Chapter – 3
India’s Public Sector:
A Case Study of Minerals &
Metals Trading Corporation
(MMTC) of India Ltd.
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In the last chapter, an extensive review of literature was made and a comprehensive
detail about the Indian Mineral Trading Sector has also been examined. The thrust of
literature review was the financial performance of Public Sector Enterprises and other
private companies. In this chapter, a detailed description of historical background,
development and present scenario of Indian Public Sector Enterprises, especially
MMTC is being done.

3.1. Introduction

Public Sector Enterprises (PSEs) play a prominent role in industrialization process
and economic development of any nation. Historically, PSEs gained significant
importance in India's economic set up, both in pre and post independence periods.
The two hundred years of colonial rule badly crushed Indian Industries and exhausted
resources of the country. However, such industries were widely revived through the
development of PSEs in the country after independence. During this period, Indian
economy did not have strong base of Public Sector. The only enterprises that could
have been called as Public Sector were Railways, Post and Telegraph, Port Trust
Authority, Ordnance, Aircraft Factories and All India Radio. Few other enterprises
like the Government Salt Factories, Quinine Factories etc. were also existed but they
were departmentally managed and thus were not considered Public Sector in the real
sense (Department of Public Enterprises, n.d.).

Post independence, various socio-economic problems needed to be dealt with in a
planned and systematic manner. Despite ample availability of abundant reserves of
natural resources, Indian economy was not so strong to be self sufficient in every
sphere. It was predominantly an agrarian economy with a weak industrial base, low
savings, inadequate investments and lack of industrial facilities which made it to call
for State intervention to use Public Sector as an instrument to steer the country's
underlying potential towards the self reliance for the economic growth. Indian
economy therefore, needed a big push. This push was not supposed to come from the
private sector which was starving of funds and managerial ability and also was not
prepared to take risks involved in large long-gestation projects (ICWA, n.d.).
However, in post-independence period, the expansion of public sector was undertaken
as an integral part of the Industrial Policy in 1956. The wide availability of the
Minerals and Metals in the form of abundant rich reserves made it very conductive for
the growth and development of Public Sector Enterprises in Minerals and Metals Trading Sector of India (TERI, 2001). Minerals and Metals are non-renewable scarce natural resources which provide key raw material in a number of basic and important industries. As the abundant reserves availability of natural resources in India, business of Minerals and Metals has become very important. Numbers of Public Sector Enterprises have been set up for extraction, development and the business of Minerals, Metals, Agro Products, Fertilizers, Coal, Hydrocarbon, Gold, Gems and Jewellery and other allied products. State Trade Corporation (STC), Minerals and Metals Trading Corporation (MMTC), National Minerals Development Corporation (NMDC) and Minerals Exploration Corporation Limited (MECL) are some of the major players of this sector in India.

3.2. Public Sector Enterprises in India: An Overview

Public Sector Enterprises have been playing a dominant and unique role in industrial growth and development of the Indian economy. In order to remove the accumulated problems of unemployment, disparities of rural, urban, inter-regional and inter-class disparities, technological backwardness and to set up a socialistic pattern of society in the country, the establishment of Public Sector Enterprises have been thoroughly conceived (Ghouse, n.d.).

Since independence, various socio-economic problems were needed to be dealt with in a planned and systematic manner. The macro-economic objectives of Public Sector Enterprises (PSEs) have been derived from the Industrial Policy Resolutions and the Five Year Plans. Hence, the roadmap for Public Sector was developed as an instrument for self-reliant economic growth. The country adopted the planned economic development policies that later on, promoted the development of PSEs. The Industrial Policy Resolution 1948 outlined the importance of economy and its continuous growth in production and equitable distribution. Consequently, the Industrial Policy Resolution, 1948 and 1956 laid emphasis on constituting Public Sector Enterprises by the Government for industrial development in the core sectors. The Public Sector provided much required thrust and acted in setting up a strong and diversified industrial base in the country. Over the years, PSEs operations have extended to a wide range of activities including Manufacturing, Engineering, Steel, Heavy Machinery, Machine Tools, Minerals, Metals, Fertilizers, Drugs, Textiles,
Pharmaceuticals, Petro-chemicals, extraction and refining of crude oil; services such as Telecommunication, Trading, Tourism and Warehousing; and a range of consultancy services which further accelerated economic development in India (Dun & Bradstreet India, n.d.).

The importance of Public Sector Enterprises (PSEs) in Indian economy can never be over emphasized. As a consequence of the Government's decision to exploit more natural resources, earn foreign currency and to fulfill the domestic needs, the State Trading Corporation was established in 1956, as a wholly owned Government company, the purpose of which was to handle export and import of Minerals, Metals and allied products. National Minerals Development Corporation (NMDC), another mineral company that came into existence in 1958, primarily set up for the extraction, development and business of Minerals, Metals and Iron Ore. Further, the Government took another initiative by establishment of MMTC in 1963 with the interest of boosting agricultural and industrial development which was determined to earn foreign currency through export of canalized minerals and metals of which the country had huge deposits. Thereafter, another company, Minerals Exploration Limited (MECL), was established in 1973, meant for the systematic exploration of minerals and metals. Presently, a number of Public Sector Enterprises are engaged in the trade of Minerals and Metals at international as well as national level (Indian Chamber of Commerce and Deloitte & Touché Consulting India Pvt. Ltd, 2010).

