Chapter – 3

BIRTH AND DEVELOPMENT OF MMTC

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3.1 Introduction

The Ministry of Commerce is a primary government agency responsible for promotion of the country's external trade, including commercial relations with other countries, State trading, various trade promotional measures as well as development and regulation of certain export-oriented industries. The Department of Commerce and Industry was set up in 1905, dealing with subjects covered by the Department. Later in 1921, the Government of India created a separate Department of Commerce. In the post independence period, the Department of Commerce was re-designated as the Ministry of Commerce and was clubbed with the Ministry of Industries and Supplies. Earlier the Ministry had two Departments, namely, the Department of Commerce and the Department of Textiles, but now a separate Ministry of Textiles has been set up which provides an exclusive attention to the export development of country's vital textile sector. Accordingly, now the Ministry of Commerce need not take care of too many industries and export sectors.¹

The Government of India has set up a number of institutions to help exporters in the country and to promote export under the overall control of the Department of

Commerce, Ministry of Commerce. These institutions fall under the framework as shown below in Chart 3.1:

**CHART 3.1**

**Institutional framework by Government of India**

1. Department of Commerce (Ministry of Commerce)
2. Consultative and Deliberative Body
3. Board of Trade
4. Commodity Organisation
5. Service Institutions
6. State Trading Organisations
7. State Level Agencies

At the topmost level is the Department of Commerce. A Secretary, four additional secretaries, ten joint secretaries, level officers and a number of other senior officers assisting the secretary head the Department of Commerce, in the Ministry of

Commerce and Industry. This is the chief government agency, responsible for the evolution, direction of the various foreign trade (Import and Export) policies and promotion and regulation of the foreign trade of the country. Its responsibilities also extend to matters like multilateral and bilateral commercial relations, state trading, export promotion measures and development and regulation of certain export oriented industries and commodities.

The principal functional divisions of the Department of Commerce are:

1. International Trade Policy Division,
2. Foreign Trade Territorial Division,
3. Export Industries and Production Division,
4. Economic Division,
5. Administrative and General Division,
6. Finance Division,
7. Trade Policy Division,
8. Export Products Division,
9. Export services division,
10. Supply Division.

The Department has the following Attached and Subordinate Offices:

Attached Offices:

1. Directorate General of Foreign Trade
2. Directorate General of Supplies and Disposal
Subordinate Offices:

1. Directorate General of Commercial Intelligence and Statistics, Kolkata.
2. Export Processing Zones/Special Economic Zones.
4. Pay and Accounts Office (Supply side).
5. Pay and Accounts Office (Commerce and Textiles).

At the second tier, the Consultative and Deliberative Organisations ensures that exporter’s problems are effectively dealt with, after mutual consultations between the government and the industry. The main advantage of such organizations is that the advice of the industry and trade can be used by the Government of India in the formulation and implementation of its various export promotion activities. These institutions are:

1. Committee of Secretaries
2. Coordination Committees of different Ministries
3. Export Services Coordination Committee

At the third tier, there is Board of Trade chaired by the Commerce Minister. The purpose is to:

- advise the government on policy measures for preparation and implementation of both short and long term plans for increasing exports in the light of emerging national and international economic scenario, and
review the export performance of various sectors, suggestions and measures to be taken both by Government, Industry and Trade, consistent with the need to maximize export earnings and restrict imports.

At the fourth tier, are the specific Commodity Organizations, which deal with the problems of individual commodities. They include:

1. Export Promotion Councils
2. Commodity Boards. They include:
   a) Handicrafts,
   b) Handlooms,
   c) Silk,
   d) Power loom coir,
   e) Rubber,
   f) Coffee,
   g) Tobacco,
   h) Tea and
   i) Spices.

4. Agricultural and Processed Food Products Export Development Authority, New Delhi.

At the fifth tier, there are Service Organizations, which facilitate and assist the exporters to expand and diversify their efforts and enter into the world markets
more effectively. The principal areas of active involvement of these institutions are
development of export management, personnel, marketing research, trade fairs and
exhibitions, collection and dissemination of market information, pre-shipment
inspection, quality control, development of packaging, etc. Following are some such
principal institutions:

1. Indian Institute of Foreign Trade, New Delhi.

2. Trade Development Authority

3. Indian Institute of Packaging, Mumbai.

4. Trade Fair Authority of India

5. Federation of Indian Export Organisation, New Delhi.

6. Directorate General of Commercial Intelligence and Statistics

7. Export Inspection Council


9. Export Credit and Guarantee Corporation of India

10. Export-Import Bank of India

At the sixth tier, are the State Trading Organisations, which deal with specific
commodities of imports and exports, and supplements the efforts of the private sector
enterprises in the field of export promotion and import management. This division
looks after the concerning State trading and evaluate the performance of STC and its
subsidiaries. The following trading/service corporations function under the
administrative control of the Department of Commerce:

1. The Mica Trading Corporation

2. State Trading Corporation of India Ltd.

3. The Tea Trading Corporation of India
4. The Handlooms and Handicrafts Exports Corporation of India Ltd.

5. The Cashew Corporation of India Ltd.

6. The Projects and Equipment Corporation of India Ltd.

7. Central Cottage Industries Corporation

8. The State Chemicals and Pharmaceuticals Corporation of India Ltd.


10. Export Credit Guarantee Corporation of India Ltd.

11. India Trade Promotion Organisation.

At the seventh tier, are the agencies for export promotion at the State level. The state governments participate in export efforts of the country. Some State Governments have created specific Departments of Commerce with a Minister in charge. Some other State Governments have set up Export Promotion Boards and Export Corporations for stimulating exports of items originating from their respective states. Liaison officers have also been appointed along with the Central Government Departments and Organisations. Some States under the chairmanship of the Chief Minister or the Industry Minister has established export Promotion Advisory Committees.³

3.2 Birth of State Trading Corporation

The State Trading Corporation of India Limited was established on 18th May 1956, as a joint stock company. The suggestion for establishing such an agency for

handling the export trade was first put forward during the war by the Indian Commercial Community itself.

The suggestion arose out of the fear that the operations of the United Kingdom Commercial Corporation in India would deprive the Indian Nationals of their export profits, as well as trade contracts. However, the suggestion was shelved because of a number of reasons.

The subject again cropped up during 1947-1948 when the countries were charging discriminatory prices to India for her import of food grains. The matter was examined, and the government decided to levy export duties on cloth, manganese, oilseeds and vegetable oils so as to mop up the wide margin between internal prices and export prices.⁴

In March 1949, Shri K.C. Neogy, the then Commerce Minister stated, that “the Government has resorted top State trading in some cases during the past few months”. He further stated that “We are anxious to examine the question of State trading on the basis of a State Trading Corporation with some details.”

Accordingly in October 1949, the Government of India, appointed a committee under the chairmanship of Dr. P.S. Deshmukh, a member of the parliament.

The assumption on which the committee started examining the issue was, “It is possible to devise a proper form of organization for State trading which would meet

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all the objections about the inability of the state to organize its trading operations on really commercial lines."

The committee recommended that though State trading was not desirable in all cases, the need for it was clearly indicated in certain others, for example, food grains, fertilizers for import and coal and cottage industries products for export. The committee also examined the question whether the organization should operate on a monopoly basis, or a competitive basis.

It was realized that the existing arrangements, for carrying on the commercial activities of the government, through administrative departments, have not worked satisfactorily and that they need to be replaced by a specialized organization as early as possible. The committee also stated the types of conditions, under which State trading for export and import could be undertaken without undue commercial risk.

