

PUBLIC ACCOUNTS COMMITTEE (1966-67)

FIFTY-SIXTH REPORT

(THIRD LOK SABHA)

**[Government's reply to paragraphs 439 to 452 of
their 50th Report—(Third Lok Sabha) in so
far as they refer to the then Secretary
of the Department of Iron & Steel]**

PART II—APPENDICES



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PUBLIC ACCOUNTS COMMITTEE

(1966-67)

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Shri H. N. Trivedi—*Deputy Secretary*

Shri R. M. Bhargava—*Under Secretary*.

APPENDIX I

Extract of Paras 4.39 to 4.52 of the 50th Report of the P.A.C. (Third Lok Sabha)

(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 or 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 (51/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 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,

* Reproduced in Annexures I to III of this Appendix.

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 licence 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 import 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.

ANNEXURE I

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 Kulkarni 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

Enc:—

Shri J. M. Shrinagesh,
Chairman,
Hindustan Steel Ltd., Ranchi.

Copy to:—(1) Shri S. Bhoothalingam,
Secretary to the Govt. of India,
Dept. of Iron and Steel,
New Delhi.

— — — — —
ANNEXURE II

(Copy)

From

J. M. Shrinagesh,
Chairman,
Hindustan Steel Ltd.,
P.O. Hindoo, Ranchi.

November 26, 1960.

My dear Bam,

Please refer to your letter No. CRKR/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 the 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.

ANNEXURE III

From
A. S. Bam,
Iron and Steel Controller.

D. O. No. CP/RKK (32)/60
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 Krishan Kulkarni Rai ~~172~~, \$ 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 II

Relevant portions of the replies from the Ministry of Iron & Steel relating to para 4.39 to 4.52 of the 50th Report of the P.A.C. (Third Lok Sabha).

32. (i) The Sub-Committee has examined, in paragraph 4.34 of its Report, whether the instructions to the Iron & Steel Controller on the working of the preimports scheme were clear and unambiguous and has indicated that the instructions of the Department of Economic Affairs were apparently not translated in clear and unambiguous terms. It has also held that as a result of this the Iron & Steel Controller understood "firm export contract" to mean a mere sales contract with Hindustan Steel Limited rather than a firm contract with a foreign buyer.

The intention of the Finance Ministry in this case while implicit was, however, not explicitly stated in the noting at the relevant time, in that the Finance Ministry's note dated January 27, 1960 (page 246 of the Report) used only the expression "there would always be a firm contract for export which would be.....". The phrase "firm contract for export" has been reproduced in exactly the same language in the last sentence of the Ministry of Iron & Steel instructions to the Iron & Steel Controller (pages 232 and 234 of the Report). It cannot be said, therefore, that there was any "watering down" of the instructions. It has been found on further examination of the relevant documents that even the ambiguity that may still remain in the use of such a phrase was specifically cleared up within a period of about six weeks. On March 10, 1960, the Iron & Steel Controller wrote to the Ministry of Iron & Steel enquiring what exactly was the meaning of the expression "where firm contract for export exists" and enquired in particular whether this meant a firm contract with the supplier of exportable material or whether a firm contract for export with a foreign buyer was intended with only a letter of credit lacking. A reply was sent to this letter from the Ministry of Iron & Steel on 17th March 1960, as follows:

"Please refer to your letter No. C/3/59 dated the 10th March, 1960. I have consulted the Economic Affairs Department. Government's intention is that at the time you allow import on a bank guarantee you should have satisfactory evidence that the exporter in India has a definite commitment from a foreign party to purchase the tonnage proposed to be exported. We would leave the form of evidence to you.

[Ministry of Iron & Steel revised File No. SC(B)-23(5)/60
(Original File No. SC(C)-5(5)/60)].

It is clear, therefore, that whatever ambiguity there might have been in the original instructions was cleared up specifically by the Ministry of Iron & Steel on this reference.

(ii) Paragraph 4.51 relates to the issue of the import licence to the firm of M/s. Ram Krishan Kulwant Rai by the Iron & Steel Controller in contravention of these definite instructions that such import licences should not be issued without first verifying that there is a firm export contract as mentioned above. This mistake was admittedly made by the concerned officials in the Iron & Steel Controller's Organisation. However, the Sub-Committee has observed that when this mistake came to the notice of the Ministry of Iron & Steel, the then Secretary "simply acquiesced in it and had not a single word to say about it."

As a preliminary point, Government would like to draw attention to the fact that the need to balance imports to the maximum extent possible with exports under this pre-import scheme was not overlooked by the then Secretary. Well before the transactions that are referred to in this particular aspect of the Sub-Committee's Report, he drew the attention of the Iron & Steel Controller to the need for a realistic working of the scheme in his letter of February 24, 1960, which is reproduced at pages 238 and 239 of the Report. This particular firm, Messrs Ram Krishan Kulwant Rai, is one of those particularly referred to in that letter.

The import licence in this case was issued on 5th May, 1960 and the mistake came to light in November 1960. In Paragraph 4.50 the Sub-Committee has noted that information regarding this lapse was brought to notice in a round about manner and has referred to the informal discussion at Dum Dum airport on 13th November. In paragraph 4.51 the Sub-Committee has also adverted on the fact that the then Secretary did not even keep a record of the discussions he had with the Officers at Dum Dum airport. While it is undoubtedly true that the then Secretary (who was passing through the airport after inspecting a steel plant) did not himself record the discussions, Government would like to bring to the notice of the Public Accounts Committee that the Iron & Steel Controller communicated, in writing, the gist of the discussions the very next day to the Chairman, Hindustan Steel, with a copy to the Secretary, Ministry of Iron & Steel. Thus, within a matter of 2 or 3 days, the substance of the discussions at the airport did in fact come on record both in the Ministry of Iron & Steel and with Hindustan Steel. It is not necessary when such discussion take place that the senior-most Officer present, should himself record the discussions, provided that at any other level a suitable record was brought on file without any delay and there was no failure of the official machinery as a result of the then Secretary himself not recording the discussions.

When the mistake came to light, the then Secretary tried his best to rectify the mistake by corrective action. In the ultimate analysis the mistake was in not ensuring exports commensurate with the authorised imports. It was for this reason that the Secretary considered, and in the opinion of the Government rightly, that the larger interests of the country demanded that first priority should be given to try and fulfil the export commitment made against this deal, so that the necessary foreign exchange is earned. Such action at that stage could only be by calling upon the firm to discharge its export obligation and by providing it to the best extent possible the necessary quantum of steel for this purpose from Hindustan Steel Ltd. It was such action that the then Secretary directed should be taken as shown in paras (iii) and (iv) below.

As far as disciplinary action is concerned against persons responsible for the mistake in the Iron & Steel Controller's Office, Government feel that,

in the absence of any specific question or consultation thereon by the Iron & Steel Controller, the then Secretary would have had no reason not to believe or expect that the matter would be pursued in the normal manner by the Officers concerned.

(iii) In paragraph 4.51 the Sub-Committee has remarked that the then Secretary could not "restrain himself from commenting against an observation of the Chairman, Hindustan Steel Ltd., who wanted to be straightforward and firm." The comment that "it is the rejection of this proposal by H.S.L. which will invite criticism" was made by the then Secretary not in the course of any letter to Hindustan Steel or to the Iron & Steel Controller, but on a copy of the Chairman, Hindustan Steel's letter received by the then Secretary from the Iron & Steel Controller; this copy with this remark was then apparently filed in the Ministry's file. This comment has to be really interpreted in the light of what has been said above, namely the corrective action to be taken to see that exports do take place against the import that had been permitted. In other words, this comment was to the effect—now that the import licence had been issued (by mistake) to the firm of M/s. Ram Krishan Kulwant Rai, every effort should be made to see that exportable steel is supplied to this firm, so that the firm should have no excuse for not fulfilling its export obligation and earn the necessary foreign exchange for the country.

(iv) Paragraph 4.51 of the Sub-Committee's Report also implies that the Secretary was wrong in differing from the Chairman, Hindustan Steel Ltd., "who wanted to be straightforward and firm". A reading of the letter of Chairman, Hindustan Steel Ltd., dated 26th November, 1960 (page 249 of the Report) when taken in its proper context, shows that the point at issue was different. In this letter, the Chairman points out that offering material for export to this party, M/s. Ram Krishan Kulwant Rai, at this stage could result in considerable criticism. But it is obvious that this remark was made not with reference to the conduct or past antecedents of this particular party, but on account of the fact that the Chairman envisaged at that time that Hindustan Steel would be able to sell on a cash basis some of these steel products, and it was from the point of view of this commercial possibility that the Chairman felt there would be criticism if it was offered now to this particular party as part of a barter deal. In fact, the Chairman himself prior to writing this letter had made a note in his Office file and referred the question to his staff as follows:—

"D.O. No. C/RKR (32)/60 dated 14th November, 1960 from Iron & Steel Controller.

Sub: Sale of Slabs and Ingots by Hindustan Steel against barter deals

Secretary Mr. Bhoothalingam mentioned this case specifically to me and I have discussed it with him and the Iron & Steel Controller—Mr. Bam—at Calcutta day before yesterday. This is one way of reducing the quantities of slabs and ingots which are cluttering up the Plant at Rourkela and I feel that unless we have something specific against the proposal we may accept Secretary's suggestion and agree to the sale of slabs and ingots to Messrs. Ram Krishan Kulwant Rai.

On the general question, may I also have your advice as to whether we should offer those for sale on barter basis to Iron & Steel Controller? The matter is now urgent in view of congestion at Rourkela.

Sd/- J. M. SHRINAGESH,
15-11-60

Mr. Deb

[File No. S-3(1)/60-Vol. VII—Steel Export (General) of Hindustan Steel Limited.]"

It was evidently following this consultation with his staff that the Chairman had mentioned in his letter that materials lying in stock at the Plant may be sold by them on a cash basis. This point was specially controverted by the Iron & Steel Controller in his reply dated January 13, 1961 (pages 250 and 251 of the Report). In that letter the Controller had pointed out:—

- (a) the sales on cash and barter basis realised by HSL were only \$62 and \$53 f.o.b. per ton as against a price of \$84 f.o.b. per ton which this particular firm was prepared to accept ;
- (b) there was little demand in the country, and doubtful export demand, for untested plates which the Chairman HSL had mentioned ; and
- (c) hence, taking particular note of the fact that steel prices world-over were on a downward trend, the alloument of steel to this firm was justifiable.

The Chairman, Hindustan Steel Ltd., apparently agreed with this argument advanced by the Iron & Steel Controller, since there is no evidence that he wrote back to the Iron & Steel Controller or the Government questioning their validity. On the other hand it appears from HSL's letter No. SE/1110, dated 16th January, 1961 (referred to at page 286 of the Committee's Report) that within a couple of days or so after the receipt of the Iron & Steel Controller's letter, HSL did in fact agree to make supplies available to the party for export.

The Government are satisfied in the circumstances that the then Secretary, in making such efforts as he did to promote the possibility of exports in this case, was acting only on a justifiable desire to avoid loss of foreign exchange and the fact that he did not feel called upon to give any directions as to any disciplinary action may not correctly be construed as acquiescence in the mistake committed in the office of the Iron & Steel Controller.

• • • •

Sd/-
(N. P. MATHUR)
Joint Secretary to the Government of
India.

APPENDIX III

Statement made by the Chairman, Public Accounts Committee, in the Lok Sabha on the 28th July, 1966.

The factual position about the matter is that the 50th Report of the Public Accounts Committee (Third Lok Sabha) regarding Export Promotion Schemes and the allied matters with reference to para 88 of the Audit Report (Civil) on Revenue Receipts, 1965, was presented by me to the Lok Sabha on 26th April, 1966.

Chapter IV of this Report pertains to the Barter Deals dealt with by the Iron and Steel Controller.

The Comments of the Ministry of Iron & Steel on the recommendations made in Chapter IV of this Report were received by this Committee on 19th July, 1966.