In the post 1991 era, with declining revenues and widening budgetary gaps, the Government withdrew its budgetary support and increased a pressure on them to generate profits. While their social and other welfare benefits were taken for granted, PSEs were criticized for not producing adequate profits and for entering into fields like Tourism and Food Supplies. This was partly the result of the global movement towards privatization. Somewhere down the lane, the Government lost clarity in its role of governance, as investor, regulator and business manager. The Government paid little heed to constitution of board of directors and hardly empowered them. There are a large number of private sector units today, where ownership rests with Government owned financial institutions. These companies are not hampered by bureaucratic control and therefore are able to perform much better. Many Central PSEs are already global players matching the best global firms in their field of operations. One of the important reasons for excellent performances of Central PSEs in the post liberalization period is the empowerment of the boards of such profit
making Central PSEs by the Government. Consequently, such PSEs have been able to effectively use this autonomy to enhance their performance and operate on commercial lines (Gupta, 2012).

In India, Public Sector primarily constitutes corporate bodies in which 51 per cent or more equity is held by the government which is created under the special acts of legislature or registered under the Companies Act, 1956 (IIFT, 2006). They account for over 22 per cent of country’s GDP, around 6 per cent of the total employment in the organized sector and over 20 per cent of direct and indirect tax collections. A number of PSUs also serve critical functions of furthering the socio-economic objectives of the Government and ensuring stability in prices of key products and commodities (GOI, n.d.). There were 248 Public Sector Enterprises (PSEs) under the administrative control of various Ministries and Departments of Indian Government as on 31st March 2011. Out of these, 220 were in operation and 28 were under construction. While there were only five CPSEs with a total investment of Rs. 29 crore at the time of the First Five Year Plan (1951-56), there were as many as 248 CPSEs with a total investment of Rs. 6,66,848 crore as on 31st March, 2011 (Ghouse et al., n.d.).

3.2.1. Key Highlights of Public Sector Enterprises (PSEs)

- As on Mar 31, 2012, there were 260 PSEs, out of which 225 were operating Central Public Sector Enterprises (CPSEs) and 35 CPSEs were yet to commence commercial operations.

- The number of profit making PSEs increased from 143 CPSEs in 2004-05 to 160 CPSEs in 2007-08 and stood at 161 PSEs in 2011-12 with a total profit of Rs. 1,251.2 billion.

- The share of ‘gross value addition’ in PSEs to GDP stood at 5.67 per cent in 2011-12 against 5.44 per cent in 2010-11.

- The dividend declared by PSEs for 2011-12 stood at Rs. 426.3 billion, registering a 19.4 per cent year over year growth as compared to Rs. 357 billion in 2010-11.

- As on Feb 2013, out of 260 PSEs, there are 7 Maharatna PSEs, 14 Navratna PSEs, 53 Miniratna – Category I PSEs and 16 Miniratna – Category II CPSEs. (Dun & Bradstreet, India, n.d.)
3.3. Role of Public Sector Enterprises in Indian Economy

The Public Sector is considered as a powerful engine of economic development. At the time of Independence, it was expected that the Public Sector Enterprises would play an important role in achieving certain goals, either by direct participation in business or by acting as a catalyst. The purpose behind the establishment of Public Sector Enterprises was to promote rapid economic development through creation and expansion of infrastructure, generate financial resources, promote redistribution of income and wealth, create employment opportunities and to promote export on one side and import substitution on the other. Over the years, the Public Sector Enterprises contributed immensely to the overall socio-economic development of the nation, especially Mineral Trading Sector Enterprises, which played vital role in optimal utilization of natural resources, export promotion and foreign exchange earnings, import substitution, research and development, fulfillment of domestic needs of various allied sectors and maximizing the rate of economic growth of the nation. In the post 1990s period, the new economic policies emphasized liberalization, privatization and globalization. As a result, the role of public sector was redefined and some of them were made accountable for losses and return on investment (GOI, n.d.).

In addition to the above, the Public Sector has played an important role in the achievement of constitutional goals like reducing concentration of economic power in private hands, increasing public control over the national economy, creating a socialistic pattern of society etc. The Public Sector is less concerned with making profits and more with social and economic welfare. Hence, they play a key role in nation building activities, which drives the economy in the right direction. PSEs provide leverage to the Government to intervene in economy directly or indirectly so as to achieve the desired socio-economic objectives and maximize long-term goals.