The committee further recommended that the corporation should be an autonomous body and should have full autonomy in regard to its day-to-day administration. Finally, it emphasized that the constitution and functioning of the corporation should be on business principles; free from all trace and red tapeism and there should be right choice of people for conducting the affairs of the corporation.

Keeping in view the changing economic conditions in 1953, a three-man-select committee was appointed to review the above recommendations. This committee concluded that the present circumstances do not warrant the setting up of a State Trading Corporation to handle export and import of articles mentioned above. It
however, expressed the view, that “if a State Trading Corporation is formed, it would constitute an additional weapon in the armoury of the state to give effect to its economic powers in matters other than trade, even if its functions were otherwise limited”.

Having examined the pros and cons of the question the cabinet, late in November 1955, approved the proposal to establish the State Trading Corporation of India, and the State Trading Corporation of India (private) limited (STC) was registered on 18th May 1956 under the Indian Companies Act, 1956 as a Joint Stock Company. The word ‘private’ was eliminated from the name of the company with effect from the 6th April 1959. It was the first public sector organization, to participate directly in foreign trade.  

The State Trading Corporation plays an important role in the field of international trade. Its principal functions are:

a) To serve as an instrument of the Government’s foreign trade policy;

b) To undertake trade in commodities, entrusted to it, with state trading organizations of centrally planned economies;

c) To develop new markets for traditional items and develop exports of new products;

d) To undertake the import and/or internal distribution of scarce and other commodities; and

e) To undertake price support and buffer stock operations.

Over the years, STC has attained the status of being country's premier international trading house. It handles exports of almost anything from coffee to compressors, tobacco to textile machinery and roses to rolling stock. It imports wide range of products from raw materials to equipment for the business community of the country. It offers a wide range of services such as negotiating, contracting, financing, product development, market intelligence, quality control, shipment and settlement of trade disputes to the trade and industry. It plays a significant role of a pathfinder as well as a catalyst for the Indian industry in the world market. On behalf of the foreign buyers it is well equipped to assume complete responsibility of import requirements.

Apart from increasing foreign exchange earnings through exports, STC's operations have imparted stability to the industrial sector. It encourages industries to increase production and improve quality standards for being readily acceptable in the overseas markets. STC has already developed exports of many non-traditional commodities in the world markets.

Among the new techniques adopted by STC for promoting exports, the formation of joint marketing groups of the manufacturers of engineering equipments, drugs and pharmaceuticals, to bid for international business deserves special mention. Special trading arrangements including counter-trade are also entered into with reputed international trading houses to stimulate exports of difficult-to-sell products. Foreign exchange earned through this special effort is utilised to import scarce commodities thus avoiding the need to draw upon general foreign exchange of the country.
STC also provides assistance in the form of term loan, supply of imported plant and machinery as well as raw materials in order to generate greater production for exports. STC has created an Export Development Fund out of its profits for the development of export production for wide range of exportables. 

3.3 Birth of MMTC

In the early years State Trading Corporation focused on the import front and it was only later that the export of minerals and other items featured prominently in its operations. Keeping in view the fast growing trade and the effective role of STC in the development of country's economy it became unmanageable in the wake of long term plans envisaged for the furtherance of the exports from India and imports entrusted to its care. The government found it advisable to bifurcate the STC into two portions by forming a separate corporation named as "The Minerals and Metals Trading Corporation (MMTC) of India Ltd". This new corporation came into existence on 26th September 1963. It took over all the assets and liabilities pertaining to minerals and metals trade from the STC of India Ltd. and commenced its operations on 1st October 1963. Thus, in 1963, a small canalizing agency, The Minerals and Metals Trading Corporation was created under the Ministry of Commerce for export and import of Minerals and Metals. The company changed its name to MMTC LIMITED with effect from 18th March, 1993 to signify the whole

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8 P. N. Agarwala, loc. cit.
world of import and export connections and a changed dimension of business altogether.

The phenomenal increase in the activities of the STC and the difficulties encountered in boosting the exports of minerals especially iron ore and manganese ore necessitated the formation of a separate Corporation. MMTC was given the task of developing export of minerals in a specialized manner, well suited to the highly competitive and complex nature of world market in minerals and metals. It was also given the responsibility of importing a large number of scarce raw materials for distribution to the various end-users in the country.\(^9\)

MTC, a public sector broad based international trading company was formed with the purpose of turning India’s rich natural resources of minerals and metals into precious foreign exchange and ensuring adequate availability of critical primary inputs for industry and agriculture through imports.

International trade in almost all commodities was canalized through the two government-trading houses – STC and MMTC prior to liberalization in 1991-92. This resulted in assured volumes and guaranteed operating margins for the company. However, with the decanalisation of trade and entry of international trading houses in the Indian market, the monopoly position of these companies has been eliminated. With the end of monopoly status for the government owned trading corporations, the trading business became competitive and less remunerative for the public sector units.

After liberalization in June 1991, 14 out of 18 items canalized through MMTC were decanalised. The main items decanalised from MMTC were exports of coal, bauxite, iron-ore of Redi origin, iron-ore of Fe contents above 64 per cent and imports of non-ferrous metals, fertilizer raw materials and fertilizer intermediaries. This had a direct impact on MMTC's business, which dropped from Rs. 8200 cr. in 1991-92 to Rs. 3200 cr. in 1993-94. This necessitated a re-definition of business, re-engineering of the corporation and its type of fund.

Being the largest trading company, it acted as a canalizing agent for export promotion before economic liberalization. But after liberalization, because of decanalisation of most of the goods it diversified its business to non-canalized sector. It deals with export, import and domestic activities in minerals, biotech, agro-products, drugs/pharmaceuticals, agro-chemicals, leather, gold and studded jewellery, building materials, textiles, marine products, meat and meat products, mica and mica products (all are through exports), fertilizers, non-ferrous metals, industrial raw materials, bullion and precious gem stones, hydrocarbons/coal/coke (all are import activities). Domestic trade deals with all fertilizers, gold and studded jewellery, gold coins, silver, gold, gemstones etc.

MMTC, has accepted the economic and liberalization policies as a challenging opportunity for consolidating existing lines of business and moving into newer areas of diversification, joint ventures and manufacturing tie-ups, special trading arrangements, strategic alliances both nationally and internationally. Its progress in the recent past has taken it from monopoly status to a competitive open market player.
making a strong thrust towards broad-basing its sphere of activities, while consolidating its core area of business.

To create synergy between its manufacturing, trading and technology partners in India and abroad and to bring optimum flexibility, efficiency and expertise to its operations world wide, MMTC has selected six areas to set up joint ventures – minerals, metals, textiles, jewellery, marine products and agro products. Besides, the company is actively setting up projects in diverse sectors and is developing its trade related infrastructure.

It has identified a number of items of thrust areas for exports of non-canaltzed products, in addition to existing business line of fertilisers, minerals, metals, gems and jewellery. These thrust areas are in the fields of agro products, marine products, textiles, leather and chemicals. It is exploring possibilities for investments in these areas through joint ventures/own ventures manufacturing tie-ups etc.

MMTC deals with promotional activities through joint ventures like Kings International Ltd. (KIL), Suvarna Aqua Farms and Export Ltd. (SAFE), Visakha Aqua Farms Ltd. – IFBEL (Horticulture Farm) and Classic Mushrooms Ltd. – CML (Processed Foods Industry), Neelachal Ispat Nigam Ltd. (Iron and Steel), Konark Met Coke Ltd. (Met Coke) and Yarntex India Ltd. (Textiles/Garments).

