19

SECURITY PRINTING AND MINTING CORPORATION OF INDIA LIMITED

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

COMMITTEE ON PUBLIC UNDERTAKINGS
(2012-2013)

NINETEENTH REPORT

(FIFTEENTH LOK SABHA)

सत्यमेव जयते

LOK SABHA SECRETARIAT

NEW DELHI

C.P.U. No. 952

19

NINETEENTH REPORT

COMMITTEE ON PUBLIC UNDERTAKINGS

(2012-2013)

(FIFTEENTH LOK SABHA)

SECURITY PRINTING AND MINTING CORPORATION OF INDIA LIMITED

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

(Action taken by the Government on the Observations / Recommendations contained in the Sixth Report of the Committee on Public Undertakings on Security Printing and Minting Corporation of India Limited)

Presented to Lok Sabha on 21.03.2013

Laid on the Table of Rajya Sabha on 21.03.2013

LOK SABHA SECRETARIAT

NEW DELHI

March, 2013 / Phalguna 1934 (S)

CONTENTS

COMMITTEE ON PUBLIC UNDERTAKINGS
(2012 – 2013)

Chairman

Shri Jagdambika Pal

Members, Lok Sabha

2. Shri Hansaraj Gangaram Ahir
3. Shri Ambica Banerjee
4. Shri Bansa Gopal Chowdhury
5. Dr. Mahesh Joshi
6. Shri Shailendra Kumar
7. Dr. (Smt) Botcha Jhansi Lakshmi
8. Shri Vilasrao Baburaoji Muttemwar
9. Shri Adhalrao Shivaji Patil
10. Shri Ponnam Prabhakar
11. Shri Rajendrasinh Rana
12. Shri Nama Nageswara Rao
13. Shri Uday Singh
14. Dr. Prabha Kishor Taviad
15. Shri Bhisma Shankar alias Kushal Tiwari

Members, Rajya Sabha

16. Shri Anil Desai
17. Shri Janardan Dwivedi
18. Shri Naresh Gujral
19. Dr. V. Maitreyan
20. Shri Mukhtar Abbas Naqvi
21. Shri T.M. Selvaganapathi
22. Dr. Janardhan Waghmare

SECRETARIAT

1.	Shri A. Louis Martin	Joint Secretary
2.	Shri P.C. Koul	Director
3.	Shri M.K. Madhusudhan	Additional Director
4.	Shri Yogendra Singh	Executive Officer

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorized by the Committee to submit the Report on their behalf, present this Nineteenth Report on action taken by Government on the Observations / Recommendations contained in the Sixth Report of the Committee on Public Undertakings on 'Security Printing and Minting Corporation of India Limited'.

2. The Sixth Report was presented to Lok Sabha / laid on the Table of Rajya Sabha on 30 April 2010. Replies of the Government to the Observations / Recommendations contained in the Report were received on 29 December 2010. Subsequently, updated replies were received from the Government on 3 January 2013. The draft Report was considered and adopted by the Committee at their Sitting held on 19 March 2013.

3. An analysis of the action taken by Government on the Observations / Recommendations contained in the Sixth Report is given in Annexure.

New Delhi
20 March 2013
29 Phalguna 1934(S)

JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.

CHAPTER - I

REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in the Sixth Report of the Committee on Public Undertakings (2009-10) on Security Printing and Minting Corporation of India Ltd., which was presented to Lok Sabha and laid on the Table of Rajya Sabha on 30 April 2010.

2. Action taken notes have been received from the Government in respect of all the 18 Observations/Recommendations contained in the Report. These have been categorized as follows:

(i) Observations/Recommendations that have been accepted by the Government (Chapter-II)
Sl. Nos.1,2,8,12,13,14,16, and 18 (Total Eight)

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the Government's replies: (Chapter-III)
NIL

(iii) Observations/Recommendations in respect of which replies of the Government have not been accepted by the Committee: (Chapter-IV)
Sl. Nos. 4,5,6,9,11 and 17 (Total Six)

(iv) Observations/Recommendations in respect of which final replies of the Government are still awaited: (Chapter-V)
Sl.Nos. 3,7,10 and 15 (Total Four)

3. The Committee desire that response to Committee's comments in Chapter I of the Report should be furnished to them expeditiously.

4. The Committee will now deal with the action taken by the Government on some of the Observations/Recommendations in the succeeding paragraphs.

<u>Organizational Set Up</u>
(Recommendation No. 3)

5. The Committee (2009-10) in their Sixth Report had noted that except functioning under the control and directions of corporate office, the present organizational setup in all the nine production units of SPMCIL continues to be same as was in place when

these units were functioning as departmental organizations under the direct control of Department of Economic Affairs (DEA) in the Ministry of Finance and the Corporation was still working out a proposal on study on the organizational set up and the vision and the mission for the Corporation for the next ten years by inputs from the professional consultants. Emphasizing that this issue required priority attention on the part of the management for putting in place the requisite corporate structure in the production units, the Committee had recommended that the proposed studies on the organizational set up in SPMCIL should be undertaken and completed at the earliest with a view to achieving the envisaged objectives of operational flexibility, fostering efficiency and higher productivity in the production units.

6. In their initial action taken reply furnished to the Committee on 29 December, 2010 the Government stated that through internal studies and assessments, higher productivity has been achieved by the Units. Studies were also conducted by M/s National Productivity Council and IFCI in the field of process/system improvements and energy conservation. Further, one Consultant has been engaged to do the capacity assessment and suggest product wise capacity of the Units. One more Consultant is being engaged to study and suggest organization structure, manpower requirement, manning pattern, performance management, training and development methods/strategy. For this purpose, tender was floated. Offers received have been opened on 22 October, 2010 and the technical evaluation has since been completed.

7. The Government in their updated action taken reply of 3 January, 2013 *inter-alia* stated that the capacity assessment and product-wise capacity of the Units for which a consultant was appointed has already submitted the report and the installed capacity of Nine Units of SPMCIL are yet to be formally notified by the Company. But, the constantly increasing indent for SPMCIL as decided by the Government and the Reserve Bank of India have been addressed irrespective of the installed capacity of the machine because Company is at the threshold of Capacity building through replacement and modernization of machines.

The Performance Management System has since been implemented commencing from the year 2011-12 vide Corporate Office Order dated 12.01.2012 in respect of Executives from E-1 level to E-6 level and the Supervisors in S-1 and S-2 level working in all the Nine Units and the Corporate Office.

M/s KPMG was appointed to study the Organizational set up and the Vision and Mission for the Corporation for the next 10 years. The scope and coverage of the study in all the related areas of operation and business are broadly divided into the following categories:

(a) Corporate Business Plan
(b) Human Resource Management
(c) Technical Operation

The part A of the KPMG report which exclusively deals with the Corporate Business Plan based on the working of the verticals and the and Vision and Mission of the Company thereof is yet to be formally approved by the Company. Presently the focus is more on the capacity building of Plant and Machinery and Rationalization of Manpower so that a befitting Organizational structure and set up could be evolved to match with the global standard as per Organizational Mission and Vision spelled out by M/s KPMG in their report.

8. Taking note of the fact that SPMCIL was working out a proposal on study of the organizational set up and the vision and mission statement for the Corporation, the Committee in their Sixth Report had desired that the proposed study should be undertaken and completed at the earliest. In their Action Taken Reply, the Government have stated that the Report of the study commissioned by SPMCIL to study their organizational set up and prepare vision and mission statement is yet to be formally approved by the Corporation. The Committee find this casualness towards an important task inexplicable and expect SPMCIL to take action on the study report at the earliest and also take all possible steps to put in place expeditiously a vibrant organizational structure so that the envisaged objectives for which the Corporation had been set up are fully met.

<u>Capital Structure</u>

(Recommendation No.4)

9 Noting that the Capital structure of SPMCIL did not reflect the true picture of its asset base as the value and nature of asset transferred to the corporation were yet to be finalized due to the inordinate delay by the Ministry of Finance is Consideration of the proposal submitted by the Corporation, the Committee had asked the Ministry for an early decision so that the financial status of the Company was viewed in the right perspective.

10 In its Action Taken Note the Government have stated that "a proposal for restructuring of capital of Security Printing Minting Corporation of India Limited (SPMCIL) as on 10/02/2006 has been received from the SPMCIL. The book value of the net assets as on 10/02/2006 was `2826.81 crore. After adjusting for assets amounting to `228.33 crore which was found as unserviceable and unproductive and an amount of `60.78 crore as a liability consequent upon implementation of a Court

Judgment, a net amount of `2537.70 crore is proposed to be treated as equity capital/ loan from GOI to SPMCIL. However an amount of Rs 600 crores payable towards stamp duty by Corporation on transfer of title of land & buildings at different locations from GOI to Corporation and an amount of Rs 695 crores appearing as contingent liabilities in the books of accounts of the Corporation in various cases pending in courts/Tribunals are requested by SPMCIL to be considered by GOI while arriving at the final amount. The proposal received from SPMCIL is under consideration of the Government."