On 21st July, 1966 (i.e., two days later) the Ministry of Iron & Steel forwarded to our Committee a copy of the comments of the Comptroller and Auditor General of India, in which the C. & A. G. stated as follows :—

“ I view of the fact that Committee of Enquiry is proposed to be appointed by Government *vide* para 31 of the Memorandum, it is not considered necessary to examine at this stage, various points taken in these 31 paragraphs. Paragraph 32 deals with the recommendations of P.A.C. contained in paragraphs 4.34, 4.51 and 4.52 of their 50th Report and the final conclusion reached by Government in the last sub-paragraph of this paragraph is in the nature of administrative judgement. C. & A.G. has no comments to offer on this.”

On 26th July, 1966, the Ministry of Iron & Steel requested as follows :—

“ I am directed to request that the P.A.C. may kindly convene an early meeting for consideration of the comments forwarded to you by Government.”

As will be seen from above, the letter of the Ministry requesting an early consideration of the comments of the Government, has been received only on the evening of 26th July. This letter will be considered by the Committee in the normal course.

I may add here that so far as our Committee is concerned we have not received any request or any representation from any source whatsoever for examining any particular matter or to give our report. What we have received is in the normal course action taken report from the Ministry. That is how we have treated it and our Committee would examine it in the normal course and submit its report to the House in the normal course.

APPENDIX IV

Note furnished by the Ministry of Iron and Steel on the case referred to in paras 4.39 to 4.52 of the 50th Report of the P.A.C. (Third Lok Sabha).

The Public Accounts Committee in their 50th Report (Paras 4.39 to 4.52) have commented on a case where pre-import was allowed without ensuring a contract with Hindustan Steel Ltd. As indicated in letter No. 2/1/3/66/PAC dt. 6-8-66 from the Lok Sabha Sectt., the Lok Sabha adopted the following motion on the 2nd August, 1966 :—

" That this House, in the light of the statement made by the Chairman of Public Accounts Committee on 28th July, 1966, in Lok Sabha, directs the Public Accounts Committee to consider Government's reply to paragraphs 4.39 to 4.52 of their 50th Report (Third Lok Sabha) in so far as they refer to the then Secretary of the Department of Iron and Steel and submit its report to Lok Sabha within 21 days ".

2. The circumstances in which the import licence was issued in favour of M/s. Ram Krishan Kulwant Rai without verifying whether a contract with H.S.L. existed, are as follows :—

- (a) On 10th March, 1960, M/s. Ram Krishan Kulwant Rai submitted a proposal for export of ingots and slabs to be negotiated and settled by them with Hindustan Steel Ltd., and for import in exchange of 1,000 tonnes of stainless steel sheets (copy of firm's letter No. BART/25, dt. 10-3-60 is at Annexure 1). In reply to this letter, the firm was informed on 6-4-60 that import of stainless steel sheets to the extent of full value of export earning cannot be accepted. Import of one tonne of stainless steel sheets against export of 100 tonnes of ingots slabs may be allowed and for the balance they have to import other categories to be specified by Iron and Steel Controller [Copy of Iron and Steel Controller's letter No. C/RK/(32)/60, dt. 6-4-60 is at Annexure 2].
- (b) On 8th April, 1960 the firm agreed to this condition and requested that they may be allowed to export 25,000 tonnes of ingots and slabs. They also requested in this letter to favour them with necessary orders to enable them to negotiate this matter further with Hindustan Steel Ltd., [Copy of firm's letter No. BT 25, dt. 8-4-60 is at Annexure 3].
- (c) On 5th May, 1960, the proposal of the firm to export 25,000 tonnes of slabs, ingots and blooms, price, delivery and specification of which is to be mutually agreed upon by the firm with Hindustan Steel Ltd., was approved and the price and specification of the materials to be imported in exchange were

also laid down. This barter sanction also included the usual clause that 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. (Copy of Iron and Steel Controller's letter No. C/RKK/(32)/60, dt. 5-5-60, is at Annexure 4).

(d) On May 6, 1960, the firm confirmed acceptance of the terms and conditions of the barter sanction dated 5-5-60 and they also requested that they may be permitted to import steel before export for which they would be prepared to furnish 15 per cent Bank Guarantee. A copy of this letter dated 6th May, 1960 was forwarded to Hindustan Steel Ltd., on 23rd May, 1960 asking them whether an import licence may be issued to the firm prior to export of the Materials. (Copies of firms' letter No. PT/25, dt. 6-5-60 and Iron and Steel Controller's letter No. C/RKK/(32)/60, dt. 23-5-60 are at Annexures 5 and 6.)

(e) On 1st June, 1960, the firm submitted a Performance Bond for Rs. 15,15,000 *vide* their letter No. BT/25, dt. 1-6-60 (Copy at Annexure 7). They also submitted 5 Import Licence applications, with another letter of the same date (Copy at annexure 8). The Officer concerned ordered on the applications for Import Licence "Please Check" and also "sizes to be indicated" against "drum sheets." The office put up a draft letter, amending the O. M. dt. 5-5-60 as advised by the officer, addressed to the firm and copy *inter alia* to the Steel Import Section indicating the detailed specification and price of the material to be imported and also advising the Steel Import Section to issue Import Licences. (Copy of I & SC's letter dated 6-6-60 is at Annexure 9). The endorsement to the SIC Section was as follows :—

* * *

"(3) SIC Section, Iron and Steel Control, Calcutta, along with 5 applications for issue of Import Licence and 5 Treasury Challans with the request to issue Import Licence accordingly, validity period of the Import Licence will be indicated as 31-12-60. Bank Guarantee for 15 per cent of the FOB value has since been received from the firm."

A copy of this letter was also sent to Hindustan Steel Ltd.

3. Before issuing this letter of 6th June, 1960, with the advice to the Steel Import Section to issue Import Licence it was necessary to verify that the firm had actually concluded a contract with Hindustan Steel Ltd., for the export of the steel materials to be exported against this deal. This was not done. The mistake was pointed out to Iron and Steel Controller by Hindustan Steel Ltd., on 25-10-60. (Copy of letter No. SE/16-14/24313, dt. 25-10-60 from Hindustan Steel Ltd., is at Annexure 10). A copy of a note recorded on the file on 26th October, 1960 is enclosed. (Copy of note dated 26-10-60 of the Dy. Iron and Steel Controller and Note dated 26-10-60 of the I&SC are at Annexure 11).

4. There is another note recorded in the Dy. Iron and Steel Controller's Office, a copy of which is placed at Annexure 12. It purports to be a

record of two discussions in which the then Secretary (Iron and Steel) participated, viz.,

- (a) on 2-11-60 at New Delhi, and
- (b) on 13-11-60 (Apparently at Dum Dum).

However, there is some difficulty in evaluating the import of this note; the date of signature appears to have been altered and the sheet in the file appears to be not quite in sequence.

The discussion on 13.11.60 which has been referred to in the Public Accounts Committee's report (the discussion at Dum Dum airport) was followed by the d.o. letter No. C RKK 32/60 of 14.11.60 from the then Iron and steel Controller to Chairman, Hindustan Steel Ltd., with copy to the then Secretary (Iron and Steel) with another copy to Shri B.N. Bery of HSL at Calcutta. From the records available, it is not clear in what terms the commission on the part of officers of Iron and Steel Controller's Office was brought to the notice of the then Secretary. It would appear from the note dt. 6.10.60 (Annexure 11) recorded by the then Iron and Steel Controller that it was his plan to submit a detailed report to the Ministry. Apart from the letter from the then Iron and Steel Controller to the Chairman, Hindustan Steel Ltd., of 14.11.60, of which a copy was endorsed to Secretary (Iron and Steel), no detailed report appears to have been made to the Ministry. It is against this background that in para 32 (ii) at page 39 of this Ministry's Memorandum of 19th July, 1966, it was said,

"As far as disciplinary action is concerned against persons responsible for the mistake in the Iron and Steel Controller's office, Government feel that, in the absence of any specific question or consultation thereon by the Iron and Steel Controller, the then Secretary would have had no reason not to believe or expect that the matter would be pursued in the normal manner by the officers concerned."

5. A copy of note dated 15.11.60 recorded by Chairman Hindustan Steel Ltd., is already reproduced in Government's earlier note to the Public Accounts Committee [para 32 (iv)]. Subsequently a d.o. letter No. 173/CH 60, dated 26.11.60 was written by Chairman, Hindustan Steel Ltd., to the Iron and Steel Controller. This letter has been reproduced at page 249-250 of the 50th Report of P.A.C. The then Controller replied to this letter *vide* d.o. letter No. CP RKK (32)/60, dt. 13.1.61 and which has been reproduced at pages 250-251 of the 50th Report of the Public Accounts Committee.

6. Regarding the remarks contained in the P.A.C's 50th Report, concerning this case in so far as these relate to the then Secretary (Iron and Steel), Government have already given their views in para 32(ii) to para 32(iv). Government do not wish to add to these comments. They adhere to the views already expressed by them.

(T. SWAMINATHAN),
Secretary.

ANNEXURE 1

RAM KRISHAN KULWANT RAI, CALCUTTA

Ref. BART/25

March 10, 1960

**The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.**

Dear Sir,

***Re : Barter Proposal for export of Ingots and Slabs against import
of Stainless Steel Sheets.***

We are pleased to inform you that we have received a very attractive offer from our foreign buyers for export of Ingots and Slabs against import of Stainless Steel Sheets. We would accordingly request you to be good enough to let us have your approval for a Barter transaction as under :

1. FOR EXPORT

MATERIAL : INGOTS & SLABS
SPECIFICATION, QUANTITY AND PRICE : To be negotiated and settled with the Hindustan Steel Ltd., 2, Fairlie Place, Calcutta or with you.

2. FOR IMPORT

MATERIAL : STAINLESS STEEL SHEETS
SIZE & SPECIFICATION : As per your requirements.
QUANTITY : 1,000 tons
PRICE : As would be fixed by you.

We would in the circumstances request you to be good enough to let us have your approval promptly to enable us to finalise this contract with our foreign correspondents.

Thanking you,

Yours faithfully,

RAM KRISHAN KULWANT RAI.

ANNEXURE 2

IRON AND STEEL CONTROL, CALCUTTA

No. C/RK/(32)/60

Dated the 6th April, 1960
Chaitra 1882 (Saka)

To

M/s. Ram Krishan Kulwant Rai,
33, Netaji Subhas Road,
Calcutta.

Dear Sirs,

Sub :—Import of stainless steel sheets against barter deals.

I am directed to refer to your letter No. BART/25 dated 10.3.60 on the above subject and to say that it has been decided to permit import of stainless steel sheets only against export of ingots and slabs to the extent of 1 ton of stainless steel sheets against export of 100 tons of ingots/slabs. For the balance of foreign exchange which will be earned by export of a ingots/slabs, you have to import other categories of steel to be specified by this office. In case you are prepared to import stainless steel sheets on the basis indicated above, you may kindly submit your detailed proposals to this office at an early date.

Yours faithfully,

Sd/-

S.C. MUKHERJEE,

Dy. Iron & Steel Controller.

ANNEXURE 3

RAM KRISHAN KULWANT RAI, CULCUTTA

Ref : BT/25

April 8, 1960

The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.

Dear Sir,

Re : *Barter Proposal for export of Ingots and Slabs against import of Stainless Steel.*

We beg to acknowledge with thanks receipt of your letter No. C/RK/(32)/60 dated 6th April, 1960 in respect of the above.

In this connection we would request you to be good enough to refer to our letter No. BART/25 dated 10.3.1960 submitting you our detailed proposal in this respect. However, if Blooms are not permitted in this proposal, we request, we may please be granted 25000 tons of Ingots and Slabs.

We also confirm our acceptance of the proportion of the Stainless Steel as is fixed by you.