3.4. Trading Sector of Minerals and Metals in India

Trade is an indispensable means for sustaining the economic growth and development of a nation. Minerals and Metals sector have always been in the forefront of a nation’s economy and India is no exception. The Indian subcontinent is endowed with a rich variety and availability of natural mineral wealth. Although, geological surveys were first conducted in the 1840s and at the beginning of the 1990s, only 50 per cent of India’s total land area had been explored for minerals. India possesses ample Coal and
Iron reserves, together with significant quantities of Bauxite, Gold, Ilmenite, Manganese Ore and Mica. But production levels of Cobalt, Copper, Graphite, Lead, Mercury, Nickel, Sulfur, Petroleum and Zinc fall well short of domestic needs. Moreover, the exploration, removal and business of mineral resources such as Iron Ore and Bauxite necessitate a high level of financial investment and technological expertise. After independence, the Government decided to leave mining of scarce mineral resources to the Public rather than private sector; although India's National Mineral Policy clearly states that it does not 'preclude the State from securing cooperation of private enterprise in the larger interest of the State or with a view to accelerating the pace of development' (International Directory of Company Histories, 1991). Thus, the Indian Government made efforts to boost agricultural and industrial development, determined to earn valuable foreign currency through the export of canalized bulk Mineral Ores. As a direct result of the Government's decision to try and earn larger amounts of foreign currency, the State Trading Corporation (STC) of India Ltd. was formed in 1956, as a wholly owned Government subsidiary to manage export and import of selected commodities.

However, the need for a specialized institution, which could have handled the complexities of mining, transporting, and exporting large amounts of Mineral Ores, became increasingly apparent and in 1963 the MMTC was established specifically to trade for Minerals and Metals and in particular, Iron Ore which it began to purchase from National Minerals Development Corporation (NMDC) and other public and private sector mining companies. Gradually the MMTC diversified into new areas over the years for gaining responsibility in importing nonferrous metals, fertilizers and fertilizer raw materials. But in 1963, the MMTC's primary responsibility was found to oversee iron ore export which formerly was the responsibility of the State Trading Corporation of India.

India is one of the few countries in the world that possesses sufficient quantities of high-quality iron ore both to meet its domestic needs and to export in large amounts. The subcontinent export almost 60 per cent of its iron ore production every year. Japan is the major purchaser and other importers include China, Czechoslovakia, Germany, Hungary, Iran, Kenya, Romania, South Korea, the United Arab Emirates, and Yugoslavia (International Directory of Company Histories, 1991). Public Sector Undertakings (PSUs) under the Department of Commerce (DoC) serve as effective instruments of public policy. They serve as the trading arm of the
Government to augment supplies of essential commodities and to exercise a moderating influence on prices. Presently, numbers of Public Sector Enterprises are engaged in trade of different commodities, with profit centers notably in Minerals and Metals, Agro-products, Coal and Hydrocarbons, Fertilizers, Bullion, Engineering products and equipment etc. Earlier, canalized trade was the mainstay of these Public Sector Undertakings. Now, the export of Iron-ore, Manganese ore and Chrome ore are canalized through MMTC which has been a traditional exporter of iron ore to Japanese South Korean and Chinese Steel Mills through Long Term Agreements (LTAs). With trade liberalization, the scope of canalization has been reduced and the role of PSUs today is more reoriented towards emergence as international trading houses which are capable of operating in a competitive global environment (Ministry of Commerce & Industry, n.d.). Apart from MMTC, many other Public Sector Enterprises such as NMDC, MECL, and GMDC etc that have been established to accelerate the economic development through extraction, development, export and import of Minerals, Metals and other allied products besides, fulfilling domestic needs of the nation. Subsequently, some more players entered in the scene that undoubtedly were elements of boosting economical development of the nation and earn valuable foreign currency.

3.5. Major Players of Minerals and Metals Trading Sector in India

There are number of Public Sector Enterprises in India which are engaged in the business of Minerals, Metals, Agro Products, Iron Ore and Fertilizers, Gems and Jewellery and other allied products. State Trading Corporation (STC), National Minerals Development Corporation (NMDC), Minerals Explorations Corporation Limited (MECL), Minerals and Metals Trading Corporation (MMTC) and Gujarat Mineral Development Corporation (GMDC) are the major enterprises of this sector.

- State Trading Corporation of India Ltd.
- National Minerals Development Corporation
- Mineral Exploration Corporation Limited
- Gujarat Mineral Development Corporation
- Minerals and Metals Trading Corporation of India Ltd.
3.5.1. State Trading Corporation (STC) of India Ltd
State Trading Corporation (STC) of India Ltd. was established in 1956 as an international trading company of Indian Government. It has developed vast expertise in handling the bulk of international trade. The company is involved in export, import and domestic trade in a range of products, both agricultural and non-agricultural commodities. STC Ltd. exports Food Grain, Castor Oil, Coffee, Cashew and Tea and import Bullion, Vanaspati and Edible Oils, Pulses, hydro-carbons, metals and minerals and fertilizers. It plays an important role in arranging import of essential items and developing export of a large number of items from India. It exports a large number of items ranging from agricultural commodities to manufactured products from India to all over the world. The company has one subsidiary i.e. Spice Trading Corporation of India Ltd (STCL Ltd). During the early years, the company dealt with the East European countries, but now it used to trade with almost all the countries of the world (State Trading Corporation, n.d.).

