1962.

We would accordingly request you to kindly extend the date for submission of the same upto 20th January, 1962.

Thanking you and hope you will comply with our request.

Copy of letter No. MS/ACPL/ dated 23rd December, 1961 from M/s. Aminchand Payarelal, Calcutta to the Iron and Steel Controller, Calcutta.

SUB: Submission of Bank Guarantees against our export Contracts, for Billets and Slabs.

Reference your letter on the above subject, we have to bring to your kind notice that in view of the half-yearly closing our Bankers are not in a position to get a reply from their Head Office mentioning the issue of guarantee in your favour.

Under the circumstances, we would request you to kindly give us a month's time from date, within which we will submit the said guarantees. In the meantime, we would request you to be kind enough to instruct your S.I.C. Branch not to withhold issue of import licences and CCPS to enable us to honour our commitments with our suppliers as also to avoid demurrage at the ports.

Thanking you.

Copy of letter No. EXP/6A, dated the 24th January, 1962 from M/s. Aminchand Payarelal, Calcutta to Iron and Steel Controller, Calcutta.

SUB: *Our Contract with M/s. Hindustan Steel Ltd. for export of 25,000 tons of Steel Slabs. Punjab National Bank Ltd.'s Letter of Guarantee No. 410/60 for Rs. 5,74,700/- 402/60 for Rs. 6,25,000/- and 408/60 for Rs. 3,12,300/-.*

The above Bank Guarantees were given to you undertaking to export specific quantities of semi-finished steel which M/s. Hindustan Steel Ltd, were to supply to us as per the contract entered into.

We have so far effected shipments of a major tonnage. The value of the material to be shipped is only Rs. 36,66,700/-. The balance Letter of Guarantee to be furnished to your amounts to only Rs. 5,50,000/- as against the sum of Rs. 15,12,000/-.

The balance tonnage could not be taken up for reasons beyond our control. Our Bankers accordingly feel that unless they have a contract from our principals, they are not in a position to give the guarantee. We are making effort and if we succeed, we shall be able to submit to you the Bank Guarantee.

Thanking you.

Copy of M/s. Aminchand Payarelal, Calcutta letter No. EXP/7. dated 24th January, 1962 to Iron and Steel Controller, Calcutta.

SUB: *Our Contract with M/s. Hindustan Steel Ltd. for export of 20,000 tons of steel Billets. The Punjab National Bank Ltd. letter of Guarantee No. 278/60 for Rs. 13,24,800/-*

The above Bank Guarantee was given to you undertaking to export specific quantities of semi-finished steel which M/s. Hindustan Steel Ltd., were to supply to us as per the contract entered into.

We have, so far, effected shipments of a major tonnage. The value of the material to be shipped is only Rs. 27,48,980/-. The

balance Letter of Guarantee to be furnished to you amounts only to Rs. 4,13,346/- as against the sum of Rs. 13,24,800/-.

Export of the balance tonnage could not be taken up for reasons beyond our control. Out Bankers accordingly feel that unless they have a contract from our principals, they are not in a position to give the guarantee. We are making effort and if we succeed, we shall be able to submit to you the Bank Guarantees.

Thanking you,

Copy of M/s. Aminchand Payarelal letter No. EXP/7 dated 15th February, 1962 to Iron and Steel Controller, Calcutta.

Re: Our Contract with M/s. Hindustan Steel Ltd. for export of 20,000 tons of Steel Billets. The Punjab National Bank Ltd's letter of Guarantee No. 278/60 for Rs. 13,24,800/-.

Please refer to our letter No. EXP/7 of the 24th January, 1962, explaining the difficulties regarding submission of Bank Guarantees. It would be seen from the enclosed letter that we have completed considerable tonnages and we are unable to complete export of the balance tonnage due to reasons beyond our control.

Under the circumstances, we would request you to kindly withdraw the condition for submission of Guarantee and also withdraw the ban withholding issue of Customs Clearance Permits and Import Licences.

We would be most obliged if you will kindly confirm these instructions to the SIC Section.

Thanking you,

IRON AND STEEL CONTROLLER, CALCUTTA

NO CP/AP/35/60/II/141

Dated, the 17-2-1962.

M/s. Aminchand Payarelal,
135, Canning Street,
Calcutta.

SUB: Barter deal involving export of 20,000 tons of Billets and import of finished steel materials—furnishing of fresh Bank Guarantee.

Ref: Your letter Nos. EXP/6A & EXP/7 both dated 15-2-1962.

Dear Sirs,

Your attention is invited to this office letter No. CP/AP/35/60/II/1388 of 8-11-1961, wherein you were asked to furnish a fresh Bank

Guarantee which has not yet been furnished. It is not followed why you should not furnish Bank Guarantee as pre-import was allowed in view of your special request and this office could very well have refused to allow pre-import strictly speaking.

In view of the accommodation allowed to you, you are honour-bound to furnish Bank Guarantee till such time the whole matter is settled one way or other.

We trust you will not fail to furnish Bank Guarantee whatever may be the merits of your case, we should have your reply within 7 days hereof.

Yours faithfully,
Sd./- L. K. BOSE,
Asstt. Iron & Steel Controller.

Copy to:

S.I.C. Branch with the request to consult Barter Purchase Section before issue of any Import Licence or Customs Clearance Permit in favour of the firm in question.

Sd/-L. K. BOSE,
Asstt. Iron & Steel Controller.

COPY

IRON AND STEEL CONTROLLER CALCUTTA

No. CP|AP|(34)|60|II|241.

Dated the 15th March, 1962.

M|s, Aminchand Payarelal,
135. Canning Street, Calcutta.

SUBJECT:—*Barter deal involving export of 20,000 tons of Billets and import of finished steel materials furnishing of fresh Bank Guarantee.*

Dear Sirs,

Your attention is invited to this office letter No. CP|AP|35|60|II|141 dated 17th February, 1962 on the above subject, it is regretted to state that neither the Fresh Bank Guarantee nor any reply to the above letter has yet been received.

As we are interested in getting the Bank Guarantee urgently, you are requested to do the needful with the least delay.

Yours faithfully,
Sd./- L. K. BOSE,
Asstt. Iron & Steel Controller.

Copy of Iron and Steel Control, Calcutta letter No. CP/AP/35/60/II/1041, dated the 22-10-62 to M/s. Aminchand Payarelal, Calcutta.

SUB: *Barter deal involving export of Billets and Slabs and import of finished steel materials.*

As per our books, foreign exchange to the tune of Rs. 61,35,628/- (Rs. 26,37,685 against Billet barter deal and Rs. 34,97,943 against Slab barter deal) is due to be earned and you should have furnished the bank guarantee.

In any case you are honour bound to earn the foreign exchange and you should, we feel, arrange export of finished steel on cash basis in terms of public notice published in the Government of India gazette dated 29.9.62, (Part III Sec. I). Please confirm that you would avail yourself of the opportunity of earning foreign exchange and fulfil the long standing obligation to Government in respect of the barter in question.

Please put up concrete proposals in this regard within 15 days hereof.

Copy of Iron and Steel Controller letter No. CP/AP/35/60/II/693, dated 23/25-7-63 to M/s. Aminchand Payarelal, Calcutta.

SUBJECT:—*Barter deal involving import of finished steel against export of Semis of Hindustan Steel Limited.*

Please refer to this office letter No. CP/AP/35/60/II/1042, dated 22.10.62 and subsequent reminders there to on the subject. This office have been every now and then, reminding you of your long outstanding obligation to Government in the matter of earning of foreign exchange which you have already spent for import of finished steel on pre-import basis. You do not seem to have made earnest efforts for earning foreign exchange by export of finished steel in terms of the public notice published in the Gazetted of India dated 29.9.62. If some of the firms have succeeded in effecting export of finished steel, it is not understood why it should not be possible for you also to do the same. It is needless to add that Government can hardly take a complacent view of the situation. It is expected that you would do the needful without further delay. Please reply within 10 days from date along with your concrete proposals for export.

Copy of Aminchand Payarelal letter No. ACPL/ISC/BR, dated 3rd September, 1963, to Iron and Steel Controller.

SUBJECT:—*Barter deal involving import finished steel against export of Semis Hindustan Steel Limited.*

We are in receipt of your letter No. CP/AP/35/60/II/693, dated the 23/25-7-1963 and thank for the same.

In reply, we want to inform you that M/s. Hindustan Steel Limited could not deliver the goods for export as per the contracts concluded.

We would request you to kindly impress upon Messrs. Hindustan Steel Limited to supply the materials according to the Contracts.

Thank you,

Copy of letter No. CP/AP/35/60/II/813, dated the 7.9.63 from the Iron and Steel Controller to M/s. Aminchand Payarelal, Calcutta.

SUBJECT:—*Barter deal involving import of finished Steel against export of Semis of HSL.*

Ref:—Your letter No. ACPL/ISC/BR/ dated 3.9.63.

With reference to the above, it is stated that you may take up the question of supply of Semis with M/s. Hindustan Steel Limited, direct. You should, however, arrange export of finished steel as suggested in this office letter No. CP/AP/35/60/II/693 dated 23/25.7.63 with the least possible delay and thus fulfil your obligation to Government in the matter of earning of foreign exchange spent on pre-import. You will appreciate that this office can hardly allow your pre-import barter deal remaining unfulfilled till your dispute with M/s. Hindustan Steel Ltd., in regard to supply of billets and slabs is received.

(b) Correspondence between Iron and Steel Controller and M/s. Khemchand Rajkumar.

Copy of letter No. CP/KR/33/60/1933, dated 12-12-1960 from Iron and Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta.

SUBJECT:—*Export of 5000 tons of Billets on barter basis in exchange of finished steel materials—replacement of Bank Guarantee.*

With reference to the above, it is stated that validity period of the Bank Guarantee No. L/G/477/60 for the sum of Rs. 2,66,764.32 nF. expired on 30.11.60 you are therefore requested to replace the same by a fresh one immediately.

It is also observed that validity of letter of credit Nos. 18211 & 20208 expired on 31-10-60. Will you please let this office know immediately whether you have been able to have the validity period of above letters of Credits duly extended? If not you are required to furnish immediately a Bank Guarantee for 15% of the total export value of 1435 tons of Billets. It may please be noted that no C.C.P. for this particular deal would be issued unless the Bank Guarantees, as asked for are received.

Copy to: S.I.C. Branch for information. The Barter Section may please be consulted before issue of any C.C.P. against I/L Nos. SIC/IL/BR/D/0501/316 and 317.

Copy of letter No. 35015/60: GGG A. B. dated 22-12-60 from M/s. Khemchand Rajkumar, Calcutta to The Iron & Steel Controller, Calcutta-1.

RE:—Your Barter Sanction No. C/KR/(33)/60 dated 23.3.60 & 26.5.60 for export of M. S. Billets and import of Tinmill Black plate.

We had sent you your Bank Guarantee No. 477/60 dated 30.8.60 for Rs. 2,66,764.32 nP. issued by the Punjab National Bank Ltd. under cover of our letter No. 33582 dated 30.8.60.

We now refer to your letter No. CP/KR/33/60 of the 12th instant as also to our letter No. 34958 of the 16th instant. Extension of the Bank Guarantee is enclosed herewith.

It may please be noted that the import licences have been issued by your office for 2600 M/Ton of Tinmill Black Plates @ \$165.35 per M/Ton i.e. for a total value for \$4,29,910.00. We have already exported 924.60 L/ton of M.S. Billets @ 92.40 per L/Ton valuing \$85,433.04 to Pakistan. As such, the balance foreign exchange yet to be earned is \$3,44,466.96. Therefore the 15% amount works out to \$51,670.04 i.e. Rs. 2,48,016.19. You will kindly observe that the Bank Guarantee given by us covers the 15% amount and therefore, no fresh Bank Guarantee will be required.

Thanking you,

Copy of letter No. CP/KR/(32)/60/77 dated 12-1-61 from Iron & Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta-1.

SUBJECT:—Export of 5000 tons of Billets of barter basis in exchange of finished steel materials—submission of Bank Guarantee.

With reference to your letter No. 35015/60/GGG/AB dated 22.12.60 on the above subject, it is stated that as the original Bank Guarantee

No. LG|477|60 of 30.11.60 was not revalidated during the currency of the B|G the revalidation furnished by your letter of 22.12.60 is therefore not acceptable to this office. A fresh Bank Guarantee in replacement of old one should be furnished immediately as asked for in this office letter No. CP|KR|33|60|1933 of 12.12.60.

You are also requested to produce documentary evidence as proof of your earning Foreign Exchange to the tune of \$85,433.04 by exporting 924.60 Long Tons of Billets to Pakistan.

For pre-import, Bank Guarantee is required to be furnished for 15% of total export value. If Foreign Exchange of \$85,433.04 is taken into account as earned by you by exporting 924.60 Long Tons of Billets, you are to earn further \$4,13,066.96, 15% of which come to \$61,961.0 and which is equivalent to Rs. 2,97,408.21. As a bank guarantee for Rs. 2,66,764.32 nP. has already been furnished by you, another Bank Guarantee for Rs. 30,643.89 nP is required to be furnished immediately if you are not in a position to extend the validity period of letter of Credits in question.

SUBJECT:—Export of 5000 tons of Billets on Barter basis in exchange of finished steel materials—replacement of Bank Guarantee. Calcutta-1.

SUB: Export of 5000 tons of Billets on Barter basis in exchange of finished steel materials—replacement of Bank Guarantee.

With further reference to our letter No. 34958 dated 6-12-60, we have to state that the Bank Guarantee was duly furnished by us with our letter No. 35015 dated 22.12.60.

We have now received letter No. SE|16-18|272 dated 4-1-61 from the Hindustan Steel Ltd., which please find self-explanatory. This will, we trust, give you a clear picture of the dispute. It is apparent that the Hindustan Steel Ltd., could not execute the contract on the terms and conditions agreed upon by them into writing and as a result of which we have not been able to earn the foreign exchange.

We also forward herewith a copy of our reply vide our letter No. 20063 of date.

We are confident that Hindustan Steel Ltd., would agree to reduction in price, but if they fail and neglect to do so, we could not be blamed for not exporting the Billets and earning foreign exchange.

as it is dependent on their attitude. The Bank Guarantee given by us, co-relative to barter sanction, should only be enforced in the event of our failure to earn the foreign exchange based on the original terms and conditions of the contract agreed upon by the Hindustan Steel Ltd., on the amendments which may be subsequently mutually agree to accept.

We hope you will be kind enough to refer the matter to the Ministry fully explaining the fact. The enforcement of Bank Guarantee should be dependent on the Hindustan Steel Ltd., fulfilling the terms and conditions of the contract and our failure to have lifted the material, but evidently which is not the case.

Thanking you,

P.S. On our part, we are ready to leave the decision to the Ministry and to your office. A copy of proposed amendment of the contract as handed over by the Hindustan Steel Ltd., is also attached herewith.

Copy of letter No. 20479/1/GLM/PC dated 31-1-1961 from M s. Khemchand Rajkumar, Calcutta to the Iron and Steel Controller Calcutta-1.

SUBJECT:—*Export of 5000 tons of Billets on Barter basis in exchange of finished steel materials—submission Bank Guarantee.*

We have for acknowledgment your letter No. CP/KR (33) 60/77 of the 12th instant.

Since the bankers have revalidated the Bank Guarantee, we trust you will appreciate that a fresh Bank Guarantee is not required. It is true that the Bankers have revalidated after the expiry of Bank Guarantee No. LG 477/60 dated 30-11-60, but once the guarantee has been revalidated it is evident that the Bankers have assumed the responsibility and obligations.

If you require any other confirmation or explanatory letter from the Bank, we shall have pleasure to obtain the same and supply to you.

In regard to documentary evidence for earning foreign exchange to the tune of \$85,433.04 by exporting 924.60 long tons Billets to Pakistan, we are attaching herewith relative Bank Memo as obtained from the Industrial Importers Private Ltd., Stephen House, Calcutta, through whom the goods were sold to Pakistan.

In reply to the third para, we beg to refer to third para of our letter No. 35015 dated 22-12-60 where the position has been fully accounted for.

Thanking you,

Copy of letter No. CP/KR/33/60/644 dated 2-6-61 from Iron and Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta.

SUBJECT:—*Export of 5000 tons of Billets on barter basis in exchange of finished steel materials submission of 15% Bank Guarantee.*

With reference to your letter No. 20479|61|GEM|PC dated 31-1-61 on the above subject it is stated that Bank Guarantee No. LG|477|60 was valid upto 29.11.60 validity of which was up to 28.2.61 only. You are therefore requested to furnish a fresh Bank Guarantee on ten Rupee non-judicial stamp paper for the amount detailed below being the 15% of the total export value:—

Total export value for 5000 tons of Billets @ 98.10	Rs. 23,454,400
Less foreign exchange already earned	Rs. 35,433 04
by export of 924.60 tons of Billets	Rs. 22,68,367 00
15% of balance comes to :—	Rs. 3,40,345 05
Exact amount for which Bank Guarantee is to be furnished.	Rs. 3,40,345 05

Copy to S.I.C. Br. with the request to consult Barter Section before issue of any I.L and C.C.P. in favour of the firm.

Copy of letter No. 21781/61/GGG/PC, dated 9-6-1961 from M/s. Khemchand Rajkumar, Calcutta to the Iron & Steel Controller Calcutta-1.

SUBJECT:—*15 per cent Preimport Guarantee against Barter of 5000 tons of Billets and Tinmill Black Plates.*

We have for acknowledgment your letter No. CP|KR|33|60|644 dated 2-6-61.

We are arranging to submit a Bank Guarantee to you and we have already advised our Bankers to do so. In the meanwhile, we request you to kindly advise the S.I.C. Branch not to hold up any of our Import Licences or C.C.Ps.

Thanking you, we are,

Copy of letter No. CP/KR/33/60/1337, dated 2nd November, 1961 from the Iron & Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta-1.

SUBJECT:—Barter deal involving export of 5000 tons of Billets and import of 2600 M/Tons Tin Mill Black Plates.

With reference to your letter No. 22885/61/GLM/PC dated 3rd October 1961 addressed to The Chief Sales Manager, Hindustan Steel Ltd., Calcutta copy endorsed to this office on the above subject, it is stated that as per this office record you have imported Tin Mill Black Plates to the tune of Rs. 20,46,328 where as you have a earned foreign exchange amounting to only Rs. 5,39,179 against this barter deal. If the export contract is cancelled at this stage, you are requested to let this office know how you propose to earn the balance Rs. 14,87,149 to equate the value of Import already made (Rs. 20,46,328).