We would now request you to be good enough to favour us with the necessary orders to enable us to negotiate this matter further with the dustan Steel Ltd

Thanking you,

Yours faithfully,

Sd./-

RAM KRISHAN KULWANT RAI,

ANNEXURE 4
MINISTRY OF STEEL, MINES AND FUEL.
(DEPTT. OF STEEL)

Iron and Steel Control

33, Netaji Subhas Road, Calcutta-1

No. C/RKK/(32)/60.

Dated the 5th May, 1960

M/s Ram Krishan Kulwant Rai.

33, Netaji Subhas Road, Calcutta

Dear Sirs,

Sub:-Export of slabs, Ingots & Blooms in exchange of import of Steel materials.

Please refer to the correspondence ending with letter No. BT/25 dated 8.4.60.

Your proposal for export of Slabs, Ingots & Blooms 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 25,000 tons of Slabs, Ingots and Blooms price, delivery and specifications of which is to be mutually agreed upon by you with Hindustan Steel Ltd. at the time of conclusion of the contract with them.

(b) Against the F.O.B. value of Slabs, Ingots and Blooms you will have to import steel of the following categories and sizes at C. & F. Indian Port price per ton as indicated below:—

Category	Size & Specification	Quantity in tons.	C. & F. price (effective)
1. Stainless Steel Sheets	AISI 304 2B or 2D Finish 20G & 22G 1 M & 2 M	250	20G £437.50 per L/T 22G £465.50 per L/T Inclusive of Packing charges
2. Drum Sheets. (Hot Rolled)	71.3/8" x 36.5/8" } 18G 77.5/16" x 25.5/16" } 18G		\$176.20 per M/T
3. B.P. Sheets. (Hot Rolled)	18G 20G 24G		\$168.20 .. \$168.20 .. \$175.10 ..
4. B.P. Sheets (Cold Rolled)	28G		\$207.95 ..
5. G.P. Sheets.	24G 26G 28G		\$208.50 .. \$216.10 .. \$219.50 ..

The above prices are applicable for materials shipped during June-Aug., 1960. For shipments made during the period Sept-Nov., 1960 reduction

in price on the basis of price quoted in Metal Bulletin published in the 1st week of July, 1960 will be applicable. C and F price of materials against item Nos. 2 & 3 may be raised by \$ 5.30 per M/T if shipment is made by 31.5.60.

(c) Export of Slabs, Ingots and Blooms will 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 Mill Certificate in proof of specification of imported steel, where applicable must be furnished along with the 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) '52 dated 22.4.52 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 pro-forma for the amount before Custom 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 Slabs, Ingots and Blooms and import of steel in exchange as mentioned above will have to be completed within 31.12.60.

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 acceptance letter will be treated as cancelled without any further reference to you.

Yours faithfully,

Sd./-

S. C. MUKHERJEE,
Dy. Iron and Steel Controller.

Copy to :—

1. Shri B.N. Bery, Hindustan Steel Ltd., 2, Fairlie Place, Calcutta.
2. Ministry of Steel, Mines & Fuel (Dept. 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.
6. Stainless Steel File No. C/66/60..

Sd./-

S. C. MUKHERJEE,
Dy. Iron and Steel Controller.

ANNEXURE 5

Ram Krishan Kulwant Rai
33, Netaji Subhas Road, Calcutta.

Dated, May 6, 1960.

Ref. BT/25

The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.

Dear Sir,

*Re: Export of Slabs, Ingots and Blooms in exchange of
import of steel materials.*

We beg to refer to your letter No. C/RKK/(32)/60 dt. 5.5.60 and are pleased to confirm acceptance of the terms and conditions mentioned therein by you.

In this connection, we may further submit as under :

1. Kindly note that the approximate price of the exportable items comes as under.

(a) Slabs : 20,000 tons <i>at</i> \$ 84-per M/T	
	F. O. B. - \$16,80,000
Blooms : 5,000 tons <i>at</i> \$ 84-per M/T	
	F. O. B. - \$ 4,20,000
	<hr/>
	\$21,00,000
	<hr/>

2. We shall be much obliged if you would kindly permit us to import steel materials immediately before export and we hereby undertake to furnish you 15% guarantee of the total value of \$21,00,000/- We would request you to be good enough to let us have the necessary permission for import of steel materials as above. In case due to any variation in the total price payable by us to the Hindustan Steel Ltd., the guarantee furnished by us falls short, we hereby undertake to give you the necessary additional guarantee to cover the difference.

3. In exchange, we would request you to kindly permit us to import the materials as specified in the enclosed statement.

Thanking you.

Yours faithfully,
RAM KRISHAN KULWANT RAI

Sd/-Kulwant Rai
Partner.

Details of the Materials to be Imported against your Barter Letter Order No. C/RKK/(32)60 Dated 5th May, 1960.

Sl. No.	Category	Size and Specification	Gauge	Quantity in ton	Rate per M/T C&F	Total value C&F
1.	<i>Stainless Steel Sheets</i>	As required by you	20 G	100	£ 437.50 \$ 1225.00	\$1,22,500
			22 G	150	£ 465.50 \$ 1303.40	\$1,95,510
2.	<i>Drum Sheets</i>	Do.	18 G	2,400	\$ 176.20	\$4,22,880
3.	<i>B.P. Sheets (Hot Rolled)</i>	Do.	18 G	500	\$ 168.20	\$84,100
			20 G	500	\$168.20	\$84,100
			24 G	500	\$175.10	\$87,550
4.	<i>B.P. Sheets (Cold Rolled)</i>	Do.	24 28G	2,409.04	\$207.95	\$5,00,960
5.	<i>G. P. Sheets</i>	Do.	24 G	800	\$208.50	\$1,66,800
			26 G	1000	\$216.10	\$2,16,100
			28 G	1000	\$219.50	\$2,19,500
					TOTAL	\$21,00,000

*Sd/-
For RAM KRISHAN KULWANT RAI.*

ANNEXURE 6
MINISTRY OF STEEL, MINES & FUEL

Iron and Steel Control,
33, Netaji Subhas Road, Calcutta-1.

Dated the 23rd May, 1960.

No. C/RKK (32) 60.

M/s. Hindustan Steel Ltd.,
2, Fairlie Place, Calcutta.

**SUBJECT:—Import of finished steel materials in exchange of export of slabs;
ingots; blooms**

Ref:—This Office letter order No. C/RKK(32) 60 of 5-5-60.

A copy of letter No. BT 25 dt. 6-5-60 received from M/s. Ram Krishan Kulwant Rai, Calcutta is enclosed. 6

You are requested to let this office know at an early date if an Import License may be issued in favour of the firm for a total value of \$21,00,000 on account of export of 20,000 tons of slabs and 5,000 tons of Blooms @ \$84 per ton as indicated by the firm in their above quoted letter prior to their exporting the above materials.

Yours faithfully,
Sd/- S.C. MUKHERJEE,
Dy. Iron and Steel Controller.

ANNEXURE 7

Ram Krishan Kulwant Rai
33, Netaji Subhas Road, Calcutta-1.

June 1, 1960.

Ref: BT.25

The Iron and Steel Controller,
33, Netaji Subhas Road, Calcutta.

*Re. Your Barter L. O. No. C/RKK/(32) 60 dated 5-5-60 for export of
25000 tons Slabs and Blooms and import of steel.*

We are pleased to enclose herewith the Performance Bond for Rs. 15,15,000/- being 15% value of 25,000 tons Slabs and Blooms against the above contract for import of steel materials prior to export of Slabs and Blooms.

We trust you will find the same in order.

Thanking you.

Yours faithfully,

RAM KRISHAN KULWANT RAI

Sd: — Kulwant Rai

Partner.

ANNEXURE 8

Ram Krishan Kulwant Rai
33, Netaji Subhas Road, Calcutta-1.

1st June, 1960.

Our Ref : BT/25.

The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta-1.

Dear Sir,

Re : Barter Letter Order No. CRKK (32), 60 for Export of 25,000 tons of Slabs and Blooms against import of steel materials.

We would request you to please refer to our letter No. BT/25 dated 1st June 1960 with which we have submitted to you the necessary Performance Bond for Rs. 15,15,000/- being 15% value of 25,000 tons at \$84 per ton FOB. against the above contract.

We are enclosing our following Import Licence application covering the fully value of \$21,00,000/- of the above barter contract together with the necessary Treasury Challans.

- (1) Import Licence application No. BT/25 IL 1-1-6-60 for 250 tons of Stainless Steel Sheets for C. I. F. value Rs. 16,69,307/- Challan No. 805 dt. 31-5-60.
- (2) Import Licence application No. BT/25 IL 2-1-6-60 for 2192.5 tons of Drum Sheets for C. I. F. value Rs. 18,64,535/- Challan No. 806 dt. 31-5-60.
- (3) Import Licence application No. BT/25 IL 3-1-6-60 for 2931.12 tons of G. P. Sheets for C. I. F. value Rs. 31,35,326/- Challan No. 807 dt. 31-5-60.
- (4) Import Licence application No. BT/25 IL 4-1-6-60 for C. R. Sheets 2,200 tons C. I. F. value Rs. 21,76,176/- Challan No. 808 dt. 31-5-60.
- (5) Import Licence application No. BT/25 IL 5-1-6-60 for 1,500 tons of H. R. Sheets for C. I. F. value Rs. 12,34,352/- Challan No. 809 dt. 31-5-60.

We shall be much obliged if you would kindly favour us with the above import licences at an early date.

Thanking you,

Yours faithfully,
RAM KRISHAN KULWANT RAI
Sd/- Kulwant Rai
Partner

ANNEXURE 9

IRON & STEEL CONTROL, CALCUTTA.

No. C.RKK (32) 60

Dated, the 6th June 1960.

Jayadha 1882 Saka

M/s. Ramkrishan Kulwant Rai,
33, Netaji Subhas Road,
Calcutta.

Dear Sirs,

Sub :—*Export of Slabs and Blooms in exchange of import of finished steel materials*

I am directed to state that category size and specification quantity in M Ton and C & F price per Metric ton as indicated in clause (b) of para 2 of this office letter order No. C.RKK (32) 60 dated 5-5-60 may be substituted as under :—

Category	Size & Specification	Quantity in tons	C. & F. Price (effective)
1	2	3	4
1. Stainless steel sheets	AISI 304 2B or 2D finish		
	IM X2M	20G 22G 24(G)	50 50 150
			1225 1303.4 1463
			inclusive of packing charges

1	2	3	4
2. Drum Sheets (hot rolled)	70·1/4" x 37·1/4"-18G } 76·1/2" x 25·1/2"-18G } 71 x 36·1/2"-18G 76·1/2" x 25·1/2"-18G }	700 } 350 } 761·6 } 380·80 }	176·20
3. B. P. Sheets (hot rolled)	18G 20G 24G	500 500 500	168·20 168·20 175·20
4. B. P. Sheets (Cold Rolled)	24G 26G 28G	600 600 1000	200·40 204·50 207·95
5. G. P. Sheets	24G 26G 28G 30G	731 1000 1000 200	213·40 } including 221·00 } packing 224·40 } charges packed 241·00 } in wooden skids

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The other terms and conditions as laid down in the letter order quoted above remain unaltered.

Yours faithfully,

Sd/-

S. C. MUKHERJEE,
Dy. Iron and Steel Controller.

Copy to (1) Ministry of Steel, Mines & Fuel (Dept. of Iron & Steel) New Delhi.

(2) Shri B. N. Bery, Hindustan Steel Ltd., 2, Fairlie Place, Calcutta.

(3) S. I. C. Section Iron & Steel Control, Calcutta along with five applications for issue of import licence & five treasury challans with the request to issue I/L accordingly. Validity period of import licence to be indicated as 31-12-60. Bank Guarantee for 15 per cent of total F. O. B. value has since been received from the firm.

(4) Industries 'B' Section }
(5) P & A. O. } Iron & Steel Control.

(6) Stainless Steel file No. C/66/60.

Sd/-

S. C. MUKHERJEE,
Dy. Iron and Steel Controller.

ANNEXURE 10

H. R. S. Rao
Asstt. Sales Manager (Exports),
Hindustan Steel Ltd.,
2, Fairlie Place, Calcutta-1.

D.O. No. SE. 16-14/24313
25th October, 1960.