All operations of MMTC are controlled through its corporate office at New Delhi. Besides it has twelve regional offices at Ahmedabad, Bangalore, Bellary, Bhubaneshwar, Calcutta, Chennai, Delhi, Goa, Hyderabad, Mumbai, Nalda and Vizag.
and 77 sub-regional/field offices throughout India. All trading operations are being
done through 13 ports at Calcutta, Chennai, Cochin, Goa, Haldia, Kandla, Karwar,
Belekeri, Mangalore, Mumbai, Paradeep, Redi and Vizag. The company's domestic
network comprises of 85 regional, sub-regional, port and field offices, warehouses
and distribution outlets, ably supported by strategically located offices abroad.
MMTC's international trade network spans over 80 countries in Asia, Europe, Africa,
Oceania and America giving MMTC a global market presence.

3.4 Corporate objectives of MMTC

MMTC has set its sight on making trade an even bigger tool for economic
development. Towards this end, it is guided by the following objectives:

1) To acquire a position of leadership in the trading community on the basis of
   excellence of performance

2) To undertake and carry on a growing export trade on profitable terms.

3) To undertake imports of goods at beneficial prices and ensure stable sources of
   supply.

4) To play its role in bringing about a favourable balance of payments position
   for this country.

5) To be an instrument of the trade policy of India.

6) To strengthen and widen import, transport and distribution bases.

7) To achieve a strong financial position.

8) To ensure adequate returns on capital employed.

9) To maintain an entrepreneurial environment.

10) To ensure continuous development of human resources.
11) To be ever conscious of its increasing social role.

12) To emerge as a leading International Trading House operating in the competitive global trading environment.

13) To serve as an effective instrument of public policy.

14) To evolve a responsive and participative style of management with emphasis on career planning to ensure efficient work culture.

15) To provide small scale and cottage sector support services for example; supply of raw material, marketing of their products etc.  

3.5 Organizational history of MMTC

MMTC came into existence in the year 1963. The historical review of the company ever since its inception is given below:

1963 MMTC separated from STC and incorporated as a Private Limited Company in the name of “Minerals and Metals Trading Corporation” on 26.9.1963 under the Companies Act, 1956. Government of India contributed an amount of Rs. 2 crores towards paid up capital. Export of Iron Ore and import of metals was entrusted to MMTC.

1965 Export of Manganese Ore and Ferro alloys was taken over by MMTC.

1966-67 An amount of Rs. 1 crore was further contributed by government of India towards the equity capital.

1969 Import of mercury was canalized.

1970 MMTC took over import of Sulphur and rock-phosphate and fertilizers from East European countries and import of stainless steel were canalized.

1971 Export of Coal was canalized, import of Steel items IRM-Flourspar and other minor ores were canalized.

1972 Export of Mica/Mica products was canalised, import of Asbestos was canalised and 20 per cent of Rough Diamonds import was entrusted to MMTC.

1972-73 Bonus shares amounting to Rs. 1.50 crores were issued to government of India.

1974 Mica Trading Corporation of India Ltd. was formed as a subsidiary of MMTC for handling mica exports.

1974-75 Bonus shares amounting to Rs. 3 crores were issued to government of India.
1975 Import of Fertilisers from all sources was entrusted to MMTC.

1977-78 Bonus shares amounting to Rs. 9 crores were issued to government of India.

1978 Export of Chrome Ore was canalised and diamond was decanalised.

1978-79 Bonus shares amounting to Rs. 3 crores were issued to government of India.

1981-82 Bonus shares amounting to Rs. 14 crores were issued to government of India.

1982 Mercury was decanalised.

1985 Export of various products was undertaken by using buying leverage. Import of all major steel items was canalized through MMTC.

1988 Import of Gold was undertaken for supply to Jewellery export units in EOU, EPZ etc.

1989 Import of aluminium was decanalised.

1990 MMTC was entrusted with import of Phosphoric acid and Ammonia. Import of tin and copper cathodes was decanalised.
1990-91 Bonus shares amounting to Rs. 15 crores were issued to government of India.

1991 Decanalisation of items started. Iron Ore exports of Redi Origin, Coal and Bauxite and Imports of Platinum, Palladium and Flourspar was decanalised. Diversification of non-canalised exports and imports took place in a big way.

1992 Non-Ferrous metals, Asbestos, Sulphur, Rockphosphate, Ammonia, Phosphoric acid and DAP was decanalised. Diversification took place into textiles, Marine Products and Agro Products.

1992 Government of India divested its 0.67 per cent shareholdings in MMTC to LIC Mutual Fund by which an amount of Rs. 3.11 crores was realized by government of India.

1993 The Company became a public limited company and the name of the company changed to “MMTC LIMITED” vides Certificate issued by the Registrar of Companies on 18.3.1993. Muriate of Potash (MOP) was decanalised. Three joint ventures in Marine Products and two in Agro Products were undertaken by MMTC. Diversification into Leather also took place.

1996 Mica Trading Corporation of India Ltd was merged with MMTC Ltd. as per the orders of BIFR. NINL and KMCL were also promoted.
1997  Iron Ore 64 per cent Fe and below was decanalised.

2002  Mica scrap was decanalised. A special Interim Dividend @ 121 per cent of paid up equity capital was declared and an amount of Rs. 60.10 crores was paid to government of India.

3.6  MMTC’s credentials

Ever since MMTC has come into existence it has many achievements to its credit. Some of the company’s credentials are described below:

1)  India’s largest trading giant

Established in 1963, MMTC is today India’s leading international trading company, with a turnover of over US $ 1.2 billion. It is the first international trading company of India to be given the coveted status “SUPER STAR TRADING HOUSE” and it is the first public sector enterprise to be accorded the status of “GOLDEN SUPER STAR TRADING HOUSE” for long standing contribution to exports.

2)  An integrated global trader with bulk handling capabilities

Its comprehensive infrastructure for bulk cargo handling, with well-developed arrangements for rail and road transportation, warehousing, port and shipping, operations, give MMTC complete control over trade logistics, both for export and import. The company’s countrywide domestic network is spread over 85 regional, sub-regional, port and field offices, warehouses and procurement centers.
3) **Broad-based activities beyond trading**

MMTC’s progress in the recent past has taken it from monopoly status to a competitive open market player making a strong thrust towards broad basing its sphere of activities, while consolidating its core areas of business. To create synergy between its manufacturing, trading and technology partners and to bring optimum efficiency and expertise to its operations worldwide, MMTC has set up seven joint ventures, three in aquaculture, one in horticulture, one in processed foods, a million tones capacity Iron and Steel plant and a 0.8 million tone capacity Coke Oven battery with by product recovery plant and a captive power plant of 55 MW capacity.

4) **India’s leading exporter of minerals**

MMTC is a major global player in the minerals trade and is the single largest exporter of minerals from India. With its comprehensive infrastructure expertise to handle minerals, the company provides full logistic support from procurement, quality control to guaranteed timely deliveries of minerals from different ports, through a wide network of regional and port offices in India, as well as international subsidiaries and foreign offices. MMTC has won the highest export award from Chemicals and Allied Products Export Promotion Council as the largest exporter of minerals from India for the seventh year in a row.

5) **World’s second largest buyer of fertilisers**

Being the world’s second largest importer of fertilizers and the biggest in India, MMTC has become a major fertilizer marketing company in India, through planned forward integration of its import activities with the direct marketing of Urea, DAP, MOP, Sulphur, Rock Phosphate, SSP and other farming and agricultural inputs.
MMTC has made an aggressive foray into domestic marketing of its own brand of fertilizers.