Regarding Return of Bank Guarantee, your attention is invited to this office letter No. CP/KR/33/60/644 of 2nd June, 1961 wherein you were requested to furnish a fresh Bank Guarantee for Rs. 3,40,345.05 nP. no reply to that letter has yet been received. Neither any import licence nor any C.C.P. will be issued in your favour against any barter deal if the Bank Guarantee as asked for in this office above quoted letter is not furnished within 7 days from date, which please note.

Copy to:—Hindustan Steel Ltd., 2, Fairlie Place, Calcutta for information with reference to their letter No. SE/17-18/23720 dated 6th October, 1961.

S.I.C. Br. with the request to consult Barter Purchase Section before issue of any C.C.P. or Import licence in favour of the firm in question.

Copy of letter No. CP/KR/33/60/103 dated 5/7-2-1962, from the Iron & Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta.

SUBJECT:—Barter deal involving export of 5000 tons of Billets and import of 2600 M/tons of Tinmill Black Plates.

Your attention is invited to this office letter No. CP/KR/33/60/1593 of 30-11/1-12-61 wherein you were asked to furnish a fresh Bank Guarantee as asked for in this office letter No. CP/KR 33/60/1337 of 2nd November 1961, which has not yet been furnished. It is not

followed why you should not furnish Bank Guarantee as pre-import was allowed in view of your special request and this office could very well have refused to allow pre-import strictly speaking.

In view of the accommodation allowed to you, you are honour-bound to furnish Bank Guarantee till such time the whole matter is settled one way or other.

We trust you will not fail to furnish Bank Guarantee whatever be the merits of your case. We should have your reply within 7 days hereof.

Copy to:—S.I.C. Br. with the request to consult Barter Purchase Section before issue of any Import licence or Customs Clearance Permit in favour of the firm in question.

Copy of letter No. 23723/62/GLM/PC dated 13th February, 1962 from M/s. Khemchand Rajkumar, Calcutta to the Iron & Steel Controller, Calcutta-1.

SUBJECT:—*Barter deal involving export of 5000 tons of Billets and import of 2600 M/tons of Tinnill Black Plates.*

We have for acknowledgment your letter No. CP/KR/33/60/103 of the 5/7th instant.

We have no hesitation to give you a Bank Guarantee as we are fully confident that in realisation of the facts of the case your decision will be made in our favour. However, as pointed out to you in our earlier letter 23303 dated 7th December, 1961, *our Bankers are not agreeable to give a fresh Bank Guarantee unless full particulars and details of materials to be exported are furnished to them. Unfortunately, the Producers are not willing to reduce their price to the level of current international market and therefore we have no common ground with them for fresh negotiations.*

Thanking you,

Copy of letter No. CP/KR/33/60/1037, dated the 20-10-62 from Iron & Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta-1.

SUBJECT : *Barter deal involving export of billets and import of finished steel materials.*

As per our books, foreign exchange to the tune of Rs. 14,83,069 is due to be earned and you should have furnished the Bank guarantee.

In any case you are honour bound to earn the foreign exchange and you should, we feel, arrange export of finished steel on cash basis in terms of public notice published in the Government of India Gazette dated 29th September 1962, (Part III Section I). Please confirm that you would avail yourself of this opportunity of earning foreign exchange and fulfil the long standing obligation to Government in respect of the billets barter deal in question.

Please put up concrete proposal in this regard within 15 days hereof.

Copy of letter No. 25492/62/GLM/PC, dated 12th November, 1962 from M/s. Khemchand Rajkumar, Calcutta to the Iron and Steel Controller, Calcutta—1.

SUBJECT:—Barter deal involving export of Billets and import of finished steel materials.

We have for acknowledgment your letter No. CP/KR/33/60/1037 of the 20th October, 1962.

We have fully explained to your office and the Ministry the circumstances under which we could not earn foreign exchange. M/s. Hindustan Steel Limited failed and neglected to supply us Billets for export, in accordance with the terms and conditions of the contract and this position is known to you. In this connection, may we invite your kind attention to our last letter No. 25197 dated 18th August, 1962 addressed to the Secretary, Ministry of Steel and Heavy Industries with a copy to you. In any case, the Government may as well consider that foreign exchange has been spent by us as a consumer who was otherwise entitled to import Tinmill Black Plates for running the plant within the limits of the capacity recognised by the Government.

We very much regret that it will not be possible to export finished steel on cash basis, as suggested by you, since the prices on which the steel will be made available are too high when compare to International markets. We shall have pleasure to export finished steel or semis if the same are made available to us at prices conforming to present World level.

We quite realise that it is necessary for our country to earn foreign exchange, as best as possible and with this in view, we are prepared to earn foreign exchange even though it may mean no profit to us.

We are developing export of Jute goods although it is not our line and we have never exported Jute Products hereto before. We shall be glad to place the foreign exchange so earned on export of Jute goods at the disposal of the Government to the extent of Rs. 14,83,069 which you expect us to earn and we beg to assure you that we shall not request you for barter.

We shall be grateful to you for favouring us with your kind reply as early as possible. We are confident that the Government will appreciate the circumstances explained by us and agree to our proposal.

Thanking you,

Copy to:—The Ministry of Steel & Heavy Industries, Government of India, New Delhi, for attention Mr. C. A. Nair.

Copy of letter No. CP/KR/33/60/15 dated 8th January 1963, from the Iron and Steel Controller, Calcutta to M/s. Khemchand Rajkumar Calcutta.

SUBJECT:—Barter deal involving export of Billets and import of Finished Steel materials—Pre-import of Tin Mill Black Plates.

REF.:—Your letter No. 25/92/62/GLM/PC dated 12th November 1962.

With reference to the above, it is stated that your proposal to earn foreign exchange by export of Jute Goods for adjustment against the foreign exchange already spent in Hindustan Steel Ltd. Billet barter deal is not agreed to. You are requested to arrange export of finished steel in terms of this office letter No. CP/KR/33/60/1037 dated 20th October 1962 for early settlement of the pre-import barter account.

Copy of letter No. 25882/63/GLM/PC dated 24th January, 1963, from M/s. Khemchand Rajkumar, Calcutta to the Iron and Steel Controller, Calcutta-1.

SUBJECT:—Barter deal involving export of Billets and import of Finished Steel Materials—Pre-import of Tin Mill Black Plates.

We have for acknowledgment your kind letter No. CP-KR/33/60/15 of the 8th January, 1963.

We have already explained to you our difficulties in exporting finished steel. It will mean a tremendous loss to us unless supplies are made available to us at the current lowest International price.

We would request you to treat this matter as closed in view of the position explained by us, in our previous correspondence with you and the Ministry. We would not export Billets to Pakistan as the Hindustan Steel Ltd., failed and neglected to supply us Billets in accordance with the terms and conditions of the contract.

In any case, you will kindly appreciate that import of Tinmill Black Plates was made by us as a consumer, for consumption of material in our Tinplate and not as an importer and total import of Tinmill Black Plates made by us, including under this barter did not exceed our recognised capacity.

We may not write in detail herein as the position has been fully explained to you in our earlier correspondence.

Thanking you.

Copy of letter No. CP/KR/33/60/84 dated 12th February, 1963 from the Iron and Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta.

SUB:—Barter deal involving export of Billets and import of finished steel materials—Pre-import of Tin Mill Black Plates.

With reference to your letter No. 25882:63 GLM: PC dated 24th January, 1963 I am to state that your request to treat the matter as closed is not acceptable to us. You should find out some means of earning of foreign exchange to cover the value of Pre-import of Tin Mill Black Plates already made which you are honour bound to do. You should make earnest attempts to find out means of earning of Foreign Exchange to match the pre-import value.

Copy of letter No. CP/KR/33/60/691 dated 24th and 25th July, 1963 from the Iron and Steel Controller, Calcutta to M/s. Khemchand Rajkumar, Calcutta.

SUB:—Barter deal involving import of finished steel against export of semis of Hindustan Steel Ltd.

Please refer to this office letter No. CP/KR/33/60/1037 dated 20th October, 1962 and subsequent reminders thereto on the subject. This office have been every now and then reminding you of your long outstanding obligation to Government in the matter of earning of foreign exchange which you have already spent for import of finished steel on pre-import basis. You do not seem to have

made earnest efforts for earning foreign exchange by export of finished steel in terms of the public notice published in the Gazette of India dated 29th September, 1962. If some of the firms have succeeded in effecting export of finished steel, it is not understood why it should not be possible for you also to do the same. It is needless to add that Government, can hardly take a complacent view of the situation. It is expected that you would do the needful without further delay. Please reply within 10 days from the date along with your concrete proposal for export.

Copy of letter No. 1667/63: GCB: AL dated 12th September, 1963 from M/s. Khemchand Rajkumar, Calcutta to the Iron and Steel Controller, Calcutta.

SUB:—Barter deal involving import of finished steel against export of Semis of H.S.L.

We beg to acknowledge receipt of your letter No. CP/KR/33/60/691 dated 24th and 25th July, 1963 and CP/KR/33/60/769 dated 23rd August, 1963.

We have imported Tinmill Black plate under this barter for our plant, which are to be normally imported from free foreign exchange resources. However, we are now trying to enter into contracts for export of finished steel. The prices at the moment are not conducive to any substantial contracts. However, our Mr. Rajkumar has gone abroad to explore further possibilities of export of finished steel and we will revert on the subject as soon as we can give some concrete proposals.

Thanking you.

(c) Correspondence between the Iron & Steel Controller and M/s. Ramkrishan Kulwant Rai

Copy of letter No. C/RKK/ (32) /60, dated the 31st October, 1960 from Iron & Steel Controller, Calcutta to M/s. Ramkrishan Kulwant Rai, Calcutta.

SUB:—Export of 5000 tons of Slabs on barter basis in exchange of Import of Finished Steel—Replacement of Bank Guarantee.

I am to invite your attention to the above subject and to state that the Bank Guarantee L/C-291/60, for the amount of Rs. 1,95,000/- furnished by you on 30th April, 1960 has expired on and from 2nd October, 1960.

You are therefore requested to furnish a fresh Bank Guarantee for the same amount immediately. On receipt of the same the previous Guarantee will be returned to you.

Copy to S.I.C. Branch for information. No customs Clearance Permit against the Import Licence Nos. 196, 197 and 198 should be issued in favour of the above firm until further advice from this section.

Copy of letter No. BT/25, dated 29th October, 1960 from M/s. Ram Krishan Kulwant Rai, Calcutta to the Iron & Steel Controller, Calcutta-1.

SUB:—*Your Barter Letter Order No. C/RKK/ (32)/60, dated 5th May, 1960, and amendment dated 5th June, 1960 for export of 25,000 tons Slabs and Blooms against import of steel materials.*

Against the above Letter order, we regret to find that the Hindustan Steel Ltd., will not be able to supply 25,000 tons of Slabs and Blooms against which we have already imported the steel materials. In order to meet our obligation in earning the foreign exchange equivalent to the value of materials imported, we hereby undertake to earn the foreign exchange by exporting all permissible items like Manganese Ore, Ferrous Scrap etc. We assure you that we will earn the foreign exchange for the full value for which imports have been made.

We shall submit you our detailed programme as to how we shall be able to complete the earning of the foreign exchange, shortly.

Thanking you.

Copy of letter No. CP/RKK/32/60/11, dated the 6th January, 1961 from Iron & Steel Controller, Calcutta addressed to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—*Replacement of Bank Guarantees.*

With reference to the above it is stated that validity period of both the Bank Guarantee furnished by you for (i) Rs. 3,20,500/- and (ii) Rs. 15,15,000/- have expired on 31st December, 1960.

You are therefore requested to replace the above guarantees immediately. Unless the Guarantees are replaced no CCP against import licences concerned will be issued.

Copy to S.I.C. Branch with the request to consult Barter Purchase Section while issuing C.C.P's. in favour of M/s. Ram Krishan Kulwant Rai, Calcutta against I|Ls issued against export of materials produced by Hindustan Steel Ltd.

Copy of letter dated January 9, 1961 from M|s. Ram Krishan Kulwant Rai, Calcutta to the Iron & Steel Controller, Calcutta.

SUB:—Replacement of Bank Guarantees.

With reference to your letter No. CP|RKK|32|60|11, dated 6th inst. we are enclosing herewith fresh Bank Guarantees Nos. 594|61 and 595|61, both dated 6th January, 1961 for Rupees 15,15,000|- and Rs. 3,20,500|- respectively which hope you will find in order.

Kindly return the two Identical Guarantees which expired on 31st December, 1960 for cancellation by the Bank.

Thanking you.

Copy of letter dated 19th January, 1961 from M|s. Ram Krishan Kulwant Rai, Calcutta addressed to Iron & Steel Controller, Calcutta.

(Atten: Shri S. C. Mukherjee)

RE: Barter Order for export of 25,000 tons Steel Slabs against Import of Steel Materials.

In further reference to Letter No. SE|1110, dated 16th instant addressed to us by M|s. Hindustan Steel Ltd. on the above subject, we beg to submit the following clarifications:—

1. According to the present offer made the total FOB export value of 14,000 tons Slabs at \$ 70.53 and 15,000 tons Ingots at \$ 60.29 comes to \$ 18,91,770 as against the total Import Licence issued for Rs. 100,72,496 that is \$ 22,98,447 leaving an uncovered balance of \$ 2,06,677.
2. The Hindustan Steel has kindly agreed to give us as per the last paragraph of their letter under reference any additional quantity of Slabs & Ingots or Plates according to our choice that may be required to cover the deficit.

We are enclosing a copy of a letter No. SE|1110, dated 16th instant received from Hindustan Steel Limited for your ready reference.

Now, we would earnestly request you to kindly release us our pending Import Licence Application against Barter as well as few Customs Permits which have been held over by your office.

Thanking you.

Copy of letter No. CP/RKK/32/60/II/669 dated 8th June 1961 from Iron & Steel Controller, Calcutta addressed to M/s. Ram Krishan Kulwant Rai, Calcutta and copy to Hindustan Steel Ltd., 2, Fairlie Place, Calcutta, with reference to their letter No. SE/39-28A/17012-13 dated 25th May, 1961.

SUB: Export of 14000 tons of Steel Ingots on barter basis in exchange of finished steel materials.

Please refer to your copy to Hindustan Steel's letter Nos. SE/39-28A/15773 of 10-5-1961 and SE/39-28A/17012-13 dated 25-5-1961 and take immediate steps to furnish suitable letter of credit along with details of a shipment to Hindustan Steel Ltd., Calcutta so that arrangement for shipment of 5000 tons of ingots, which are lying at the port ready for shipment, may be made.

In view of the congestion in Calcutta Port, you are requested to take immediate action so that Ingots which are lying ready for shipment, may be shipped without further delay.

Kindly report the position to this office at an early date after doing the needful.

Copy of letter No. CP RKK 32/60/II/910 dated 22-7-1961 from Iron & Steel Controller, Calcutta addressed to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB: Export of 1400 tons of Steel Ingots on barter basis in exchange of finished steel materials.

With reference to the above, your attention is invited to Hindustan Steel Limited's letter Nos. SE/39-28A/15773 of 10-5-1961, SE/39-28A/17012-13 of 25-5-1961, SE/39-28A/17502-03 of 30-5-1961 SE/39-28A/22969-71 of 13-7-1961 and this Office letter No. CP/RKK/32/60/II/669 of 8-6-1961. Please confirm that arrangements have since been made for shipment of 5000 tons of ingots in question which are lying ready for shipment for a long time.

Copy to Hindustan Steel Ltd., 2 Fairlie Place, Calcutta for information with reference to the endorsement of their letter No. SE/39-28A/22969—71 of 13-7-1961.

Copy of letter No. CP/RRK/32/60/II/1252 dated 29/30-9-1961 from Iron & Steel Controller, Calcutta addressed to M/s. Ram Krishan Kalwant Rai, Calcutta.

SUB: Barter deal involving export of Slabs and Ingots and import of Steel—Lifting of slabs.

With reference to the above, your attention is invited to Hindustan Steel Ltd., Calcutta's letter No. SE/39/28/22632-33 dated 21-9-1961 addressed to you and copy endorsed to this office. You are requested to make immediate arrangement to lift the slabs lying at Vizag, if not already done. This office may be informed after lifting is done. The matter may be treated as urgent.

Copy to Hindustan Steel Ltd., 2, Fairlie Place, Calcutta with reference to their letter quoted above.

Copy of letter No. CP/RKK/32/60/II/1591 dated 30-11-1961 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB: Barter deal involving export of Slabs and Ingots in exchange of Finished Steel materials—Delivery of Slabs and Ingots.

It has been reported by Hindustan Steel Ltd., Calcutta that inspite of repeated reminders you are not making any arrangement for taking delivery of 16,000 tons of Slabs and 9000 tons of Ingots lying at Vizag and Calcutta port respectively ready for delivery from a very long time. It has also been reported that they are having considerable financial loss by way of freezing up of capital, ground rent, loss of interest etc. due to your not taking delivery of the above materials. In this connection your attention is drawn to this office letter Nos. CP/RKK/32/60/II/910 dated 22-7-1961 and CP/RKK/32/60/II/1252 dated 29-30/9/1960 on the above subject no reply to which has yet been received. This was not expected of you. You are therefore requested to lift the slabs and Ingots in question immediately. Please note that if the Slabs and Ingots in question are not lifted within 15 days from date, you will be held solely responsible for the loss incurred by Hindustan Steel Ltd., in this behalf.

The matter may be treated as most urgent. Please confirm immediately that you are initiating proper action in the matter.

Copy to Hindustan Steel Ltd., 2, Fairlie Place Calcutta for information with reference to their letter No. SE-39.28.31282 dated 16-11-1961.

Copy of letter No. CP/RKK/32/60/II/1681 dated 20/21-12-1961 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—Export of 14000 tons of Ingots and 18000 tons of Slabs on barter account in exchange of Steel materials.

Please refer to Hindustan Steel Limited's letter No. SE/39-28/29416-17 dated 7-8/12/1961 addressed to you and copy endorsed to this office and this Office letter No. CP/RKK/32/60/II/1591 dated 30-11-1961 on the above subject. No reply to our letter of 30-11-1961 has yet been received. We can hardly appreciate your silence over the matter, urgent as it is.

Please expedite reply confirming that proper action has already been intimated in the matter.