My dear Mukherjee,

Sub : *Barter export of Slabs/Ingots/Blooms in exchange to import of finished steel products.*

I have to refer to your letter No. C/RKK/(32)/60 of 7th October, 1960 addressed to M/s. Ram Krishan Kulwant Rai Calcutta, copy to us.

In this connection I have to draw your attention to our letters Nos. SE/248/2153 of 9th June, SE/24B/13817 of 20th June, 1960 and SE/4 of 26th August, 1960 from which it will be observed that we have sold 5,000 tons of slabs only to M/s. Ram Krishan Kulwant Rai, Calcutta, against their various enquiries for Slabs and Blooms.

This confirms my phone conversation on date.

Yours sincerely,

Shri S. C. Mukherjee,
Dy. Iron & Steel Controller,
33, Netaji Subhas Road,
Calcutta.

Sd/-
(H.R.S. RAO)

ANNEXURE 11

Extract of notes on File No. CP/RKK/(32) 60 of Iron and Steel Control

Shri Rao of Hindustan Steel rang me up yesterday to say that we have sanctioned some barter deals in favour of M/s. Ram Krishan Kulwant Rai against which they have not finalised the export side as yet. He also stated that the firm has been pressing them for finalising the export side on the plea that they have already been permitted to import the materials on submission of the requisite Bank Guarantee. Issue of an Import Licence even on submission of a Bank Guarantee would not be in order if the export side has not been finalised by Hindustan Steel. I therefore immediately looked up our papers to see if any such irregularity has been committed by us. I extremely regret to point out that the statement made by Shri Rao is substantially correct and that there has been a rather serious lapse on our part in this particular case. The facts of the case are briefly related below :

M/s Ram Krishan Kulwant Rai submitted on 28th March, 1960 (SI. No. 18) a barter proposal for export of 25,000 tons of Slabs, ingots and blooms and wanted to import only stainless steel sheets. According to our prescribed formula, they were told that import of stainless steel sheets would be granted only to the extent of 1 ton for every 100 tons of slabs and ingots exported. The firm accepted this proposal vide SI. No. 20. Thereupon a letter indicating the terms and conditions under which their barter deal may be approved was issued to them as usual on 5th May, 1960 (SI. No. 21). One of the conditions indicated in the letter was that the delivery, specification and price of the materials to be exported will have to be mutually agreed upon by the firm with Hindustan Steel Ltd. On 6th May, 1960 (SI. No. 24) the firm accepted the terms and conditions and requested us to confirm that they would be permitted to import materials prior to export on submission of a Bank Guarantee for 15% of the total value of goods to be imported. We thereupon made a reference to Hindustan Steel (SI. No. 25) asking them to confirm that the export side of the barter deal has been finalised by them and also whether an import licence could be issued. Without finalising the export side of the deal with Hindustan Steel Ltd., the firm submitted a Bank Guarantee for 15% of the import licence application together with Treasury Challan (page 35 (a) /C). Unfortunately we failed to connect these applications and the Bank Guarantee with the earlier correspondence and S. I. C. Section was authorised to issue import licences to the firm on the presumption that the export side of the deal has been duly finalised by them. This was indeed a serious lapse on the part of my assistant as well as on my part. It appears that the firm has already imported some materials against these import licences and I am checking up the exact position separately.

Although we are no doubt responsible for having failed to check the firm's proposal for issue of import licences with the relevant previous papers, the primary responsibility for this irregularity must lie on the firm itself. It was made quite clear in our letter of 5th May, 1960 in which the terms and conditions of the proposed deal was laid down that they must finalise the export side of the deal with Hindustan Steel. They should not have, therefore, applied for import licence with Bank Guarantee before finalising the export side of the deal with Hindustan Steel Ltd. Further the import licence already issued to

the firm clearly indicates that the licence has been issued as per terms and conditions set forth in our letter of 5th May, 1960. They should not have, therefore, imported any material against this licence before finalising the export side of the deal with Hindustan Steel Ltd. In the Bank Guarantee which the firm has furnished they have clearly given an undertaking to export materials and we can easily forfeit their Bank Guarantee for their failure to export the material for whatever reasons there may be. We are not bound to request Hindustan Steel to supply the requisite exporting material to them and it is for them to get the exportable materials from Hindustan Steel by mutual agreement. If they fail to do, we can even blacklist the firm.

From the talk I had with Shri Rao it is quite clear that Hindustan Steel is not going to supply 25,000 tons of slabs to this party to enable them to fulfil their commitment against this particular barter deal. We have therefore to find ways and means to adjust the imports already made against other foreign exchange earnings of the firm. Unfortunately Shri Kulwant Rai or Shri Mallik of the firm who was handling this affair could not be contacted. Shri Kulwant Rai is expected to be back in Calcutta tomorrow. I have, however, told a representative of the firm that they must stop all further imports against this licence and they should submit proposals for adjustment of the foreign exchange which they have already spent on the imports made against this licence. I am also issuing instructions to S.I.C. to stop issue of C.C.Ps. to this firm against all their imports licences until they have given a complete account of their pending import licences and have submitted acceptable proposals for adjustment of the foreign exchange spent by them on the imports against these licences. I may add that the firm has got a number of other barter deals as also import licences as an established importer against which the foreign exchange spent by them on the import of materials against this licence can be adjusted. If they do so we may let them off for this time with a severe warning. As regards my barter assistant and myself, we extremely regret that this lapse has taken place due to heavy rush of work and we beg to be condoned for this lapse. I shall take immediate steps to ensure that such lapses do not occur again. At present I have been dealing with these barter cases with the help of only one lower division clerk so as to avoid delays. In future I shall have all these files sent up to me through the Supdt. and Section Officer so that there is sufficient check exercised.

Sd. (S. C. MUKHERJEE),

26-10-60

Controller :

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

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

Sd. (A. S. BAM),

26-10-60

ANNEXURE 12

Extracts of notes on File No. CP/RKK/(32)/60 of Iron and Steel Control

Ref : Notes on pages 20 to 22 ante.

This matter was discussed by the Controller with Secretary on 2nd November, 1960 at New Delhi. Shri K. N. Subbaramam of Hindustan Steel was also present. The circumstances under which the import licence was issued to M/s Ram Krishan Kulwant Rai against 15% Bank Guarantee before they had finalised the export deal with Hindustan Steel was explained. Secretary felt that there was no reason why Hindustan Steel should not agree to sell the requisite quantity of slabs required by the firm for earning the foreign exchange spent on the import of steel. It was also explained to the Secretary that the firm was willing to take slabs and ingots available in stock at Rourkela irrespective of the specification and analysis of this material. As Rourkela had large stocks of slabs and ingots which do not conform to any standard specification, Secretary felt that they should welcome the proposal of the firm to accept materials from stock. He asked Shri Subbaraman to issue immediate instructions to Hindustan Steel's Calcutta Office to finalise the barter deal which was initiated by the Iron and Steel Controller as far back as March, 1960. Secretary also desired that a suitable letter should be addressed to the Head Office of Hindustan Steel to give necessary instructions to their Calcutta Office for making all out effort to sell the unwanted stocks of slabs and ingots at Rourkela on barter basis if cash sales were not possible.

On 13th November, again this matter was mentioned by Secretary to Shri Srinagesh, Chairman, Hindustan Steel and Controller also discussed the matter with Shri Srinagesh in detail on the same day. The circumstances leading to the sanction to the barter deal by Iron & Steel Control and import of steel materials by the firm was explained to Shri Srinagesh and he agreed to take up the matter immediately on his return to head Quarters. In confirmation of this discussion the letter to Shri Srinagesh at Sl. No. 79 was issued with copy to Secretary.

*Sd. (S. C. MUKHERJEE)
17.11.1960*

APPENDIX V

*Note furnished by the Iron and Steel Controller on the case referred to in para 4.39 to 4.52 of the 50th Report of the P. A. C.
(Third Lok Sabha)*

A chronological account of the correspondence, leading to Para 4.39 the issue of a barter sanction on 5th May, 1960 and 5 Import Licences on 7-6-1960 to M/s. Ramkrishan Kulwant Rai, is given below:—

- (a) On 10th March, 1960 M/s. Ramkrishan Kulwant Rai submitted a proposal (Annexure 1) for export of ingots and slabs, to be negotiated and settled by them with Hindustan Steel Ltd., and for import in exchange of 1,000 tonnes of stainless steel sheets. In reply to this letter, the firm was informed, on the 6th April, 1960 (Annexure 2), that import of stainless steel sheets to the extent of full value of export earning could not be accepted that import of one tonne of stainless steel sheets might be allowed against export of 100 tonnes of ingots/slabs and that for the balance, they were to import other categories to be specified by Iron and Steel Controller.
- (b) On 8th April, 1960, the firm agreed (Annexure 3) to the aforesaid condition and requested to be allowed to export 25,000 tonnes of ingots and slabs. They requested further to favour them with necessary orders to enable them to negotiate the matter further with Hindustan Steel Ltd.
- (c) On 5th May, 1960, the proposal of the firm to export 25,000 tonnes of slabs, ingots and blooms, the price, delivery and specification of which were to be mutually agreed upon between the firm and the Hindustan Steel Ltd., was approved and the price and specification of the materials, to be imported, in exchange were also laid down. This barter sanction (Annexure 4) included *inter-alia* the clause that proposals for pre-import of steel might be considered if satisfactory irrevocable Letters of Credit for exports were produced and suitable Bank Guarantees were furnished.
- (d) On May 6, 1960 the firm confirmed acceptance of the terms and of the barter sanction, dated 5th May, 1960, and they also requested to be permitted to import steel before export for which they would be prepared to furnish 15% Bank Guarantee. A copy of this letter, dated 6th May, 1960 (Annexure 5) was forwarded (Annexure 6) to Hindustan Steel Ltd., on 23rd May, 1960, enquiring from them whether an import licence might be issued to the firm prior to export of the materials.
- (e) On 1st June, 1960, the firm submitted a Bank Guarantee for Rs. 15,15,000 and also submitted 5 import licence applications. Copies of firm's letter of 1st June, 1960, forward-

ing the Bank Guarantee and Import applications, are at annexure 7 and 8. The original Bank Guarantee was replaced on 6-1-1961 after its expiry. A copy of the Bank Guarantee, as furnished on 6-1-1961, is at Annexure 9. The Deputy Iron and Steel Controller concerned ordered on the application for import licence "Please check and also "sizes to be indicated" for Drum Sheets. In pursuance that order, the office put up a draft letter, addressed to the firm, with a copy *inter-alia* to the Steel Import Section, indicating the detailed specification and price of the material to be imported and also advising the Steel Import Section to issue Import Licences. The endorsement to the SIC Section was as follows:—

*3) S. I. C. Section, Iron and Steel Control, Calcutta along with 5 applications for issue of Import Licences and 5 Treasury Challans with the request to issue I/L accordingly. Validity period the Import Licence will be indicated as 31-12-60. Bank Guarantee for 15% of the f.o.b. value has since been received from the firm".

The draft was approved by the Deputy Iron and Steel Controller, whereupon the letter was issued accordingly, on the 6th June, 1960. A copy of this letter (Annexure 10, was also sent to Hindustan Steel Ltd.

Before issuing the said letter on the 6th June, 1960 (Annexure 10), with the advice to the Steel Import Section to issue Import Licence, it was necessary to verify that the Hindustan Steel Ltd., had actually concluded a contract with the firm for the export of the steel materials to be exported against this deal. This was not done. As stated before the Public Accounts Committee, this was not done, inadvertently. This mistake came to light on the receipt of Hindustan Steel Ltd. letter, dated 25-10-1960 (Annexure 11). It is apparent from that letter that M/s. Ramkrishan Kulwant Rai had not entered into any contract with Hindustan Steel Ltd., for the fulfilment of the barter deal sanctioned on the 5th May, 1960. A copy of a note, recorded on the file on 26th October, 1960, is at Annexure 12.