6) **Single largest bullion trader in the Indian subcontinent**

MMTC is India’s largest importer of gold and silver, handling 50 MT of gold and 500 MT of silver annually. MMTC has opened a retail jewellery showroom at Bandra-Kurla complex in Mumbai. MMTC supplies branded hallmarked gold and studded jewellery. MMTC has also opened a duty-free jewellery store in the Departure Lounge at Sahar International Airport, Mumbai, India. An assaying and hallmarking unit has been set up at New Delhi for testing the purity of gold and gold articles in accordance with the internationally accepted fire assay method.

Besides organizing major jewellery exhibitions abroad, exclusively, MMTC is keen to set up manufacturing and joint ventures for modern jewellery in association with leading names in the international jewellery trade as well as marketing. MMTC supplies gold on loan basis to the bullion traders and jewellers in India at international rate of interest to help jewellers and artisans to overcome their working capital requirement.

MMTC has received BIS certification for its assaying and hallmarking unit at Jhandewalan Jewellery Complex, New Delhi and its Domestic Jewellery Showroom at Mumbai. It has also recently launched its brand of Sterling silverware ‘SANCHI’ in the domestic market.
7) Biggest importer of non-ferrous metals and industrial raw materials to India

MMTC is India's largest seller of imported non-ferrous metals viz. copper, aluminium, zinc, lead, tin and nickel. It also sells imported minor metals like magnesium, antimony, silicon and mercury, as also industrial raw materials like asbestos and also steel and its products. MMTC imports quality products conforming to international specifications. Major institutional customers of MMTC in India are accredited with ISO-9002 status. MMTC sources its metals from empanelled suppliers including producers and traders throughout the world.

8) Growing interest in agro products worldwide

MMTC is amongst the leading Indian exporters and importers of agro products. The company’s bulk exports include commodities such as rice, wheat, wheat flour, Soya meal, pulses, sugar, processed foods and plantation products like tea, coffee, jute etc. MMTC also undertakes extensive operations in oilseed extraction, from the procurement of seeds to the production of de-oiled cakes for export, as well as the production of edible oil for domestic consumption. As a major trader of edible oil, MMTC sells imported crude Palm Oil to Vanaspati manufacturers/dealers and Palmolein to traders in India.

9) Major player in Coal and hydrocarbons sector

With increasing energy requirements and production in the country, MMTC is poised to establish itself as a major player in the Coal and Hydrocarbon sector and aggressively expand its customer base in India. MMTC is importing coal into India and using its wide infrastructure facilities at the ports to supply coal to power utility systems and State Electricity Boards and various other users like cement plants, etc.
MMTC also plans to import coking coal and metallurgical coke to cater to the needs of the steel sector in India. Exclusive tie-up with Konark Met Coke Limited (KMCL) to source their coal requirements will provide fresh business avenues for import of coal. MMTC has also joined hands with oil majors in India for parallel marketing of SKO, paving yet another avenue for growth potential in this area.

10) General trading

MMTC also handles items like textiles, mulberry raw silk, building materials, marine products, chemicals, drugs and pharmaceuticals, processed foods, hydrocarbons, coal and coke.

11) Support services

MMTC lays emphasis on human resources development and related activities. Several training programmes are conducted to upgrade managerial skills in the latest developments in trade management, export marketing and general management.

12) Computerization

In the highly competitive global environment, MMTC not only has to respond promptly to new opportunities and threats but also has to ensure that the response is professional and at minimum costs. Keeping this in view, many of MMTC’s operational offices have been equipped with modern computing tools.

Over 200 officers have PCs on their desks. State of the art RISC Server and Sybase RDBMS are installed at Corporate Office and the Regional offices at Delhi, Mumbai and Chennai. The Local Area Networks are widened and existing levels of
hardware and software are regularly evaluated and updated to cope with the dynamic global business scenario. The Internet and e-mail provided to top executives of the Corporation, facilitates them to be in touch with global markets on a continuous basis.

13) **Vast network of offices**

MMTC, an integrated global trader with bulk handling capabilities, used its trading leverage to facilitate large barter deals with some of the major countries of the world. The company's domestic network, which comprises 85 regional, sub-regional port and field offices, warehouses and distribution outlets, are well supported by strategically located offices abroad. MMTC's international trade network spans over 80 countries in Asia, Europe, Africa, Oceania and America giving the company a global market presence. The corporation has two overseas subsidiaries, sixty-two offices and warehouses in India, six offices and warehouses abroad, and four joint ventures in India. Its vast international trade network, includes:

- One wholly owned international subsidiary in Singapore- MMTC Transnational Pte. Ltd.
- Two offices in Tokyo and Dubai
- Twelve regional offices include:
  - East Zone: Calcutta, Bhubaneshwar
  - West Zone: Mumbai, Goa, Ahmedabad
  - North Zone: Delhi, Indore
  - South Zone: Bangalore, Bellary, Chennai, Hyderabad, Vizag
14) **Vigilance**

MMTC focuses on preventive vigilance aiming at establishing further a professionally managed, globally competitive and internationally reputed organization – the core theme being that the goodwill and confidence emanating from value based business practices is an invaluable long term intangible asset for the company’s reputation management. Accordingly, various initiatives like interactive sessions to improve awareness programmes on Ethics and Moral building: slogan/banners/carton exhibitions are organized in addition to observance of annual “Satarkata Saptaha” celebrations. The Central Vigilance Commission has placed on records its appreciation of the efforts made to spread vigilance awareness amongst the employees of the company.

15) **Corporate governance**

For MMTC, Corporate governance has been a self disciplining code which is not just an objective in isolation but a means to an end, i.e. to build MMTC as a customer focused, value driven organization. It is also about being accountable towards stakeholders, customers and suppliers, regularity authorities, society and employees.

At MMTC, the need to internalize and adopt a core set of values of fairness, kindness, efficiency and effectiveness has always been recognized. These values are at the focus while determining the mission and objectives, which in turn determine the course of action of each employee in every sphere of activity. This in turn when aggregated weaves in to form the corporate culture.
For MMTC, a 'customer' includes every constituent that interacts with MMTC including its stakeholders. MMTC has always maintained that a strong customer focus and the value driven organization are the means of attaining 'profit in perpetuity'.

16) Rajbhasha

MMTC has been awarded Official Language Trophy by the Ministry of Commerce for the best achievements in implementation of official language. MMTC was also awarded the Trophy for the best performance in public sector undertaking category at All India Official Language Conference organized by Rashtriya Hindi Academy in Pondicherry.

The above credentials prove the hypothesis that MMTC has made a significant contribution in the export trade of the country.

3.7 MMTC Transnational Pte. Limited – An MMTC Subsidiary

MMTC Transnational Pte. Ltd. (MTPL), which was initially set up as a representative office, was subsequently incorporated as a wholly owned subsidiary of MMTC Limited, India, in Singapore in 1994. It has been trading with neighbouring countries such as China, Indonesia, Vietnam, Philippines etc., both for sourcing supplies for third countries and export outside India.
The company was incorporated with an authorized capital of US $ 2 million, and a paid-capital of US $ 1.46 million. Set up with an idea to open a new window for trading in the South East Asian region, MTPL has been meeting, rather surpassing its objectives. Positioned well in Singapore in the hub of the trading activities in the South East Asian region, MTPL is fully leveraging strategic locational advantages, apart from other benefits. like, availing credit at highly competitive rates as well as making use of efficient banking facilities. MTPL has an independent Board of Director; and the day-to-day affairs of the company are managed by the MD, and the Director (Fin.) of the company at Singapore.