11. **The Six Report of the Committee was presented to the Parliament almost three years ago on 30 April, 2010. The initial Action Taken Replies of the Government were received on 29 December, 2010. The updated Action Taken Replies were received from the Government on 03 January, 2013 i.e. almost quarter to three years after the presentation of the Report to Parliament. The Committee, therefore, find it really inexplicable the way Government is sitting over the proposal of SPMCIL regarding its Capital Structure. They also wonder how the Corporation in the absence of its real capital structure is managing its accounts, asset base and all other such indices which hold crucial relevance for a corporate entity. The Committee, therefore, reiterate their recommendation for an early decision in the matter by the Ministry of Finance. Furthermore, since a lot of precious time has already been lost, the Committee desire the Ministry of Finance to decide upon the matter within one month of presentation of this Report to Parliament.**

Sundry Debtors
(Recommendation No. 5)

12. Concerned to note that SPMCIL was encountering various problems in realizing its outstanding dues which were mounting year after and stood at Rs. 836.31 crore as on 31 March, 2009, the Committee had recommended the intervention of the Ministry of Finance in the matter to help the Corporation in realization of its outstanding dues by exerting influence on the defaulting departments of the Central and State Governments. In their updated Action Taken Note, the Government have *inter-alia* stated that Sundry debtors outstanding as on 31 March, 2011 were amounting to Rs.961.15 crore which has increased to Rs.1266.01 crore as on 31 March, 2012. There increase in Sundry Debtors primarily due to increase in the volume of turnover of the Company & provisional release of payment of coins. The turnover increased from Rs.3164 crore in the year 2010-11 to Rs.3418 crore in the year 2011-12. Old debtors are reducing due to concerted efforts of SPMCIL supported by follow-up by the Ministry. The Ministry of

Finance is regularly reviewing the status of sundry debtors and is continuously intervening in the matter to bring down the same. Ministry of External Affairs has been requested to clear their outstanding of last three years early. Ministry of Finance (Budget Division) is also helping in realizing this outstanding amount from Ministry of External Affairs.

13. From the forgoing facts and figures, it is evident that the efforts enumerated in the Action Taken Note are not bearing fruits. The sundry debts have gone up sharply from Rs. 961.15 crore as on 31 March, 2011 to Rs. 1266.01 crore as on 31 March, 2012. The Committee also do not subscribe to the alibi that sundry debts have primarily increased due to increase in the volume of turnover of the Company and provisional release of payment of coins. The turnover of the Company has merely increased by 8.03% from Rs. 3164 crore in 2010-11 to Rs 3418 crore in 2011-12 while the sundry debts have shot up by 30.68% during the same period. The Committee, therefore, desire a more effective and proactive intervention of the Ministry of Finance so as to bring down the sundry debts of SPMCIL to the minimal.

<u>Payment for Postal Stationery</u>
(Recommendation No. 6)

14. Taking note of the fact that notwithstanding high production cost of certain items of postal stationery, the Government had put a price cap on the payments for manufacturing such stationery so as to restrict the price of these products in public interest, the Committee in their Sixth Report had recommended that ways and means should be evolved to ensure payment of at least actual cost of production of such items so that the commercial interests of the Corporation are not compromised.

15. In their updated replies the Government have stated that a Committee was constituted in July,2009 under the Chairmanship of the JS&FA, MOF to fix pricing norms for various products supplied by units of SPMCIL to the Department of Posts. The report of the said Committee was circulated vide letter dated 03 June, 2011 of MOF. After having the various meetings it was recommended that:

- All pending claims for pre- corporatization period would be cleared by DOP. Pending claims relating to the post corporatization period would be provisionally settled on the basis of Cost Audit Branch (CAB) rates for 2005-06.

- DOP would make advance payment of 40% of the value of indents being placed on SPMCIL in future.

- SPMCIL and DOP would mutually work out a more efficient and centralized billing/ payment system so as to facilitate prompt settlement of dues.
- -CAB would undertake a study to establish the base price for 2006-07 and suggest an indexation formula which would be applicable for the next three years. i.e. 2007-08,2008-09 and 2009-10.

However DOP has not acted as per the directives of the Committee and both old outstanding payment before corporatization and 40% advance payment issues are pending for implementation at their end. Similarly CAB has also not suggested indexation formula for price determination for the year 2007-08, 2008-09 and 2009-10.

16. The Committee note with satisfaction that in pursuance of their Recommendation, a committee had been constituted by the Ministry of Finance which <u>inter-alia</u> had recommended among others measures for settlement of all pending claims/dues of SPMCIL by the Department of Posts in respect of the supply of postal stationery both for the pre and post corporatization period. It had also recommended that the Department of Post make advance payment of 40 percent of the values of indent being placed on SPMCIL in future. Furthermore, the Ministerial Committee had also recommended that Cost Audit Branch would undertake a study to establish a base price and also suggest an indexation formula for the next three fiscals with effect from 2007-08 to 2009-10. The Committee regret to note that Department of Posts is yet to act upon these recommendations and further CAB did not do its bidding. The Action Taken Note does not indicate whether any action has been taken by the Ministry of Finance to pursue the recommendations of its own committee which would have gone a long way in ensuring a just return to SPMCIL.

The Committee, therefore urge the Government to pursue the matter vigorously with the Department of Posts so that the pending claims/dues of SPMCIL are settled at the earliest as this would help protect the commercial interest of SPMCIL. Moreover, since the three fiscals for which the mandate was assigned to CAB for establishing base price and indexation formula have long gone by, the Committee desire the Ministry of Finance to take a fresh call in the matter and also ensure that the same is adhered to without fail.

<u>Taxation Matters</u>
(Recommendation No. 7)

17. While accepting SPMCIL's plea that since Government are the ultimate consignee for most of its products, they should be exempted from the payment of excise/custom duties and other taxes, the Committee in their Sixth Report had accordingly recommended that the Ministry of Finance should take requisite steps to this effect.

18. In their updated Action Taken Notes the Government have stated that anomalies in taxation on some products manufactured by SPMCIL and raw-material/machines imported by SPMCIL were noticed and the same have been partly removed by notification issued by Department of Revenue, Ministry of Finance. The Committee have also been informed that a comprehensive proposal for grant of exemption of excise duty, custom duty, service tax, VAT, Octroi, entry tax & cess duty to units of SPMCIL, BRBNMPL and BNPMIPL has been submitted to the Ministry of Finance and is under examination.

19. The Committee note with satisfaction the steps taken by Government for removal of anomalies in taxation on products manufactured and raw material, etc, imported by SPMCIL. The Committee also expect the Ministry of Finance to favorably consider the proposal of SPMCIL and their units for grant of exemption of excise/custom duty and other taxes at the earliest and apprise them of the outcome.

<u>Capacity Utilization</u>
(Recommendation No. 9)

20. While noting that the installed capacity in various units does not seem to have been calculated on a scientific basis giving due consideration to operating machine speed and actual utilization of man hour, the Committee in their earlier Report had recommended that SPMCIL should undertake a thorough review for rationality assessing its installed capacity in each unit and take effective steps to ensure optimum utilization of capacity so assessed.

21. The Government in their updated Action Taken Replies have stated that M/S Institute of Industrial Engineering (IIIE), which was assigned to conduct capacity assessment study of all SPMCIL units, has submitted its report on 29 June, 2011.

22. The Committee are constrained to observe that the reply does not mention the findings of the IIIE regarding the capacity assessment of the Company nor

has it mentioned whether installed capacity has been reviewed by SPMCIL in the light of the IIIE report, though the report had been submitted to the Company way back on 29 June, 2011. The Committee would await details in this regard.

<u>Disposal of impaired Machinery</u>
(Recommendation No. 10)

23. Expressing concern that the present policy of preserving the impaired machinery in the premises is not only fraught with danger of theft but may also led to over accumulation besides huge expenses on its security, the Committee had recommended that SPMCIL should immediately undertake safe and irreversible disposal of impaired machineries lying with the Corporation.

24. The Government, in their updated Action Taken Notes have informed the Committee that the detailed procedures for disposal of impaired machinery has been prepared & included in the new Procurement Manual at Chapter 14 titled Disposal. The Procurement Manual was approved by SPMCIL Board and examined by Central Vigilance Commission. This was released by the then Finance Minister on 23 May, 2011 and has been made effective w.e.f. 01June,2011.

25. The Committee note that finally SPMCIL has come up with detailed procedures to facilitate the disposal of impaired machinery and has got it included in its procurement manual. The Committee, however, regret to note that the reply is silent on the disposal of impaired machinery lying with the Company as recommended by them. The Committee would, therefore, urge expeditious disposal of impaired machinery, if not already done.