Para 4.40

No comments.

Para 4.41

It has already been admitted that there was no regular or automatic system in the Iron and Steel Controller's office to check whether pre-import licences were issued by mistake or note. In the situation, this mistake could be brought to light only by Hindustan Steel Ltd., to whom copies of all correspondence were sent and who knew which of the export contracts were yet to be concluded by them. In fact it came to light from their source; but it had become too late by then.

It may be stated that the decision to stop the issue of Customs Permit to the firm against this particular deal was communicated to Steel Import Control Section on the 25th October, 1960 but some customs Permits had to be issued in November, against shipments which had already been made. By the end of November, 1960 Hindustan Steel had agreed to supply exportable materials to the firm and, therefore, balance imports were allowed. Customs Permits for 49 tons were issued in December, 1960. Month-wise details of the imports, made against this particular deal, have already been furnished to the Public Accounts Committee.

A copy of the note, recorded by the Dy. Controller on 26th Para 4-42 October, 1960, with the Iron and Steel Controller's endorsement, thereon has already been furnished at Annexure 12. It will appear from it that the Iron and Steel Controller had approved of the proposal to explore all possibilities of repairing the damage caused, and had intended to submit a detailed report in the matter to the Ministry after a clearer picture had emerged.

The firm was contacted and prevailed upon to give an undertaking to earn the foreign exchange, equivalent to the value of the materials imported, by exporting other permissible items. A copy of the firm's letter dated the 29th Oct. 1960 is at Annexure 13.

From a copy of note, dated 17-11-60 (Annexure 14) recorded by the Deputy Iron and Steel Controller, it appears that the matter was discussed by Iron and Steel Controller at Delhi on the 2nd November, 1960 with Secretary Ministry of Iron and Steel.

On being informed about the mistake, the Iron and Steel Para 4-43 Controller took immediate steps to repair the damage. The most urgent matter requiring his attention was the earning of foreign exchange by the firm to offset the foreign exchange spent on imports. The Hindustan Steel Ltd. were known to be having substantial quantity of semifinished steel, either in stock or from current production. The Iron & Steel Controller, therefore, thought that the Hindustan Steel Ltd. should not find any difficulty in supplying the exportable materials to this firm at prices at which they had normally been exporting such materials against other barter deals.

The Chairman, Hinduston Steel Ltd. was not right in thinking that offering the materials for export by Ramkrishan Kulwant Rai against this particular barter deal would result in criticism because the imports had already taken place. When foreign exchange had been spent on import against a sanctioned barter deal, there would not have been any criticism for offering

materials for export. Rather, it was the only sensible thing which could be done viz. the firm was compelled to earn foreign exchange by export and any unwillingness on the part of Hindustan Steel to supply materials for export by the firm would have resulted in their inability to earn the foreign exchange which is now being criticised. This view was expressed by the Iron and Steel Controller in his letter No. CP/RKK (32)/60, dated the 13th January 1961 (reproduced at page 250-251 of the 50th Report.). If the firm had actually exported the materials which of course, they have not done so far because of some other disputes with Hindustan Steel (which is under arbitration) certainly the criticism would have been much less. It is pertinent to point out in this connection that the Chairman, Hindustan Steel did not reply to the letter, dated the 13th January 1961 from the Iron and Steel Controller, in which the latter had explained why supplying materials for export to Ramkrishan Kulwant Rai would not be criticised because the price at which the firm had agreed to export was quite attractive. If, Chairman, Hindustan Steel had in mind the objection about signing an export contract after import had been allowed, he would have replied to the Iron and Steel Controller's letter and would have clarified the reason for which he anticipated criticism against this deal.

Para 4.44

The Iron and Steel Controller did not take any disciplinary action about the laps which had occurred in this behalf in the office presumably because he had accepted the statement of the Deputy Iron and Steel Controller concerned that the mistake had occurred inadvertently.

From the note, dated 17-11-60 (Annexure 14), recorded by the Deputy Iron and Steel Controller concerned, it is indicated that the matter was reported orally to the Secretary to the Ministry by the Iron and Steel Controller in the course of a discussion with him at Delhi on the 2nd November, 1960.

A detailed mention about the case made in the demi-official letter, dated the 14th November, 1960, of the Iron and Steel Controller to the address of the Chairman, Hindustan Steel Ltd. a copy of which was endorsed to the Secretary to the Ministry.

Para 4.45 No comments.

Para 4.46 No comments.

Para 4.47 While issuing the import licences, it should have been checked up whether or not the firm had actually entered into contract with Hindustan Steel Ltd. for the supply of the materials to be exported in exchange. This was not done through inadvertence, which has already been admitted.

The materials imported were mostly distributed to genuine consumers nominated by the Iron and Steel Controller. The materials imported were—

Drum sheets	:	:	:	:	783 tons
Black Plain sheets	:	:	:	:	3955 tons
Galvanised Plain Sheets	:	:	:	:	3459 tons
Stainless Steel Sheets	:	:	:	:	249 tons

These materials were in short supply in the country and were being regularly imported to meet the essential requirements of the country.

As soon as the mistake was discovered, urgent steps were taken to repair the damage and Hindustan Steel Ltd. were persuaded to supply the materials. But for the unfortunate dispute between the firm and Hindustan Steel (which is now under arbitration) the exports would have taken place and the necessary foreign exchange earned by the firm to cover up the imports.

It may be added that most of the barter deals were for export of bulk quantities and the amounts involved were quite large.

No comments.

Para 4.48

From the facts stated above it will be amply indicated that the serious implications of this lapse were fully realised by all concerned and immediate steps were taken to repair the damage caused.

Para 4.49

The Iron and Steel Controller had taken up the matter at the highest level in order to undo whatever damage had been caused by the lapse. He did not take any disciplinary action against those at fault, presumably because he was satisfied that the lapse had occurred through inadvertance.

From note (Appendix 14), recorded by Dr. Iron and Steel Controller as well as from the semi-official letter, dated the 14th November, 1960, addressed to Shri Srinagesh (a copy of which was endorsed to his secretary to the Ministry of Iron and Steel) it will appear that the facts regarding the lapsed were brought by the Iron and Steel Controller to the notice of the Ministry, with a view to taking steps for repairing the damage caused thereby. Presumably because he was satisfied that the lapsed had occurred due to inadvertance, he did not consider it necessary to make a formal report to the Ministry specifically for taking disciplinary action against those at fault.

No comments.

Para 4.51

The lapsed did lead to serious consequences. It, however, occurred through inadvertance. The seriousness of the lapse would have been very much mitigated if the steel materials could be exported even subsequently. Serious efforts were made in that direction but these could not materialise due to the dispute that arose between the firm and Hindustan Steel Ltd., over the supply of this material to be exported. It may be stated in this connection that this firm has not repudiated its responsibility to earn foreign exchange by export.

Para 4.52

All dealings with the firm have, however, been banned by the Iron and Steel Controller for a period of three years.

(Sd.)

(S. SAHAY)

Iron and Steel Controller.

ANNEXURE I

Ram Krishan Kulwant Rai, Calcutta

Ref : BART/25

March 10, 1960

The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.

Dear Sir,

Re : Barter proposal for export of Ingots and Slabs against import of Stainless Steel Sheets.

We are pleased to inform you that we have received a very attractive offer from our foreign buyers for export of Ingots and Slabs against import of Stainless Steel Sheets. We would accordingly request you to be good enough to let us have your approval for a Barter transaction as under :

1. FOR EXPORT

Material	: INGOTS & SLABS
Specification, Quantity and price	: To be negotiated and settled with the Hindustan Steel Ltd., 2, Fairlie Place, Calcutta or with you.

2. FOR IMPORT

Material	: STAINLESS STEEL SHEETS
Size & Specification	: As per your requirements.
Quantity	: 1,000 tons.
Price	: As would be fixed by you.

We would in the circumstances request you to be good enough to let us have your approval promptly to enable us to finalise this contract with our foreign correspondents.

Thanking you,

Yours faithfully,

Sd/-

RAM KRISHAN KULWANT RAI

ANNEXURE 2

IRON AND STEEL CONTROL, CALCUTTA

No. C/RK/(32)/60

Dated the 6th April, 1960
Chaitra 1882 (Saka)

To

M/s Ram Krishan Kulwant Rai,
33, Netaji Subhas Road,
Calcutta.

Dear Sirs,

SUB :—Import of stainless steel sheets against barter deals.

I am directed to refer to your letter No. BART/25 dated 10-3-60 on the above subject and to say that it has been decided to permit import of stainless steel sheets only against export of ingots and slabs to the extent of 1 ton of stainless steel sheets against export of 100 tons of ingots/slabs. For the balance of foreign exchange which will be earned by export of ingots/slabs, you have to import other categories of steel to be specified by this office. In case you are prepared to import stainless steel sheets on the basis indicated above, you may kindly submit your detailed proposals to this office at an early date.

Yours faithfully,
Sd/-
(S. C. MUKHERJEE)
Dy. Iron & Steel Controller

ANNEXURE 3

Ram Krishan Kulwant Rai, Calcutta

Ref :—BT/25

April 8, 1960.

**The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.**

Dear Sir,

Re : Barter Proposal for export of Ingots and Slabs 'against import of Stainless Steel.

We beg to acknowledge with thanks receipt of your letter No. C/RK/(32)/60 dated 6th April, 1960 in respect of the above.

In this connection we would request you to be good enough to refer to our letter No. BART/25 dated 10-3-1960 submitting you our detailed proposal in this respect. However, if Blooms are not permitted in this proposal, we request, we may please be granted 25,000 tons of Ingots and Slabs.

We also confirm our acceptance of the proportion of the Stainless Steel as is fixed by you.

We would now request you to be good enough to favour us with the necessary orders to enable us to negotiate this matter further with the Hindustan Steel Ltd.

Thanking you,

Yours faithfully,

Sd/-

RAM KRISHAN KULWANT RAI

ANNEXURE 4

MINISTRY OF STEEL, MINES AND FUEL
(DEPTT. OF STEEL.)

Iron and Steel Control,

33, Netaji Subhas Road, Calcutta-I.

No. C/RKK/(32)/60

Dated, the 5th May, 1960

M/s Ram Krishan Kulwant Rai,
33, Netaji Subhas Road,
Calcutta.

Dear Sirs,

*Sub :-Export of Slabs, Ingots & Blooms in exchange of
Import of Steel materials*

Please refer to the correspondence ending with letter No. BT/25
dated 8.4.60.

Your proposal for export of Slabs, Ingots & Blooms 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 25,000 tons of Slabs, Ingot and
Blooms price, delivery and specifications of which is to be mutually
agreed upon by you with Hindustan Steel Ltd. at the time of conclusion of
the contract with them.

(b) Again the F. O. B. value of Slabs, Ingots and Blooms you will
have to import steel of the following categories and sizes at C. & F.
Indian Port price per ton as indicated below :—

Category	Size & Specification	Quantity in tons	C. & F. price (effective)
1. Stainless Steel Sheets	AISI 304 2B or 2D Finish 20G & 22G 1 M & 2 M	250 20G £ 437.50 22G £ 465.50 Per L/T	Inclusive of Packing charges
2. Drum Sheets (Hot Rolled)	71.3'8" X 36.5'8" 18G 77.5'16" X 25.15/16" 18G	{} ..	£ 176.20 per M/T

Category	Size & Specification	Quantity in tons	C. & F. price (effective)
3. B. P. Sheets (Hot Rolled)	18G	\$ 168.20	per M/T
	20G	\$ 168.20	"
	24G	\$ 175.10	"
4. B. P. Sheets (Cold Rolled)	28G	\$ 207.95	"
5. G. P. Sheets	24G	\$ 208.50	"
	26G	\$ 216.10	"
	28G	\$ 219.50	"

The above prices are applicable for materials shipped during June-August, 1960. For shipments made during the period Sept-Nov, 1960 reduction in price on the basis of price quoted in Metal Bulletin published in the 1st week of July, 1960 will be applicable. C & F price of materials against item Nos. 2 & 3 may be raised by \$ 5.30 per M.T if shipment is made by 31-5-60.