Copy to Hindustan Steel Ltd., 2, Fairlie Place, Calcutta—with reference to their letter quoted above.

Copy of letter No. CP RKK 32 60 II 51 dated 19 20-1-1962 from Iron & Steel Controller, Calcutta addressed to M/s. Ram Krishan Kulwant Rai, Calcutta-1.

SUB:—Export of 14000 tons of Ingots and 18000 tons of Slabs on barter basis in exchange of Steel materials.

It is not understood why no reply to this office letter No. CP/RKK/32/60/II/1591 of 30-11-1961 and subsequent reminder of 20/21-12-1961 on the above subject has yet been received. Hindustan Steel Ltd., have been complaining time and again that no arrangements have been made by you for lifting the material offered under the contract. We can hardly appreciate your attitude in the matter as you are neither replying to our letters nor doing the needful.

Please expedite reply confirming that proper action has already been intimated in the matter.

Copy to Hindustan Steel Ltd., 2, Fairlie Place, Calcutta—with reference to their letter No. SE/39-28/30358-59 of 22-1-1962.

Copy of letter No. CP/RKK/32/60/II/174 dated 26-2-1962 from Iron & Steel Controller, Calcutta addressed to M/s. Ram Krishan Kulwant Rai, Calcutta-1.

SUB:—Barter deal involving export of Slabs and Ingots and import of Finished Steel materials—submission of fresh Bank Guarantee.

With reference to the above attention is invited to Bank Guarantee No. L/G 594/61 dated 6-1-1961 for Rs. 15,15,000/- submitted by you, validity of which expired on 30-6-1961. It is not followed why you should not furnished Bank Guarantee as pre-import was allowed in view of your special request and on the strength of the Bank Guarantee and this office could very well have refused to allow pre-import strictly speaking.

In view of the accommodation allowed to you, you are honour-bound to furnish Bank Guarantee till such time the whole matter is settled one way or other.

We trust you will not fail to furnish Bank Guarantee whatever be the merits of your case. We should have your reply within 7 days hereof.

Copy to S.I.C. Br. with the request to consult Barter Purchase Section before issue of any import licence or customs clearance permit in favour of the firm in question.

Copy of letter No. CP/RKK/32/60/II/316 dated 8-3-1962 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—Barter deal involving export of Slabs and Ingots and import of finished steel materials—Submission of fresh Bank Guarantee.

Your attention is invited to this office Letter No. CP/RKK/32/60/II/174 dated 26-2-1962 on the above subject and it is regretted to state that neither the Fresh Bank Guarantee nor any reply to the above letter has yet been received.

As we are interested in getting the Bank Guarantee urgently, you are requested to do the needful with the least delay.

Copy of letter No. VG/BT/25 dated 5-3-1962 from M/s. Ram Krishan Kulwant Rai, Calcutta to Iron & Steel Controller, Calcutta-1.

SUB:—*Barter deal involving export of Slabs, and Ingots and import of Steel.*

This has referred to your letter No. CP/RKK/32/60/II/174 dated 26th February, 1962.

Please note that we have written to Hindustan Steel Ltd., vide our letter No. EXP/80/2510 dated 25th January 1962 with copy to you for which we have received a letter from Hindustan Steel Ltd., which needs further clarifications.

As such we are approaching Hindustan Steel Ltd., for further clarifying and on receipt of their reply we will revert.

Thanknig you.

Copy of letter No. CP/RKK/32/433 dated 22/24-4-1962 from Iron & Steel Controller, Calcutta addressed to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—*Barter deal—Import of Steel against export of Slabs and Ingots.*

REF:—*Your letter No. VG/BT/18 of 30-3-1962.*

It is regretted to inform you that none of your requests as per your above quoted letter can be acceded to. You have already imported steel on pre-import basis under the barter in question and have not earned the foreign exchange therefor so far. You should first earn the foreign exchange before which no proposal involving further pre-import involving further remittance of foreign exchange under the deal can, at all, be, entertained.

Copy of letter No. CP/151/Yudhisthirlal/61/62/431 dated 23-4-1962 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—*Barter deal involving export of ferrous scrap and import of finished steel materials—Issue of I/L and L/A.*

The representation made in your letter No. VS/BT/IMP/10 of 13-4-1962 was duly considered. Pending settlement of your dispute with Hindustan Steel Ltd. regarding the quality of Slabs and Ingots you should forthwith furnish a specific and concrete scheme for

our consideration as to how you propose to earn the foreign exchange which has already been spent for import of steel on pre-import basis. You should also at the same time given an undertaking in writing on a stamped paper that you would unconditionally abide by the directions of this office in the matter. There only can the question of lifting the ban on issue of Import Licence to you or to any other firm with a letter of authority in your favour can be considered.

Copy to 1. S.I.C. Br. for information along with their File Nos. OL/51(59)/62, CL/51(43)/62 and CL/51(7)/61.

2. File No. CP/RKK/43/60/II/

Copy of letter No. CP/RKK/33/60/II/1040 dated the 20-10-1962 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—Barter deal involving export of Slabs and Ingots and import of finished steel materials.

As per our books, foreign exchange to the tune of Rs. 98,91,554 is due to be earned and you should have furnished the Bank Guarantee which you are honour bound to do.

In any case you are honour bound to earn the foreign exchange and you should, we feel, arrange export of finished steel on cash basis in terms of public notice published in the Government of India gazette dated 29-9-1962 (Part III Sec. I). Please confirm that you would avail yourself of this opportunity of earning foreign exchange and fulfil the long standing obligation to Government in respect of the barter deal in question.

Please put up concrete proposal in this regard within 15 days hereof.

Copy of letter No. CP/RKK/32/60/II/86 dated 12-2-1962 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta-1.

SUB:—Barter deal involving export of Slabs and Ingots and import of finished steel materials—Earning of foreign exchange.

It is very much surprising that you have neither replied to this office letter No. CP/RKK/32/60/II/1040 dated 20-10-1962 nor submitted any concrete proposal as requested therein. You are once

again requested to avail yourselves of the opportunity of earning of foreign exchange and fulfil the long outstanding obligation to Government in respect of the barter deal in question in terms of this Office letter number quoted above.

Copy of letter No. CP/RKK/32/60/II/690 dated 24/25-7-1962 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—Barter deal involving import of finished steel against export of Semis of Hindustan Steel Ltd.

Please refer to this Office letter No. CP/RKK/32/60/II/1040 dated 20-10-1962 and subsequent reminders thereto on the subject. This office have been, every now and then, reminding you of your long outstanding obligation to Government in the matter of earning of foreign exchange which you have already spent for import of finished steel on pre-import basis. You do not seem to have made earnest efforts for earning foreign exchange by export of finished steel in terms of the public notice published in the Gazette of India dated 29-9-1962. If some of the firms have succeeded in effecting export of finished steel, it is not understand why it should not be possible for you also to do the same. It is needless to add that Government can hardly take a complacent view of the situation. It is expected that you would do the needful without further delay. Please reply within 10 days from date of along with your concrete proposal for export.

Copy of letter No. VG/BT/25 dated 23rd August, 1963 from M/s. Ram Krishan Kulwant Rai, Calcutta to the Iron & Steel Controller, Calcutta.

SUB:—Bater deal involving Import of finished steel against export of Semis of Hindustan Steel Ltd.

Please refer to your letter No. CP/RKK/32/60/II/690 dated the 24/25th July, 1963. You will kindly appreciate that we had concluded a contract with the Hindustan Steel Ltd. for export of slabs and ingots, but, we were not supplied with the right materials by them and hence we could not fulfil the commitments we made.

We may submit herewith that we are still interested in exporting ingots and slabs according to the contract we concluded with the Hindustan Steel Ltd. and hereby earn the required foreign exchange provided they can supply us the right materials for export.

Thanking you.

Copy of letter No. CP/RKK/32/60/II/827 dated 5-9-1963 from Iron & Steel Controller, Calcutta to M/s. Ram Krishan Kulwant Rai, Calcutta.

SUB:—*Barter deal involving import of finished steel and export of Semis of M/s. Hindustan Steel Ltd.*

REF: *Your letter No. VG/BT/25 of 23-8-1963.*

With reference to the above, it is stated that you may take up the question of supply of Semis with M/s. Hindustan Steel Ltd. direct. You should, however, arrange export of finished steel as suggested in this office letter No. CP/RKK/32/60/II/690 dated 24/25-7-1963 with the least possible delay and thus fulfil your obligation to Government in the matter of earning of foreign exchange spent on pre-import. You will appreciate that this office can hardly allow your pre-import barter deal remaining unfulfilled till your dispute with M/s. Hindustan Steel Ltd. in regard to supply of Slabs and Ingots is resolved.

(d) Correspondence between the Iron & Steel Controller & M/s. J. S. Cohen & Co.

Copy of letter No. CP/JSC/38/6Q/128 dated 15th February, 1962 from Iron & Steel Controller, 33, Netaji Subhas Road, Calcutta to M/s. J. S. Cohen & Co., Calcutta.

SUB:—*Barter deal involving export of 7,500 tons of billets and import of finished steel materials—Submission of fresh Bank Guarantee.*

With reference to the above your attention is invited to Bank Guarantee No. L/g 751/61 dated 27th June, 1961 for Rs. 2,26,434 submitted to you, validity of which expired on 1st January 1962. It is not followed why you have not renewed the Bank Guarantee in question as pre-import was allowed in view of your special request and this office could very well have refused to allow pre-import strictly speaking.

In view of the accommodation allowed to you, you are honour bound to furnish Bank Guarantee till such time the whole matter is settled one-way or the other.

We trust you will not fail to furnish a fresh Bank Guarantee immediately. We should have your reply within 7 days hereof.

Copy to:—

1. S.I.C. Br. with the request to consult Barter Purchase Section before issue of any Import Licence or Customs Clearance permit in favour of the firm in question.
2. Industries Section with the request to consult Barter Purchase section before issue of any Export Licence in favour of the firm.

Copy of letter No. CP/JSC/38/60/306, dated 23rd March 1962 from Iron & Steel Controller, 33, Netaji Subhas Road, Calcutta-1 to M/s. J. S. Cohen, 6-A, Sudder Street, Calcutta.

SUB:—Barter deal involving export of 7,500 tons of Billets and Import of finished steel materials—Submission of Fresh Bank Guarantee.

REF:—Your letter dated 20th February, 1962.

It is regretted that fresh Bank Guarantee as asked for in this office letter No. CP/JSC/38/60/128, dated 15th February 1962 has not yet been submitted by you, despite the promise made in your above quoted letter.

Please expedite the matter.

Copy of letter No. 6497 dated 22nd June, 1962 from M/s. J. S. Cohen and Company, Calcutta to The Iron & Steel Controller, 33, Netaji Subhas Road, Calcutta.

REF:—Barter deal involving export of 7,500 tons of Billets and Import of finished steel materials—Submission of Fresh Bank Guarantee.

Referring to your letter No. CP/JSC/38/60/306 dated 23rd March, 1962 we beg to inform you that from our record it appears that total value of our export of Billets has already exceeded the value of the respective Import Licence.

We are shortly submitting the full particulars along with Bank's certificate in this connection. You will, therefore appreciate that the question of submission of a fresh Guarantee is no longer applicable.

Copy of letter No. CP/JSC/38/60/824 dated 23rd July 1962 from Iron & Steel Controller, Calcutta to M/s. J. S. Cohen and Co., 6-A, Sudder Street, Calcutta-16.

SUB:—Barter deal involving export of Billets (HSL) and import of Finished Steel materials—Furnishing of Bank Guarantee/Bank Statement.

With reference to your letter No. 6597 of 5th July, 1962 on the above subject, it is stated that the Bank Statement furnished by you is not as per the Proforma prescribed by this office. This particular barter deal was concluded for export of 7,500 tons of Billets (HSL) against import of Finished Steel whereas in the Bank Statement you have shown export of 11,871·834 M/tons of Billets and 1372·050 M/tons of Slabs. It is also observed that foreign exchange proceeds of the bills in respect of exports have been negotiated by 3/4 Banks whereas the statement has been certified by the Punjab National Bank Ltd. only. For your future guidance please note that Bank Statements should be prepared strictly as per the Proforma prescribed by this office and the Statements should be certified by the particular Bank or Banks by whom bills were negotiated.

You are once again requested to please replace within 7 days from date the Bank Guarantee No. L/G 751/61 of 27th June, 1961, for Rs. 2,26,434 validity of which expired on 1st January, 1962 by a fresh Bank Guarantee for the same amount on Rs. 10 non-judicial stamp paper as requested in this office letter No. CP/JSC/38/60/128 dated 15th February, 1962.

Copy of letter No. CP/JSC/38/60/890 dated 20th August, 1962 from Iron & Steel Controller, Calcutta to M/s. J. S. Cohen & Co., Calcutta-16.

SUB:—Barter deal involving export of Billets (H.S.L.) and import of finished steel materials—furnishing of Bank Guarantee/Bank statement.

It is very much regretted that you have neither replied to this office letter No. CP/ISC/138/60/824 on 23rd July, 1962 nor submitted the fresh Bank Guarantee as requested therein.

You are once again requested to replace within 7 days from date the Bank Guarantee No. L/G 751/61 of 27th June 1961 for Rs. 2,26,434 validity of which expired on 1st January 1962 by a fresh one for the same amount on Rs. 10 non-judicial stamp paper as requested in this office above quoted letter. Failure to submit fresh Bank Guarantee will entail suspension of business with you which please note.

Copy of letter No. CP/JSC/38/60/930 dated 10th September 1962 from Iron & Steel Controller, Calcutta to M/s. J. S. Cohen & Co., Calcutta-16.

SUB:—*Barter deal involving export of Billets (HSL) and import of finished steel materials—furnishing of Bank Guarantee.*

Please refer to the correspondence resting with this office Letter No. CP/JSC/38/60/890 dated 20th August 1962 on the above subject.

Reverting to your letter No. 6497 dated 22nd June, 1962 it is stated that as per information since received from Hindustan Steel Ltd. Calcutta, a quantity of 700 M/Tons of billets is found to have so far been exported against the barter deal in question. Hence 11871 M/Tons billets which you claim to have so far exported apparently relate to some other transaction. You may check up the position at your end, if necessary by a reference to Hindustan Steel Ltd., Calcutta. Since this office is concerned with the barter transaction, only, it is imperative that you should furnish the Bank Guarantee as called for in this office above mentioned letter of 20th August 1962 by 15th of this month at the latest failing which this office would be compelled to take such steps as may be deemed fit in the matter, without further reference to you. This may be accorded top priority.

Copy to:—

1. S.I.C. Br. for information and necessary action with reference to letter No. CP/JSC/38/60/122 dated 15th Feb-1962.
2. Industries Section for information with reference to letter No. CP/JSC/38/60/126 dated 15th February, 1962.

Copy of letter No. CP/JSC/38/60/965 dated 21st September 1962 from the Iron & Steel Controller, Calcutta-1 to M/s. J. S. Cohen & Co., Calcutta-16.

SUB:—*Barter deal involving export of Billets (HSL) and import of finished steel materials—furnishing of Bank Guarantee.*

In regard to the above, we have not as yet received the Bank Guarantee as called for in this office letter No. CP/JSC/38/60/890 dated 20th August 1962 despite this office reminder No. CP/JSC/38/60/930 of 10th September 1962. We therefore feel that we would be compelled to take further steps in the matter. However, you are hereby given the last opportunity to furnish the required Bank Guarantee

for Rs. 2,26,434 by 29th September 1962 at the latest. You will appreciate that this extension of time for submitting the Guarantee has been allowed *ex gratia* although we could proceed straightway on the lines indicated in this office above mentioned letter dated 10th September, 1962.

Copy of letter No. CP/JSC/38/60/1018 dated 5th October, 1962 from the Iron & Steel Controller, Calcutta to M/s. J. S. Cohen & Company, Calcutta.

SUB:—*Barter deal involving export of billets and imports of finished steel materials.*

Please refer to the correspondence resting with this Office letter No. CP/JSC/38/60/965 dated 21st September 1962, it is highly surprising to find that you have not yet furnished the Bank Guarantee in question despite repeated reminders. The matter has become serious and we can hardly afford to take a complacent view of it. As per our books foreign exchange to the tune of Rs. 29,39,000 is due to be earned and you should have furnished the Bank Guarantee forthwith which you are honour bound to do.

In any case you are honour bound to earn the foreign exchange and you should, we feel, arrange export of finished steel on cash basis in terms of public notice published in the Government of India Gazette dated 29th September 1962 (Part III Sec. I). Please confirm that you would avail yourself of this opportunity of earning foreign exchange and fulfil the long standing obligation to Government in respect of the Billets barter in question.

Please put up concrete proposals in this regard within 15 days hereof.

Copy of letter No. CP/JSC/38/60/82 dated 8th February 1963 from the Iron & Steel, Controller, Calcutta to M/s. J. S. Cohen & Company, Calcutta.

SUB:—*Barter deal involving export of Billets and import of finished steel materials—Earning of foreign exchange.*

It is surprising that you have neither replied to this office letter No. CP/JSC/38/60/1018 dated 5th October 1962 nor submitted any proposal as requested therein. You are once again requested to avail yourselves of the opportunity of earning foreign exchange and fulfil the long outstanding obligation to Government in respect of the Billet barter deal in question in terms of this office letter mentioned above.

Copy of letter No. CP/JSC/38/60/696 dated 25th July 1963 from the Iron & Steel Controller, Calcutta to M/s. J. S. Cohen & Company, Calcutta.

SUB:—Barter deal involving import of finished steel against export of Semis of Hindustan Steel Ltd.

Please refer to this office letter No. CP/JSC/38/60/1018 of 5th October 1962 and subsequent reminders thereto on the subject. This office have been every now and then, reminding you of your long outstanding to Government in the matter of earning of foreign exchange which you have already spent for import of finished steel on pre-import basis. You do not seem to have made earnest efforts for earning foreign exchange by export of finished steel in terms of the Public Notice published in the Gazette of India dated 29th September 1962. If some of the firms have succeeded in effecting export of finished steel, it is not understood why it should not be possible for you also to do the same. It is needless to add that Government can hardly take a complacent view of the situation. It is expected that you would do the needful without further delay. Please reply within 10 days from date along with your concrete proposal for export.

Copy of letter No. Nil dated 29th July 1963 from M/s. J. S. Cohen and Company, Calcutta to The Iron & Steel Controller, Calcutta.