MTPL, with key trading operations in minerals, metals, fertilizers, hydrocarbon and agro products, has diversified into many new areas adopting innovative, modern trading tools and leveraging on competitive financial inputs to enhance its business profile. It is diversifying into metallurgical coke, coal, minerals, timber, iron ore pallets, agro items, machinery etc.

MTPL has also been leveraging purchase of products required for third countries to promote Indian products as well as provide competitive sources of supplying products and services for meeting Indian demands.

MTPL has been accorded the prestigious status of Approved International Trader by the Singapore Trade Development Board. With this, MTPL becomes privy to the exclusive club of AIT members providing an excellent platform for trade networking with other prominent players in the field. This will also entitle MTPL to participate in the international meets and trade delegations organized by the Trade
Development Board of Singapore. Apart from availing itself of certain tax concessions by virtue of this status, AIT also adds further credibility and status to its parent company.

New ventures include a million tone Steel project, a Coke oven project, a captive power project, an integrated large textile project, three aquaculture projects, one horticulture project and new trading companies in Singapore and Moscow. Ambitious projects on the anvil for trade-related infrastructure arc: Ports, Warehouses and Industrial parks etc. to give support to trading strength.11

3.8 E-Commerce in MMTC

Till recent past, an entrepreneur looked first towards the path which will be used for rolling his products to the end-users, before entering into any new venture, such as stockist, distributor, wholesaler, retailer, etc. Fact was that the entrepreneur could not cater to needs of the customer directly in line with his customer’s day-to-day requirements. Now, the businessmen offer their range of products and prices to the customers over the Internet. Currently, not to talk of any local shopping complex, the customer, while sitting in his drawing room, logs on to the Internet through his Personal Computer and accesses the global market and product ranges, and can select and order for any of the products offered.

While we tend to think of E-commerce as on-line shopping, it is actually any commercial transaction that occurs over the two computer systems through internet, 

extranet, etc. Cost-cutting is not the only reason to move to E-commerce, besides, it provides electrifying speed for completing the transaction, irrespective of geographic limitations. E-commerce is the evolution of traditional business practices, combined with the power of electronics and Internet. E-commerce allows immediate access for remotely located suppliers, customers and employees; while at the same time creating client/server environment and develop contents within a successfully secure network.

The following steps are required to establish a secure and reliable E-commerce solution:

1. Introduce a secure and externally accessible web site via Internet.
2. Integration with ERP and Call Center applications.
3. Establish secure policies for trusted partners and employees.

To address the key issues of global competitiveness and improve responsiveness, MMTC has changed track to align IT strategy to come up with effective and an efficient management information system as also to gear up systems, procedures and functioning style of its manpower.

In 1999, the company undertook the Business Process Re-engineering (BPR) exercise, which enabled the organization to map its key business processes, and helped in identification of information that needs to focus on critical success factors. MMTC has launched its own Web site, which offers the organisation's introduction in brief, and gives the business offer through e-tendering and e-enquiry. MMTC has also introduced ERP.
What is ERP?

- ERP systems are a set of integrated business software modules.
- It provides operational, managerial and strategic information for improving productivity, quality and competitiveness of business.
- It helps in total transformation in the way of working, bringing in new culture, structure and procedure to the organization.
- It co-ordinates the resources of the organization in terms of men, material, machinery and money.
- Information is made available to the right person, at the right place and at the right time.

The ERP has benefited MMTC in incorporating the best business practices; and fulfilling the requirements of a formal re-engineering for the organization. It provided integratable suite of applications, thereby leaving ample scope for growth from one functional area to another, plus lower cost in the long run. This has resulted not only in ‘Automation’ but also in ‘Value Addition’. The ERP so implemented has also leveraged, Web Commerce, Data Warehousing, Document Management System for some of the applications where there is an interaction with customers, public, business prospects, suppliers, etc.

In order to facilitate the ERP, Enterprise-wide Area Network (WAN) has been built to provide the integration of data, voice at selected sites, and limited video services over the single backbone network. Thus, ERP plus Web site, of MMTC work like a platter on which Web based services (e-commerce), e.g., on-line purchase orders, on-line shopping, etc., over internet, is been served.
Enterprise Resource Planning has paved the way for total integration of internal systems and utilization of best trade practices and processes to improve efficiency at all levels in MMTC. It will help to connect all major business processes across MMTC, and provide built in controls and validations to check data integrity as well as monitoring mechanism to ensure that all procedures and predetermined parameters are adopted.

ERP has helped MMTC to establish world class best business practices, re-engineer the business processes, breakdown hierarchical structures, improve speed and operational efficiency and bring greater transparency in the decision making process. It has also helped MMTC to be compatible with the fast changing needs of international business and adopt advance IT tools of Electronic Data Interchange (EDI) and e-commerce.

In the light of the Indian economy’s gradual and holistic alignment with the global economy, integrating IT with business process has been a part of MMTC’s strategy towards overall productivity enhancement.12

### 3.9 Corporate citizenship of MMTC

MMTC has always been sensitive to social needs, which is seen in its fulfillment of social responsibilities and contribution to the welfare of community. MMTC has put efforts to promote clean environment and scientific development of mines. In the nineties, it provided Development, Production and Afforestation

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incenrives to the mine owners, to the tune of Rs. 48 crores. With this amount, plantation was done at the mines, borewells were dug at field stations; and scientific mining activities were facilitated. In 1999-2000, MMTC financed import of, modern, state of the art mining machinery worth Rs.6.25 crores for the mine owners in Bellary/Hospet sector. Generous terms of repayment were provided to the end-users with an option to repay in the form of iron ore. A green belt project was undertaken around the total periphery of the Neelachal Steel Plant in Orissa.

As a corporate citizen, MMTC undertook many social welfare activities during the past decade. MMTC had also supported the government relief measures in natural calamities. The Company and its employees have lived up to the responsibilities as Corporate Citizens and have been playing their role in the times of crisis in the country. To mitigate the large-scale devastation caused by the massive earthquake on 26th January 2001 in Gujarat, the company made a humble contribution of Rs. 50 lakhs to the Prime Minister’s Relief Fund. This was as a result of contribution of one day’s salary of all the employees of MMTC, NINL and KMCL together with matching contributions from the Corporate Fund.

Apart from donating Rs. 10 lakhs to the Prime Minister’s Relief Fund to mitigate the distress and agony of the victims of the devasted State of Orissa, which was badly hit by the super cyclone in 1999. Relief and rehabilitation work was undertaken in the state in association with NINL (the Company’s joint venture), by supplying emergency necessities (food, clothing, blankets, medicines, etc.), attending to the repair and renovation work of the public shelters which needed immediate repair as also construction of houses to the poorest at Temple Complex at Jaipur town.
and in Sunderpur village, Jaipur Distt., Orissa. The Company also donated a sum of Rs. 5.96 lakhs for purchase and deployment of one fully equipped mobile medicare unit, which was operating in the area of Rourkela city and nearby places to provide medical care and assistance to elderly and senior citizens.

The Company contributed Rs. 18.50 lakhs to the National Defence Fund as an aid for the families of the martyrs and disabled soldiers of the Kargil war.