(c) Export of Slabs, Ingots and Blooms will 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 Mill Certificate in proof of specification of imported steel, where applicable must be furnished along with the 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)/52 dated 22-4-52 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 Custom 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 Slabs, Ingots and Blooms and import of steel in exchange as mentioned above will have to be completed within 31-12-60.

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 acceptance letter will be treated as cancelled without any further reference to you.

Yours faithfully,
Sd. (S. C. MUKHERJEE)
Dy. Iron and Steel Controller.

Copy to :—

1. Shri B.N. Bery, Hindustan Steel Ltd.,
2. Fairlie Place, Calcutta.
2. Ministry of Steel, Mines & Fuel (Dept. 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.
6. Stainless Steel File No. C 66/60.

Sd. (S. C. MUKHERJEE)
Dy. Iron and Steel Controller.

ANNEXURE 5

Ram Krishan Kulwant Rai,
33, Netaji Subhas Road, Calcutta.

Ref. BT/25

Dated, May 6, 1960.

The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.

Dear Sir,

Re : Export of Slabs, Ingots and Blooms in exchange of import of Steel materials

We beg to refer to your letter No. C/RKK/(32)/60 dt. 5-5-60 and are pleased to confirm acceptance of the terms and conditions mentioned therein by you.

In this connection, we may further submit as under :

1. Kindly note that the approximate price of the exportable items comes as under :

(a) Slabs : 20,000 tons @ \$84-per M/T F.O.B.—\$16,80,000

Blooms: 5,000 tons @ \$84-per M/T F.O.B.—\$4,20,000

\$21,00,000

2. We shall be much obliged if you would kindly permit us to import steel materials immediately before export and we hereby undertake to furnish you 15% guarantee of the total value of \$21,00,000/-. We would request you to be good enough to let us have the necessary permission for import of steel materials as above. In case due to any variation in the total price payable by us to the Hindustan Steel Ltd., the guarantee furnished by us falls short, we hereby undertake to give you the necessary additional guarantee to cover the difference.

3. In exchange, we would request you to kindly permit us to import the materials as specified in the enclosed statement.

Thanking you.

Yours faithfully,
RAM KRISHAN KULWANT RAI

Sd/- Kulwant Rai
Partner.

Details of the materials to be imported against your batre letter order No. C/RKK/(32)/60 dated 5th May, 1960

Sl. No.	Category	Size and Specification	Gauge	Quantity in ton	Rate per M/T C&F	Total Value C&F
1.	<i>Stainless Steel Sheets</i>	<i>As required by you</i>	20 G	100	£ 437.50 = \$ 1225.00	\$ 1,22,500
			22 G	150	£ 465.50 = \$ 1303.40	\$ 1,95,510
2.	<i>Drum Sheets</i>	-do-	18 G	2,400	\$ 176.20	\$ 4,22,880
3.	<i>B. P. Sheets (Hot Rolled)</i>	-do-	18 G	500	\$ 168.20	\$ 84,100
			20 G	500	\$ 168.20	\$ 84,100
			24 G	500	\$ 175.10	\$ 87,550
4.	<i>B. P. Sheets (Cold Rolled)</i>	-do-	24/28 G	2,409.04	\$ 207.95	\$ 5,00,960
5.	<i>G. P. Sheets</i>	-do-	24 G	800	\$ 208.50	\$ 1,66,800
			26 G	1000	\$ 216.10	\$ 2,16,100
			28 G	1000	\$ 219.50	\$ 2,19,500
						TOTAL \$ 21,00,000

Sd/-
For RAM KRISHAN KULWANT RAI.

ANNEXURE 6

MINISTRY OF STEEL, MINES AND FUEL

Iron and Steel Control,
33, Netaji Subhas Road,
Calcutta-1.

Dated the 23rd May, 1960.

No. C/RKK/(32)/60

M/s. Hindustan Steel Ltd.,
2, Fairlie Place, Calcutta.

*Subject :—Import of finished steel materials in exchange
of export of slabs/ingots/blooms.*

*Ref :—This Office Letter Order No. C/RKK(32)/60
of 5-5-60*

A copy of letter No. BT/25 dt. 6-5-60 received from M/s. Ramkrishan Kulwant Rai, Calcutta is enclosed.

You are requested to let this office know at an early date if an Import Licence may be issued in favour of the firm for a total value of \$ 21,00,000 on account of export of 20,000 tons of slabs and 5,000 tons of Blooms @ \$ 84 per ton as indicated by the firm in their above quoted letter prior to their exporting the above materials.

Yours faithfully,
Sd/-S. C. MUKHERJEE
Dy. Iron and Steel Controller.

ANNEXURE 7

Ram Krishan Kulwant Rai
33, Netaji Subhas Road, Calcutta-1.

Ref : BT/25

June 1, 1960

The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta.

*Re : Your Barter L.O. No. C/RKK/(32) 60 dated 5-5-60
for export of 25000 tons Slabs and Blooms and
import of Steel.*

We are pleased to enclose herewith the Performance Bond for
Rs. 15,15,000/- being 15% value of 25,000 tons Slabs and Blooms against
the above contract, for import of steel materials prior to export of Slabs
and Blooms.

We trust you will find the same in order.

Thanking you.

Yours faithfully,
RAM KRISHAN KULWANT RAI

Sd/-Kulwant Rai
Partner.

ANNEXURE 8

Ram Krishan Kulwant Rai
33, Netaji Subhas Road, Calcutta-1.

Our Ref : BT/25

1st June, 1960.

The Iron and Steel Controller,
33, Netaji Subhas Road,
Calcutta-1.

Dear Sir,

*Re : Barter Letter Order No. C/RKK/(32)60 for Export of
25,000 tons of Slabs and Blooms against import of
steel materials.*

We would request you to please refer to our letter No. BT/25 dated 1st June, 1960 with which we have submitted to you the necessary Performance Bond for Rs. 15,15,000/- being 15% value of 25,000 tons at \$84 per ton FOB against the above contract.

We are enclosing our following Import Licence application covering the full value of \$ 21,00,000/- of the above barter contract together with the necessary Treasury Challans.

- (1) Import Licence application No. BT/25/IL/1- 1-6-60 for 250 tons of Stainless Steel Sheets for C.I.F. value Rs. 16,69,307/- Challan No. 805 dt. 31-5-60.
- (2) Import Licence application No. BT/25/IL/2-1-6-60 for 2192.5 tons of Drum Sheets for C.I.F. value Rs. 18,64,535/- Challan No. 806 dt. 31-5-60.
- (3) Import Licence application No. BT/25/IL/3-1-6-60 for 2931.12 tons of G.P. Sheets for C.I.F. value Rs. 31,35,326/- Challan No. 807 dt. 31-5-60.
- (4) Import Licence application No. BT/25/IL/4-1-6-60 for C.R. Sheets 2,200 tons C.I.F. value Rs. 21,76,176/- Challan No. 808 dt. 31-5-60.
- (5) Import Licence application No. BT/25/IL/5-1-6-60 for 1,500 tons of H.R. Sheets for C.I.F. value Rs. 12,34,352/- Challan No. 809 dt. 31-5-60.

We shall be much obliged if you would kindly favour us with the above import licences at an early date.

Thanking you.

Yours faithfully,
RAM KRISHAN KULWANT RAI
Sd/- Kulwant Rai
Partner.

ANNEXURE 9

TO THE PRESIDENT OF INDIA
Through the Iron and Steel Controller,
Government of India
33, Netaji Subhas Road, Calcutta-1.

6-1-1961

KNOW YE ALL MEN BY THESE PRESENTS THAT we, **Messrs. RAM KRISHAN KULWANT RAI**, a Partnership firm registered under the Indian Partnership act, and carrying on business at 33, Netaji Subhas Road, Calcutta hereinafter referred to as the **OBLIGOR** (which terms shall unless excluded by or repugnant to the subject or context include the partners therein for the time being and their respective heirs, executors administrators and assigns) **AND The Punjab National Bank Ltd.**, a Banking Company having its registered office at Parliament Street, New Delhi, and a branch office *intra alia* at 135, Canning Street, Calcutta hereinafter referred to as the **Surety** (which term shall unless excluded by or repugnant to the subject or context include its successor or assigns) are held and firmly bound unto to 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 or successors in office and/or assigns) to pay the sum of Rs. 15,15,000/- (Rupees Fifteen lakhs fifteen thousand) only for such will and treaty to be made by the Obligor and the Surety bind ourselves jointly and severally by those presents :

SIGNED, SEALED & DELIVERED by the said Obligor this the sixth day of January 1961 A.D.

WHEREAS THE Government that the Iron and Steel Controller has agreed to enter into a Contract with the Obligor for import of Steel Materials on the undertaking of the Obligor to export 25,000 tons of Slabs & Blooms by Thirtieth June, 1961 **AND WHEREAS** the Obligor and the Surety have at the direction of the Government has entered into the bond as above-written as a security for honouring the undertaking of the Obligor to export 25,000 tons of Slabs & Blooms. **NOW THE CONDITION** of the above written bound is such that if the Obligor shall fail to secure foreign purchaser for and arrange export out of India of 25,000 tons of Slabs and Blooms within 30th June, 1961 out of India, or such further time as the Government may agree to allow to the Obligor these presents shall remain in full force and virtue and otherwise the same shall, be void and no effect **AND** it is hereby agreed and declared that the obligation of the Surety under these presents shall not be impaired in any way by reason of time or facilities being allowed to the Obligator by Government without notice to the Surety.

IN WITNESS WHEREOF THE Parties of these Presents have hereunto set their hands and seals this the Sixth day of January, One thousand nine hundred and Sixtyone A.D.

SIGNED SEALED AND DELIVERED BY

FOR RAMKRISHAN KULWANT RAI
Sd/- Illegible Sd/- Illegible
Accountant Manager

At RAMKRISHAN KULWANT RAI
33, Netaji Subhas Road, Calcutta-1.

in the presence of : Valid upto 30-6-61
Sd/- P. Ganguli for the Punjab National Bank Ltd.
(Canning St., Calcutta)

Sd/- Illegible
Accountant

SIGNED & DELIVERED for and on behalf of the Punjab National Bank
Ltd., the Surety above named by

ANNEXURE 10

IRON & STEEL CONTROL, CALCUTTA
No. C/RKK/(32)/60

Dated, the 6th June, 1960
Jaiatha 1882 (Saka)

M/s. Ramkrishan Kulwant Rai,
33, Netaji Subhas Road,
Calcutta.

Dear Sirs,

Sub:—*Export of Slabs & Blooms in exchange of import of finished steel materials.*

I am directed to state that category, size & specification quantity in M/Ton and C & F price per Metric ton as indicated in clause (b) of para 2 of this office letter order No. C/RKK/(32)/60 dated 5-5-60 may be substituted as under :—

Category	Size & Specification	Quantity in tons	C&F Price (effective)
1. Stainless steel sheets	AISI 304, 2 B or 2D finish		
	1 M x 2 M } 20 G } 22 G } 24 (G)	50 50 150	1225 1303.4 1463 }
			inclusive of packing charges
2. Drum Sheets (hot rolled)	70.1/4" x 37.1/4"-18G 76.1/2" x 25.1/2"-18G 71x 36.1/2"-18G 76.1/2" x 25.1/2"-18G	700 350 761.6 380.8	176.30 }
3. B. P. Sheets (hot rolled)	18 G 20 G 24 G	500 500 500	168.20 168.20 175.30
4. B. P. Sheets (Cold Rolled)	24 G 26 G 28 G	600 600 1000	200.40 204.50 207.95
5. G. P. Sheets	24 G 26 G 28 G 30 G	731 1000 1000 200	213.40 221.00 224.40 241.00 }
			including packing char- ges packed in wooden skids

The other terms and conditions as laid down in the letter order quoted above remain unaltered.