3.5.2. National Mineral Development Corporation (NMDC) Ltd
National Mineral Development Corporation (NMDC) is a fully owned company of Indian Government. It was incorporated in 1958. Since inception, it is engaged in the
exploration of a wide range of minerals including iron ore, copper, rock phosphate, lime stone, dolomite, gypsum, bentonite, magnesite, diamond, tin, tungsten, graphite, beach sands etc. Through the mining and business activities of natural resources, it has made valuable and substantial contribution to national efforts in mineral sector in the last five decades and has been accorded the status of schedule - A Public Sector Company. In recognition of the growing status of the company and with its consistent excellent performance, the company has been categorized by the Department of Public Enterprises as ‘Navratna’ Public Sector Enterprises in 2008 (NMDC, n.d.).

3.5.3. Mineral Exploration Corporation Limited (MECL)

Incorporated in 1972, Mineral Exploration Corporation Limited is an autonomous Public Sector Company, under the administrative control of Ministry of Mines, Government of India for systematic exploration of minerals, to bridge the gap between initial identification of a prospect and its eventual exploitation. MECL has been entrusted with the mission of providing high quality, cost effective and time bound geo-scientific services for exploration and exploitation of minerals (MECL, n.d.).

3.5.4. Gujarat Mineral Development Corporation (GMDC) Ltd

Gujarat Mineral Development Corporation (GMDC) Ltd. was incorporated in 1963 to develop mineral resources. It was originally started with a small silica sand quarrying plant to crush and screen the silica required for glass manufacturing. In 1971, a plant was commissioned to process 500 MT of fluor spar ore and to produce calcium fluoride which is used for the manufacture of Hydro Fluoric acid and as flux in metallurgical industries. In 1988-89, it went ahead with expansion plans by deploying continuous mines systems of Bucket Wheel Excavators at a total cost of 100 crore to develop the first lignite mine with advanced technological mining method (GMDC, n.d.).

3.6. Minerals & Metals Trading Corporation (MMTC) of India Ltd

Minerals & Metals Trading Corporation (MMTC) of India Ltd is an international trading company of Indian Government. The primary activities of the company are to export Minerals and import Metals. The trade network of the company spans almost all over the world including a wholly owned subsidiary in Singapore. It is the largest foreign trading company in India and has been in existence for almost five decades. It
has always strived to outperform its own past records. Exploring opportunities with a passion and zeal to excel has placed the company at the pinnacle of glory.

3.6.1. Evolution and Growth

MMTC Ltd. was incorporated in 1963 primarily to regulate the international trade of Minerals and Metals, with an initial capital of Rs. 3 crore. The company was incorporated and domiciled in India and a Mini Ratna Public Sector Undertaking under the administrative control of Ministry of Commerce and Industry, Government of India. The head office of the company is in Delhi and it has 13 regional offices at various places in India and a wholly owned subsidiary – MMTC-MITPL in Singapore. The principal activities of the company are export of minerals and import of precious metals, non ferrous metals, fertilizers, agro products, coal and hydrocarbon etc. Trade activities of the company span various countries in Asia, Europe, Africa, Middle East, Latin America and North America (MMTC, n.d.).

In 1950s, an effort was made to boost agricultural and industrial development. The Indian Government decided to earn valuable foreign currency through export of canalized bulk mineral ores. As a direct result of the Government's decision to try and earn larger amounts of foreign currency, the State Trading Corporation of India Ltd. was founded in 1956 as a wholly owned Government subsidiary. Thus, MMTC gradually took over from STC, the responsibility of importing nonferrous metals, fertilizers, and fertilizer raw materials. During the first full year of operations in 1964-65, the company achieved a turnover of Rs. 67.79 crores and a net profit of Rs. 1.71 crores. Over the years, the Company performed according to expectations of stakeholders and thus grew as one of the leading and well performing company of India leading to a nascent company getting molded into a trading giant with an equity of Rs. 100 crore, reserves exceeding Rs. 1241 crores and turnover touching a figure of Rs. 28598 crore in 2012-13. The Company has unique record of uninterrupted profit and dividend payment since last 43 years (Joshi, 2012).