<u>Security Expenses</u>
(Recommendation No. 11)

26. In their earlier Report, the Committee based on a suggestion from the Corporation recommended reimbursement of the huge security expenses being incurred by SPMCIL production Units on the security deployments made around these Units due to threat perception as the Corporation did not have any say in the matters of Security deployment which was the Government's prerogative.

27. In their updated Action Taken Reply, the Government have stated that the request of SPMCIL for reimbursement of security expenditure incurred by the units has not been accepted by the Ministry vide their letter No.3/8/2009-SPMC/484 dt.

01.06.2011 on the logic that there is no precedent for the same in any PSU under any Government Department.

28. The Committee do not agree with the reasoning given by the Government for not reimbursing the security expenditure to the SPMCIL on the plea that there has been no precedent in this regard in any of the PSUs. The Committee feel that given the unique and strategic nature of the functioning of the Company which is mandated to discharge a major sovereign function of the Government, SPMCIL cannot be equated with any other public undertaking. The Government in fitness of things should bear the cost of deployment of security in SPMCIL units as any lapse in security will have far reaching implications. The Committee, therefore, reiterate their Recommendation that Government should favorably consider reimbursement of security expenditure incurred by the units of SPMCIL.

<u>Counterfeit Currency</u>
(Recommendation No. 15)

29. The Committee had in their earlier report while taking note of the alarming proportion that the menace of circulation of counterfeit currency in the country had acquired in the recent years had felt that although RBI is stated to have initiated a number of steps to cope up with the challenges of counterfeit currency including those taken to educate the people, these awareness campaigns were yet to reach the common masses particularly in the rural areas where poor and innocent people, more vulnerable to counterfeit currency, continues to be the victims of this problem and are easily targeted by the anti-national elements. They had, therefore, while impressing upon the Government to take appropriate steps to amend the penal provisions for providing protection to such hapless victims, also emphasized upon the RBI to introduce easily recognizable and yet scoring high on anti-counterfeiting security features in the design of the currency notes on the lines of advanced international practices. Needless to say that inclusion of such security features will go a long way in mitigating the hardships being faced by the common man.

30. In their initial Action Taken Reply, the Government have stated that selecting of new security features for the new series of bank notes has already been initiated by the Ministry of Finance. To improve design of the Indian bank notes RBI has constituted a high level steering committee of experts. A co-ordination mechanism in Ministry of Home Affairs called F-CORD has been set up to co-ordinate among various security agencies to tackle the menace of counterfeit currency.

31. Addressing the menace of forged notes is an ongoing process. With a view to further strengthen the systems of handling banknotes by the banks, RBI has issued a

direction to all its scheduled banks that banknotes in denomination of Rs.100 and above should be re-issued by banks over their counters or through ATMs only if those banknotes are duly checked for authenticity/genuineness and fitness by machines. Such machines should adhere to the note sorting standards prescribed by RBI. The bank have also been directed that they should (i) use such machines in all their branches having average daily cash receipts of Rs.1 crore and above by March, 2010 and (ii) use such machines in all their branches having average daily cash receipts between Rs.50 lakh and Rs.1 crore by March 31, 2010. The banks have already initiated the process of implementation of the instructions. The banks so far installed 2018 note sorting machines in their branches which have case receipts of Rs.1 crore and above. The guidelines on note sorting parameters have also been issued.

32. In their updated Action Taken Reply, the Government have further stated that under the awareness campaign which was launched through Doordarshan on August 15, an ad film titled "Paisa Bolta Hai", in Hindi and 11 other regional languages, was shown on the National and Regional Channels of Doordarshan for a year. A dedicated microsite www.paisaboltahai.rbi.org.in with easy to understand information on genuine Indian banknotes has been hosted in the official site of RBI. The objective of the campaign is to make the common people (Aam Admi) aware of the features of genuine Indian banknotes.

33. To address the multi-dimensional aspects of the FICN menace, several agencies such as the RBI, Ministry of Finance, Ministry of Home Affairs, Security and Intelligence Agencies of the Centre and States, Central Bureau of Investigation (CBI) etc., are working in tandem, to thwart the illegal activities related to FICNs. The work of these agencies is periodically reviewed by a nodal group (FCORD) set up for this purpose. FCORD (FICN Coordination Cell) coordinates/share all available information/ intelligence and analysis on circulation/smuggling of FICN in the world. At the functional level, the CBI has been declared as the nodal agency for coordination with the States and the Directorate General of Revenue Intelligence has been nominated as the Lead Intelligence Agency for the purpose. National Investigation Agency has been empowered by National Investigation Agency Act to investigate and prosecute such offences to deal with this menace. The Government have also constituted a Terror Funding and Fake Currency Cell (TFFC) in NIA in 2010 to focus on investigation of Terror Funding and Fake Currency Cases.

34. While taking note of the various measures taken by the Government in pursuance of the Recommendations of the Committee to effectively control the menace of counterfeit currency, the Committee are disappointed to note that no steps to amend the penal provisions for providing protection to the hapless victims of counterfeit operations have been initiated by the Government. This is all the more imperative since more and more law enforcing agencies are being involved by the Government to curb and control this problem of gargantuan

proportion. The Committee, therefore, reiterate their earlier recommendation and desire that Government initiate appropriate steps in this regard immediately.

35. The Committee also note that under the awareness campaign on the Indian currency an ad film namely 'paisa bolta hai' was telecast on various channels of Doordarshan for a year to spread awareness among the common man regarding the true features of Indian banknotes. While appreciating this campaign, the Committee are of the opinion that with a view to make such campaign more effective and its impact forceful, it is imperative to make such efforts a continuous process. Likewise, it is also important to widen the coverage of such campaign as telecasting of ad film only on Doordarshan seems insufficient as a large number of people who do not watch Doordarshan remain uncovered. The Committee, therefore, urge that steps should be taken to telecast such ad films on all popular channels so as to enhance the coverage and efficacy of awareness campaign.

36. The Committee also note that for selecting new security features for the new series of bank notes, steps have already been initiated by the Ministry of Finance and RBI and a high level steering committee of experts to improve design of Indian bank notes has been constituted. The Committee trust that efforts initiated by the Government for introduction of easily recognizable anti counterfeiting security features would fructify at the soonest and will help in controlling the menace of counterfeit currency notes.

Indigenization of Security Sensitive Items
(Recommendation No.17)

37. Considering the fact that excessive dependence upon the import of raw-material like paper and ink to the extent of around 80-85 per cent make the country vulnerable to the menace of counterfeiting, the Committee in their Sixth Report had observed that the Government need to undertake R&D activities concerning the indigenization of the production process of such security sensitive items. The Committee had, accordingly, recommended that efforts at indigenization brook no delay whatsoever and need be taken up on utmost priority. The Committee had further recommended that the Ministry of Finance and SPMCIL should expeditiously formulate a concrete plan for dedicated R&D set-up with enhanced financial allocation and draw a roadmap with a clear time-frame for achieving indigenization in security sensitive items.

38. The Government in their updated Action taken Reply have stated that at present majority of the Bank Note Paper is imported. The present currency manufacturing project plans include Banknote Paper Mill India, Mysore (BNPM) as 50:50 JV between Security Printing & Minting Corporation of India (SPMCIL) and Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) which shall have two Cylinder Mould Vat Made Watermarked Banknote (CWBN) paper lines with a total capacity of around 12000MT/per annum. A New CWBN paper line is also coming up at Security Paper Mill (SPM), Hoshangabad of 6000 MT capacity. The present capacity of SPM, Hoshangabad for manufacture of CWBN & security paper is about 3000 MT per annum. Therefore, once the new projects are commissioned, there will be an additional capacity of 18000 MT of CWBN paper. The offset and numbering inks are produced locally by BNP, Dewas for meeting SPMCIL requirements but are procured by BRBNMPL for their own requirement. Part of Quick Set Intaglio Ink (QSI), requirement is met through captive production at Bank Note Press, Dewas (A unit of SPMCIL) & BRBNMPL is meeting its requirement through outsourcing. Modernisation of Ink factory is being done progressively & it is expected that the currency printing presses would become self reliant for QSI in the years to come. Further, SPMCIL presses, namely CNP, Nasik & BNP, Dewas, are the nodal units for FICN testing along with two other presses of BRBNMPL at Salboni & Mysore. Moreover, consequent to formation of a co-ordination mechanism in Ministry of Home Affairs called FCORD, the subject is under discussion between various stake holders. It is apprised that for applied R&D, SPMCIL Board has accorded approval for setting up of corporate R&D Centre at BNP, Dewas, Security Paper R&D Center at SPM, Hoshangabad & Mint R&D Center at IGM, Hyderabad in phase-I. For coordinating activities, R&D manpower consisting of 5 Officers & 8 Supervisors posts have been sanctioned recently. The recruitment action is being processed by SPMCIL. The application oriented R&D proposed to be done by SPMCIL shall pick up speed only after the manpower and infrastructure is available. In the interim phase, a modest R&D policy and action plan have been made by SPMCIL which have been approved by SPMCIL Board and the same is being pursued.