SUB:—Barter deal involving import of finished steel against export of Semis of Hindustan Steel Ltd.

We have for acknowledgement your letter No. CP/JSC/38/60/690 dated 24/25th July, 1963 and would like to inform you that our Mr. A. K. Palit is now on business tour to South East Asian countries. He is expected back by the middle of August when further action in this matter will be taken by Mr. Palit.

Copy of letter No. CP/JSC/38/60/783, dated 24th August, 1963 from the Iron & Steel Controller, Calcutta to M/s. J. S. Cohen & Co., Calcutta.

SUB:—Barter deal involving import of finished steel against export of Semis of Hindustan Steel Ltd.

REF:—Your letter No. Nil of 29th July, 1963.

You have stated in your above quoted letter that necessary action in the matter would be taken as soon as Mr. Palit of your

office would return from tour—But, although Mr. Palit has returned sometime back, nothing further has been heard from you on the subject. You should furnish your concrete proposal regarding earning of foreign exchange immediately as your pre-import barter deal can hardly be allowed to remain unfulfilled *sine-die*. This may please be accorded top priority.

“Without Prejudice”

Copy of letter No. 2401, dated 10th September, 1963 from M/s. J. S. Cohen and Company, Calcutta to the Iron and Steel Controller, Calcutta.

SUB:—Barter deal involving import of finished steel against export of Semis of Hindustan Steel Limited.

Kindly refer to correspondence resting with your letter No. CP/JSC/38/60/783, dated 24th/26th August, 1963.

With regard to our commitments for export of Billets. We beg to draw your attention to the fact that although we obtained orders for export of total quantity of Billets against the relative Contract, orders could not be executed as export of Billets was banned by your office. It is, therefore, obvious that export of balance quantity did not materialise due to no fault of ours.

We would further like to point out that against other contracts, we exported substantial quantity of Billets and other categories against both Rupee payments and Dollar|Sterling payments. Bankers' Certificates in this respect were also submitted to you. Unfortunately, earnings of foreign exchange for these exports were not taken into account on the ground that these earnings refer to other contracts.

On the other hand, we understand that in respect of another party even exports to Pakistan against Rupee payment were taken into account. We, therefore, fail to understand why in our case the same principle should not be applicable.

We shall be obliged if you will kindly furnish us with your comments on the subject, meanwhile we can assure you that we are endeavouring our best to export further quantity of Iron and Steel materials on the basis of existing policies laid down by your office.

APPENDIX XXXVI

(Vide para 4.81 of this Report)

Reply to a post evidence point regarding issue of CCPs & import licences.

Point: On 8th November, 1961, the Steel Controller warned M|s. Aminchand Pyarelal that no Customs Clearance Permit or import licence would be issued in their favour. Please state whether any Customs Clearance Permit or import licence was issued to them after this date and if so, give details thereof together with reasons.

Reply: Letter dated 8th November, 1961, was issued to M|s. Aminchand Pyarelal giving them warning that no import licence or Customs Clearance Permit would be issued in their favour if no fresh bank guarantee were given. This warning, however, was not enforced and Customs Clearance Permits|Import Licences were continued to be issued for the following reasons:—

1. On 28th December, 1961, the firm wanted extension of time for submission of bank guarantees upto 20th January, 1962 as the bankers said that they would give the bank guarantees by this date. This request was acceded to by the Controller. The reason for the bankers' inability to furnish the bank guarantees as stated by them was due to half yearly closing.
2. On 24th January, 1962, instead of furnishing the bank guarantees by 20th January, 1962 as promised by them they stated that bankers were not agreeable to give any bank guarantee unless export contract was made. The firm further stated that this could not be done since they were not able to get the material from Hindustan Steel Ltd. In view of Hindustan Steel Ltd.'s failure to give them the material they requested for lifting the ban on the issue of Customs Clearance Permits, etc.
3. It was then decided by Controller that if it was due to failure of Hindustan Steel Ltd. to supply the materials, a lenient view should be taken. The matter was then

taken up with Hindustan Steel Ltd. and the warning regarding non-issue of Customs Clearance Permits etc. was not actually enforced. The question of export obligation of the firm was, however, pursued which eventually led to the issue of 'show cause' notice.

APPENDIX XXXVII

(Vide para 4·85 of this Report)

Statement showing the break-up of Hindustan Steel Ltd. claims on Aminchand Group and others.

Amount of Hindustan Steel Ltd.'s Claims									
Sl. No.	Contract No.	Name of the Party	Material	Difference between Contract Price & Disposal Price	Ground Rent	Shifting and Crane Hire charges.	Misc. charges	Interest	Total
1	7	M/s. Amin Chand Payarelal	Tested Steel Slab	1,043,379·40	21,500·97	13,221·02	22,827·70	478,706·37	1,579,635·46
2	8	M/s. Apeejay Private Limited.	Tested Steel Ingots	199,424·19	1,330·23	1,324·45	2,537·30	27,788·75	232,404·92
3	28	M/s. Ram Krishan Kulwant Rai	Slabs & Ingots from Stock	1,915,508·28	69,126·43	227,295·34	248,304·84	1,070,246·02	3,530,480·91
4	29	M/s. Surrendra Overseas Ltd.	Ingots from Stock	586,982·56	11,489·11	5,310·08	12,682·50	155,171·71	771,635·96
Total				3,745,294·43	103,446·74	247,150·89	286,352·34	1,731,912·85	6,114,157·25

APPENDIX XXXVIII

(Vide para 4.101 of this Report)

*Copies of Show Cause Notices issued by Iron & Steel Controller to
the firms*

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES AND HEAVY ENGG.

(Department of Iron and Steel)

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta.

No. CP|RKK|32|60|II|409

Dated 18|21-4-1964.

M|s. Ram Krishan Kulwant Rai,
33, Netaji Subhas Road,
Calcutta.

Whereas M/s. Ram Krishan Kulwant Rai, 33, Netaji Subhas Road, Calcutta-1, were granted a sanction for the export of Slabs, Ingots and Blooms in exchange of import of steel materials on pre-import basis as per the Iron & Steel Controller's letter No. C/RKK/(32)60 of 5-5-1960,

and

Whereas pre-import was allowed by Iron and Steel Contr. as per Clause 'C' of Iron & Steel Controller's letter No. C|RKK|(32)60 of 5-5-60 at M|s. Ramkrishan Kulwant Rai's furnishing Bank Guarantee under their letter No. T|25 of 1-6-60,

and

Whereas M|s. Ramkrishan Kulwant Rai's Calcutta have not yet been able to earn the foreign exchange to cover the pre-import already made by them as required under the contract. Now, therefore, M/s. Ramkrishan Kulwant Rai, Calcutta have failed to comply with the orders of the Iron and Steel Controller, by not earning the requisite amount of foreign exchange and are therefore called upon to explain why action should not be taken against them for failure to comply with the order of the Iron & Steel Controller. M|s. Ramkrishan Kulwant Rai are, therefore, required to 'show cause' within ten days from the receipt of this letter as to why suitable action should not be taken against them.

Sd|- S. C. MUKHERJEE,
Iron and Steel Controller.

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta.

No. CP|SO|65|60|413.

Dated, the 18|21-4-64.

Messrs. Surrendra Overseas Ltd.,
135, Canning St., Calcutta.

Whereas M|s. Surrendra Overseas Ltd., were granted sanction for the export of billets in exchange of import of steel materials on pre-import basis,

and

Whereas pre-import was allowed by Iron & Steel Controller on the basis that foreign exchange would have to be earned by way of export of billets to cover the pre-import, *vide* Iron & Steel Controller's letter No. CP|SO|65|60|694 of 24-25|7|63 and acknowledgment thereof by M/s. Surrendra Overseas Ltd., *vide* letter No. SOL|SEC|Bart|Semis dt. 9-8-63. Now, therefore, M|s. Surrendra Overseas Ltd., have failed to comply with the orders of the Iron & Steel Controller by not earning the requisite amount of foreign exchange and are, therefore, called upon to explain why action should not be taken against them for failure to comply with the order of the Iron & Steel Controller. M|s. Surrendra Overseas Ltd., are therefore required to show cause within 10 days from the receipt of this letter as to why suitable action should not be taken against them.

Sd/- S. C. MUKHERJEE,
Iron and Steel Controller.

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta.

No. CP|SO|65|60|412.

Dated, the 18|21-3-64.

Messrs. Surrendra Overseas Ltd.,
135, Canning St.,
Calcutta.

Whereas M|s. Surrendra Overseas Ltd., were granted sanction for the export of Ingots in exchange of import of steel materials on pre-import basis.

and

Whereas pre-import was allowed by Iron & Steel Controller on the basis that foreign exchange would have to be earned by way of export of Ingots to cover the pre-import. *vide* Iron & Steel Controller's letter No. CP|SO|65|60|694 of 24-25|7|63 and acknowledgment thereof by M/s. Surrendra Overseas Ltd., *vide* letter No. SOL|SEC|Bart|Semis dt. 9-8-63. Now, therefore, M|s. Surrendra Overseas Ltd., have failed to comply with the orders of the Iron & Steel Controller by not earning the requisite amount of foreign exchange and are, therefore, called upon to explain why action should not be taken against them for failure to comply with the order of the Iron & Steel Controller. M|s. Surrendra Overseas Ltd., are therefore required to show cause within 10 days from the receipt of this letter as to why suitable action should not be taken against them.

Sd|- S. C. MUKHERJEE,
Iron and Steel Controller.

GOVERNMENT OF INDIA

MINISTRY OF STEEL, MINES AND HEAVY ENGG.

(Department of Iron and Steel)

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta.

No. CP/KR/33/60/406

Dated the 6/12-4-1964.

M/s. Khemchand Rajkumar,
33, Netaji Subhas Road,
Calcutta-1.

Whereas M/s. Khemchand Rajkumar, 33, Netaji Subhas Road, Calcutta-1, were granted a sanction for the export of billets in exchange of import of steel materials on pre-import basis as per the Iron & Steel Controller's letter No. C|KR|33|60, dated 23rd March, 1960,

and

Whereas pre-import was allowed by Iron & Steel Controller as per Clause 'C' of Iron & Steel Controller's letter No. C|KR|33|60, dated 23rd March, 1960 at M/s. Khemchand Rajkumar's furnishing a Bank Guarantee under their letter No. 33582 : 60 : GCG : PC dated 30th August, 1960,

and

Whereas M/s. Khemchand Rajkumar, Calcutta have not yet been able to earn the foreign exchange to cover the pre-import already made by them as required under the contract.

Now, therefore, M/s. Khemchand Rajkumar, Calcutta have failed to comply with the orders of the Iron and Steel Controller by not earning the requisite amount of foreign exchange and are, therefore, called upon to explain why action should not be taken against them for failure to comply with the order of the Iron & Steel Controller. M/s. Khemchand Rajkumar are, therefore, required to 'show cause' within 10 days from the receipt of this letter as to why suitable action should not be taken against them.

Sd.- S. C. MUKHERJEE,
Iron and Steel Controller.

GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES AND HEAVY ENGG.
(Department of Iron & Steel)

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta-1.

No. CP|AP|35|60|II|410.

Dated, the 18-4-1964.

M/s. Amin Chand Payarelal,
135, Canning Street,
Calcutta.

Whereas M/s. Amin Chand Payarelal, 135-Canning Street, Calcutta-1, were granted a sanction for the export of Slabs in exchange of import of steel materials on pre-import basis as per the Iron & Steel Controller's letter No. CP|AP|(35)|60, of 19th March, 1960,

and

Whereas pre-import was allowed by Iron and Steel Controller as per Clause 'C' of Iron & Steel Controller's letter No. CP|AP|(35)|60, of 19th March, 1960, at M/s. Amin Chand Payarelal's furnishing Bank Guarantees under their letter Nos. IMP|ACP|BR|4| of 21st June, 1960 and IMP|ACP|BR|4 of 22nd June, 1960.

and

Whereas M/s. Amin Chand Payarelal's Calcutta have not yet been able to earn the foreign exchange to cover the pre-import already made by them as required under the contract. Now, therefore, M/s. Amin Chand Payarelal, Calcutta have failed to comply with the orders of the Iron and Steel Controller by not earning the requisite amount of foreign exchange and are therefore called upon to explain why action should not be taken against them for failure to comply with the order of the Iron and Steel Controller. M/s. Amin Chand Payarelal, are, therefore, required to 'show cause' within ten days from the receipt of this letter as to why suitable action should not be taken against them.

Sd.]- S. C. MUKHERJEE,
Iron and Steel Controller.

GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES & HEAVY ENGG.
(Department of Iron & Steel)

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta.

No. CP/AP/35/60/II/411.

Dated, the 18-4-1960.

M/s. Amin Chand Payarelal,
135, Canning Street,
Calcutta.

Whereas M/s. Amin Chand Payarelal, 135, Canning Street, Calcutta-1, were granted a sanction for the export of billets in exchange of import of steel materials on pre-import basis as per the Iron & Steel Controller's letter No. S/AP (35)/60 of 8-3-1960.

and

Whereas pre-import was allowed by Iron and Steel Controller as per Clause 'C' of Iron & Steel Controller's letter No. C/AP/(35)/60 of 8-3-1960 at M/s. Amin Chand Payarelal's furnishing Bank Guarantees under their letter No. ACP/BR/3 of 23-5-1960.

and

Whereas M/s. Amin Chand Payarelal, Calcutta have not yet been able to earn the foreign exchange to cover the pre-import already made by them as required under the contract. Now, therefore, M/s. Amin Chand Payarelal, Calcutta have failed to comply with the orders of the Iron & Steel Controller by not earning the requisite amount of foreign exchange and are therefore called upon to explain why action should not be taken against them for failure to comply with the order of the Iron & Steel Controller. M/s. Amin Chand Payarelal, are, therefore, required to 'show cause' within ten days from the receipt of this letter as to why suitable action should not be taken against them.

Sd/- S. C. MUKHERJEE,
Iron and Steel Controller.

GOVERNMENT OF INDIA
MINISTRY OF STEEL, MINES & HEAVY ENGG.
(Department of Iron and Steel)

Iron & Steel Control,
33, Netaji Subhas Road,
Calcutta-1.

No. CP/JSC/ (38)/60/407.

Dated, the 18-4-1964.

M/s. J. S. Cohen & Co.,
6A-Sudder Street,
Calcutta.

Whereas M/s. J. S. Cohen & Co. 6A-Sudder Street, Calcutta-16 were granted a sanction for the export of billets in exchange of import of steel materials on pre-import basis as per the Iron & Steel Controller's letter No. PIE/32 of 10-2-1960,

and

Whereas pre-import was allowed by Iron & Steel Controller as per Clause 'D' of Iron & Steel Controller's letter No. PIE/32 of 10-3-1960 at M/s. J. S. Cohen & Co.'s furnishing Bank Guarantees under their letter No. 5108 of 9-2-1960 & No. 6622 of 27-4-1960.

and

Whereas M/s. J. S. Cohen & Co's Calcutta have not yet been able to earn the foreign exchange to cover the pre-import already made by them as required under the contract. Now, therefore, M/s. J. S. Cohen & Co. Calcutta have failed to comply with the orders of the Iron & Steel Controller by not earning the requisite amount of foreign exchange and are therefore called upon to explain why action should not be taken against them for failure to comply with the order of the Iron & Steel Controller. M/s. J. S. Cohen and Co. are, therefore, required to 'show cause' within ten days from the receipt of this letter as to why suitable action should not be taken against them.

Sd/- S. C. MUKHERJEE,
Iron and Steel Controller.

APPENDIX

(Vide para 4.121 of this Report)

Names of the firms in the Amin Chand Pyarelal group doing steel business)

	<i>Established</i>
1. Aminchand Pyarelal	1910
2. Surrendra Overseas Ltd.	1948
3. Surrendra (Overseas) Private Limited.¶	1948
4. Associated Wires Conductors Co. Private Ltd. Jullundur City	Not available
5. Apeejay Private Limited Kumbhari (Re-rolling Mill)	1959
6. Apeejay Structural's Ltd. Calcutta.	1962
7. Apeejay Steel Castings Co. (P) Ltd. Jullundur City.	Not available
8. Steelcrete Private Limited.	Do.
9. Steel Rolling Mills of Hindustan, Calcutta.	1963
10. Kashmir Cremeics Ltd. J&k.	1961
11. Oriental Spoon, Pipe & Co. New Delhi.	1961
12. Aeron Steel Rolling Mills, Jullundur.	1957
13. Aeron Steel Rolling Mills, Bombay	Not available
14. International Sanitary Engineers, New Delhi.	Do.
15. India Engineering Works, Calcutta.	Do.
16. Metal Import, Calcutta.	Do.
17. Aminchand Payarelal Ltd.	1963
18. Surrendra Engineering Works (Rolling Mills)	1960
19. Apeejay Private Ltd. Calcutta.	Not available
20. Amiachand Pyare Lal Tin Container Unit.	Do.
21. Apeejay Steel Works, Jammu.	Do.

APPENDIX XL

(Vide para 4 122 of this Report)

List of Associate firms of (1) M/s. Khem Chand Raj Kumar, and (2) M/s. Ram Krishan Kulwant Rai.

1 M/s. Khem Chand Rajkumar,
33, Netaji Subash Road,
Calcutta-1.

Associate firms

1. M/s. Bombay Steel Rolling Mills Ltd., Calcutta.
2. M/s. Rajkumar Lines, Ltd. Calcutta.
3. M/s. Electrolytic Tinplates Ltd. Bombay.
4. M/s. Rajkumar (India) Ltd., Calcutta.
5. M/s. P.V. Corporation (Private) Ltd., Calcutta.
6. M/s. Steel Mills of India (Private) Ltd., Calcutta.

2 M/s. Ram Krishan Kuiwant Rai, 33, Netaji Subhas Road, Calcutta.

Associate firms

1. M/s. Allied Finance (P) Ltd.
2. M/s. Kulwant Rai & Sons (P) Ltd.
3. M/s. Kulwant Rai & Sons.

Our Senior Partner Mr. Kulwant Rai is a Director in the following organisations.

1. M/s. Indian Telephone Industries, Ltd.
2. M/s. Usha Spinning & Weaving Mills. Ltd.
3. M/s. Usha Forgings & Stampings Ltd.
4. M/s. Usha Rectifiers Corporation of India Ltd.
5. M/s. Ram Krishan Kulwant Rai Industries (P) Ltd.
6. M/s. Usha Flour & General Mills Ltd.