Yours faithfully,
Sd/- (S. C. MUKHERJEE)
Dy. Iron & Steel Controller

Copy to :—

- (1) Ministry of Steel, Mines and Fuel (Dept. of Iron and Steel)
New Delhi.
- (2) Shri B. N. Bery, Hindustan Steel Ltd., 2, Fairlie Place, Calcutta.
- (3) S. I. C. Section Iron and Steel Control, Calcutta along with five applications for issue of import licence and five treasury challans with the request to issue I/L accordingly. Validity period of import licence to be indicated as 31-12-60. Bank Guarantee for 15% of total F. O. B. value has since been received from the firm.
- (4) Industries 'B' Section
- (5) P & A. O.
- (6) Stainless Steel file No. C/66/60.

} Iron & Steel Control.

Sd/-

(S. C. MUKHERJEE)

Dy. Iron & Steel Controller

ANNEXURE II

“ **H. R. S. RAO**

Hindustan Steel Ltd.,
2, Fairlie Place Calcutta-1.

ASSTT. SALES MANAGER (EXPORTS)

D.O No. SE/16-14/24313
25th October, 1960.

My dear Mukherjee,

Sub : Barter export of Slabs/Ingots/Blooms in exchange to import of finished steel products.

I have to refer to your letter No. C/RKR (32) 60 of 7th October, 1960 addressed to M/s. Ram Krishan Kulwant Rai, Calcutta, copy to us.

In this connection, I have to draw your attention to our letters Nos. SE 248/2153 of 9th June, SE/24B 13817 of 20th June, 1960 and SE/4 of 26th August, 1960 from which it will be observed that we have sold 5,000 tons of slabs only to M/s Ram Krishan Kulwant Rai, Calcutta, against their various enquiries for Slabs and Blooms.

This confirms my phone conversation on date.

Yours sincerely,
Sd/-
(*H. R. S. Rao*)

Shri S. C. Mukherjee,
Dy. Iron & Steel Controller,
33, Netaji Subhas Road,
Calcutta.

ANNEXURE 12

Extract of notes on File No. CP/RKR/32/(60) of Iron and Steel Control

Shri Rao of Hindustan Steel rang me up yesterday to say that we have sanctioned some barter deals in favour of M/s Ram Krishan Kulwant Rai against which they have not finalised the export side as yet. He also stated that the firm has been pressing them for finalising the export side on the plea that they have already been permitted to import the materials on submission of the requisite Bank Guarantee. Issue of an import licence even on submission of a Bank Guarantee would not be in order if the export side has not been finalised by Hindustan Steel. I therefore immediately looked up our papers to see if any such irregularity has been committed by us. I extremely regret to point out that the statement made by Shri Rao is substantially correct and that there has been a rather serious lapse on our part in this particular case. The facts of the case are briefly related below :

M/s Ram Krishan Kulwant Rai submitted on 28th March, 1960 (Sl. No. 18) a barter proposal for export of 25,000 tons of Slabs, ingots and blooms and wanted to import only stainless steel sheets. According to our prescribed formula, they were told that import of stainless steel sheets would be granted only to the extent of 1 ton for every 100 tons of slabs and ingots exported. The firm accepted this proposal vide Sl. No. 20. Thereupon a letter indicating the terms and conditions under which their barter deal may be approved was issued to them as usual on 5th May, 1960 (Sl. No. 21). One of the conditions indicated in the letter was that the delivery, specification and price of the materials to be exported will have to be mutually agreed upon by the firm with Hindustan Steel Ltd. On 6th May, 1960 (Sl. No. 24) the firm accepted the terms and conditions and requested us to confirm that they would be permitted to import materials prior to export on submission of a Bank Guarantee for 15% of the total value of goods to be imported. We thereupon made a reference to Hindustan Steel (Sl. No. 25) asking them to confirm that the export side of the barter deal has been finalised by them and also whether an import licence could be issued. Without finalising the export side of the deal with Hindustan Steel Ltd., the firm submitted a Bank Guarantee for 15% of the import licence application together with Treasury Challan [page 35 (a)/c.] Unfortunately, we failed to connect these applications and the Bank Guarantee with the earlier correspondence and S.I.C. Section was authorised to issue import licences to the firm on the presumption that the export side of the deal has been duly finalised by them. This was indeed a serious lapse on the part of my assistant as well as on my part. It appears that the firm has already imported some materials against these import licences and I am checking up the exact position separately.

Although we are no doubt responsible for having failed to check the firm's proposal for issue of import licences with the relevant previous papers, the primary responsibility for this irregularity must lie on the firm itself. It was made quite clear in our letter of 5th May, 1960 in which the terms and conditions of the proposed deal was laid down that they must finalise the export side of the deal with Hindustan Steel. They should not

have, therefore, applied for import licence with Bank Guarantee before finalising the export side of the deal with Hindustan Steel Ltd. Further the import licence already issued to the firm clearly indicates that the licence has been issued as per terms and conditions set forth in our letter of 5th May, 1960. They should not have, therefore, imported any material against this licence before finalising the export side of the deal with Hindustan Steel Ltd. In the Bank Guarantee which the firm has furnished they have clearly given an undertaking to export materials and we can easily forfeit their Bank Guarantee for their failure to export the materials for whatever reasons there may be. We are not bound to request Hindustan Steel to supply the requisite exporting material to them and it is for them to get the exportable materials from Hindustan Steel by mutual agreement. If they fail to do so, we can even blacklist the firm.

From the talk I had with Shri Rao it is quite clear that Hindustan Steel is not going to supply 25,000 tons of slabs to this party to enable them to fulfil their commitment against this particular barter deal. We have therefore to find ways and means to adjust the imports already made against other foreign exchange earnings of the firm. Unfortunately Shri Kulwant Rai or Shri Mallik of the firm who was handling this affair could not be contacted. Shri Kulwant Rai is expected to be back in Calcutta tomorrow. I have, however, told a representative of the firm that they must stop all further imports against this licence and they should submit proposals for adjustment of the foreign exchange which they have already spent on the imports made against this licence. I am also issuing instructions to S.I.C. to stop issue of C.C.Ps. to this firm against all their import licences until they have given a complete account of their pending import licences and have submitted acceptable proposals for adjustment of the foreign exchange spent by them on the imports against these licences. I may add that the firm has got a number of other barter deals as also import licences as an established importer against which the foreign exchange spent by them on the import of materials against this licence can be adjusted. If they do so we may let them off for this time with a severe warning. As regards my barter assistant and myself, we extremely regret that this lapse has taken place due to heavy rush of work and we beg to be condoned for this lapse. I shall take immediate steps to ensure that such lapses do not occur again. At present I have been dealing with these barter cases with the help of only one Lower Division Clerk so as to avoid delays. In future I shall have all these files sent up to me through the Supdt. and Section Officer so that there is sufficient check exercised.

Sd./
(S. C. MUKHERJEE)
26.10.60

Controller.

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

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

Sd./
(A.S. BAM),
26-10-60.

ANNEXURE 13

RAM KRISHAN KULWANT RAI, CALCUTTA

October 29, 1960.

Ref / BT 25

The Iron & Steel Controller,
33, Netaji Subhas Road,
Calcutta.

Dear Sir,

Re :—Your Barter Letter Order No. C/RKK (32)/60 dated 5-5-1960
and amendment dated 5-6-1960 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,

Yours faithfully,
Sd/-
RAM KRISHAN KULWANT RAI.

ANNEXURE 14

Extracts of notes on File No. CP/RKK (32)/60 of Iron and Steel Control.

Ref. : Notes on pages 20 to 22 ante.

This matter was discussed by the Controller with Secretary on 2nd November, 1960 at New Delhi. Shri K.N. Subbaraman of Hindustan Steel was also present. The circumstances under which the import licence was issued to M/s. Ram Krishan Kulwant Rai against 15% Bank Guarantee before they had finalised the export deal with Hindustan Steel was explained. Secretary felt that there was no reason why Hindustan Steel should not agree to sell the requisite quantity of slabs required by the firm for earning the foreign exchange spent on the import of Steel. It was also explained to the Secretary that the firm was willing to take slabs and ingots available in stock at Rourkela irrespective of the specification and analysis—of this material. As Rourkela had large stocks of slabs and ingots which do not conform to any standard specification, Secretary felt that they should welcome the proposal of the firm to accept materials from stock. He asked Shri Subbaraman to issue immediate instructions to Hindustan Steel's Calcutta Office to finalise the barter deal which was initiated by the Iron and Steel Controller as far back as March, 1960. Secretary also desired that a suitable letter should be addressed to the Head Office of Hindustan Steel to give necessary instructions to their Calcutta Office for making all out effort to sell the unwanted stocks of slabs and ingots at Rourkela on barter basis if cash sales were not possible.

On 13th November, again this matter was mentioned by Secretary to Shri Srinagesh, Chairman, Hindustan Steel and Controller also discussed the matter with Shri Srinagesh in detail on the same day. The circumstances leading to the sanction to the barter deal by Iron & Steel Controller and import of steel materials by the firm was explained to Shri Srinagesh and he agreed to take up the matter immediately on his return to Headquarters. In confirmation of this discussion the letter to Shri Srinagesh at Sl. No. 79 was issued with copy to Secretary.

Sd. (S.C. MUKHERJEE)
17-11-1960

APPENDIX VI

*Extract from the material furnished by the Hindustan Steel Limited regarding the case referred to in paras 4.39 to 4.52 of 50th Report of the P.A.C.
(Third Lok Sabha)*

Reference Lok Sabha Secretariat telegram. Hindustan Steel Limited replies on paras 4.39 to 4.52 of Public Accounts Committee. (We are answering only such points arising from this paragraph as related to Hindustan Steel Limited).

4.39

It is correct that there was no such contract existing with the Party in the contract in dispute with reference to the sale of 25,000 tons of Slabs reference regarding which was made by the Iron & Steel Controller to Chairman in his letter of November 14, 1960.

4.40

The only point with reference to Hindustan Steel Limited in this paragraph is whether Hindustan Steel Limited had a contract or not.

Please see answer to para 4.39.

4.41

No comments.

4.42

No comments.

4.43

It is correct that the Iron & Steel Controller took up the matter with the Chairman, Hindustan Steel Limited, in November, 1960, vide his confidential D.O. letter No. C/RKK/(32)/60 dated Nov. 14, 1960. This letter is already available with Public Accounts Committee and has been quoted in their report also. Internal notings in this respect leading to Chairman, Hindustan Steel Limited's reply quoted are being forwarded herewith (ANNEXURE).

From the internal notings we had supplied it will appear that the following considerations were in the mind of the Management:

- (a) The non-existence of a contract with Ram Krishan Kulwant Rai.
- (b) Our own inability to supply materials.
- (c) Advantages of using the materials ourselves, and
- (d) The advantages of cash sale.

Some points with reference to these issues are also covered by the note put up to the Board of Hindustan Steel Ltd. on 30-8-1960.

4.44

No comments.

4.45

Notes regarding discussions at Dum Dum Airport were not recorded. Only the letter of Chairman, Hindustan Steel Limited, written subsequent to the discussions at Dum Dum Airport is available. This has been submitted.

4.46

As above.

4.47

No comments.

4.48

No comments.

4.49

Subsequent letters received from Iron & Steel Controller are placed below which speak for themselves.

4.50

No comments.

4.51

No comments.

4.52

No comments.

Confidential

ANNEXURE

Reference Mr. Bam's confidential D.O. No. C/RKR(32)/60 dated the 14th of November, 1960, to Chairman

The important points are :

1) The Iron and Steel Controller has issued in the last so many months a number of letters to various parties authorising barter export of ingots and slabs. Out of these one barter deal of Rs. 25,000 tons of ingots for Apeejay Calcutta and one barter deal for 25,000 tons of slabs for Amin Chand Payare Lal, Calcutta, and another barter deal for 5,000 tons of slabs for Messrs. Ram Krishan Kulwant Rai materialised.