India possesses sufficient reserves of high quality Iron Ore both to meet its domestic needs and to export it in large amounts. It exports almost 60 per cent of its iron ore production every year. MMTC has grown to become country's single largest currency earner. Japan is the major purchaser, and other importers include China, Czechoslovakia, Germany, Hungary, Iran, Kenya, Romania, South Korea, the United Arab Emirates, and Yugoslavia. MMTC started its activities through the export of iron ore in 1963, other minerals soon joined, export of manganese in 1965, coal in
1971, mica in 1972, barytes in 1976 and chrome ore in 1978. For a short period between 1974 and 1975, at the insistence of the government of India, the MMTC also handled export of ferromanganese, ferrosilicon and ferrochrome, before these were passed on to other agencies. In 1970, import of finished fertilizers from Eastern European countries began to be channeled through the MMTC. Moreover, the MMTC also assumed increasing responsibility for importing nonferrous metals like palladium (1970), platinum (1970), aluminum (1971), zinc (1971), lead (1971), nickel (1971), tin (1972), and copper (1972). But, in the case of export, the Indian Government's policy on canalization decreed that import of certain other metals were channeled only intermittently through the MMTC. The mid 1980s proved to be a significant turning point in the history of MMTC's development. Until 1983, it had acted merely as a conduit for import and export of key raw materials essential to the continued development of Indian agriculture and industry but burgeoning trade deficits and increasing foreign exchange difficulties led to a need for substantially increased export in order to earn desperately needed foreign currency. As a direct result of deepening balance of payments deficit, far-reaching strategic decisions were taken during 1983 and 1984 to turn the MMTC into a fully developed trading house. The launching of the government's seventh Five Year Economic Development Plan in 1985 saw the MMTC developing into the country's leading export house, a position it still holds in generating ever larger volumes of foreign exchange through its export. To facilitate this process, the company adopted an increasing number of innovative strategies such as link deals, countertrade and project export. By the end of the 1980s, the MMTC's stated intention was to be able to generate sufficient export earnings to offset almost completely its foreign exchange requirements for imported raw materials. In case of export and import, certain metals were channeled only intermittently through the MMTC. By the end of the 1980s, the MMTC’s stated intention was to generate sufficient export earning to balance its foreign exchange requirements for importing raw materials. In February 1990, it was decided to channel import of fertilizer intermediates such as ammonia and phosphoric acid through the MMTC. Its turnover accelerated from Rs. 68 crore in 1964-65 to Rs. 509.7 crore in 1989-90. Almost every part of India’s economy related to foreign trade was covered by MMTC Ltd. during the last decade of 19th century (MMTC, 1992).
MMTC is one of the two highest foreign exchange earners and the largest public sector trading body of India. Apart from overseeing the export of primary products such as coal and iron ore, and manufactured agricultural and industrial products, it also imports much-needed commodities such as ferrous and nonferrous metals for industry, and agricultural fertilizers (Ministry of Commerce & Industry, 2004-05).

3.6.2. Trade Practices

The company exports various mineral products including iron ore, manganese ore, chrome ore, mud chemicals, barytes, bentonite, bauxite, talc, gypsum, feldspar, quartz, silica sand, garnet sand, kaolin, and vermiculite primarily to Japan, South Korea, China, and the Middle East. It is also involved in export, import and retail trade of precious metals, including gold, silver, platinum, palladium, rough diamonds, rubies, emeralds, and other semi-precious stones and operation of jewelry showrooms and sterling silverware showrooms under the Sanchi brand. In addition, the company imports and sells finished fertilizers, such as urea, di-ammonium phosphate, and muriate of potash and fertilizer raw materials and intermediates comprising sulphur, rock phosphate, phosphoric acid, and ammonia. Further, it imports and exports non-ferrous metals, including copper, aluminum, zinc ingots, lead ingots, tin, and nickel; minor metals consisting of antimony, silicon, magnesium, and mercury; industrial raw materials, noble metals, and ferro alloys and pig iron, slag, steel scrap, hot rolled coils, and steel items. Additionally, the company trades in various agro products, such as wheat, rice, maize, soya bean meal, sugar, edible oil, pulses, wheat flour, processed foods and plantation products, including tea, coffee, and jute, as well as engages in oilseed extraction and production of edible oil. It also engages in trading coal and hydrocarbon products, including non-coking, coking coal, Naphtha, LAM coke, furnace oil, and bitumen; and various other products, such as chemicals, drugs, pharmaceuticals, timber, textiles, wool, cotton, mulberry raw silk, marine products, building materials, and engineering products (MMTC, 2013).

3.6.3. Mission and Objectives

As the largest trading company of India and a major trading company of Asia, MMTC aims at improving its position further by achieving sustainable and viable growth rate through excellence in all its activities, generating optimum profits through total satisfaction of shareholders, customers, suppliers, employees and society. The objectives of the company are as under:
• To be a leading International Trading House in India operating in the competitive global trading environment, with a focus on bulk as core competency and to improve returns on capital employed.

• To retain the position of single largest trader in the country for product lines like Minerals, Metals and Precious Metals.

• To render high quality of service to all categories of customers with professionalism and efficiency.

• To provide support services to medium and small scale enterprises.

• To streamline system within the company for settlement of commercial disputes.