MMTC's social and welfare activities promote welfare of the employees through various schemes like sports activities, liberal loan facilities like house building advance, conveyance loan, house hold loan, marriage advance, etc. MMTC 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. MMTC is committed towards environmental upkeepment through afoestation in the mining areas, development of tribal areas and infrastructure development through rail links, port facilities, etc.

As a continuous gesture of goodwill and solidarity, MMTC makes special contribution in aid of activities related to the disabled – be it a sports event of the deaf and dumb, painting competition of spastic children or provision of Braille text books for the blind, through purchase of greeting cards and advertisement and publicity support to the voluntary organizations, organizing the events. Social objectives are not just a gesture but also a commitment for MMTC.
3.10 New divisions created in MMTC

The Management created a separate Business Development Division (BDD), as a business support division to provide connectivity to various profit centers. It focuses on identified regional states, like, SAARC, CIS, Latin America, etc., sector specific focus, like, SSI, etc; and state focus like Punjab, Gujarat, Kerala and Orissa.

The Finance and Accounts Division has three wings:

- Corporate Finance and Treasury Wing, to look after the finance policies, investments, cash-flow, banking and risk managements;
- MIS and Accounts Wing; and
- Auditing Wing

There is an associate finance, which in addition to performing the advisory role, is equally responsible for the performance of the respective business division.

The Management created two general trading divisions, namely, General Trade-I division and General Trade-II.

- The General Trade-I division has product portfolios relating to Marine, Textiles, Chemicals, Leather, Drugs and Pharmaceuticals and Timber.
- General Trade-II, division has product profile of Mica, Building Materials, Defence Equipments and Processed Foods.
Each Business Division is assigned the responsibility to look after the import, export, domestic trade, merchanting trade, counter trade and special trading arrangements for its respective commodity. In addition, the market research is also taken care of by the respective business divisions.

An Economic Research Wing is also added to the Corporate Planning Division. The Project (NINL/KMCL) Divisions shall orient themselves to marketing of NINL/KMCL products, in association with Metals Division. The Business and Service Divisions are seen below in Table 3.1:

**TABLE 3.1**

**Business and service divisions**

<table>
<thead>
<tr>
<th>Business Divisions</th>
<th>Service Divisions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minerals</td>
<td>Finance and Accounts</td>
</tr>
<tr>
<td>Non-Ferrous Metals</td>
<td>Personnel and HRD</td>
</tr>
<tr>
<td>Fertilizer and Fertiliser Raw Material</td>
<td>Administration and Estate</td>
</tr>
<tr>
<td>Precious Metals/ Gems and Jewellery</td>
<td>Law</td>
</tr>
<tr>
<td>Agro</td>
<td>Vigilance</td>
</tr>
<tr>
<td>Coal and Hydrocarbons</td>
<td>Insurance</td>
</tr>
<tr>
<td>Projects (NINL/KMCL)</td>
<td>Shipping</td>
</tr>
<tr>
<td>General Trade-I</td>
<td>Corporate Communications</td>
</tr>
<tr>
<td>General Trade-II</td>
<td>Systems</td>
</tr>
<tr>
<td>Business Development</td>
<td>Rajbhasha</td>
</tr>
<tr>
<td>Corporate Planning and Economic Research</td>
<td>Company Secretary's Cell</td>
</tr>
</tbody>
</table>
3.11 HRD Mantra in MMTC

MMTC focuses on fashioning human resource policies towards providing more non-monetary incentives stemming from job satisfaction, diverse learning opportunities and wider exposure to ever-changing global business environment. MMTC Ltd., which is a global trading organization and one of Asia’s leading trading companies, has been the first corporate in the public sector to realize the vital role which online trading has come to occupy in today’s global business.

HR mantra in MMTC is to provide more and more job enrichment opportunities to all so as to ensure that employees remain motivated to realize their full potential for organizational goals and self-development. Opportunities are also provided to all to enrich their knowledge base and technical skills through in-house training programmes and through trainings/seminars organized by reputed outside agencies. Human resource development in MMTC, therefore, is a continuous exercise compatible with the change in business patterns and technological innovations in an era of diversification and search for new business opportunities. Notwithstanding the culture of a public sector organization, MMTC realizes that the most important asset is employee. HR policies are designed to meet the above objective.

Following are some of the HRD policies followed in MMTC:

1. In an IT driven culture, computer literacy is imparted to all employees.

2. Non-graduate employees are encouraged through various incentive schemes to become graduates. As seen in Table 3.2 the percentage of undergraduates has decreased from 52 per cent in the year 1999 to 47 per cent in the year 2002.
3. Post-graduate qualifications are encouraged through incentives for promotion to higher levels. The postgraduates have increased by 1 per cent in 2002 since 1999 as seen in Table 3.2.

4. Graduate employees are encouraged to obtain professional qualifications through corporate sponsorships. In 2002 the percentage of graduates increased to 30 per cent in the year 2002 from 28 per cent in 1999 as seen in Table 3.2.

5. Professionals with special expertise and qualification are recruited by MMTC to cope up with the challenges of the changing business environment. This too rose to 14 per cent in the year 2002 from 11 per cent in 1999 as seen in Table 3.2.

6. Through job rotation employees are constantly motivated to acquire knowledge and operational skills in different areas of company’s operations. This exercise obviously prepares employees for managing higher positions more competently.

7. Promotion from the level of Sr. Manager and equivalent to the level of Dy. General Manager are based purely on merit, which is determined on the basis of performance in the interview and assigned weightages for seniority, educational qualification and appraisal reports. Thus as an incentive to better performers, merit based promotions are considered.

8. Regular training programmes for upgrading employee skills, knowledge and attitudes, in areas like IT, ERP, E-Commerce, international trading practices, general management techniques etc. are organized as an effort to keep high employee morale and commitment.

9. Specialization is encouraged in higher management positions through specialized management development programmes are arranged within and
outside India. Hedging in metals, global bullion pricing, third country trading, offshore trading, counter-trade mechanism are some of such specialized trainings.

10. General management training programmes for all categories of managers are periodically organized through reputed institutions like IIM, ASCI, IIFT, and MDI etc.

11. Periodical training programmes are also organized for the development of SC/ST/OBC employees and women employees.

12. The Presidential Directives on reservation of employment for SC/ST/OBC and physically handicapped persons in Government/PSUs are duly implemented.

In short, corporate philosophy at MMTC towards HR is to ensure continuous development of human resource for fast changing global business through individual freedom and flexibility.

Table 3.2

Qualification profile of MMTC, HR

<table>
<thead>
<tr>
<th>Year</th>
<th>Undergraduates</th>
<th>Professionals</th>
<th>Postgraduates</th>
<th>Graduates</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1619 (52 per cent)</td>
<td>347 (11 per cent)</td>
<td>276 (9 per cent)</td>
<td>879 (28 per cent)</td>
</tr>
<tr>
<td>2002</td>
<td>1011 (47 per cent)</td>
<td>302 (14 per cent)</td>
<td>225 (10 per cent)</td>
<td>659 (30 per cent)</td>
</tr>
</tbody>
</table>

Chart 3.2 Organogram of MMTC

Director (Personnel) -> CGM (Mica Projects Foods)
-> CGM (Shipping/Leather/Marine/Forest Product/Textiles/Chemicals/Drugs and Pharma/Trade with SAARC)
-> CGM (HRD/TRG/TQM/Rajbhasha/Admin.)
-> GM (South Zone)
-> GM (Personnel)

Director (Marketing) -> CGM (North Zone)
-> CGM (Fertiliser/Fertiliser Raw Material)
-> CGM (Agro Products/Merchandising Trade)

Director (Finance) -> Chief General Manager (Steel Projects/Coal/Hydrocarbons)
-> Chief General Manager (Finance and Accounts)
-> General Manager (West Zone)
-> General Manager (Law)

Director (Marketing) -> Chief Vigilance Officer
-> General Manager

GM (Corporate Planning)

GM (Communications)
3.11.1 Organisation structure

Chart 3.2 shows the organization structure of MMTC where in the Chairman-cum-Managing Director heads the organization supported by the Company Secretary. The Chairman-cum-Managing Director is supported by the directors of Personnel, Marketing and Finance, further the Chief Vigilance Officer with the General Manager of Corporate Planning and Corporate Communications.