39. The Committee appreciate the aforementioned initiatives to augment the indigenous production of some security sensitive items, but are constrained to observe that the augmentation plans of Company placed before the Committee are devoid of specificity regarding physical and financial dimensions as well as timelines for indigenization . The Committee, therefore, feel that in the absence of road map for indigenization, envisaged augmentation may remain only on papers. The Committee, therefore, desire the Ministry and Corporation to put their heads together and draw doable plans for augmentation of indigenous production capacity with well laid down allocation, physical targets and timelines.

CHAPTER - II

RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1

Manpower Planning

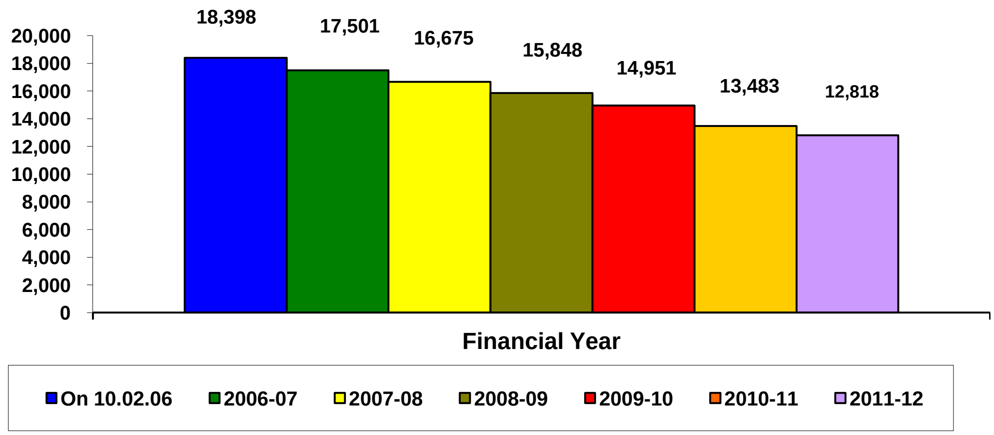
The Committee have been informed that all the Government employees functioning under the nine departmental units were treated as on Rs.deemed deputation' to SPMCIL after the corporatisation of these units was effected in February, 2006. The Committee's examination however, reveals that in the absence of any perspective manpower planning, the Company had to admittedly, go through a critical phase during 2008-09 because of uncertainties prevailing over the issue of en-masse transfer of Government employees to the rolls of the Company as some unions and associations of the employees were initially opposed to the process of corporatization. The fact that a tripartite agreement on absorption of Government employees in the Corporation could be reached with the Government, SPMCIL and the Unions only in September, 2008 is a clear indicator that the issue of deployment of manpower in the Corporation was not fully analysed in its entire ramifications before conceptualising corporatisation of the departmental units. The net result is that optimization of manpower is yet to be achieved as is evident from the fact that about 2000 employees as on 31 March, 2009 are still awaiting deployment by the surplus cell even after the report of National Productivity Council has brought out that the expenditure on manpower in SPMCIL is on higher side. Closely connected are the issues relating to recruitment of skilled manpower, formulation of appropriate Recruitment and Service Rules, establishment of appropriate Industrial Relations Machinery (IRM) suitable for a multi-unit Corporate entity and inculcating corporate work culture and training of employees to meet the challenges of advanced technology besides new financial systems introduced after corporatization. While taking due notice of the initiatives taken by the Government through tripartite agreement to address the apprehensions of the employees in new set up, the Committee wish to strongly impress upon the management to pay focused attention towards all aspects of streamlining the management systems consistent with the requirement of multi unit Corporate entity, job-specific skill development and training needs of the employees working in a Corporation engaged in security sensitive area. The Committee further recommend that Recruitment and Service Rules may be finalized without further delay and no shortcut method of engaging retired officials on contract basis be resorted to. They would like to be apprised of the precise steps taken in this regard.

Reply of the Government

5.1 Rationalization of Manpower

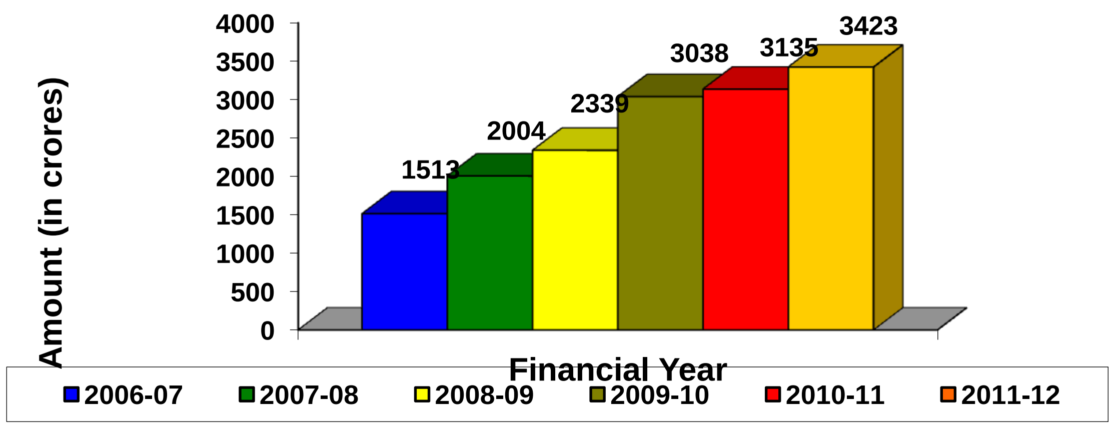
- At the outset, it is relevant to mention that 18,398 Govt. employees working in the Mints, Presses and Paper Mill were kept on deemed deputation in SPMCIL vide Govt. order dated 10.02.2006. Tripartite Agreement was signed on 15.09.2008 for en-masse transfer of Mints, Presses and Paper Mill Employees to Company. Out of approximately 16,300 Govt. Employees on deemed deputation in SPMCIL as on 01.11.2008, more than 90% opted for permanent absorption in the Company and 1,385 number decided to opt for the Govt. service.
- The following chart vouch that the Manpower strength in SPMCIL after Corporatisation has significantly declined.

<u>Declining Manpower Strength</u>



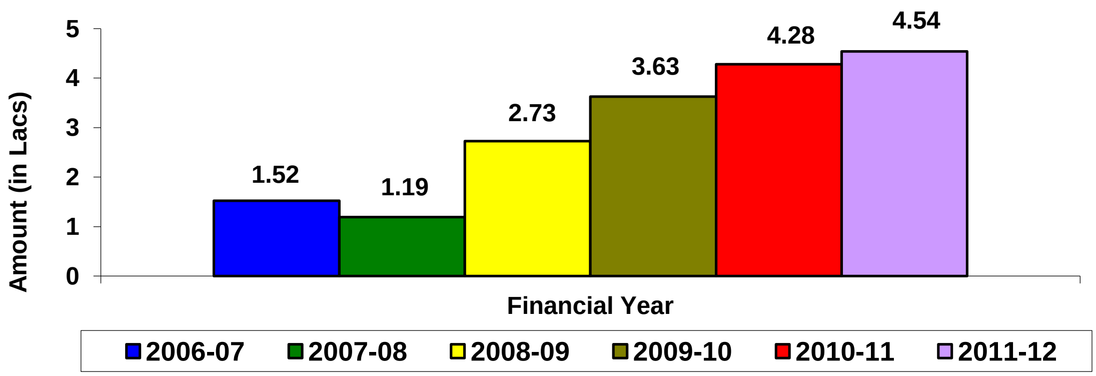
- The Sales turnover of the Company in the first year of incorporation was 1,513 crores and during 2011-12, the turnover has become double as evident from the bar-chart given below.

<u>Sales Turnover more than Double</u>



- Correlating with the Manpower Strength and the Sales Turnover of the Company, it is pertinent to draw inference that Per Employee Profit is continuously going up in SPMCIL after Corporatisation as evident from the bar-chart given below:

Per Employee Profit constantly going up



- Summing up, three bar-charts showing (i) declined Manpower strength (ii) Increased Sales Turnover (iii) Per Employee Profit going up, is a sheer reflection of increased efficiency of SPMCIL Manpower after Corporatisation.

- With reference to observations of COPU, it is pertinent to update that at the time of en-masse transfer, altogether 1,385 employees opted to continue in the Govt. service and already taken on the roll of DoPT Surplus Cell, though they continue at the workplace of SPMCIL Units. During the intervening period many have retired, opted for special VRS and already redeployed. The big challenge for the Company is a writ petition filed by the Govt. employees of SPP Hyderabad contesting their redeployment in other Govt. Departments by DoPT. Nevertheless, the total number of Govt. optees today in SPMCIL Units has come down to 454 only.