• To promote development of trade-related infrastructure (MMTC Ltd. AR – 2011-12).

3.6.4. Activities

MMTC is a State owned international trading company with a wide spectrum of activities. From international marketing trade finance distribution and infrastructure development, its interests cover every part of the national economy. The activities of this company include:

• Export of primary and manufactured products.

• Import of industrial commodities like ferrous, non-ferrous metals, fertilizers and fertilizer raw materials.

• Third country trading and counter trade.

• Domestic trade in bulk raw material.

• Playing a role as an agent and representative for domestic producers in international markets.

• It also provides trade services i.e. insurance, shipping, financing, transportation and warehousing to Indian exporters.

• Investments in joint ventures in mining transportation, manufacturing, trading and infrastructure development activities.
Figure – 3.2 Trade Items of MMTC Ltd

Source: Annual Reports of MMTC Ltd. from 1991-92 to 2012-13 and its website i.e. http://mmtilimited.gov.in
3.6.5. Role of MMTC Ltd in Indian Economy

MMTC has been continuously leading globally in mineral export since last four decades. It is the largest supplier of Iron Ore, handling about 15 per cent of India’s total export. MMTC has managed its bulk operations spread across far flung areas in the mineral rich states of the country and by exporting minerals from all the major ports of India to international markets. Its drive for excellence is reinforced by its marketing thrust in traditional markets like Japan, South Korea, and Pakistan. MMTC is the catalyst in developing the Chinese market for Indian Iron Ore. MMTC works continuously to augment India’s share in global market for minerals and ores. It has been consistently striving to enhance its competitiveness in the area of value addition. It has set up a crushing and screening plant at Banehatti in Bellary Hospet Sector which is aimed at not only having a higher value realization in the international market but also to compete with international suppliers in markets like Japan and South Korea. The company has also taken an initiative to import capital equipments required for modernizing mining activities in the country to promote export of minerals. MMTC is in constant dialogue with various Ministries, Railways and Ports as well as with the exporters to assess development potential for comprehensive infrastructure requirements for larger volume of export (MMTC nd.).

MMTC is an authorized agency of the Government of India for import of gold, silver, platinum, palladium, uncut diamonds, emeralds, rubies and other semi-precious stones and supplies these items to jewellers in India for domestic sale and export. In 1999, the company launched sale of Sterling Silverware of 92.5 per cent purity under the brand name SANCHI in domestic market. Plans are afoot to launch this range of SANCHI silverware for export as well. It has remained one of the largest institutional buyers of fertilizers across the globe. It has been successful in building confidence both amongst its suppliers as well as the buyers in India and abroad through its transparent dealings and commitment. Thus, MMTC remains the single unique window for buying and selling of all fertilizer products globally (MMTC. nd.).

The non-cooking and Steam coal is identified as a thrust product for import. It is also considered as one of the biggest International bulk traders in the country. It has been successful in organizing supplies of coking coal, non-cooking (steam) coal, low ash metallurgical coke, Naphtha etc. MMTC is catering to the requirements of various customers, inclusive of State Electricity Boards and Power Utilities. It is one of the largest importers of Low Ash Metallurgical (LAM) Coke in India. LAM Coke is
imported by MMTC for various customers like Neelachal Ispat Nigam Ltd. (NINL), Steel Authority of India (SAIL), Rashtriya Ispat Nigam Ltd. (RINL), Kudremukh Iron Ore Company Limited (KIOCL) and Industrial Development Corporation Orissa Ltd. (IDCOL) etc.

It is also a global player in the agro trade with its comprehensive infrastructural expertise to handle agro products. It provides full logistic support from procurement, quality control to guaranteed timely deliveries of agro products to its customers from different parts of India through a wide network of regional and port offices in India and its contacts abroad. MMTC Ltd. is the premier bullion trader of India. The precious metals division has consistently contributed to the total turnover of the company. It helps in promoting export from India by holding exclusive foreign exhibitions of gold and gold jewellery at chosen overseas locations.

3.6.6. Present Position and Strategic Initiative

Today MMTC is the largest International Trading Company of India. It is also the largest exporter of Minerals from India bagging CAPEXIL award consecutively for the last twenty years. MMTC is also the single largest importer and supplier of Bullion and Non-ferrous Metals in the country and a leading international trader of Agro, Fertilizers, Coal and Hydrocarbons. It has a wide presence throughout the country with offices, warehouses, port offices and retail outlets. For global operator it has also Subsidiary in Singapore (MTPL) holds prestigious ‘Global Trader Programme’ (GTP) status. (MMTC AR, 2008-09 to 2012-13) The current strategic initiatives taken by the company are as follows:

- Opening a London Metal Exchange Warehouse in India.
- Setting up gold and silver medallion manufacturing unit as joint venture with international partner.
- Set-up chain of retail stores in different cities of India for sale of medallions, jewellery and SANCHI silverware.
- Setting up of permanent iron ore loading berth at Ennore as joint venture.
- Setting up free trade and warehousing zones along with JV partner.
- Exploration of coal block allotted to the company.
- Developing SEZ for jewellery along with JV partner being explored.
- Set up a Commodity Exchange jointly with India-bulls.
- Developing port jetty in Paradip with a consortium. (MMTC Ltd. AR — 2012-13)
3.6.7. Financial Highlights

MMTC Ltd is an international trading company of India. The company is engaged in export and import of minerals, metals, fertilizers, agro products, coal and hydrocarbon. According to the corporate mission of MMTC, it is the largest trading company of India and a major trading company of Asia. MMTC aims at improving its position further by achieving sustainable and viable growth rate through excellence in all its activities, generating optimum profits through total satisfaction of shareholders, customers, suppliers, employees and society. Some of the major activities indicating the financial highlights of MMTC have been given as follows:

**Graph 3.1 Trends in Sales of MMTC Ltd.**

(Rs. in Crore)


Graph 3.1 demonstrates the sale trends of MMTC Ltd. from 1991-92 to 2012-13. The growth in sales was more or less constant for the first decade of the study (1991-92 to 2001-02) as shown by the above figure. The sales were at Rs. 5122 crore in 1992-93 and Rs. 5302 crore in the year 2000-01 which reveals that sales of the company were more or less stagnant during this period. However, there was a robust growth in the sales in following decade of the study where the sale rises from Rs. 7244 crore in 2001-02 to Rs. 69056 crore in 2010-11. However, the last year of the study experienced a sharp decline in the sales which dropped to Rs. 28598 crore. The reason for this decline may be due to the focus of the company on the expansion of its branches in South India and lack of attention paid to the sales volume.
MMTC Ltd experienced stagnant growth of gross profit as shown by the graph 3.2, whereas the growth stood at Rs. 133 crore in 1992-93 and it was marginally higher in 2000-01. However in the next decade of this study period, the company booked a comparatively higher profit in the growth where it rose from Rs. 126 crore in 2001-02 to Rs. 430 crore in 2007-08. Though, there is a decline in the profit thereafter which deteriorated to 129 crore in 2012-13. The reason for declining profit is a decline in the sales volume and thin profit margins.

Graph 3.3 Trends in Shareholder’s Fund of MMTC Ltd

The above graph shows the position of shareholders’ fund of MMTC Ltd. from 1991-92 to 2012-13. Net worth of MMTC expressed by the shareholders’ fund noticed insignificant growth in the first decade and it has risen marginally from Rs. 504 crore in 1992-93 to Rs. 586 crore in the 2000-01. In the following years, the profitability of the company along with sales volume improved thereby leading to the growth in shareholders fund. As portrayed in the graph 3.3, the net worth of the company improved continuously from Rs. 620 crore in 2001-02 to Rs. 1421 crore in the year 2011-12.

**Graph 3.4 Trends in Export of MMTC Ltd.**

(Rs. in Crore)

![Graph 3.4 Trends in Export of MMTC Ltd.](image)


The graph 3.4 shows the trend of export by MMTC from 1991-92 to 2012-13. From the graph it can be seen that export of the company declined gradually from Rs. 1787 crore in 1991-92 to Rs. 1154 crore in 1999-2000. However in the next decade, the export increased in absolute terms till 2008-09, when it was Rs. 4576 crore. The subsequent four years witnessed export of the company declining in absolute terms and standing at Rs. 2980 crore in 2012-13. The decline is also seen as a percentage figure of total trade. It is therefore noticed that company failed to keep pace with export as compared to the import and could be the reason that it failed to manage its margin.
Graph 3.5 Trends in Import of MMTC Ltd

(Rs. in Crore)


Graph 3.5 highlights the trends of import of MMTC Ltd. from 1991-92 to 2012-13. The import of the company was more or less stagnant in the first decade of the study. However, with the inception of second decade, there is an unprecedented surge in the import figure which rose from Rs. 3641 crore in 2000-01 to Rs 63301 crore in 2010-11, which is almost a twenty fold increase during the decade. The company managed to control its import in the last year of the study when its import fell from Rs. 61042 crore in 2011-12 to Rs. 20954 crore in 2012-13. However this fall is due to the compromise made by the company in trade volumes. It reveals that the import of the corporation is growing rapidly at a very high speed.
Graph 3.6 shows the trend of domestic trade of MMTC Ltd. Domestic trade of the company experienced a stagnant face throughout the first decade of the study. It was only after 2002-03 when the company’s domestic trade share registered a significant growth and increased up to Rs 1932 crore by the end of second decade of the study. The recent trend shows that company is now focusing on domestic operations and there is a sharp rise in its domestic trade in the last three years from Rs. 1860 crore to Rs. 4482 crore in 2012-13 which is more than 200 per cent. The above analysis indicates towards rising interest of the company in expanding its domestic operations and this is why when export and import of the company declined in the last year of the study, domestic trade share showed a sharp increase.