The Director for Personnel is supported by CGM (Chief General Manager) Mica / Projects / Processed Foods, CGM (Shipping / Leather / Marine / Forest Product / Textiles / Chemicals / Drugs and Pharma / Trade with SAARC), CGM (HRD / TRG / TQM / Rajbhasha / Admn.), GM (General Manager) South Zone, GM (Personnel). The Director for Marketing is supported by CGM (North Zone), CGM (Fertiliser / Fertiliser Raw Material), CGM (Agro Products / Merchanting Trade). The Director for Finance is supported by CGM (Steel Projects / Coal / Hydrocarbons), CGM (Finance and Accounts), GM (West Zone), GM (Law). There is one more director also for marketing supported by CGM (Systems), CGM (EPC), CGM (Minerals), CGM (SSI), GM (Diamonds), GM (East Zone), GM (Gems and Jewellery).

3.11.2 Welfare measures undertaken by MMTC

Personnel division at the corporate office and the regional offices implement the personnel policies of the company including policies for reservations both in recruitments and promotions in respect of persons belonging to SC, ST, OBC and PH.
Welfare and development measures have been taken by the company in respect of those employees in various fields which are as follows:

- **SC/ST/OBC**

  Total strength of the employees in MMTC as on 31.10.2002 is 2167 out of which 434, 157 and 308 employees belong to SC/ST/OBC respectively. In terms of representation in percentages the same works out to 20.02 per cent, 7.24 per cent and 14.21 per cent respectively.

  An SC/ST cell is in existence in the company. A chief Liaison Officer has been appointed at corporate level and also Liaison Officer in all the Regional Offices of the company to ensure compliance of the orders and instructions of the government pertaining to reservations in recruitment and promotions. Age relaxation up to three years to OBC candidates in direct recruitment is allowed. Following relaxations/concessions are being provided to SC/ST employees:

- **In recruitment**
  a) Age relaxation up to five years,
  b) Relaxation up to 5 per cent in qualifying marks in written tests,
  c) A lenient view is taken in the case of SC/ST candidates who have shown less than average performance in the typing and shorthand test.

- **In promotion**
  a) 5 per cent relaxation in qualifying marks in written test,
b) Relaxation up to 5 w.p.m is given in typing test in promotion to Junior Assistant post,

c) One year relaxation in qualifying period for promotion on the basis of seniority subject to fitness for meeting shortfall against reserved posts and in merit, relaxation in marks,

d) One year relaxation in promotions is being provided to Grade I, II and III employees.

Reservations in promotions are applicable to all levels in the staff cadre. As regards promotions to the officer cadre and within the officer cadre, reservations are applicable on seniority-cum-fitness basis up to the level of Dy. General manager and on merit up to the level of Manager. Post-based rosters are being maintained both for direct recruitment and in promotions in accordance with the relevant provisions of the reservations policy. A representative of SC/ST community is nominated in selection committee also in accordance with the reservation policy.

The company conducts in-company training programmes as well as nominates its employees including SC/ST employees for training programmes conducted by various professional organizations. During the period 1.4.2002 to 30.11.2002 out of a total number of employees of 316 nominated for various training programmes, 51 SC and 5 ST employees were nominated. Under MMTC Employees Welfare Scheme, wards of employees are eligible for merit scholarship provided they secure minimum 50 per cent marks in aggregate. In case of SC/ST employees, this limit has been relaxed by 5 per cent and accordingly their wards are eligible for merit scholarship on
securing minimum of 45 per cent marks in aggregate. There is a provision for reservation in the allotment of residential quarters to SC/ST employees also.

➤ **Persons with Disabilities (PH)**

Welfare and development measures have been taken in respect of PH persons under Disability Act, 1995. Out of the total strength of 2167, there are 27 employees belonging to PH category. The representation of PH therefore is 1.24 per cent. The representation of PH could not be brought up to the prescribed level due to negligible fresh requirement and the felt need to rationalize the existing manpower.

Those PH who do not possess their own vehicle are being given double the rate of existing conveyance allowance and those who have their own vehicle they are being given additional amount towards conveyance allowance.

Considering the problems faced by PH employees, they have been posted to positions having considerably lesser load of work as also simple operations to enable them to attend to their job without much difficulties. The company has also provided equipment such as wheel chair to the needy. A wooden ramp has been place at the main entrance gate at corporate office for smooth mobility.

➤ **Women's Welfare**

The number of women employees is 326 out of a total of 2167 constituting 15.04 per cent of the manpower of the company. In the context of changing business environment more and more women employees are encouraged to participate in broad based assignments adding value to the company by assuming high responsibilities.
Inclusion of women employees in Management Development Programmes is helping women to increase their role in the activities of the company.\textsuperscript{13}

3.11.3 Career with MMTC

MMTC has been the front-runner in selecting brilliant graduates for appointment as Deputy Managers (E1) – the induction level for executives in trading and finance disciplines – through prestigious institutes by way of campus interviews. For other disciplines like Law, Systems, Rajbhasha, Research, etc., vacancies are advertised in leading newspapers. Statutory reservations for SC/ST/OBC are followed both in recruitment and promotions. To motivate talent within the company, staff cadre employees are encouraged to become Deputy Managers through limited competitive test. The existing managerial levels with their pay-scales are as given in Table 3.3:

\begin{table}[h]
\centering
\caption{Pay-scales at managerial levels}
\begin{tabular}{|l|c|}
\hline
E1 – Deputy Manager & 8600-250-14600 \\
E2 – Manager & 10750-300-16750 \\
E3 – Senior Manager & 13000-350-18250 \\
E4 – Deputy General Manager & 16000-400-20800 \\
E5 – General Manager & 18500-450-23900 \\
E6 – Chief General Manager & 20500-500-26500 \\
\hline
\end{tabular}
\end{table}

Minimum experience for promotion from one level to the next higher level is three years depending upon availability of vacancies. In order to rationalize the

\textsuperscript{13}Annual Report, Ministry of Commerce and Industry, Department of Commerce 2002-2003, pp. 147 and 148.
manpower in the decanalised era and in the wake of computerization, recruitment of staff in MMTC is banned for the time being while they are focusing on skill development of existing manpower.

3.12 Disinvestments of public sector undertakings

Disinvestments in public sector undertakings (PSUs) is one of the policy measures adopted by the Government of India for providing financial discipline and improve the performance of this sector in tune with the new economic policy of Liberalisation, Privatisation and Globalisation (LPG) through the 1991 Industrial Policy Statement. The Government of India in its 1991-92 budget announced the intentions of partial disinvestments in selected PSUs in order to raise resources encourage wider public participation and promote greater accountability.\(^4\)

PSUs play an important role in certain core sectors of the economy. In India it continues to be an important component of the Indian industry even after liberalization unlike the experience in many other countries, which went in for wholesale privatization. Therefore, the Commission realised that the PSUs in general, must be managed on sound commercial lines and must generate adequate surpluses and make contributions commensurate with the quantum of public resources invested in them.