It should be mentioned here that this barter deal of 5,000 tons for Ram Krishan Kulwant Rai has nothing to do with the case referred to by Mr. Bam here. The conclusion of these deals by HSL with these parties were dependent on the terms and conditions for export which the parties were prepared to accept, specifications of the materials etc. At the same time we had also deals with Messrs. Mannesmann for the export of 12,000 tons of slabs and S&L Calcutta, for the export of 10,000 tons of ingots both on cash basis. The difficulties which Rourkela encountered in the fulfilment of these orders are well-known namely, shortage of ingot moulds, heavy rejections, lack of handling and loading capacity etc.

In the circumstances, it was decided to go slow with the booking of further orders whether for barter or for cash. When this was done Messrs. Mahindra came to us several times insisting that a barter deal for the export of ingots/slabs sanctioned by the Iron & Steel Control Office should be put through. We had great difficulties in telling them that we could not agree to that. D(F) is aware of the background. Other parties also took up the matter with the Calcutta Sales Office but

they did not come up to Ranchi. Recently a few days ago Mr. Sanyal of Messrs. John Ridley & Sons, came up with exactly a similar case and also showed us letters of credit opened by the foreign parties and requested us to allow the deals to be put through. This also we did not agree to since the other parties would have racked up their cases.

In the circumstances in the normal course there is no case for us to accept a barter deal at this stage for 25,000 tons of slabs ingots for Messrs. Ram Krishan Kulwant Rai.

Mr. Barn's statement that the Iron and Steel Control did not check up the position and an import licence was issued to the firm, is extremely serious. It is a grave omission on the part of the Steel Control. The point, therefore, I would like to emphasise is that a situation has been created whereby there is no provision for export against import, primarily due to the negligence of the Iron and Steel Control Organisation.

Mr. Barn has also stated that he is not aware of the reasons of inability of HSL to supply the requisite quantities of slabs ingots to this party. This is very surprising since Mr. Barn has been present at all the Liaison Committee meetings where the representatives of Rourkela have repeatedly pointed out the various teething troubles the Project has had to go through as mentioned above. Even today Rourkela has not completed the orders for ingots on account of Stewarts and Lloyds.

The accumulation of large quantities of slabs and ingots at Rourkela are principally the result of over-rolling and heavy rejections against the Mannesmann and S & L orders. This is a situation, therefore, that has arisen recently and was not in the picture when the Steel Control gave the import licence to Messrs. Ram Krishan Kulwant Rai without consulting HSL.

Mr. Barn's statement that the firm has confirmed that they would be willing to accept slabs ingots (irrespective of quality and analysis in stock at Rourkela) is not correct. The party has merely stated that HSL is in position to offer slabs and ingots apart from their standard specification which they are willing to export. They have to clearly clarify that they are prepared to take offgrade ingots slabs lying in stock. They may do so but they have not done this yet.

On the general question of disposal of slabs ingots, we have got cash offers and we can continue to get cash offers. Barter deals are always artificial transactions and we have found they create more complications for us and we get into difficulties with customers also. Often we are totally at the mercy of the customer in regard to extension of delivery terms etc. It is also well-known that the barter business particularly of export and import of iron and steel is not exactly an straight-forward business in this country. Based on this the Calcutta Sales Office and myself feel that we should now get out of the barter business unless it is unavoidable and stick to cash sales which is the normal commercial way of transacting business. We are coming into the stage of finished products and the sooner we get out of barter the better for us from the long term point of view of export of plates, coils, structural etc.

However, in this particular case we may offer the slabs lying in stock at Rourkela irrespective of analysis and sizes and other dimensional tolerances to Ram Krishna Kulwant Rai as a barter deal as requested by the Iron and Steel Controller, on the clear understanding that this is being done principally to honour a commitment made by the Steel Control and not because we wish to do so.

As regards ingots in stock, most of these are already committed to Amin Chand Payare Lal against the pure barter import of strips for the pipe plant which HSL is putting through on its own. Unless the tonnage of strips is reduced, we cannot possibly offer ingots to Kulwant Rai. There is a further complication in that R'la itself is not sure of its stock figure.

Sd -SUBRAMANIAM

19.11.1960

D(F)

Discussed with D(F). I have spoken to CCTM. He will send his comments through Mr. HRS Rao who will be here on 23rd on his behalf. Mr. Bery is unable to attend HOP meeting on 23rd due to personal difficulties. Mr. Rao will attend.

Sd - SUBRAMANIAM

21.11

Please put up draft reply as discussed

Sd/- N. C. DEB.

24.11.60

Draft put up as desired

Sd - SUBRAMANIAM

25.11

D(F):

A draft is placed below for Chairman's approval with reference to PUC I and II

Sd/- N. C. DEB

26.11.60

Chairman

May issue as amended, if you agree

Sd/- J. M. SHRINAGESH.

26.11

D(F)

Sd/- N. C. Deb

26.11

APPENDIX VII

Copies of the correspondence between the Secretary, Ministry of Iron & Steel and Shri S. Bhoothalingam

Copy of D.O. letter No. SEC/I&S/66-347, dated 6.8.1966, from Shri T. Swaminathan, Secretary, Ministry of Iron and Steel, to Shri S. Bhoothalingam, Secretary Department of Economic Affairs, Ministry of Finance

I send you herewith copy of a letter which I have just received from the Lok Sabha Secretariat

2. Kindly let me know in due course, whether you would wish to submit any memorandum to the Public Accounts Committee. If you do and require any facilities by way of papers etc. to refresh your memory, please let me know.

Copy of D.O. letter No. SSEA 1580/66, dated 6.8.1966, from Shri S. Bhoothalingam, Secretary, Department of Economic Affairs, Ministry of Finance, to Shri T. Swaminathan, Secretary, Ministry of Iron & Steel

I have just received your D.O. No. SECY/I&S/66-347 of 6th August 1966 with which you have enclosed copy of a letter received by you from the Lok Sabha Secretariat

I notice from proceedings in Parliament that Government have transmitted to the P.A.C. their comments on the fourth chapter of the Fiftieth P.A.C. Report which presumably includes Sections dealing with the observations about me and that C&AG's comments have also come before P.A.C. I would be grateful to have copies of both in order to enable me to make up my mind on the question posed in the letter from the Lok Sabha Secretariat.

Copy of D.O. letter No. SEC I&S 66-349, dated 6.8.1966, from Shri T. Swaminathan, Secretary, Ministry of Iron & Steel, to Shri S. Bhoothalingam, Secretary, Department of Economic Affairs, Ministry of Finance

Kindly refer to your D.O. letter No. SSEA 1580/66 of 6 August, 1966, regarding the communication received by me from the Lok Sabha Secretariat.

I enclose a copy of comments of Government in the Ministry of Iron & Steel and of the Comptroller and Auditor General of India which have been sent to the Public Accounts Committee.

MOST IMMEDIATE
CONFIDENTIAL

D.O. No. 1610-SSEA 66

Economic Secretary
Ministry of Finance
NEW DELHI

9th August, 1966.

My dear Swaminathan.

I thank you for providing me a copy of the Government's submission to the Public Accounts Committee in respect of Chapter 4 of its Fiftieth Report and a copy of the comments of the Comptroller and Auditor General thereon.

2. To begin with, I should like to express my thanks to the Chairman of the Public Accounts Committee for indicating that I could place before the Committee a memorandum, if I wished to, in this connection. My thanks are all the more since I am aware that the Committee usually proceeds on the basis of audit paragraphs provided by the Comptroller and Auditor General and has discussions at its sittings with the Secretary *pro tempore* as the authorised representative of the concerned Ministry—and not the officer who at the time of occurrence of the transaction in question functioned as Secretary—who explains the view point of Government in respect of the matter concerned. That the P.A.C. made in its Fiftieth Report (paras 4.39 to 4.52) certain observations about an event that took place when I was Secretary of that Department and that these were based on the views offered not by me but my successor in office was something that I had regarded as quite in the normal course. I say this to indicate my full recognition that it is the kindness of the Chairman of the Public Accounts Committee (rather than any necessity) that has led to your question whether I want to place any memorandum before the Committee.

3. In the present case, the Public Accounts Committee has drawn certain conclusions which are embodied in paras 4.39 to 4.52 of its Fiftieth Report and the Government has already offered its comments thereon in para 32 of its Memorandum to the P.A.C. dated 19th July, 1966. I also note from the enclosure to your letter (i. e. the letter from the Lok Sabha Secretariat No. 2/1/88-66-P.A.C. dated 6th August, 1966) that the Lok Sabha has directed the Committee to consider Government's reply in so far as it concerns the then Secretary of the Department of Iron & Steel. Since it is at this stage that the Chairman of the P.A.C. has asked you to enquire from me whether I desire to submit any memorandum in this connection, it is logical and appropriate that any comments I may submit should be with reference to Government's reply.

4. I have, therefore, carefully read the contents of paragraph 32 of the Government's submission to the Public Accounts Committee dated 19th July, 1966 where Government has dealt with the observations in the P.A.C.'s Fiftieth Report relating to my role as the then Secretary, Department of Iron & Steel.

5. These observations would seem to fall into three parts. First : that, when the mistake (of issuing a pre-import licence to a certain party without verification, as was required, about the existence of a firm export contract with HSI, or a foreign buyer) was brought to my notice, I

"acquiesced" in it. Second : that when discussions took place at Dum Dum airport between the Chairman, H.S.L., the Iron & Steel Controller and myself about this matter, I kept no record of it. Third : that I made certain comments that went against a view expressed by the Chairman, H.S.L.

6. Government, in its reply, has pointed out with reference to the first observation that nothing I did constituted "acquiescence" in the mistake; it has pointed out that there was no reason for me to assume that appropriate action would not be taken within the Iron & Steel Controller's office regarding the responsibility for the mistake, even more, it has pointed out that I did take action as was due in the public interest to rectify the consequences of the mistake on the foreign exchange situation of the country by trying to locate and secure commodities from H.S.L. for export by the party concerned. On the second observation, Government has pointed out that administrative practice was satisfied by the bringing to record in official files, with no undue delay, of the gist of the discussions at the airport. On the third, Government has in effect concluded that both the Chairman, H.S.L.'s remark and mine were with reference to the commercial considerations regarded pertinent at that time and did not bear on the conduct, antecedents, or other aspects of the private firm concerned. It seems to me that in all these conclusions, as embodied in para 32 of its statement to the P.A.C. the Government has put the matter in the proper perspective.

7. I also note that the Comptroller and Auditor General has clearly stated that the final conclusion reached by Government in the last subparagraph (of paragraph 32) is in the nature of administrative judgment and that he has no comments to offer.

8. In these circumstances and in the context in which you have made this enquiry of me, I have nothing further to say on the contents of para 32 of the reply submitted to the P.A.C. by Government on 19th July, 1966.

9. I would, however, like to make one other submission for consideration. I note that para 31 of the Government's reply indicates that Government contemplate the appointment of a Committee to enquire into certain other observations contained in the Fiftieth Report. That the observations relating to me have not been included in the purview of the proposed Committee and that Government has expressed finitite conclusions on the observations relating to me in that Report are matters that should normally be, and are, of gratification to me. However, the developments that have taken place since the submission of Government's reply on 19th July, 1966 lead me to respectfully request Government that, in fairness to me, the P.A.C.'s observations relating to me (in paras 4:39 to 4:52 of the Fiftieth Report) should also be placed before the proposed Committee for its enquiry. I have no doubt in my mind that such a Committee, acting on appropriate evidence, will only sustain Government's conclusions and will establish that any action I took in this regard as the then Secretary was *bona fide* and in the public interest.

10. I have nothing to add, in the present context, as a separate memoandum for submission to the P.A.C. I would however suggest for your consideration that, if Government agree, this letter may be placed before the P.A.C.

Yours sincerely,
Sd/-
S. BHoothalingam

Shri T. Swaminathan,
Secretary,
Ministry of Iron & Steel,
Udyog Bhavan,
New Delhi.