APPENDIX XLI

(Vide para 4.129 of this Report)

COPY

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 the 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-Getty 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 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 re-consider.

I shall be grateful for your instructions in the matter.

Yours sincerely,
Sd/- S. C. MUKHERJEE,

Shri G. Ramanathan, I.A.S.,
Dy. Secy. to the Govt. of India,
Ministry of Steel, Mines and Fuel,
Department of Iron and Steel,
New Delhi.

APPENDIX XLII

(Vide para 4.131 of this Report)

Reply to a port evidence point regarding cases in which imports made by parties without valid import licences.

Point.—It transpired during the evidence that M/s. Metal Import Private Ltd. imported some steel plates against export of pig iron without a valid pre-import licence. The Iron and Steel Controller issued a C.C.P. for this material as a special case after giving a warning to the firm. Details of other cases if any in which similar facility has been extended by the Controller may please be furnished.

Answer.—Iron and Steel Controller has furnished details for the undermentioned six cases readily available. He has stated that there may be a few more similar cases which could be traced only after further search.

A barter import licence No. SIC|IL|D|BR|1201.41, dated 9th July, 1959 for import of 8500 tons of M.S. Plates with a C.I.F. value of Rs. 42,24,000 was issued in favour of M/s. Metal Import (P) Ltd., Calcutta with the following foreign exchange stipulation:

“This licence is utilised 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.”

The firm imported 964.88 tons of Plates prior to export of Pig Iron. The shipment was effected on 20th July 1956 against the above import licence issued on 9th July, 1959. Hence this import was covered by the licence but the firm did not comply with terms and conditions of the Import licence and import was made prior to export of Pig Iron. C.C.P. for this quantity was issued with a warning as a special case. Later on the foreign exchange stipulation in the Import Licence was amended to read as follows:—

“Foreign exchange against this licence is adjustable against L.C. No. R-316852 already opened by the buyer M/s. T. Ymamamota Co. Ltd., Tokyo, in favour of the licensee representing value of the exportable pig iron.”

Import prior to export against this licence was permitted against foreign exchange adjustable against L.C. already opened by the

buyer in favour of the licensee and as such subsequent shipments against the above licence were considered as regular shipments and C.C.Ps. were issued as and when applied.

(2) A barter import licence No. SIC/IL/BR/D/1001/146, dated 7th August, 1961 for import of 4081.39 M/Tons of B.P. Sheets Not Rolled and Cold Rolled Sheets with a C.I.F. value of Rs. 28,79,828 was issued in favour of M/s. Ramkrishan Kulwant Rai, Calcutta with following foreign exchange stipulation:

“Foreign Exchange will be adjusted against the foreign exchange to be earned by the export of pig iron—Remittances will not be permitted to be made till export.”

The Shipment of the following consignments were effected on 10th June, 1961 and 30th June, 1961, i.e. prior to issue of the above import licences:

- (1) 2949.183 M/Tons of B.P. Sheets, value at Rs. 20,80,943.
- (2) 1050.817 M/Tons B.P. Sheets Cold Rolled valued at Rs. 7,41,457.
- (3) 81.39 M/Tons Cold Rolled Steel Sheets valued at Rs. 57,432.

To regularise the above shipments against Barter Sanction Import Licence has been issued as per Controller's Order and thereafter C.C.Ps. were issued for the above mentioned consignments.

(3) The following Barter Import Licences were issued to State Trading Corporation of India Ltd., New Delhi with L/A to M/s. Aminchand Pyarelal, 135, Canning Street, Calcutta with the condition that foreign exchange against these licences is adjustable against foreign exchange earned by export of Manganese Ore:—

I/L No. & date	Materials	Qty. in M/Tons	C.I.F. Value in (Rs.)
1 SIC/BR/D/1001/36 dt. 8-3-61	Drum sheets Cold Rolled	1305.479	11,08,400
2 Do. /37 dt. 8-2-61	M. S. Cold Rolled Sheets Deep Drawing	508.727	4,31,000
3 Do. /38 dt. 8-2-61	Do.	536.91	4,77,620

Shipment of all consignments relating to the above Import Licences were effected on 6th November, 1960, 3rd November, 1960, 23rd November, 1960, 28th November, 1960, i.e. prior to issue of the above Import Licences.

Shipments of materials before issue of the above Import Licences were condoned by Controller.

(4) Railway Board applied on 1st June, 1965 and they were asked to intimate the foreign exchange sanction before the import licence could be issued. Foreign exchange sanction was intimated by the Railway Board on 31st August, 1965. In view of ban on issue of Import Licences from the Ministry the case was kept pending. After the ban was lifted the Import Licence was prepared on 10th September, 1965. In the meantime Railway Board informed this office that the material against the contract has already arrived at Madras Port prior to issue of the Import Licence. This was condoned by Controller as a special case and the Import Licence No. G/T.G|8212784|C|XX|21|S|C|21-22|66|4, dated 10th September, 1965 for Steel Wheels valued at Rs. 1,45,267 was issued on 23rd September, 1965 and the Ministry of Steel and Mines (Deptt. of Iron and Steel) was informed of this case on 30th September, 1965.

(5) M/s. Apeejay Private Ltd., Calcutta imported two consignments of M.S. Sheets for C.I.F. values of Rs. 2,15,684 and Rs. 7,32,165 at Calcutta without any licence. The consignments were considered as unauthorised import. However, on firm's undertaking for re-export the entire consignments to the country of Origin, Iron and Steel Controller granted Clearance Permits (without Exchange Control copies for remittance) for clearance from Port and storage in their godown for onward re-export. For execution of re-export suitable Bond was obtained.

(6) M/s. Aminchand Pyarelal, Calcutta imported one consignment of M.S. Sheets for a C.I.F. value of Rs. 6,64,372 at Bombay without any licence. The consignment was considered as unauthorised. However, on firm's undertaking for re-export the entire consignment to the Country of Origin, the Iron and Steel Controller granted a clearance Permit (without any Exchange Control copy for remittance) for clearance from Port and storage in their godown for onward re-export. For execution of re-export suitable Bond was obtained.

APPENDIX XLIII

(Vide para 4.153 of this Report)

Reply to a post evidence point regarding grant of an industrial licence to M/s. Khemchand Rajkumar in 1954.

Point.—It transpired that M/s. Khemchand Rajkumar were given a licence in 1954 to operate a Tinsplate Plant at Calcutta. A note indicating the circumstances under which this permission was granted; why it was not regulated under the Industries (Development—Regulations) Act, 1951; when the unit actually went into production, may be furnished.

Answer.—M/s. Khemchand Rajkumar, Calcutta submitted an application in August, 1954, to the Iron and Steel Controller, Calcutta, for permission under the Iron and Steel (Control), Order, 1941, for installing a Tinning Line for the manufacture of Tinsplate from Black Plates. The Iron and Steel Controller, recommended the proposals to the Ministry.

The proposals were examined in the Ministry. Among the attractive features of the proposals were; the low cost of the imported plant—Rupees one lakh only—and the short period in which the unit would come into production, viz. about five months. Production of Tinsplate in India was then about 66,000 tonnes per year,—all from M/s. The Tinsplate Co. of India. Estimated demand for Tinsplates, according to the Tariff Commission, was about 75,000 tonnes. The view taken at the time was that with the increased economic activity, the demand will actually be more. The schemes of M/s. Khemchand Rajkumar was considered attractive because it would introduce an element of competition and break the monopoly of the only Company then in existence, viz. M/s. Tinsplate Company of India Ltd. on these considerations. The Ministry approved the proposal in September, 1954, stating that if the firm were covered by the Industries Act, they should apply for a licence under that Act: otherwise formal permission under the Iron and Steel (Control) Order might issue. Under Clause 3(a)(i) of the Industries (Development and Regulation) Act, 1951, the firm has to apply for a licence if they employ more than 50 persons.

The relevant portion of the Act is quoted below:—

“‘Factory’ means any premises including precincts thereof in any part of which a manufacturing process is being

carried on or is ordinarily carried on—with the aid of power, provided that 50 or more workers are working or were working thereon on any day of the proceeding 12 months.”

After obtaining confirmation from M/s. Khemchand Rajkumar that they were not employing more than 50 persons a sanction for starting the plant was issued in October, 1954, under Clause 11(c) of the Iron and Steel (Control of Production and Distribution) Order, 1941. From the Iron and Steel Controller's record it appears that they started production in 1960.

APPENDIX XLIV

(Vide para 4-160 of this Report)

Cases in which undue benefit or concession were given to one or the other Associate firms of M/s Amin Chand Payarelal as reported in various Central (Civil) Audit Reports and recommendations of the Public Accounts Committee thereon.

SL No.	Particulars of the Audit Report in which reported		Name of the firm involved	Gist of the para included in the Audit Report	P.A.C.'s recommendations
	Para No.	Audit Report for			
1	2	3	4	5	6
1	55	1960	M/s Amin Chand Payarelal, Jullunder City.	<p>The firms M/s Amin Chand Payarelal were black listed by the Ministry of W.H.& S. during August-September, 1954 with all its branches & associated firms and all the Ministries were informed. A new Company, M/s Surrendra Overseas (P) Ltd., Calcutta was floated at the end of 1954 on which the Iron & Steel controller placed 52 contracts for the import of Steel valued at Rs. 23 crores during June, 1955 to October, 1956. Irregularities of serious nature were noticed in these 52 contracts involving heavy losses to Govt.</p> <p>The Iron & Steel Controller placed 10 further contracts on the company, valued at Rs. 4.12 crores during November, 1956 to January, 1957 even after the issue of specific orders in October, 1956 by the Ministry of Steel, Mines and Fuel banning all business dealings with the firm and its associates.</p>	<p>The Committee observed that it was a clear case of disregard of Govt. orders and deplored the manner in which the case was handled.</p> <p>It was further brought to the notice of P.A.C. that the main firm was even appointed by the I. & S.C. as controlled stockist of Iron and Steel w.e.f. 4-5-55 after the ban was imposed by the Ministry of W.H.&S. The Committee was amazed to learn this and considered it was a fit case for investigation further for fixation of responsibility for irregularities revealed.</p> <p>(Para 130-134 of 34th Report—1960-61)</p>

11/11/320

Surrendra Overseas (P) Ltd.,
Calcutta.

A contract for import of 10.348 tons of crossing sleeper bars from the Continent was placed on the firm on 26-10-56. The shipment could not be effected by the firm within the stipulated date *viz.*, June, 1957 and applied for extension upto March, 1958 which was not agreed to. The contract was therefore cancelled without, however, enforcing the risk purchase clause of the contract, although in the mean time the indenter had purchased a part of the supply direct from other sources due to urgency paying thereby Rs. 95/- per ton more, resulting in extra expenditure of Rs. 7.60 lakhs. The cancelled contract was, however reinstated in January, 1958 at the original prices with delivery date of 30-6-58 without taking into account the general fall in the prices of steel material in the Continental market, which were about Rs. 150/- per ton less resulting in an undue advantage of about Rs. 15 lakhs to the firm.

The Committee felt that the transactions had not been dealt with in the best interest of Govt. and desired that the matter should be investigated further with a view to fixing responsibility.

(Para 155 of 42nd Report—1961-62).

As the firm actually completed the supplies by March, 1959 instead of 30-6-58 a sum of Rs. 6.82 lakhs being the liquidated damages was claimed from the firm in February, 1960 which was not realised till then.

Do.

Due to failure on the part of M/s Surrendra Overseas (P) Ltd., (who were Indian agents of a foreign firm 'B' which supplied Steel at lower rates than other foreign firm 'A') to furnish relevant invoices in time for claiming refund of the difference between the two rates from firm 'A', Govt. had to suffer a loss of Rs.4,90,978. The Indian agents refused to make good the loss on the ground that

The Committee found it difficult to appreciate how such an obvious provision could have been omitted from the contract by the Iron and Steel Controller which deprived Govt. of the rebate.

(Paras 156-158 of 42nd Report—1961-62).

no such stipulation was made in the course of their negotiations.

4	34	1961	M/S Metal Imports (P) Ltd. A	<p>contract for import of 22,796 tons of pig iron on c.& f. terms under T.C.A. placed on the firm in June, 1957 provided that atleast 50% of cargo was to be shipped in U. S. flag vessels. The entire cargo was, however shipped by the firm by using cheaper non-U.S. flag vessels thereby deriving an undue benefit of, Rs.4.24 lakhs. No penalty was imposed on the firm for this breach even though Govt. suffered damages for not shipping 50% of cargo in U.S. flag vessels. \$9,744 representing brokerage on freight paid to charter brokers were disallowed by I.C.A. as being ineligible for reimbursement by them.</p> <p>Further due to inferior supply of 1900 tons of pig iron, a sum of \$ 11,020 became recoverable from the firm.</p>	<p>The Committee felt that I.S.C. organisation had erred in not having provided for a penalty for the breach of terms of the contract as regards shipment.</p> <p>(Para 164 of 42nd Report—1961-62)</p>
5	64	1962	Surrendra Overseas (P) Ltd.	<p>Out of 69 contracts involving Rs. 27 crores placed on the firm during June, 1955 to January, 1957, a review of 43 contracts for the import of 2,64,695 tons of steel valued at Rs. 16 crores (the records for the remaining was not readily available to Audit) showed that the firm had completed shipment on due dates only in 3 cases and in the remaining cases the delivery was delayed for periods ranging from 3 months to more than a year and a quantity of 70648 tons was</p>	<p>The Committee observed that the performance of the firm in relation to their contract obligations was highly unsatisfactory. They regretted the sluggish manner in which the Steel Organisation had proceeded in the matter of invoking the penal provisions of the contracts. They further emphasised that before fresh contracts were awarded to a contractor, his past performance should invariably be taken into account and no</p>

			outstanding even after 5-6 years. The contracts provided for recovery of liquidated damages at 2% per month or a part thereof in the cases of delayed deliveries but claims had been preferred only in 5 cases, involving a recovery of Rs. 10 lakhs which too remained outstanding.	preferential treatment should be given to any particular firm.	
			The records of Iron & Steel Control did not show that appropriate action was taken either in cases of delay in supply or in regard to recovery of surcharge due from the firm.	(Para 89 of 8th Report—1962-63).	
6	64(A)	1962	Surrendra Overseas (P) Ltd.	Out of 10.085 tons of imported steel to be supplied by November, 1955 the firm supplied only 4024 tons by September, 1958 and failed to supply the balance. A recovery of Rs. 1.50 lakhs representing the difference between the controlled price actually charged by the firm from the indenter and the landed cost (which was lower) was foregone by treating the supply as one made outside the contract which was cancelled in February, 1961 i.e. two and a half years after the part supply was made.	The Committee was surprised at the manner in which the steel organisation had acted in this case. They failed to understand why the part supply was treated as 'one outside the contract' and recovery of surcharge of Rs. 1.50 lakhs payable by the firm under the terms of contract was foregone.
				They further desired that belated liquidated damages of Rs. 23.49 lakhs preferred against the firm should be recovered by making vigorous efforts.	
				(Para 90 of 8th Report—1962-63)	
7	64(B)	1962	Do.	Against a contract placed on 8-5-56 for supply of 8195 tons of M.S. rounds by June, 1956, the firm supplied 4445 tons during August, 1957 to 15-12-1957 after obtaining 3 successive extensions in April-October, 1957. The extensions were granted without imposing any liquidated damages or without taking into account the fall in market prices which had taken place in the meantime, on the basis of about Rs. 4 lakhs could have been saved.	

1	2	3	4	5	6
8	64(C)	1962	Do.	A subsidy of Rs. 94,000 was paid to the firm for part supply of 685 tons of steel material rolled by the firm in India from imported billets although subsidy on such material was not admissible under the Iron & Steel (Control) Order, 1956.	Committee felt that it was irregular on the part of Iron & Steel Control to have stipulated payment of subsidy on material rolled in India when under the Iron & Steel (Control) Order, 1956 no such material was eligible for subsidy. (Para 91 of 8th Report—1962-63) After going through the irregularities connected with these firms as revealed in the Audit Report 1962 and also in the earlier Audit Report 1961, the Committee were more than convinced of the need for investigation as already recommended in their earlier reports. (Para 92 of 8th Report—1962-63).
9	65	1962	Amin Chand Pyarelal, Calcutta	844 longtons of high tensile angles required to be supplied by 20-11-58 were actually supplied by the firm only by 30-6-60 and the indenter (State Govt. of Rajasthan) suffered a loss of Rs. 4.24 lakhs due to delay in supplies. In evidence, the P.A.C. was informed that liquidated damages could not be claimed from the firm as the contract was entered in the name of the President of India whereas the loss was suffered by a State Govt. on whose behalf the material was purchased.	The Committee considered the legal flaw in the agreement as highly unfortunate. They observed that according to the spirit of the Agreement, the Suppliers were morally bound to pay damages. In case of failure to observe this moral obligation, the Steel Organisation should have considered the question of stopping further dealings with the firm. (Para 93 of 8th Report—1962-63).

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Amin Chand Pyarelal,
Calcutta.

Despite the failure of the firm to furnish a bank guarantee to cover the payment of surcharge due from them in respect of contract for supply of M.S. Plates at a total cost of Rs. 8.85 lakhs, customs clearance permits were issued to the firm to secure release of material. A provisional bill for 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 remained unrealised.

APPENDIX XLV

Summary of Main Conclusions/Recommendations.

Serial No.	Para No.	Ministry/Deptt. concern	Conclusions/Recommendations
1	2	3	4
1	1 6	Ministry of Commerce	<p>The fact that the Art Silk Export Promotion Scheme had to be revised at short intervals seems to indicate that while working out the scheme sufficient attention was not given to details. The Committee cannot but emphasise too strongly the desirability and necessity of working out the details of a scheme with a view to giving it a fair trial over a reasonable period of time. Making of frequent changes in the scheme at short intervals is likely to defeat the very purpose of the scheme.</p>
2	1 8	-do-	<p>The Committee are not convinced of the reasons for discontinuing this Scheme because:</p> <ul style="list-style-type: none"> (a) These reasons are quite common and found to exist in other export promotion schemes also which are still in vogue; and (b) Even the Art Silk Export Promotion Scheme was also revised and reintroduced soon after without making any provision to safeguard against these abuses.

The Committee propose to deal with the irregularities in the various export Promotion Schemes in a separate chapter.

3 I-11 -do-

The Committee are of the view that because of the paramount necessity of ensuring that export obligations are fulfilled, the Ministry should have itself prescribed the specific amounts of bonds, as a percentage of the value of the goods imported, instead of giving discretion to the licensing authorities at the ports.