The public sector has a commanding presence in the strategic sector. A large number of PSUs in these sectors are either marginally profitable or loss making. Government has been providing budgetary support to these loss-making PSUs over the last several years. Increased competitive pressures have adversely affected some PSUs, which were earlier profitable. Growing financial stringency will reduce the capacity of Government to support them and consequently lead to their closure with loss of employment in large numbers. Thus, in all probability, loss-making PSUs will continue to be an increasing drain on the budget unless a viable policy of disinvestments is evolved and implemented for them.

Viewed in this scenario, disinvestments has larger implications than just selling government equity at the best price in profitable enterprises, as this alone may not provide long term budgetary benefit unless the question of recurring budgetary support to loss making PSUs is also addressed. The long-term disinvestments strategy will not only enhance budgetary receipts, but also minimize budgetary support towards loss making units while ensuring their long-term viability and sustainable levels of employment in them.

Disinvestments as a strategy aim at wide dispersal of Government shareholding in the domestic market and broad base ownership in the process. This of course, will be subject to limitations of the capital market in its capacity to absorb the proposed disinvestments and the private sector’s capital requirements from the same market.15

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The Commission's long term strategy on disinvestments revolves around four long-term objectives:

- **Strengthen PSUs**
  - Strengthen profitable PSUs to promote greater competitiveness and profitability to enable payment of higher dividends to the government and to increase share values.
  - Strengthen other marginally profitable PSUs and reduce their future dependence on the budget.
  - Financially restructure and revive loss-making PSUs to invite private capital for long term turn around.

- **Protect employee interest**
  - Sustain long-term employment by financial turn around of loss making PSUs.
  - Provide adequate and fair compensation through VRS to surplus work force.
  - Provide for employee participation in management.

- **Broad base ownership**
  - Enhance retail reach of PSUs shares to small investor and offer at suitable price discount as compared to the institutional investor.

**Augment receipts for government**

- Enhance Government receipts by disinvestments in profitable PSUs.
- Eliminate the need for budgetary support for loss making PSUs.\(^{16}\)

3.12.1 Disinvestment procedure

Disinvestment procedure followed by Government of India while disinvesting in public enterprises can be summarized as per following steps (as per the department of disinvestments):

1. Proposals are based upon recommendations of disinvestments commission or in accordance with the declared disinvestments policy of Government of India.
2. These proposals are placed for consideration of CCD (Cabinet Committee on Disinvestment).
3. After CCD clears the proposal the selection of Advisor is done through competitive bidding.
4. Advisor assists in preparation of EOI (Express of Interest). After receipt of EOI prospect bidders are short-listed on the basis of predetermined objectives, criterion and requirements.
5. Advisors after due diligence from PSU prepares the information memorandum in consultation with concerned PSU.
6. Draft of share purchase agreement and shareholder agreement are also prepared for advisor with the help of legal advisor.
7. Based on reaction received by prospective bidders, the share purchase and shareholder agreements are finalized.
8. Then these are vetted by Ministry of Law and approved by Government of India thereafter sent to prospective bidder for inviting final bids.
9. Bids received are examined, analysed and evaluated by Inter-Ministerial Group (IMG) recommendations are placed before CCD for the final approval.
10. After transactions are completed all papers and documents relating to it are handed over to CAG to enable the CAG to undertake the evaluation of disinvestments procedure for placing it before parliament and releasing to the public.17

3.12.2 Disinvestment of MMTC

Some highlights relating to disinvestments of MMTC are as follows:

1) The Government of India holds 99.33 per cent MMTC shares.

2) 0.67 per cent shares were transferred to LIC Mutual Fund in 1992 at an average price of Rs.92 per share.

3) STC, MMTC, PEC were referred for disinvestments in July 1998.

4) Recommendations of disinvestments commission in its tenth report in June 1999 are as follows:

- Reduction in employee’s strength through suitable Voluntary Retirement Scheme.
- Transfer of management control in MMTC to private partner by disinvestments of 51 per cent equity through strategic sale.
- Government will sell remaining equity holding later in favour of public, when value of residual equity increases as a result of transfer of management control.

3.12.3 Cabinet Committee on Disinvestment (CCD)

The response of CCD in relation to MMTC is given as below:

1) In October 2000, CCD approved reduction in Government of India holding in MMTC to 26 per cent.

2) 16 per cent remains with the government for the present and the balance 10 per cent will be used for Employee Stock Optional Scheme (ESOPS).

3) Before actual implementation of disinvestments following had to be resolved:
   • The issues relating to MMTC investment in NINL, KMCL.
   • Any alternative institutional arrangement, if necessary, for undertaking canalization role now performed by MMTC.
   • The extent of cash reserves to be transferred to government before disinvestments.
   • Whether there are any MMTC properties to be separately hived off before disinvestments.

3.12.4 Potential investor's interest v/s handicaps

The positive and negative after effects for investors on disinvestments of MMTC are pointed out as under:

1) There will be live and ready to use organization.

2) Organizational experience.

3) The government will hold some equity – government leverage.

4) Infrastructure (building, warehouse, plots)

5) Readymade base in potential and growing market.
6) There will be access to existing clients, organizational reach, distribution network and established goodwill.

7) Through MMTC, there will be entry into NINL, KMCL, MTPL and other joint ventures.

8) There will be expansion in up and downstream products and services through marginal investment and technical improvements.

9) There will be improved margin without much cost by using their own global network.

➢ Potential investor’s handicaps

1) It has excess manpower, low value addition, and thin margin.

2) It’s a loss making company without iron ore canalization.

3) Start-up cost for a new trading company is much lower.

4) Corporate guarantee for Rs. 1200 crore is given by MMTC to finance NINL/KMCL.

3.14 Conclusions

MMTC has set forth processes to enhance their knowledge base, sharpen marketing skills, optimize internal systems and adopt a new IT driven mechanism to enhance responsiveness, increase profit margins and tackle both global and domestic competition and have effective monitoring and control. Management focus has been on improving efficiencies of all their resources including the key asset – human resources through innovative schemes. IT as the key enabler, which will not only reinforce the core activities of the business transactions but would also broaden the range of the business opportunities.
The process of liberalization in India has taken MMTC from monopoly status to a competitive open market player making a strong thrust towards broad basing its sphere of activities while consolidating its core areas of business. Today, MMTC with a turnover of over US $ 1.2 billion is one of the first companies in India to be awarded the coveted status of the "Golden Super Star Trading House" for long standing contribution to exports. In a span of nearly four decades, MMTC Limited has emerged as a pre-eminent dynamic corporate entity, leading at the helm of India's International trade with bulk handling as core competency. MMTC is the largest trading company in India, despite large-scale decanalisation by the government. Keeping in view of the global trade, changing domestic scenario, and increasingly competitive environment, the Corporation has set for itself a mission and derived from there its strategy and action plans.

Corporate vision of the company revolves around:

- Strengthening its competitive advantage, related business expansion and creating new values for stakeholders.
- Build greater synergy between bulk handling capabilities and logistics to strengthen supplying/buying chain.
- Business expansion to come from core competency and related business.
- New standards of efficiency and productivity through new technology.
- Strategic focus on enhancing human resource capabilities.
- Customer focus to customer care.
- Continued commitment to national aspirations

MMTC – the public sector trading giant has successfully transformed to adjust to the new economic order.