- It has been the strategic effort by the SPMCIL Management in SPMCIL as a Corporatized entity to rationalize the manpower and ensure optimum utilization of available Manpower.

- It is pertinent to mention that immediately after Corporatisation, NPC was appointed and their recommendation was rejected by the Unions in the Core committee. Then, it was agreed to appoint an independent Consultant as already reported to the Committee on Public Undertakings in SPMCIL Action taken Report submitted through the Administrative Ministry vide OM No. 3/8/09-SPMC (Vol.II) dated 29.12.2010.

- M/s KPMG was appointed by the Company for an independent assessment of NPC report so far manpower requirement is concerned. The HR area of KPMG study broadly divided into five parts as mentioned below:

(i) Organisational Structure and Roles
(ii) Manpower Plan and Projection
(iii) Competency Mapping and Performance Management System
(iv) Appropriate Cadre Structure
(v) Alignment of Various HR Processes

- Report of KPMG with specific reference to Manpower Planning and other HR related areas as mentioned above was presented to the Steering Committee of SPMCIL on 30th March, 2012 and the same was duly signed off.

- Thereafter, it was considered expedient to make a reference to the GMs of all the nine Units to exhaust the process of consultation with the recognized Unions for their consent so that Manpower Plan and Projections as recommended by KPMG could be formalized by the Company.

- This process of consultation was inevitable because as per clause No. 25 of MoS, the Company is under obligation to do so with the representatives of recognized Union because NPC report was not accepted and an independent study for revalidation was agreed.

- There is a subtle resistance by the Unions but Units have been advised to complete the process of consultation so that Corporate Office is in a position to formally notify the standard manpower in respect of all the Units keeping the long term perspective of the Company in mind.

- The fact remains that the Manpower in the Company has drastically reduced in comparison to the sanctioned strength as was notified during Govt. time for Mints, Presses and Paper Mill.

5.2 Recruitment Policy and Service Rules

- Prior to Corporatisation, the Units were functioning as independent establishment / department of Govt. and therefore each Unit had its own Recruitment Rules in respect of each category of post(s) in Mints / Presses and Paper Mill.

- The erstwhile Recruitment Rules also included the option to have Officers and other category of employees on deputation basis which is not permissible in a Public Sector Undertaking without specific dispensation from the Department of Public Enterprises.

- A comprehensive “SPMCIL Recruitment Policy-2012” has since been framed and was placed before the SPMCIL Board on regular intervals. As advised by the Board, legal opinion was obtained, Policy was also referred to a Sub-Committee of the Board.

- In the meantime the SPMCIL Recruitment Policy delinking from the Promotion Policy as was placed before the Board has become the basis of all recruitments from open market and also recruitment through internal process inviting applications from amongst potential Company Employees by posting the job vacancy across nine Units and Corporate Office.

- Likewise, SPMCIL Promotion Policy for Non-Executives has been framed and was made available to the Unions on 27th March, 2012 in the 4th Bipartite Forum Meeting for the purpose of consultation. The Unions are yet to finally give their counter proposal and the "Promotion Policy of the Non-Executives" is being separately taken up with the Unions.

- The draft Promotion Policy for the SPMCIL Executives has since been made and informal consultation including the process of inviting suggestions is complete. As a Govt. Department, the promotion was post based and vacancy bound and differing from Mints and Presses whereas proposed SPMCIL Promotion Policy for Executives shall be uniformly applicable. The draft promotion policy is being taken up to SPMCIL Board for its consideration.

- In the meantime, the IDA pattern pay scales as applicable to PSU for Executives and Non-Unionized Supervisors have been implemented across the Company effective from 27.6.2012 in line with the Order issued by the Administrative Ministry.

5.3 Skill Development and Training

- Training and Development of Employees in SPMCIL as a Corporatised entity has emerged to play a pivotal role for Capacity Building and enhancing the Operational Efficiency. The primary objective of SPMCIL Training and Retraining are predominantly Skill and Technology driven to cope with the machines and modernization plan. The development of soft skill of Executives and Supervisors also constitute an integral part of Employees training.

- A strategic beginning was made after Corporatisation by issuing comprehensive guidelines to the Units by the Corporate Office highlighting on the basic parameters for identification of training needs and also the objective was to formalize Annual Training Plan commencing from 2008-09.

- National Institute of Financial Management (NIFM) located at Faridabad was identified as the training-Hub for development of SPMCIL Executives. 97 Executives were trained during the year 2010-11, 84 Executives of Nine Units and Corporate Office were trained during the year 2011-12 for a duration of six days in the premises of NIFM, Faridabad. The objective of Executive Development Programme (EDP) was to expose the Executives to various functional areas which includes Operation & Technical, Materials Management, Sales & Marketing, IT, Finance and Human Resource. Their learning in the class room was leveraged at the workplace to enhance the operational efficiency.

- Besides, the Company has deputed its Executives to various professional and Management institutes of repute and they are, Indian Institutes of Management, National Institute of Technical & Industrial Engineering, Institute of Public Enterprises, National Productivity Council, Indian Railways Institute of Logistic and Material Management, etc.

- For the purpose of Training of the Supervisors from across the nine Units, Hyderabad Mint located at Cherapally has been identified as the Training-Hub for development of Supervisors of the Company in their domain area and also with the objective to equip them with Supervisory skill to interface with the Workers at the workplace.

- The Units of SPMCIL identify the training needs and skill gap of the Industrial Workers working in the shop floor and plant level based on which Units decide the Plan and module for in-house training and also deputing the workers to the outside Organisations.

- Summing up, SPMCIL has 284 Executives, 1101 Supervisors and 10,979 Workers on the roll as on 31.03.2012 which excludes 454 Govt. optees. It was the commitment of the Company in MoU target to train 6% Executives, 4% Supervisors and 3% Workers and the Company has overwhelmingly achieved the Excellent target by training to 16.10% and 16.47% Employees during the year 2010-11 and 2011-12 respectively. This includes Executives, Supervisors and Workers of SPMCIL and their enhanced efficiency is apart from the Balance Sheet of the Company.

- M/s KPMG evaluated the SPMCIL Training Programmes conducted during the year 2011-12 and it is evident from the report of KPMG that Training and Development of the Employees in SPMCIL across Nine Units and Corporate Office has generated huge satisfaction amongst the Employees which is a motivating factor.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Recommendation Sl. No. 2

Constitution of Joint Consultative Machinery

The Committee appreciate that a provision in the tripartite agreement has since been incorporated for formation of a structure in SPMCIL on lines of joint Consultative Machinery. In order to meet the genuine aspirations of the employees working in different units, the Committee recommends that all the necessary steps should be taken to expeditiously put in place an effective Industrial Relation Machinery (IRM) to take care of the teething problems which are generally experienced on corporatization of Government industrial units. In this regard, the Committee desire that the workers and all the unions functioning in the units of SPMCIL should be taken into confidence and actively involved on modalities of constituting such Joint Consultative Machinery.

Reply of the Government

- The Company has notified the formation of a full-fledged joint consultative machinery on 16.03.2010 known as "SPMCIL Apex Bipartite Forum-2010". This Forum has representatives of Workers and Staff side elected/nominated in consultation with the recognized Unions by the concerned Units.
- The objective of the Forum is to provide a common platform to the representatives of Workers, Staff Members and Union Office Bearers for interaction with Top Management of the Company. The forum facilitates the discussions and deliberations on the employee related issues of the Corporation having ramification over multiple-Units and Company as a whole. The Unit-specific issues are left to the concerned Units to resolve.
- Till date after Corporatisation four meetings of Apex Bipartite Forum have since been successfully conducted in line with the policy notified and the objective prescribed. Slowly and steadily the Forum is emerging to play a pivotal role in carrying forward the Company to next higher level through the process of joint consultation.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Recommendation Sl. No. 8

Delay in Lifting NJSP

The Committee have been informed that the directions by Government stipulate that six months stock of printed stamp paper has to be held for the requirement of State Governments and that supply of such papers cannot be stopped because it has the potential for introduction of false stamp papers as happened in Telgi case. The Committee's attention has however, been drawn towards the delay in lifting the non-judicial stamp papers by various State Government leading to piling up of huge stocks in the Corporation and consequential high working capital costs. The Committee is of firm view that sound business principles should always be the guiding factors of any commercial entity. The Committee, therefore, recommend that appropriate measures should be taken by the Ministry of Finance to take up this issue with the State Governments concerned in the best financial interests of the Corporation.