4 I-13 -do-

The Committee feel that it is an anomalous position that an exporter of a commodity should be regarded both as a prospective exporter and an established exporter. If the same exporter is classified both as a prospective exporter and an established exporter, then these terms become meaningless. They would like the Ministry to take steps to remove such an anomaly, wherever it exists.

5 I-16 -do-

The Committee are not convinced by the arguments advanced by the Secretary, Ministry of Commerce. These statements are not supported by the documents produced before the Committee. (In this connection, attention is invited to paras 1.22 to 1.26 and 1.32 to 1.36 of this Chapter.) Bonds were unconditional and were to be released only on fulfilment of export obligation failing which they were to be forfeited.

6 I-18 -do-

The Committee fail to understand why when the decision to suspend the Art Silk Export Promotion Scheme was taken in March, 1959, the Ministry of Commerce had not taken into consideration the

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implications thereof. While the suspension of the Scheme obviously placed an embargo only on the further issue of import licences under the Scheme, this did not prevent the Ministry of Commerce from enforcing export of goods under the past obligations. This the Ministry failed to do.

7 I-24 Ministry of
Commerce

The Committee note from the Public Notice dated 26th May, 1958 that Government had clarified that imports should be tied up with exports and the requirement of the bond could not be dispensed with in the case of Established Exporters. Vide the Public Notice dated 6th February, 1959, though the condition of the execution of a bond was waived in the case of established exporters, they were required to give an undertaking to the effect that they would export/processed/finished goods equal to the value of the imports. Thus, it is clear that none of these two Public Notices exempted the Established Exporters from their export obligation under the Scheme.

8 I-29 -do-

From Appendix V, the Committee are surprised to learn that the non-availability of the file was first noticed only in January, 1965. It appears that even at that stage, the loss of such an important file was not reported to the higher authorities/police, and that a thorough physical search of the file was made only in July, 1965 when the subject was to come up for discussion with the Public Accounts Committee. The Committee also note with regret that no proper

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inquiry has been held to fix responsibility for the loss of the file. They are not convinced by the argument that it is not possible to fix responsibility on any person or persons for the custody of the file.

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The Committee urge that all efforts should be made to locate the original file at an early date.

They also desire that a proper inquiry should be held to fix responsibility for the loss of the file containing an important decision which meant loss of public revenue, due to non-forfeiture of bonds, to the tune of Rs. 1.51 crores.

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1.32

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The Committee are of the view that the copies of the notings/orders reproduced in Appendix VI do not bear out that the intention was that the bonds which had matured need not be enforced or that they might be allowed to lapse after the 5th March, 1959. The notings clearly indicate that the export obligations must be retained under the scheme and tied with another scheme.

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In this connection, the Committee would also like to draw the attention to the copy of the letter dated the 28th November, 1959 from the Mysore State Silk and Rayon Exporters and Importers Association (Appendix VII) wherein they have not claimed that they had already got the licence.

The Committee are, therefore, amazed to find that the decision of the Government in this case has not been carried out faithfully. If the decision had been interpreted correctly and the export obligation insisted upon there would not have been a huge loss of

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about Rs. 5:29 crores of foreign exchange. Alternatively the public exchequer would have gained about Rs. 1.51 crores by the forfeiture of bond amounts.

10 1.34 Ministry of
Commerce

The Committee fail to understand how the Ministry of Commerce could decide without even consulting the Ministry of Finance, not to enforce the bonds, the non-forfeiture of which has resulted in a loss of revenue to the extent of Rs. 1:51 crores. Moreover, the Ministry of Finance were also not consulted in regard to the foregoing of the foreign exchange earning to the tune of Rs. 5:29 crores though the Rules of Business made it clear that in financial matters, there should be consultation with the Ministry of Finance. The Committee view such lapses with great concern and recommend that the Ministry of Commerce should be more careful and vigilant and consult the Ministry of Finance in matters involving huge financial implications.

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11 1.36 —do—

In view of the facts stated in para 1:35 the Committee are unable to accept the arguments put forward by the Secretary, Ministry of Commerce that the intention in this case was that the obligation to export would lapse and therefore the bonds need not be enforced when the Scheme was suspended.

In view of the large amounts involved, the Committee desire that the whole matter should be thoroughly investigated without any

loss of time with a view to fixing responsibility, taking appropriate action against the defaulting officers, adopting suitable preventive measures against occurrence of such cases in future and retrieving the loss caused to foreign exchange/public exchequer to the extent possible.

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1.38

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These Committee fail to understand why Government have deliberately given such a high priority to the import of art silk yarn even when there is adverse balance of trade and during a period of 6 years the adverse balance of trade on this account alone is Rs. 14 crores. Moreover, it is really surprising that for the sake of importing art silk yarn, Government have considered it essential to export sugar at a highly subsidised rate. In this connection, the Committee would also like to draw attention to the Press Note dated 22nd March, 1966 of the Ministry of Commerce (*vide* Appendix VIII) re: Ban on non-transferrable specific delivery contracts in imported art silk yarn. In the Press Note it has been stated *inter alia*, "A good deal of trafficking in import licences is reported to be taking place." The Committee are, therefore, of the opinion that the priority to be given to the import of art silk yarn should be carefully re-examined by Government in the light of their observations.

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From the figures of exports given in Appendix IX against items Nos. 13 (Metals and Ffrs.) and 37 (Chemical and allied products—excl. essential oils) which are also covered by the import entitlement schemes, it would be apparent that inspite of export incentives, exports of these commodities went down in 1962-63 in the case of

1	2	3	
			item No. 13, and during 1960-61 and 1961-62 in the case of item No. 37. It would, therefore, appear that the purpose for which Export Promotion Schemes were initiated is not being fully achieved.
14	2.7	Ministry of Commerce	Information pertaining to the analysis of the Export Promotion Schemes where entitlement was the highest and where the performance was the best is still awaited from the Ministry.
15	2.10	—do—	The Committee are surprised to learn that the statistics of imports are maintained commodity-wise and not scheme-wise and that the same commodity is sometimes allowed to be imported under more than one scheme. They are, however, glad to be informed that it has since been decided to introduce code numbers to indicate on licences issued under a particular scheme so that in future this information may be available.
16	2.13	—do—	While appreciating the promptness with which Government has initiated action on various recommendations of the Review Committee, the Committee would like to point out that the Review Committee primarily dealt with the organisational and promotional aspects of the E.P. Councils, as required under its terms of reference. It did not undertake any quantitative assessment of the results achieved by various Export Promotion Schemes.
17	2.17	—do—	The Committee are surprised to learn that even when there is no sanction from the Government and Parliament, the Textile

Commissioner gives his "moral" support to the Cotton Mills Federation for realising premium on foreign cotton and fee on Indian cotton consumption. The Committee are of the view that, however, desirable the objective, this compulsory levy has all the ingredients of a tax and hence, it should be levied only with the prior sanction of Parliament and should be operated by an official agency.

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The argument advanced by the Textile Commissioner that "it (entitlement) is invariably not more than 100 per cent for competition purposes the figure is slightly to excess" does not appear to be convincing. The Committee would like to impress upon the Government that they should ensure that in no case import entitlement is more than 100 per cent of the export obligation, preferably it should be less.

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2.21

—do—

The Committee were informed that the average entitlement is 15 per cent of the export. The Committee, therefore, feel that a definite maximum limit of import entitlement must be fixed for each commodity. Any extra incentive, if necessary, should be given in Indian currency but the percentage of import entitlement should not be changed. The Export Promotion Schemes must generate free foreign exchange and hence it is imperative that this import entitlement is kept lowest possible and the export should be compensated by other incentives of fiscal cash, subsidy nature. Also

1	2	3	4
19	2.21	Ministry of commerce	<p>no advance import licence should be given as that has landed itself to lot of abuses.</p> <p>The Committee are glad to know that the Audit Unit has been constituted in the office of the C.C.I. & E. They would like to be informed of the results achieved by the Audit Unit in due course.</p>
20	2.22	—do—	<p>Incidentally, the Committee find that the compilation on Export Promotion Schemes prepared by the Directorate of Commercial Publicity has been marked as Confidential/For Official Use only. They however, feel that it is advisable to publicise this compilation in order to make it available to the general public.</p>
21	2.23	—do—	<p>The Committee regret to note that the information indicating the actual foreign exchange earned by exporters (according to the figures compiled by the Ministry of Commerce) and the foreign exchange deposited in the Reserve Bank of India, during the last three financial years, indicating reasons for difference, if any, is still awaited.</p>
22	2.30	—do—	<p>The Committee regret to note the incidence of malpractices particularly in the cases of Export Promotion Schemes for Zari goods and art silk ready made garments. The total amount of loss due to malpractices including those mentioned above amounted to Rs. 8.03 crores (Rs. 469.71 lakhs for Zari goods in 1963 and Rs. 333.85 lakhs for other goods from the year 1960 to 31st August, 1965). Per-</p>

haps much of the loss could have been avoided if the Ministry had been a little more careful and vigilant.

Though this amount of loss when compared to the total amount of exports between 1960—65, may appear to be a small percentage, yet in actual figures the loss of foreign exchange involved is very large. The Committee, therefore, feel that the Ministry should not relax their efforts to ensure, as far as possible, that the export obligations are fulfilled by the defaulting parties, apart from taking final action, as necessary.

23 2 31 —do—

The Committee note that the Ministry have not only abandoned the Export Promotion Scheme for Zari goods and modified the scheme for stainless steel, they have also initiated adequate steps against the defaulting firms. They hope that the Ministry would keep a continuous check on the working of other Export Promotion Schemes and will not allow the malpractices to creep in.

24 2 38 —do—

From the notes furnished by the Ministries as also from the evidence tendered, it appears that a mill in collusion with its agent not only succeeded in purchasing import entitlements for staple fibre worth about Rs. 68 lakhs from 54 mills but also managed to get the licences which were issued for non-viscose staple fibre converted into import licences for "the non-viscose staple fibre and/or synthetic yarn" and imported nylon filament yarn which is not permissible with in the rules.

It is very unusual that as many as 54 mills should have thought of selling their import entitlements to one mill within a short period. It is still more curious that the agent of the mill purchasing the

entitlements, who was admittedly a firm against whom investigation were made in the past on more than one occasion by the S.P.E. and whose activities were not free from suspicion could get endorsements changed on the spot at the counter in the J.C.C.I.E.'s office, without being questioned either by the Textile Commissioner or by the issuing authority whether the transferee mill had the requisite capacity to utilise it.

The Ministry have tried to argue that the present case involved only a question of misuse of entitlements and there was no question of loss to the Government. The Committee cannot appreciate this attitude on the part of the Ministry because:

- (a) this irregularity involves a very serious abuse of the scheme;
- (b) whether the export obligation attached to the imported yarn was completely fulfilled is doubtful; and
- (c) the purchasing mill and the firm who was acting as the authorised agent seem to have made profits by resorting to serious irregularity and subterfuge.

The Committee feel that Textile Commissioner' Office and Jt. C.C.I.E.'s Office should have been more careful in dealing with

this firm which had come to adverse notice on more than one occasion.

The Committee are of the opinion that instructions regarding the transfer of entitlements, the circumstances under which sales can be effected etc. should be so clearly endorsed on the licence itself that there would be no scope left for unscrupulous traders to indulge in such nefarious activities. The requests for transfer of entitlements should not be considered mechanically as at present, *vis-a-vis*, the rules, but the consequences of such an act should also be taken note of. Changes in procedure if necessary should be effected forthwith to achieve this end. The Committee would also like the Ministry to examine and evolve measures whereby the misuse of Actual Users Licence i.e., passing through many hands without proper authority becomes an impossibility and to introduce more effective checks to ensure that export obligations are achieved. The Committee would like to be informed of the results of the investigations now being made and action taken against the delinquent officials.

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From the evidence tendered and also from the notes furnished by the Ministry, the Committee find that the prevailing situation leaves much scope for improvement in the working of the Schemes. The *modus operandi* of the fraudulent traders who exploit the Schemes in their own interest can be categorised roughly as below:—

(i) production of false documents

- (ii) mis-declaration of export goods
- (iii) over-invoicing
- (iv) forgery of export documents
- (v) under invoicing
- (vi) liquidation of the firms after enjoying the imports to escape governmental action against them.

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Ministry of
Commerce

This Committee are surprised to learn that the Ministry have to depend wholly on the customs authorities to verify as to whether the exports stipulated under these Schemes are actually effected or not. Enquiries against firms are initiated either when adverse reports are submitted by the customs authorities or when the C.C.I. & E. develop any doubt, mostly on the basis of anonymous reports. The Committee are of the opinion that the present checks against the aforesaid malpractices are not adequate because in many cases licences were issued to firms which on subsequent verification were found to be not existence. There were 8 such cases out of the list of 58 cases furnished. The deposition of the C.C.I. & E. that "there have been cases where at the time of registration they (firms) were in existence but afterwards they went out of existence," makes it necessary to have thorough enquiries made before firms are issued import/export licences. They also feel that the checks that the customs authorities are exercising at present to detect cases of over-invoicing and other connected malpractices are inadequate as they

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—do—

have come across cases where on a subsequent enquiry, it was found that the parties had indulged in under hand methods which had escaped the tests of the Customs authorities (e.g., Case No. 3).

The Committee consider it most unfortunate that even the provision of securing bank guarantees has not proved to be of much avail as in one case (No. 37) a bank stood guarantee for a firm which was not in existence. (The bond amount in this case was forfeited). Under the existing schemes, the defaulting parties could only be proceeded with under the provisions of Import (Control) Order or through the forfeiture of bonds furnished by them which till July, 1965 was only 20 per cent of the value of import licence and there was no course open to the Government whereby the parties could be compelled to fulfil their export obligations. Consequently, the fraudulent parties indulged in malpractices and could conveniently go underground when called upon to justify their actions without fulfilling their obligations under the Schemes to export and thereby the real purpose of the Schemes was defeated. The Committee fail to understand how a bank could give guarantee in respect of such non-existent firms. The Committee desire that the banks concerned should be addressed to and their explanation obtained with a view to taking corrective measures.

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Even in cases where the guilt was proved the firms were to undergo imprisonment till the rising of the court and a fine of Rs. 200 only and they were debarred from receipt of licences for one or two licencing periods of six months each.

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28	2 53	Ministry of Commerce	The Committee note that from July, 1965 the value of the bond amount has been raised to 100 per cent of the value of the import licence and that by the Imports and Exports (Control) Amendment Act, 1966 the period of imprisonment has been raised from one day to 6 months/2 years.
29	2 54	—do—	The Committee cannot get away from the impression that the fraudulent traders were in a way encouraged by the lenient and lukeworm attitude of the officials. In respect of cases where the parties had preferred false claims of exports (Nos. 4 and 8) and the fact was proved, no penal action was taken and only an amount equivalent to the amount of excess exports claimed by the parties was deducted. In another case (No. 31) even though the allegations were proved the case could not be taken to the court of law because original documents were not available. There was yet another case (No. 36) in which a fake owner of a non-existent mill could get a licence for import of art silk. The party sold the imported goods to other parties without fulfilling the export obligations. (In this case, a successful prosecution was launched and a Director and a Manager of the Company were sentenced to pay fine totalling Rs. 3,500).
30	2 55	—do—	The Committee take a serious view of the various mal-practices noticed in the operation of the Export Promotion Schemes and regard it most unfortunate that even after several years of existence of Export Promotion Schemes, even major loopholes in them

have not been plugged and they still continue to be exposed to various malpractices and abuses.

They also strongly feel that the machinery administering the Export Promotion Schemes should be toned up in such a way that the possibilities of fraudulent practices are eliminated altogether.

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2 57

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While the Committee agree that it takes some time for every department to conduct their own enquiry before handing over the case to C.B.I., they are not convinced that a department should take as long a period as seven years for this purpose. They feel that such a situation arises only when a department is hesitant to take a firm decision. In order to enable the Police/SPE/CBI to play an effective role, it is desirable that decisions are taken promptly and all documents/files etc. relating to the case are kept in the custody of a responsible officer till the final decision in the case is taken. The Subcommittee would also like the C.B.I. to take steps, to ensure that their investigations are completed more expeditiously.

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—do—

The Committee suggest that Government should appoint a Committee of experts (a) to make a quantitative assessment of the operation of various Export Promotion Schemes, (b) to revise the Export Promotion Schemes in operation so as to put them on a more scientific basis with a view to ensuring that they succeed in stimulating the export in the desired direction, (c) to plug the loopholes which have resulted in various malpractices. (d) to make sure that the import entitlements are given only for such commodities as are

essential for country's economy and for which no indigenous substitutes are available, and (e) to ensure that each Export Promotion Scheme generates a certain minimum percentage of free foreign exchange.

The Committee also recommend that since the advance import licences in anticipation of export have resulted in various malpractices, and since in a number of cases the anticipated exports have not taken place subsequently, the system of advance licencing should be dispensed with and import entitlements under the Export Promotion Schemes should be given only after the requisite foreign exchange has been generated through exports.

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Ministry of
Commerce

The Committee are not happy to learn that leaving a few items of ore, neither the M.M.T.C. nor the S.T.C. maintain any list of commodities which can be exported or imported under the Barter Scheme. It has been stated during the course of evidence that it is not practicable to draw up any such list as the commodities are changed from time to time according to the exigencies. While the Committee concede that no permanent list of such commodities can be drawn up which will meet the varying needs of the trade over a length of time, they fail to understand why the Ministry equipped with all the necessary knowledge of the trends of internal trade and which have experience of barter deals during the last eight years or more, should not be in a position to prepare a list of

items acceptable for barter from time to time. Moreover, the difficulties against the preparation of such a list do not appear to be insurmountable. The Chairman, S.T.C. stated in evidence, "Since 1958, we know from precedents as to what is regarded as acceptable. Then we consistently hold meetings, we also know that in a certain year, we may have to face difficulties." It is obvious, therefore, that the commodities which can be considered for barter are known to Government and the plea that "What is in one's mind at one moment may not be known to anyone" is not cogent enough to substantiate the stand against having a list which could be made use of by the traders of the country in general.

The Committee are glad to observe that in a subsequent meeting, (arranged at the instance of the Ministry), the Secretary, Ministry of Commerce was receptive to the suggestion that a list of commodities acceptable for barter could be prepared and amended from time to time.