3.6.8. Subsidiaries

3.6.8.1. MMTC Transnational Pte Limited (MTPL)

MMTC Transnational Pte. Ltd. (MTPL) was incorporated in 1994 as a subsidiary of MMTC Ltd in Singapore with a share capital of USD 1 million. MTPL has successfully consolidated and diversified in various business activities which encompass minerals, metals, steel and pig iron, fertilizers and fertilizer raw materials, coal and coke, building materials like cement and clinker, ferro alloys, industrial raw materials, chemicals, agro products, edible oil, engineering products, bullion etc. Third country trading is another area where MTPL is able to generate new business opportunities. MMTC took strategic initiative a decade back to set up MTPL as a
window in south eastern countries to pay them rich dividends. In April 2000, MTPL received prestigious Approved International Trader (AIT) status. The status endorsed MTPL performance as international trader as well as its contribution to Singapore's economy, and served to enhance its stature and competitiveness in the global trading arena (MMTC, n.d.).

3.6.8.2. Neelachal Ispat Nigam Ltd. (NINL)

MMTC Ltd. set up Neelachal Ispat Nigam Limited (NINL), an iron and steel plant jointly with the Government of Odisha. The company is engaged in business of pig iron and coke along with nut coke, coke breeze, crude tar, ammonium sulphate and granulated slag. NINL has become India's largest producer and exporter of saleable pig iron. Due to super quality and rigorous marketing efforts of MMTC, pig iron produced by NINL, established its acceptance in domestic as well as in international markets. Company is widely catering demands of eastern, central and northern regions of India for Pig iron apart from export. Similarly the coke produced by NINL is of high quality and is being supplied to the major Public Sector Enterprises in India.

Over the years, MMTC has become acknowledged market leader in facilitating export of Iron Ore and a largest exporter of minerals and ores, handling about one third of India's total export of around 15 million tons per annum. Neelachal Ispat Nigam Limited (NINL) form part of MMTC's strategic initiative of creating synergy between its minerals and metal trading activities (MMTC). Neelachal Ispat Nigam Ltd represents major investment by MMTC for enhancing export and increasing domestic trading activities and at the same time realizing greater value addition for Orissa's vast mineral wealth. Besides this, MMTC is doing business as the exclusive marketing agent and uses its strength and presence in global markets to promote marketing of all of NINLs products in India and abroad.

3.6.9. Corporate Governance

Corporate Governance involves a set of relationship amongst the company's management, its board of directors, its shareholders, its auditors and other stakeholders. These relationships involve various rules and incentives provide the structure through which the objectives as well as monitoring performance are determined (NFCG, 2004). MMTC is fully committed in promoting and strengthening the principles of sound corporate governance norms through adherence of highest standards of transparency, trust and integrity, performance orientation, responsibility and accountability, professionalism, social responsiveness, ethical business practices
and commitment to the organization as a self discipline code for sustainable enrichment of value for stakeholders which include investors, directors, employees, suppliers, customers or the community in general (Annual Reports, MMTC, 2002-03 to 2012-13).

3.6.10. Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of workforce and their families as well as of the local community and society at large. MMTC has been a constructive partner in the communities and has operated since its inception in 1963, embracing responsibility and encouraging a positive impact on the environment, communities, stakeholders and the society. The CSR activities of MMTC are aligned to the CSR guidelines laid down by the Department of Public Enterprises and the ‘Millennium Development Goals’ laid down by the Government of India. During 2011-12, Rs. 3 crore was spent by MMTC on CSR.

MMTC has been a responsible corporate to citizen, responding through resources and manpower in times of need. Corporate Social Responsibility (CSR) was adopted as a Corporate Policy in the year 2006-07 with specific guidelines. The main focus of the policy is education, health care, promotion of art and culture and community activities including relief in times of natural calamities. The CSR Policy was subsequently aligned to the CSR Guidelines laid down by the Department of Public Enterprises in 2009-10. In addition, corporation also contributed towards promotion of sports, art and culture.

Social and welfare activities of MMTC also promote welfare of employees through various schemes like sports activities, liberal loan facilities, house building advance, conveyance loan, house hold loan, marriage advance, etc. It also provides subsidized canteen facilities, medical treatment and residential accommodation in some of the major cities for its employees. MMTC also takes care of employees' families through merit scholarship, tuition fee reimbursement etc.

This chapter includes the origin and subsequent development of Public Sector Enterprises and Minerals and Metals Trading sector of India in the light of its historical background. The chapter also emphasizes on the major players engaged in minerals and metals business in India at international as well as national level. It concluded with the detailed discussion of Minerals and Metals Trading Corporation (MMTC) Ltd. and its subsidiaries as well as trade practices adopted by the
corporation, Corporate Governance and Corporate Social Responsibility (CSR) of the
company. In the next chapter, methodology for financial performance evaluation is
applied to find out the results and financial performance of MMTC Ltd with the use
of statistical tools.

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