Reply of the Government

Request have been made by SPMCIL for timely lifting of NJSP. There has been significant improvement in lifting up NJSP by the State Governments due to consistent follow up by SPMCIL and Ministry of Finance. The matter is now regularly raised in the meeting of State Secretaries and IG Registration & Stamps, wherein it has been given cognizance by State Governments and lifting has improved.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Recommendation Sl. No. 12

Corporate Social Responsibility

The Committee feel that the corporatized industrial units must show their commitment to the cause of social responsibilities towards people around the area of their operation. The Committee have been informed that SPMCIL has formulated its corporate social responsibility polity in tune with the philosophy of Central Public Sector Enterprise and earmarked an amount of Rs.2 crore for the purpose as per MoU signed with the administrative ministry for the year 2009-2010. The Committee's examination has however, revealed that the Corporation has incurred a meager expenditure of Rs.0.28 crore to provide assistance mainly for an ambulance and construction of school buildings at Nasik. During evidence, the CMD, SPMCIL admitted that the Corporation had not been proactively doing for adjoining communities and poor villages. The Committee feel that the public sector undertakings being the extension of the State have a moral responsibility to discharge their social obligations. The Committee, therefore, desire SPMCIL to do some introspection to take initiatives for welfare of the society at large. The Committee would like to be apprised of the precise action taken in this regard.

Reply of the Government

- It is a commitment of SPMCIL to carry forward the Corporate Social Responsibility initiatives in tune with the philosophy of the Public Enterprises business in India like many other PSUs. As the Department of Public Enterprises (DPE) came up with guidelines on CSR vide OM dated 9.4.2010 which were approved by the Board of Directors in its 30th Board Meeting, the same became the basis for the CSR Policy in SPMCIL. SPMCIL has been signing MoU with the Ministry of Finance every year giving therein the specific parameters for expenditure to be incurred on various activities under CSR. Major CSR initiatives of the Company are in the fields of (i) Education (ii) Health & Family Welfare (iii) Environment and Social Development (iv) Public Awareness, and (v) Civic Amenities.

- For the year 2010-11, the Company had made a commitment of an expenditure of Rs. 3 crores on various CSR projects as per the MoU signed with Ministry of Finance. The actual expenditure however crossed this target and an amount of Rs. 383.94 lakhs was spent by the Company. It is pertinent to mention that in order to promote education in the backward areas, as part of its CSR initiatives, SPMCIL signed an MoU with Bharti Foundation on 19th October, 2010. As per this MoU, school buildings and furniture as well as equipments would be provided by SPMCIL at a cost of about Rs. 4 crores. Further, SPMCIL has provided another sum of Rs. 15 lakhs during the year to "Palse Gram Vikas Mandal, Palse" for construction of a school building at village Palse, District Nashik, in addition to Rs. 10 lakhs already provided for this purpose during the year 2009-10.

- For the year 2011-12, an MoU was signed by SPMCIL with Ministry of Finance which inter-alia envisaged an expenditure of Rs.3.50 crores on CSR initiatives. Some of the projects undertaken by the Company include construction of schools at Murshidabad, expansion and improvement of the road side amenities of road connecting from US Gymkhana, ISP to Nashik-Pune Highway and Jail Road Side, providing rainwater harvesting System and sanitation project at Panvel, Chinchvali and Govandi in Maharashtra through Indian Red Cross Society, Mumbai, providing artificial limbs, calipers, crutches and hearing aids to the disabled persons through Bhagwan Mahaveer Viklang Sahayata Samiti and Providing Solar Lamps. The Company also trained 101 MSME personnel during the year 2011-12 through ni-MSME Hyderabad. An amount of Rs. 4.36 crores was thus spent by the Company during the year 2011-12 against the target amount of Rs.3.50 crores and thereby achieving excellent rating.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Recommendation Sl. No. 13

Erratic indents for Coins and Currency

The Committee note that SPMCIL is primarily dependent upon RBI and various other departments of Central/State Governments for its operational performance. The Corporation is however, stated to be experiencing difficulties in optimizing its capacities particularly because of uneven demand projections for currency notes and coins by RBI. The Committee have been informed during their examination that RBI did not place any indents for coins during the years 2005-06 and 2006-07 and the same were suddenly increased to 3485 million pieces in 2007-08 and to 5900 million pieces in 2008-09. Substantial variations in projected annual requirements of currency note has also been noted. Whatever may be reasons for uneven demand projections for currency and coins, the fact remains that such uncertainties in indents and lack of firm commitment for producing currency and coins put unwarranted pressure on the production planning and deployment of resources committed for printing of currency notes and minting of coins. In the light of the candid admission by RBI that it is possible for them to project 'approximate' demand for production of currency notes and coins in advance for the next five years, the Committee strongly recommend that the Ministry of Finance should clinch the issue with RBI by impressing upon them to project their indents for currency notes and coins five years in advance so that the capacity of each unit of SPMCIL is neither kept idle nor overburdened due to uneven annual demands nor difficulties experienced in meeting the increased demands as had happened in 1996-98 when the

Government of India had to resort to outsourcing of printing of currency notes to foreign agencies.

Reply of the Government

Regarding perceived shortage of coins in the country, a high level committee, headed by Deputy Governor, RBI, was constituted by Government of India to address the issue and it was brought out by the committee that the demand projections of RBI are not consistent and the shortages / surpluses of coins arise as a cyclic phenomena which can be minimized with good logistic / distribution related management. Also, in the recent production planning, held on 05.10.2012. RBI has been requested to strengthen their statistical department for better forecasting.

Indent/ projections for Banknotes and coins for the period 2012-13 to 2016-17 have been finalized in the Production Planning Meeting (PPM) held on October 05, 2012. Based on the discussions in the PPM, the revised indent/projections for Rs. 10 coins for the above period have been communicated to GoI by RBI on 16.10.2012. These projections have been arrived at by using time-series and econometric analysis based on the available time-series data in the system under certain assumptions such as Real GDP growth prospects, WPI-inflation and the disposal rate of denomination-wise soiled banknotes etc.

It may be pertinent to mention in this context that the High Level Committee constituted to look into the demand for coins (Chairman: Dr. KC Chakrabarty), in its Report submitted to Government of India on August 14, 2012 has, inter alia, noted that such demands are subject to diverse socio-economic, behavioural and often unpredictable factors, rendering the task of forecasting the demand not easy, especially in India.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Recommendation Sl. No. 14

Outsourcing of Printing of Currency Notes

The Committee is aghast to note that the RBI had outsourced the printing of notes to three foreign countries in the year 1997-98. The Committee was informed that 2000 million pieces of 100 rupee denomination and 1600 million pieces of 500 Rupee denomination of notes were outsourced for printing at (i) American Banknote Company (USA) – 635 million pieces; (ii) Thomas De La Rue, UK – 1365 million pieces (100 rupee denomination), and Giesecke & Devrient Consortium (Germany) – 1600 million pieces (500 rupee denomination), amounting to a sum of Rs. One lakh crores. On further inquiry the Committee was also given to understand that such outsourcing of the printing of notes was not done either prior to 1996 or after that. The reasons such as (a) the bad conditions of the notes and (b) the ‘soilage’ factor etc. mentioned by the representatives of the RBI are far from convincing. The RBI system of a assessment with respect to the demands of the bank notes in the country has been off the mark resulting in a gap between the demand and supply of bank notes, but this is a factor that was constant prior to and after 1996. The Committee rejects the reasons that have been forwarded for this extraordinary decision which is unprecedented.

The Committee also find it pertinent to point out that during printing of currency notes worth 1 lakh crores in three different countries, there was always a grave risk of unauthorized printing of excess currency notes, which would have been unaccounted money. The Committee simply wonder how come a decision was taken to have the currency notes printed by above mentioned companies in three different countries. Logically speaking since all the said three countries are well developed, each country certainly had the capability of undertaking the entire printing assignment. In any case the very thought of India's currency being printed in three different countries is alarming to say the least. During that particular fateful period our entire economic sovereignty was at stake.

The Committee is concerned of the grave implications of such a move as it has wider ramifications in a multi faceted angle. The danger of destabilizing the economy by the agencies of authorities who could have misused our security parameters vis-à-vis printing of currency notes, the use of such notes which could have been printed in excess could easily have fallen in the hands of unscrupulous elements such as terrorists, extremists and other economic offenders, looms large in our minds. The Committee expresses its strong resentment over such an unprecedented, unconventional and uncalled for measure. The Committee while recommending that SPMCIL be strengthened to undertake the printing and minting of the required currency notes/coins fervently emphasise that outsourcing of printing of currency notes/minting coins should never be resorted to in the future."