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—do—

The Committee find that the Scheme of barter which was evolved in 1958 with the purpose of importing more steel and ultimately extended to cover the import of other items essentially needed in the country by exporting items which were 'difficult to sell' still continues to be in a nebulous state.

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3 13

—do—

Under the circumstances where there is no systematic procedure of issuing periodic press notes/circulars giving adequate information about the barter deals, excepting those who are already in the barter deals or those who have access to official hierarchy, the trading

community in general is denied the benefit of getting information regarding the details of the different schemes of barter which are in operation or which are likely to be taken up or the commodities which are permitted for export/import under the barter arrangements. As it is, the initiative rests not with the Government but with each individual trader to approach the Government to find out for himself whether a particular commodity could be bartered.

36 3-14 Ministry of
Commerce

Since the objective of the Scheme is to export "difficult" items, it is all the more essential that the trading community is kept fully informed. The Committee therefore, strongly feel that the working of the present Scheme needs reorientation. They, therefore, suggest that the Ministry should devise ways and means by which all information pertaining to the barter transactions including the list of commodities are adequately published and are easily made available to those who want to take advantage of them.

37 3-17 do.

The Committee feel concerned to note that more than 90 per cent of the proposals have to be rejected for some reasons or the other. This only indicates that Government's policy in regard to barter deals is not fully known to the trading community in general resulting in a lot of infructuous effort by the parties concerned.

38 3-19 do.

The Committee are unable to understand how the Ministry continued to place orders on firms (Vide Serial Nos. 5, 9, 15, 16, 25, 36, and 39 of Statement III of Appendix XX) which were black-list-

ed. They feel that this could happen because of lack of co-ordination and it indicates, to say the least, some negligence on the part of the officials concerned. They would, therefore, urge that these cases should be thoroughly investigated and the persons found guilty should be suitably dealt with. They would also like that on the basis of such investigations adequate steps should be taken to tighten up the official procedure so as to make recurrence of such cases impossible.

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3-22

do.

The Committee find that out of the 2 contracts worth Rs. 8.60 crores entered into with the firm, the party could export goods worth only Rs. 2.86 crores during a period of 2 years and that the validity period is only upto 31st December, 1966. They have now been informed that the party has asked for extension of the validity period upto September, 1967. From the trend of performance upto date, the Sub-Committee doubt whether the export obligation under this barter deal would be fulfilled even by the extended date viz. September, 1967. The Committee are of the view that at the time of accepting a barter deal, the capacity of the party concerned to fulfil the export obligation should be properly assessed.

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3-23

do.

They feel concerned to learn that a substantial part of the export obligation of the party in respect of manganese ore was taken over by the M.M.T.C. for which the party was required to pay 25 per cent more value. The Chairman, M.M.T.C. explained that this was because of the policy decision taken subsequently that the export of manganese ore should be taken over by M.M.T.C. after Decem-

ber, 1964. Even so, the Committee are of the view that the export obligations under barter deals must invariably be fulfilled by the party concerned. They hope that such cases will not recur.

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3-26

Ministry of
Commerce

The Committee find from Sl. Nos. 2, 9, 11 and 19 of Statement I of Appendix XX that the price, quantity and quality of mica quoted therein are not consistent. For instance in Sr. No. 2 the party was supposed to export 20,00,000 lbs. of Mica for Rs. 38,00,000. Actually, however, the quantity exported was 9,61,672 lbs. and the amount of foreign exchange earned was Rs. 38,11,532. They observe that cols. 6 and 8 thereof do not tally with each other and are not convinced by the argument advanced during evidence that it was because of the wide variation in the quality of mica.

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In regard to the fixation of import prices, the Chairman, S.T.C. had stated during evidence: "We do not fix the prices; but we do see that the prices are reasonably competitive... We also have a general knowledge as to the price at which things get imported." The Committee were, however, informed by the Chairman, M.M.T.C., that after the barter deal was approved and the letter of intent issued, a detailed barter contract was entered into, which stipulated the quantity, quality and price of the bartered commodities. This enabled the M.M.T.C. to exercise proper check over the value of imports and exports involved in the barter deals. Committee however, find that there is no such system obtaining in

the S.T.C. In the case of jute goods or tobacco, the Chairman, S.T.C. stated: "We mention only the value and not the quantity either in the exporter's contract column or the implementation column". The Committee feel that unless the quantity and quality of the goods to be exported and imported are also mentioned in the contract, there is scope for the traders to get unintended benefit by the manipulation of prices. They are, therefore, of the view that the practice followed by M.M.T.C. should also be introduced by S.T.T.

43 3.29 —do—

The Committee are surprised to note that while MMTC have considered it desirable and have introduced duplicate checks to ensure that the commodities exported under the system of barter strictly conform to the terms of the agreement, the STC, a sister organisation, have no such system. The Committee consider this to be anomalous. It is not quite understandable how the STC, in the absence of any such machinery exercise any control on the quality of the goods exported under a barter.

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44 3.30 —do—

The Committee suggest that Government should consider the question of introducing a proper system of checks by the S.T.C. regarding the specifications etc. of the bartered commodities on the same lines as by the M.M.T.C.

45 3.34 —do—

The Committee regret to observe that while the note in question gave details about the deals no information/explanation has been given as to why high priority was given for the import of staple fibre except stating "Government had considered the import of staple fibre as an essential item against the exports of Indian sugar."

The Committee feel that the import of staple fibre is not strictly consistent with one of the guiding principles for the barter deals viz., "essentiality of imports" and by importing staple fibre in a barter deal the Ministry have violated this principle.

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Ministry of
Commerce

It should be remembered that the export price of sugar (to be sold in the international market) is in the neighbourhood of Rs. 50 a bag whereas its internal controlled price is in the neighbourhood of Rs. 120 to Rs. 130 a bag. So in view of the fact that sugar is being highly subsidised for export, care should be taken by the Ministry of Commerce that commodities like staple fibre etc. are not imported in lieu thereof. The Committee would also like to impress upon the Ministry that they should be more strict in adhering to the twin principles of the barter deals viz. essentiality of imports and additionality of exports.

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In this connection attention is also invited to the observation of the Committee made in para 1.38 of this Report.

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The Committee feel that the conditions which were laid down at the time of releasing the nylon tows for civilian use were rather unusual. Since the question of conversion of nylon tows into tops for defence production was no longer there, it is not quite standable why it was laid down that these should be processed by

only certain mills, though under the direction of the Textile Commissioner. It is also not very clear why the condition of price control could not be enforced. Since the parties had refused to lift the goods, Government could have disposed them of by inviting open tenders. The Committee would like to be apprised of the considerations which weighed with the Government for acting in such a manner.

48 3:39

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From the cases cited in para 3:38 the Committee observe that the principle of barter viz. "essentiality of imports" has not been strictly followed. They regret such deviations and hope that adequate care would be taken to follow the principle of 'essentiality of imports' more strictly in future.

49 3:41

—do—

Since, according to evidence, the import licences are operative only to the extent to which a party earn foreign exchange, the Committee fail to understand how the possibility of issuing import licences in excess of the amount of shipments effected by a party could exist. They would, therefore, suggest that the Ministry should consider whether the present practice could be replaced by a system where the import licences are issued only to the extent of foreign exchange earned and the element of unreality which is inherent in the present system is removed.

50 3:42

—do—

The Sub-Committee hope that both the Corporations ensure that the CIF value of imports does not under any circumstances exceed the FOB value of exports in any barter deal. As a matter of fact,

the Committee would like the Ministry to examine whether it would be advisable to fix CIF value of imports slightly lower (say by 20 percent) than the FOB value of exports under every barter deal, so that each barter deal may generate some free foreign exchange for the country.

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3:44

Ministry of
Commerce

From the statement II of Appendix XX, the Committee find that in a number of barter deals, the items of export consisted of 'sweetening agents' or 'cushions' only (e.g. jute goods, jute bags, tobacco etc). While the Committee agree to the principle that a small proportion of exports may consist of traditional items, to make a barter deal attractive, they are of the view that the larger principle of additionality of exports should be observed to a greater degree than has been the practice so far.

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In the light of the detailed examination of the barter deals, mainly from the point of export promotion, the Committee would would like to make the following suggestions:—

- (a) There should be a clear formulation of the policy in regard to the acceptance of barter proposals and this should be made widely known to the public.

- (b) The healthy principle of additionality of exports and essentiality of imports should be adhered to as far as possible.
- (c) List of items acceptable for Imports and Exports for barter deals should be determined and announced each time with the Import Policy (six monthly).
- (d) Quantity, quality and price of items to be imported/exported should be clearly stipulated in each barter contract to avoid the possibility of their manipulation to get unintended benefits.
- (e) S.T.C. and M.M.T.C. should have proper and adequate machinery to know the prevailing internal and international prices of commodities.
- (f) Suitable monetary limit should be fixed for each barter contract.
- (g) C.I.F. value of imports should be 20 per cent lower than the F.O.B. value of exports in a barter deal, to generate free foreign exchange for the country.
- (h) In every barter deal, export should precede import.

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The Committee are unable to appreciate the manner in which the selection of parties was made by the Iron & Steel Controller in 1960, for these barter deals. At that time none of the parties had

any mature experience of export of steel. Most of the parties selected were such against whom Government were obliged to take action at one time or the other. The Committee are not convinced with the argument given by the witness that there was no direct involvement of the Government funds in exports connected with these deals. The Committee feel that the Government involvement in these barter deals was no less than in a straight transaction of import of steel, especially when these deals were entered into after the decision to grant pre-import licences was taken. Another disquieting feature of this case is that neither any tenders were issued nor any public notice was given before these deals were concluded by the Iron & Steel Controller. Even the procedure described in the Ministry's letter dated 14th January 1960 was to be indicated to "a few select firms" The Committee feel that the system of tenders which was already in vogue in the case of imports of steel, should have also been followed in these barter deals. Non-invitation of tenders thus deprived Government of the benefit of competitive terms and conditions.

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It is surprising that the whole scheme of these barter deals was conceived and approved by Government without the concurrence of the H.S.L. Even after doubts arose on 24th February 1960 in the mind of the then Secretary of the Ministry regarding the delivery of the exportable items, the office of the Iron & Steel Controller

went on concluding the deals without prior consultation with Hindustan Steel Ltd. As the issue of pre-import licences was involved in these deals, it was necessary to ensure that the exportable material was available in time and that further it would be exported. The Committee are constrained to observe that adequate forethought was not bestowed by Government before approving the scheme of these barter deals and that view of Hindustan Steel Ltd. were not given the due consideration, they deserved.

The Committee regret to observe that the whole case regarding grant of pre-import licences makes a very unhappy reading. The idea of granting pre-import licences was initiated first of all by merchants in May, 1959 in the case of exports of ferrous scrap and a similar reference came to the Deptt. of Iron & Steel in September, 1959. The Deptt. of Iron & Steel allowed pre-imports in that case in May, 1959 after consulting the Ministry of Finance. Even at that time the Ministry of Finance had clearly stated that they definitely preferred exports preceding imports and any urgent demand could be met from the ceiling already allocated to the Iron & Steel Controller. Despite that, permission for pre-import was given in that case.

Later on, in January, 1960 when these barter deals were being finalised with these parties, the Department of Iron & Steel made it a general issue and referred the matter to the ministry of Finance who laid down that they agreed to the issue of pre-import licences provided there was a firm export contract and suitable letters of credit /bank guarantees (15% of the import licences) were furnished. The

Committee regret to observe that these views of Ministry of Finance were not communicated in clear and unambiguous terms by the Department of Iron & Steel; with the result that the Iron & Steel Controller understood firm export contract as a mere sales contract with Hindustan Steel Ltd. rather than firm contract with the foreign buyer. Even the Secretary, Ministry of Iron & Steel admitted in evidence that "the Ministry of Iron & Steel do not seem to have translated the instructions of the Economic Affairs Deptt. in clear and unambiguous terms." The Committee feel that by not issuing the instructions regarding pre-import licences in clear and unambiguous terms, the Ministry of Iron & Steel watered down the instructions of the Finance Ministry, even though it might not have been deliberate, as stated by the Secretary. The Committee cannot but deprecate in strongest words this failure on the part of the Iron & Steel Ministry.

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4 36 Min. of Iron & Steel

The Committee also fail to appreciate how the office of the Iron & Steel Controller could give this meaning to the export contract. He regarded the export contract as domestic contract rather than a contract with a foreign buyer.

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The Committee were give to understand that before the Controller issued his letter on 29th January, 1960 sanctioning some of these deals stipulating *inter-alia* issuing of import licences, it was likely that some telephonic intimation in this matter was given

to the Iron & Steel Controller before the final letter dated 2nd February, 1960 was issued. No record of this telephonic intimation was available either at the despatching or receiving end. The Committee fail to understand as to why a record of such an important communication was not kept at either end.

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The Committee also feel that as a result of granting of pre-import licences, the main purpose of earning foreign exchange by export of semis with a view to import finished steel was deviated. After the parties were given pre-import licences, they failed to carry out a major portion of their export obligation resulting in a loss of foreign exchange earning of Rs. 235.60 lakhs. The Committee, therefore, cannot help observing that the decision to allow pre-import was not based on sound premises and left much to be desired.

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One of the main conditions for allowing pre-import licences was that there should be a firm export contract, by which the Ministry of Finance meant a contract with the foreign buyer, but which was wrongly interpreted by the Iron & Steel Controller as a mere sales contract with the Hindustan Steel Ltd. This was a condition precedent before granting any import licence. The Iron & Steel Controller issued import licences worth over Rs. 1 crore in favour of M/s. Ram Krishan Kulwant Rai in June, 1960 without verifying that there was a valid contract between the party and the Hindustan Steel Ltd. This was completely in contravention of the instructions of the Ministry of Iron & Steel and the Committee feel that this was a very serious lapse. It is not easy for the Committee to believe that import

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			<p>licence worth more than a crore of rupees could be issued at a time to a single party by 'mistake'. The Committee cannot understand nor can it approve of the system under which import licences worth more than a crore of rupees could be issued to a party inadvertently by 'mistake'. The Committee take a very serious view of this 'mistake' or inadvertence.</p>
60	4.48	Min. of Iron & Steel	<p>It is also very surprising to note that there is no regular system in the Iron & Steel Controller's office to detect such mistakes and they came to know about it only in November, 1960, when Hindustan Steel Ltd. pointed that out after five months of the issue of import licences and by which time the party had made bulk of imports.</p>
61	4.49	Do.	<p>What is still more disquieting is the fact that in spite of the frank admission by the defaulting officers of the seriousness of the lapse, no enquiry seems to have been held by the Steel Controller into the matter. There appears to have been no feeling in the Steel Controller's office that something serious had happened. On the other hand persistent efforts were made to cover up the whole thing and the Hindustan Steel Ltd. was made to enter into a contract with the party by seeking the intervention of the then Secretary of the Ministry.</p>
62	4.50	Do.	<p>The Committee also note that it was only after an informal discussion at Dum Dum Airport on 13th November, 1960 when the three officers, mentioned above, met there that the letter was written</p>

by the Iron & Steel Controller to the Chairman, Hindustan Steel Ltd. and copies endorsed to the then Secretary of the Ministry. The Committee feel that information regarding this lapse having taken place, was brought to the notice of the Ministry of Iron & Steel in a round about manner rather than in a straightforward report that something serious had happened and then Iron & Steel Controller was taking steps to rectify the same.

63 4 51-52 Do

Though the then Secretary of the Ministry came to know about this mistake, he simply acquiesced in it and had not a single word to say about it and even did not keep a record of the discussion he had with the officers at Dum Dum Airport. On the other hand he could not restrain himself from commenting against an observation of the Chairman, Hindustan Steel Ltd. who wanted to be straightforward and firm. Such an attitude of the then Secretary of the Ministry could not be free from public criticism. The Committee feel that there was a positive failure on the part of the Department of Iron & Steel to enquire into the lapse.

The net result of this costly mistake has been that the party, even though it entered into an agreement with Hindustan Steel Ltd. in January, 1961, failed to export any quantity of steel and the country suffered a loss of foreign exchange earnings of about Rs. 1 crore in this case. The Committee feel that this is a serious lapse which needs enquiring into, for fixing responsibility.

64 4 55 Do.

The Committee regret to note that the Iron and Steel Controller did not examine in each case whether delay in exports was

anticipated as he was required to do in accordance with the Ministry's letter dated 2nd February, 1960 and he merely proceeded on general assumption that it will take sometime for Hindustan Steel Ltd. to complete these supplies. The Committee are of the view that the Iron & Steel Controller failed to comply with the clear instructions of the Ministry in this case.

65 4-56 Ministry of Iron & Steel It is pertinent to mention that the entire barter scheme was evolved to export surplus semis and, therefore, more importance should have been given to the main objective of the scheme. Even if the completion of the exports was likely to take time, the import licence could have been issued to the extent to which the foreign exchange was actually earned by the exporters and as and when it was so earned.

66 4-61 Do. The Committee feel that while referring this case to Ministry of Finance in January, 1960, the Department of Iron & Steel should have mentioned that previously they were getting bank-guarantee equivalent to 20 per cent of the value of the import licence in similar cases. They regret to note that this was not done, nor was a specific proposal made to Ministry of Finance, regarding reduction of amount of bank guarantee from 20 per cent to 15 per cent. This, the Committee feel, was an omission on the part of Department of Iron & Steel, more so, because almost at the same time opinion was held

that even 20 per cent bank-guarantee was not an adequate safeguard and the letter of credit must be insisted upon. It also appears that the Iron & Steel Controller wanted that a higher amount of bank guarantee may be prescribed as it was not possible to get letters of credit and for that he asked the permission of the Finance Ministry. They are unable to appreciate why thinking about the quantum of bank-guarantee changed in the Ministry of Iron & Steel within so short a period, especially when the nature of deals, the parties and the officers concerned were the same. This is yet another instance of inadequate consideration of the whole matter of these deals.

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This is yet another case where Iron & Steel Controller did not carry out the conditions laid down by the Ministry in their letter dated 2nd February, 1960 regarding furnishing of bank guarantee. The Iron & Steel Controller was responsible to the Ministry. If he felt any difficulty in getting guarantees in the form required, he should have placed the matter before the Ministry for their consideration. The Committee regret to note that this was not done. On the other hand he referred it to the Solicitor who drafted the guarantee from which was not in consonance with the intention of the Ministry. The Committee fail to appreciate the attitude of the Government Solicitor who took upon himself obligation to advise that no bank would agree to such a bank-guarantee. Instead of drafting the document and embodying the intentions of the Government, he

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went outside the scope of his duties and drafted a form which was least satisfactory.