Reply of the Government

Since corporatisation, SPMCIL and BRBNMPL have been meeting the requirement of coins and currency and no import has been resorted to. The concerns and recommendations of the Committee have been carefully noted for future guidance.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Recommendation Sl. No. 16

Role of SPMCIL

In the context of the operational role of SPMCIL in checking counterfeit currency, the CMD, SPMCIL washed off his hands during evidence stating "……counterfeit matter remains with the Government. I am basically their vendor". The Committee is surprised at this explanation coming from the Chief Executive of a responsible corporate organization entrusted, inter alia, with the responsibility of providing design part of currency notes to the Government. In the opinion of the Committee, SPMCIL is not just a vendor but a Government agent equally accountable for production of an ideal currency which cannot be easily counterfeited. In fact, delay in responding technologically to the challenges of counterfeit was one of the main constraints experienced in the system of keeping the departmental units engaged in production of currency and coins as Government entities and it was with this purpose that the nine departmental units were corporatized and placed under SPMCIL. Although SPMCIL is stated to have taken certain initiatives to keep pace with advancement of technology, the Corporation as bank note designer and printer of currency notes does not appear to have taken requisite technological initiatives to deter counterfeiting. The Committee, therefore, strongly recommend that SPMCIL should direct its efforts towards continuous design innovations conforming to international standards so as to meet the challenges of counterfeiting effectively.

Reply of the Government

SPMCIL had planned for an investment of about Rs. 2500 crore to be spent from 2009-10 onwards on modernization, indigenization and upgradation of its machinery and setting up of 2nd tier R&D set-up, so as to be able to manufacture state of the art coins, currency and other security products. A joint venture company, called "Bank Note Paper Mill India Private Ltd", has been established for setting up two lines of 12000 MT capacity bank note in Mysore. One line of bank note paper mill is being set up in Hoshangabad in addition to modernization of existing two lines. Modernization of ink factory at Dewas has been taken up to increase the production of intaglio ink indigenously, steps have been taken up to establish R&D set up in designing, printing, ink, paper and coinage material. Similarly, steps are being taken to increase and modernize capacity in designing of state of art Indian Bank Notes.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Recommendation Sl. No. 18

Mini Ratna Status

Incidentally, in terms of the tripartite settlement, the Government stands committed to provide support to the corporation to the tune of Rs. 1200-1500 core for modernization. It has, however, been brought to the notice of the Committee that a letter has recently been received by SPMCIL from DPE stating that the Mini Ratna status of the Corporation would be withdrawn unless the Government support is in national interest. Considering the fact that the financial support proposed to be given by the Ministry is a part of its commitment to the Unions and is in no manner proposed to bridge the losses of the Corporation, the Committee are of firm view that it would not be appropriate to link the issue of Mini Ratna status with the financial support proposed to be given for modernization to a Corporation required to meet the challenges of upgrading the technology in the area of printing of security products and counterfeiting of currency notes. The Committee, therefore, recommend that the Ministry of Finance should resolve this issue with DPE to ensure that the Mini Ratna status of SPMCIL is not affected.

Reply of the Government

- The Department of Economic Affairs, Ministry of Finance has vide O.M. No. 4/2/2008-Cy.I dated 10.05.2010 asked the Department of Public Enterprises to examine whether the financial support to SPMCIL to the tune of Rs. 1200-1500 crores for modernization and capacity up-gradation of the existing plant and machinery, for making units of SPMCIL competitive, would affect SPMCIL's Mini Ratna status.

- The Department of Public Enterprises has vide O.M. No. 26(2)/2005-GM (Part) dated 21.05.2010 informed that in terms of DPE OM No. 18(16)/2005-GM-GL-84 dated 28.05.2007, the budgetary support to implement Government sponsored projects of national interest and Government sponsored R&D projects will not disqualify CPSEs from retaining their Mini Ratna status, provided investment decision for such projects are taken by the Government and not by the CPSEs concerned.

- The Department of Public Enterprises has further clarified that the provision for financial assistance to Security Printing & Minting Corporation of India Limited (SPMCIL) was incorporated in the Memorandum of Settlement signed with the employees at the time of formation of SPMCIL and the projects proposed to be financed by the Government are being taken up as per the directions of Core Group on Security and Committee of Secretaries. As the proposed projects are aimed at complete indigenization of currency inputs, namely, paper and ink, they can be considered as falling under the category of vital national interest as intimated by DEA and the investment decisions for these projects have also being taken by the Government. Therefore, it appears that the proposed financial support to SPMCIL falls within the ambit of provisions contained in DPE OM dated 28.05.2007 and, therefore, would not affect the Mini Ratna Status of SPMCIL.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

CHAPTER - III

RECOMMENDATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES

- NIL -

CHAPTER – IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation Sl. No. 4

Capital Structure

Outdated financial systems were one of the important factors for corporatization of the departmental units. The Committee however, note that the capital structure of SPMCIL does not reflect the true picture of its asset base as the value and nature of assets transferred to the Corporation has not yet been finalized. This delay has been attributed primarily to the reasons that transfer of assets from the departmental units at the time of corporatization was made on book value without any detailed verification of assets and stock. Although the Ministry of Finance is reported to be processing the proposal to finalize the capital structure on the basis of a detailed exercise undertaken by SPMCIL to record the correct value of assets in each unit, the fact remains that unduly linger time has been taken to settle such an important issue having direct bearing on capital base of the Corporation. The Committee, therefore, desire that an early decision on the correct valuation of assets transferred to the Corporation should be taken so as to present the financial status of the Corporation in right perspective.

Reply of the Government

A proposal for restructuring of capital of Security Printing Minting Corporation of India Limited (SPMCIL) as on 10/02/2006 has been received from the SPMCIL. The book value of the net assets as on 10/02/2006 was Rs.2826.81 crore. After adjusting for assets amounting to Rs.228.33 crore which was equity capital/ loan from GOI to SPMCIL. However an amount of Rs 600 crores payable towards found as unserviceable and unproductive and an amount of Rs.60.78 crore as a liability consequent upon implementation of a Court Judgment, a net amount of Rs.2537.70 crore is proposed to be treated as stamp duty by Corporation on transfer of title of land & buildings at different locations from GOI to Corporation and an amount of Rs 695 crores appearing as contingent liabilities in the books of accounts of the Corporation in various cases pending in courts/Tribunals are requested by SPMCIL to be considered by GOI while arriving at the final amount. The proposal received from SPMCIL is under consideration of the Government.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 11 of Chapter I of the Report

Recommendation Sl. No. 5

Sundry Debtors

The Committee is concerned to note that SPMCIL is encountering various problems in realizing its outstanding dues which are stated to be increasing year after year. Such dues stood at Rs.836.31 crore as on 31 March, 2009. The information furnished in this regard reveals that the entire dues pertain to Central/State Government and RBI and majority of these outstanding are to realizes from various State Governments (Rs. 230.64 crore), Ministry of External Affairs (Rs. 196.86 crore) and Department of Posts (Rs. 156.86 crore). The Committee's examination has brought out that while the matter of realization of outstanding dues from various State Governments has been taken up in the meeting of State Secretaries and the same is being followed up the Ministry of External Affairs is inexplicably not able to clear its outstanding dues because of inadequate provision in its budget. What is more surprising is the fact that a Committee is reported to have been constituted to finalize the cost of products manufactured by SPMCIL for the purpose of settlement of old dues pertaining to Department of Post. The Committee wishes to emphasize that the burden of growing sundry debtors has an adverse bearing on working capital costs of SPMCIL. The Committee strongly recommend that the Ministry of Finance should intervene in the matter to help SPMCIL in realization of its outstanding dues by exerting influence on the defaulting departments of the Central and State Governments.

Reply of the Government

Sundry Debtors outstanding as on 31st March, 2011 were amounting to Rs.961.15 crores which has increased to Rs.1266.01 crores as on 31st March, 2012. There is increase in Sundry Debtors primarily due to increase in the volume of turnover of the company & provisional release of payment of coins. The turnover increased from Rs.3164 crores in the year 2010-11 to Rs.3418 crores in the year 2011-12. Old debtors are reducing due to concerted efforts of SPMCIL supported by follow-up by the Ministry. The Ministry of Finance is regularly reviewing the status of sundry debtors and is continuously intervening in the matter to bring down the same. Ministry of external affairs has been requested to clear their outstanding of last three years early. Ministry of finance budget division is also helping in realizing this outstanding amount from MEA.

RBI's reply :

The bills raised by Presses in the first half of a month i.e between 1st to 15^{th,} of a month, for supply of notes are now paid by RBI on or before 25th of that month and bills raised between 16th & 30th of a month on or before 10th of the succeeding month. As such all bills are settled promptly.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013

Please also see comments of the Committee at para 13 of Chapter I of the Report

Recommendation Sl. No. 6

Payment for Postal Stationery

Yet another area which has engaged the attention of the Committee relates to incurrence of losses by SPMCIL on account of non-payment of actual cost of production of postal stationery. The Committee has been informed that the production cost of certain items of postal stationery is high and the payments for manufacturing such stationery are restricted to cap prices due to Government policy to restrict the price of these products in public interest. While giving due credence to Government policy in matter, the Committee recommend that ways and means should be evolved to ensure payment of at least actual cost of production of such items so that the commercial interests of the Corporation are not compromised.