The result has been that limited, conditional and qualified bank-guarantees were furnished by the parties and accepted by the Controller, with attendant difficulties in enforcing the same. The Committee cannot help feeling that there was a serious lapse on the part of Iron & Steel Controller in taking guarantees in a form which did not carry out intentions of the Ministry.

68 4.67 Ministry of Iron & Steel

They would also recommend that Government should look into this matter and prescribe a suitable bank-guarantee form for use by the Iron & Steel Controller in future.

69 4.73 —do—

It is astonishing that a particular firm's requests for release of bank guarantee amounts were immediately acceded to by the office of the Iron & Steel Controller in direct contravention of the Ministry's instructions dated 2nd February, 1960. It is all the more disturbing to note that in the first case which was received by the Iron & Steel Controller on 19th July, 1960 and agreed to by him on 27th July, 1960, he did not inform the Ministry at all. The second case from the same party was received by Iron & Steel Controller on 7th September, 1960. He agreed to the same on 9th September, 1960

and then only informed the Ministry. The Committee regret to note that the Iron & Steel Controller did not pay proper attention to the instructions of the Ministry. The Ministry too, when they were informed, did not take the trouble of going into the matter properly but simply acquiesced in the action of the Steel Controller. The Committee feel that the action of Ministry was hasty. It was not a hardship as to call for a change in the policy originally enunciated by the Ministry in consultation with the Ministry of Finance. Public money was at stake in these transactions and bank guarantees should have been released on export of full quantity contracted for as original envisaged. The manner in which both the Steel Controller and the Ministry acted in this matter indicates that they did not safeguard the public interest adequately.

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The Committee are unable to appreciate why bank-guarantee was not taken in this case for the due performance of the export obligation. It was a case where pre-import licences were granted. Bank-guarantees are taken for fulfilling the export obligation and has nothing whatever to do with for whom the imported material is meant. Since the export obligation was attached to this transaction also the case did not deserve a departure from the established procedure. It is regrettable that both the Steel Controller and the Ministry deviated from the established procedure in this case.

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The Committee feel that there was an understandable positive failure on the part of the Iron & Steel Controller in not

watching the bank-guarantees properly and renewing the same timely. This was the primary factor leading to the failure in forfeiting the bank-guarantees worth over Rs. 51 lakhs for non-fulfilment of the contractual obligations. No satisfactory explanation was given to the Committee regarding non-pursuit of the bank-guarantee in time.

The Committee feel that the failure to pursue the bank-guarantees requires to be investigated in details and responsibility therefor to be fixed.

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4-82

Ministry of Iron & Steel

The Committee find that there have been several failures in taking and enforcing bank-guarantees in these barter deals. Firstly, the Department of Iron & Steel wanted to have absolute bank-guarantees but the Iron-guarantee in consultation with the limited and conditional bank-guarantee in consultation with the Solicitor. Secondly, even these limited bank-guarantees were released by the Controller in dribbles i.e. as and a portion of exports took place. Thirdly, there was a complete laxity in the office of the Iron & Steel Controller in watching the bank-guarantees and getting them renewed in time. Ultimately it came to this that the limited bank-guarantees were accepted. Even those limited bank-guarantees were not watched effectively by the Iron & Steel Controller and they expired. The parties have also not renewed these bank-guarantees in spite of repeated reminders from the Iron & Steel Controller,

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Thus non-forfeiture of bank-guarantees have resulted in a loss of over Rs. 51 lakhs.

- 73 4.89 —do— The Committee are constrained to observe that the whole scheme of takings bank-guarantees in these barter deals was a complete failure and was primarily due to the failure of the office of the Iron & Steel Controller. They desire that the different lapses in this case may be investigated with a view to fixing responsibility.
- 74 4.89 —do— As these cases between H.S.L. and the parties are *sub-judice*, the Committee do not wish to comment on them at this stage.
- 75 4.95 —do— As against the contractual export obligation of Rs. 492.21 lakhs actual exports were Rs. 255.61 lakhs only i.e., a shortfall of Rs. 236.60 lakhs. Quite apart from whatever cases may be going on in court of law or arbitration, the Committee consider it very unfortunate that Government now find themselves in a helpless position. The difficulty regarding the form of the contract was known to the Ministry even in 1959 and there should have been enough warning to the office of the Iron & Steel Controller to put his house in order before he entered into these contracts in 1960. They hope that at least now the Ministry would be wiser and take steps to prescribe a suitable contract form for barter deals as well as amend the Iron & Steel Control Order.
- 76 4.102 —do— The Committee note that one of the main conditions stipulated in the Ministry's letter dated 2nd February, 1960 was that the

Iron & Steel Controller will have no further dealing with the exporter in case of failure to export. In all these cases the parties failed to export either the full quantity contracted for or at all. The Committee regret to observe that even this simple stipulation of the contract regarding stopping of dealings, was not carried out. For the various reasons no action has been taken so far by the Iron & Steel Controller or the Ministry against these parties. In view of the fact that the Government were obliged to black-list them or suspend the business on a number of occasions, the Committee feel that the Iron & Steel Controller should have been extra careful while entering into these barter deals involving huge amounts. Even when the failure of the parties to fulfil their export obligations took place in 1960, the Iron & Steel Controller issued show cause notices to them only in April, 1964 of which "the drafting is very poor" was admitted by the Secretary. The Committee feel that there was unduly long delay in initiating action against these parties. And there is no justification at all for this "very poor drafting".

As admitted by the Secretary of the Ministry, barter deals have led to all kinds of abuses. In view of this it requires a serious consideration on the part of the Government whether such deals should be allowed and if so under what circumstances and through what agency. In the opinion of the Committee such deals should normally be handled directly by the S.T.C./M.M.T.C. They would

recommend that after a careful examination Government should enunciate a clear policy in the matter.

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4. 112

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The Committee are alarmed to note that there is an appalling state of affairs so far as the issue of import licences and maintenance of records thereof by the office of the Iron & Steel is concerned. These import licences were neither machine-numbered; nor proper records were maintained in the office of the Iron and Steel Controller. The registers maintained for this purpose did not bear attestation of the entries made by any officer. Further, no uniform procedure was followed by the regional offices of the Iron and Steel Controller in allotting numbers to import licences, etc.

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4. 113

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The Committee regard this state of affairs as very serious as this can lead to many complications. They desire that the procedure regarding maintenance of records of issue of import licences in the office of the Iron and Steel Controller and its branches should immediately be examined in consultation with Audit and suitable remedial measures taken.

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4. 120

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The Committee are not entirely satisfied with the present system of pricing and distribution of imported steel. So far as pricing is concerned, the Iron and Steel Controller mainly relied on Metal Bulletin prices. This was objected to by Audit but the Department still felt that the Metal Bulletin was a reliable guide. In some categories, however, like stainless steel, even this guide viz. Metal Bulletin prices was not available. The basis adopted in

fixing stainless steel prices was unsatisfactory inasmuch as competitive quotations were obtained through interested parties and not through independent sources. The Committee, therefore, feel that during the period of so many years of its existence, the office of the Iron and Steel Controller should have evolved more reliable and rational method regarding pricing of the material involved in barter deals. As regards the distribution of the imported steel, the Committee were given to understand that after about 120 days of the import of materials, the importers are permitted to sell it to the quota-holders. The Committee feel that some check should be exercised by the office of the Iron and Steel Controller on such releases of steel to the quota-holders by the importers so as to avoid any possibility of the sale to unauthorised persons.

81 4.128 Ministry of Iron & Steel

The Committee are unable to understand the circumstances under which the Minister changed his previous orders so soon that the business suspension with M/s. Aminchand Pyarelal group of firms should not be communicated to other Government Departments.

82 4.136 —do—

The Committee find that in quite a few cases the parties imported materials either without any valid licence or without any licence at all. It seems that the parties took the office of the Iron & Steel Controller for granted to issue them any licence whenever they required etc. In the case of M/s. Amin Chand Pyarelal and Apeejay (P) Ltd., (this case has been dealt with separately also)

there were no import licences and the consignments were considered as unauthorised imports. Even then the office of the Iron & Steel Controller granted C.C.Ps. (without exchange control copies for remittance) and permission for storage in their godowns.

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4.137

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The Committee feel that the granting of C.C.Ps. in these cases was irregular and action should have been taken against the parties under the Import and Export (Control) Act, 1947.

The Committee also fail to understand how the shipments of the materials in the case of M/s. Ram Krishan Kulwant Rai took place in June, 1961 when barter import licence was given on 7th August, 1961 and in the case of M/s. Amin Chand Pyarelal (transaction through the S.T.C.) the shipment of all the consignments took place in November 7, 1960, when the import licence were issued in February 6, 1961. The Committee feel that the shipment of the materials before the sanction of the import licence was a clear case of unauthorised import and action should have been taken under the Sea Customs Act and Import and Export (Control) Act, 1947. The condonation of these irregularities regarding shipments made prior to the issue of import licences by the Iron & Steel Controller was in the opinion of the Committee, a serious lapse.

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4.138

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It is strange that unauthorised imports have mainly been made by the same group of firms and they had been condoned by the office of the Iron & Steel Controller. The Committee would recommend that Government should go into all these cases and find out the precise reasons for these irregularities so as to plug loopholes,

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if any, in the existing regulations to avoid recurrence of such cases.

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4-148

Ministry of Iron & Steel

In this case, M/s. Apeejay (P) Ltd. imported materials worth Rs. 9 lakhs without any import licence. When this unauthorised material was caught by the customs, the party was able to get it released by getting a custom clearance permit from the Iron & Steel Controller. What is most objectionable in this case is that the Iron & Steel Controller disregarded the views of the Government Solicitor and Assistant Director of Shipping and issued the custom clearance permit in favour of the party. But for this C.C.P. the goods would have been confiscated by the customs and action could be taken against the party under the Import & Export (Control) Act, 1947. Another disquieting feature of this case is that even when the party undertook to re-export the material imported unauthorisedly, they made a false declaration regarding the weight of the material etc., and the officers of the Iron & Steel Controller Organisation gave a false certificate certifying accuracy of the quantity declared.

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4-149

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The Committee feel that there were several lapse in this case which are as follows:

- (1) The application of the firm dated 12th October, 1961 was vague and incomplete as they left column No. 4 regarding No. and date of the import licence against which shipment was made, blank.

- (2) The C.C.P. was issued by the Iron & Steel Controller inspite of the objections raised by the Assistant Director of Shipping and the Government Solicitor.
- (3) Re-export itself was a concession to the parties as otherwise the goods should have been confiscated.
- (4) The Office of the Iron & Steel Controller did not carry out weekly inspection of the goods in the godowns of the firms, as contemplated in their own instructions on C.C.P.
- (5) There was a false declaration at the time of re-export by the party and there was also a false certificate of the inspector of the Office of the Iron & Steel Controller.
- (6) No enquiry regarding payments in foreign exchange as well as other matters connected with this case have been carried out. Apparently there was a connivance of the Office of the Iron & Steel Controller in the whole transaction.

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87 4 150 —do—

The Committee regret to note that the action of the Office of the Iron & Steel Controller in this case left much to be desired.

88 4 151 —do—

Since these parties have their own shipping line, the Committee feel that this should have cautioned the Office of the Iron & Steel Controller about the possibility of manipulation in manifest and bills of lading. But they regret to note that no notice of this seems to have taken by the Iron & Steel Controller.

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89	4-157 Ministry of Iron & Steel		<p>The party M/s. Khemchand Raj Kumar did not complete its export obligation. Against expected exports of Rs. 23.93 lakhs, they made actual exports of Rs. 7.33 lakhs only. They did not pay any heed to orders of the office of the Iron & Steel Controller in this regard. On the other hand they had shown impolite behaviour in correspondence with the Iron & Steel Controller. In spite of this, the firm was given not only 2 industrial licences for setting up tin plate plants in 1963 and 1964, but also imported raw material was released even before the plant went in production without asking them to fulfil their past obligation regarding exports of semis. To say the least this was all very strange.</p>
90	4-159	—do—	<p>The Committee fail to understand how these special favours have continued to be shown by the office of Iron & Steel Controller to these groups of firms for so long.</p>
91	4-160		<p>The Committee are constrained to observe that Government had not taken a serious view of these objections; had they taken proper and timely action on the recommendations made by the Public Accounts Committee in their earlier reports, the loss to Government could have perhaps been avoided by stoppage of dealings with this group of firms.</p>
92	4-160	—do—	<p>The Committee have already discussed in detail the various lapses which took place at different stages in respect of these barter deals. The main idea behind these barter deals was to export semi-</p>

finished steel like billets, ingots and slabs etc., and to earn foreign exchange with a view to import finished steel. Very soon the Government deviated from this idea and they started allowing pre-imports. The various conditions prescribed by the Ministry of Finance for permitting pre-imports were diluted, may not be deliberately, by the Department of Iron & Steel. Whereas the Ministry of Finance had clearly stated that there should be a firm export contract, the office of the Iron & Steel Controller understood the same, from the instructions communicated by the Department of Iron and Steel, as merely a sales contract with H.S.L. Even this condition regarding verification of contract with the H.S.L. was not kept in view by the office of the Iron & Steel Controller in a number of cases and they had to cancel such barter deals later. In one case (M/s. Ram Krishna Kulwant Rai) even an import licence worth over Rs. one crore was issued to that party without such verification. To say the least, the Iron & Steel Controller did not follow the instructions issued by the Department of Iron & Steel in their letter dated 2nd February, 1960. All this resulted in the failure of the parties to earn foreign exchange worth Rs. 236.60 lakhs.

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Another main condition laid down by the Department of Iron & Steel was to get the irrevocable guarantee to the extent of 15 per cent of the value of import licence. Due to various reasons which the Committee have already discussed in details, the Iron & Steel Controller got only limited and conditional guarantees. Even these limited and conditional guarantees were not pursued properly

so far as their enforcement was concerned; with the result that they expired and the Government could not forfeit them for failure of the parties to fulfil their export obligations. This resulted in a loss of over Rs. 51 lakhs to the Exchequer. The Committee view this loss with great concern.

94

4 163

Ministry of
Iron & Steel

Another disquieting feature of the whole case is that even though the Government was obliged to black-list or suspend business with the parties quite a number of times in the past, the Iron and Steel Controller was not vigilant enough while entering into these deals with them. On the other hand even special favours were shown to these parties by issuing C.C.Ps. when they imported certain materials without any import licence or by reduction of the amount of their bank-guarantees in anticipation of the sanction of the Department of Iron & Steel. Further even when the failures of the parties took place in 1960, show-cause notices were issued to them in April, 1964 only. The parties have not yet been penalised departmentally or otherwise for their failures. There were thus a number of failures on the part of the Ministry/the office of the Iron & Steel Controller.

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4 164

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There were many defaults on the part of the parties also in these deals. They failed to fulfil their export obligations attached to these imports. Apart from this some of them were responsible for bringing materials into the country without any import licence and

also in furnishing false information in manifest and the bills of lading. Many officers of the office of the Iron & Steel Controller (Senior/Junior) are involved in irregular deals with these parties. Further many officers of the Controller's office have after retirement/retranchment/resignation/dismissal found employment in one or other private firms (including those in this group) dealing with import/export of Steel.

There is also a claim of over Rs. 61 lakhs of H.S.L. against four of these parties. In connection with the dealings of these parties with the H.S.L., the Committee on Public Undertakings of the Parliament have already recommended a thorough enquiry at the highest level in para 139 of their 11th Report.

Briefly there were the following serious lapses in this case:

1. Issuing of instructions prescribing the conditions for pre-import licences in ambiguous terms by the Deptt. of Iron & Steel.
2. Failure of the Office of the Iron & Steel Controller in:
 - (a) verification of the existence of firm export contracts;
 - (b) taking limited and conditional bank-guarantees in place of absolute bank-guarantees;
 - (c) not watching the bank-guarantees properly and their renewal in time;

- (d) not enforcing the bank-guarantees;
- (e) issue of C.C.Ps. in cases where the parties imported materials without any valid import licence;
- (f) failure on the part of the office to investigate how unauthorised imports were financed by these parties;
- (g) giving of a false certificate on the bills of lading of M/s. Apeejay (P) Ltd. by an officer of the office of the Iron & Steel Controller;
- (h) delay in taking action against the parties due to failure in fulfilling their contractual obligations;

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Apart from the above, there were other serious lapses on the part of the Iron & Steel Controller organisation, which have been discussed in detail in the preceding paragraphs.

The dealings of the parties have also not been found above board. They imported materials in some cases without import licence. They did not fulfil their export obligations even though they were given pre-import licences against which they made full imports. The failings of the parties become all the more serious in view of the facts that they have been given import licences worth about Rs. 17 crores involving cases of licences above 5 lakhs alone during the years 1959—66.

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4 167-168 Ministry of Iron & Steel

In view of the lapses which have taken place in these deals, both in the offices of the Government as well as on the part of the parties, these cases require a thorough probe. In the case of the officers of the Government, the Committee also desire that responsibility should be fixed for the various lapses. The Committee therefore, suggest that these cases should be investigated by a high powered Committee which should consist of a person of the status of a High Court judge; an officer from the office of the Comptroller & Auditor General of India; an officer from the Central Board of Revenue well-versed in Customs Law, Import and Export (Control) Act 1947 and Income-tax Law. This high powered committee should be suitably assisted by an agency expert in investigation of the cases.

This high-powered Committee should investigate the various lapses which have been dealt with in this report in all the preceding paragraphs.

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The Committee also desire that pending the fulfilment of export obligations attached to these import licences, or the completion of the above investigation (which ever is earlier), the Government should suspend all further dealings with the defaulting firms, as was envisaged in the Ministry's policy letter dated the 2nd February, 1960.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
27.	Bahree Brothers, 188, Lajpatrai Market, Delhi-6.	27	33.	Bookwell, 4, Sant Narankari Colony, Kingsway Camp, Delhi-9	96
28.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66		MANIPUR	
29.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi.	68	34.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annex, Imphal	77
30.	People's Publishing House, Rani Jhansi Road, New Delhi.	76		AGENTS IN FOREIGN COUNTRIES	
31.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88	35.	The Secretary, Establishment Department, The High Commission of India, India House, Aldwych, LONDON, W. C.-2.	
32.	Hind Book House, 82, Janpath, New Delhi.	95			

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