Reply of the Government

A Committee was constituted in July,2009 under the Chairmanship of the JS&FA, MOF to fix pricing norms for various products supplied by units of SPMCIL to the Department of Posts. The report of the said Committee was circulated vide letter dated 03.06.2011 of MOF. After having the various meetings it was recommended that:

- All pending claims for pre- corporatization period would be cleared by DOP. Pending claims relating to the post corporatization period would be provisionally settled on the basis of CAB rates for 2005-06.

- DOP would make advance payment of 40% of the value of indents being placed on SPMCIL in future.

- SPMCIL and DOP would mutually work out a more efficient and centralized billing/ payment system so as to facilitate prompt settlement of dues.

- CAB would undertake a study to establish the base price for 2006-07 and suggest an indexation formula which would be applicable for the next three years. i.e. 2007-08,2008-09 and 2009-10.

However DOP has not acted as per the directives of the Committee and both old outstanding payment before corporatization and 40% advance payment issues are pending for implementation at their end.

Similarly CAB has also not suggested indexation formula for price determination for the year 2007-08,2008-09 and 2009-10.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 16 of Chapter I of the Report

Recommendation Sl. No. 9

Capacity Utilization

Interestingly, tall claims have been made by SPMCIL that its capacity utilization as against the installed capacity for major products including currency notes and coins ranged from 149 per cent to 174 per cent during 2008-09. The Committee do not find any merit in the assertions made by the Corporation that more utilization capacity had been achieved by means of deployment of manpower on overtime basis and through payment of productivity linked incentive besides reducing the rejection percentage, machine down time and better control after corporatization. On the other hand, the installed capacity in various units does not seem to have been calculated on a scientific basis giving due consideration to operating machine speed and actual utilization of man hour. The Committee, therefore, recommend that SPMCIL should undertake a thorough review for rationality assessing its installed capacity in each unit and take effective steps to ensure optimum utilization of capacity so assessed.

Reply of the Government

M/s. Institute of Industrial Engineering (IIIE) had been engaged as a consultant to conduct capacity assessment study of all SPMCIL units. IIIE has concluded its assessment & submitted its report on 29th June, 2011 for all the nine units.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 22 of Chapter I of the Report

Recommendation Sl. No. 11

<u>Security Expenses</u>

A Suggestion has been received by the Committee from the CMD, SPMCIL that the Ministry of Finance may reimburse the huge security expenses being incurred by the production units of the Corporation which is engaged in production of currency and coins which is a sovereign function. The Committee are in agreement with the plea made by SPMCIL that it does not have any independent say in the matters of deployment of security in its units and has to be guided by the directions of the intelligence agencies and the State Governments due to probable threat perception as potential targets by anti-national elements. In the opinion of the Committee, reimbursement for security deployment in the various units of SPMCIL is largely in the hands of the Government. The Committee, therefore, recommend that the Ministry of Finance should favorably consider reimbursement of security expenditure incurred by the units of SPMCIL so as to facilitate functioning of these strategic business units.”

Reply of the Government

Request of SPMCIL for reimbursement of security expenditure incurred by the units has not been accepted by the Ministry vide their letter No.3/8/2009-SPMC/484 dt. 01.06.2011 on the logic that there is no precedent for the same in any PSU under any Government Department.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 28 of Chapter I of the Report

Recommendation Sl. No. 17

Indigenization of Security Sensitive Items

The Committee note that the SPMCIL presently depends on foreign suppliers for raw material like paper and ink to the extent of around 80-85 per cent. The Committee has been informed by Finance Secretary during his deposition that SPMCIL "has started activities in the crucial area of research and development with the overall objective of indigenizing major security products within a medium time-frame." The information furnished to the Committee however, reveals that only Rs.2.5 crore are expected to be incurred during 2009-10 on R&D for which no dedicated set up exists in SPMCIL. At the same time, a joint venture company of SPMCIL and BRBNMPL for production of currency paper is yet to be constituted and the process for replacement and installation of security paper manufacturing machines at SPM Hosnangabad is still underway. As regards the indigenization of production of ink, it has been stated that the ink factory at Dewas has developed intaglio ink for printing of bank notes and is trying to develop indigenous varnish for varnishing of Rs. five and ten notes. Although two different committees have been constituted in the past by the Government to steer R&D efforts and to review the procedures for procurement of security sensitive items, their reports are also yet to reach logical ends. From these facts, the Committee gather a strong impression that the issues of R&D and indigenization are not being given due attention thus making the country vulnerable to counterfeiting due to excessive dependence on imported currency paper and ink for printing of bank notes.

The Committee, therefore, recommend that efforts at indigenization brooks no delay whatsoever and need be taken up with utmost priority and expeditiously. The Committee while further noting that some quantity of paper and security ink are being indigenously produced, feel that if we have the capability to indigenously produce a part of our requirement, there is no reason why we can't meet our entire needs indigenously.

Indigenization of core raw material such as paper and ink for printing currency notes are very critical from the security point of view. Once we are self reliant in respect of producing these core raw materials, we could to a great measure ward off counterfeiting and other pilferage with our valued currency.

The Committee further recommend that the Ministry of Finance and SPMCIL should expeditiously formulate a concrete plan for dedicated R&D set-up with enhanced financial allocation and draw a roadmap with a clear time-frame for achieving indigenization in security sensitive items.

Reply of the Government

At present majority of the Bank Note Paper is imported. The present currency paper manufacturing project plans include Banknote Paper Mill India, Mysore (BNPM) as 50:50 JV between Security Printing & Minting Corporation of India (SPMCIL) and Bharatiya Reserve Bank Note Mudran Private Limited (BRBNMPL) which shall have two Cylinder Mould Vat Made Watermarked Banknote (CWBN) paper lines with a total capacity of around 12000MT/per annum. A New CWBN paper line is also coming up at Security Paper Mill (SPM), Hoshangabad of 6000 MT capacity. The present capacity of SPM, Hoshangabad for manufacture of CWBN & security paper is about 3000 MT per annum. Therefore, once the new projects are commissioned, there will be a additional capacity of 18000 MT of CWBN paper.

The offset and numbering inks are produced locally by BNP, Dewas for meeting SPMCIL requirements but are procured by BRBNMPL for their own requirement. Part of Quick Set Intaglio Ink (QSI), requirement is met through captive production at Bank Note Press, Dewas (A unit of SPMCIL) & BRBNMPL is meeting its requirement through outsourcing. Modernisation of Ink factory is being done progressively & it is expected that the currency printing presses would become self reliant for QSI in the years to come.

Further, SPMCIL presses, namely CNP, Nasik & BNP, Dewas, are the nodal units for FICN testing along with two other presses of BRBNMPL at Salboni & Mysore. Moreover, consequent to formation of a co-ordination mechanism in Ministry of Home Affairs called FCORD, the subject is under discussion between various stake holders.

It is apprised that for applied R&D, SPMCIL Board has accorded approval for setting up of corporate R&D Centre at BNP, Dewas, Security Paper R&D Center at SPM, Hoshangabad & Mint R&D Center at IGM, Hyderabad in phase-I. For coordinating activities, R&D manpower consisting of 5 Officers & 8 Supervisors posts have been sanctioned recently. The recruitment action is being processed by SPMCIL. The application oriented R&D proposed to be done by SPMCIL shall pick up speed only after the manpower and infrastructure is available. In the interim phase, a modest R&D policy and action plan have been made by SPMCIL which have been approved by SPMCIL Board and the same is being pursued.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 39 of Chapter I of the Report

CHAPTER – V

RECOMMENDATION IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT IS STILL AWAITED

Recommendation Sl. No. 3

Organizational Set Up

The Committee note that except functioning under the control and directions of corporate office, the present organizational setup in all the nine production units of SPMCIL continues to be same as was in place when these units were functioning as departmental organizations under the direct control of Department of Economic Affairs (DEA) in the Ministry of Finance. Although SPMCIL is reported to be still working out a proposal on study on the organizational set up and the vision and the mission for the Corporation for the next ten years by inputs from the professional consultants, the Committee are in no doubt that this issue requires priority attention on the part of the management for putting in place the requisite corporate structure in the production units. The Committee, therefore, desire that the proposed studies on the organizational set up in SPMCIL should be undertaken and completed at the earliest with a view to achieving the envisaged objectives of operational flexibility, fostering efficiency and higher productivity in the production units."

Reply of the Government

As already reported by the Administrative Ministry vide OM No. 3/8/09-SPMC (Vol.II) dated 29.12.2010 in response to the recommendations of the Committee on this particular issue, it is pertinent to update that the capacity assessment and product-wise capacity of the Units for which a consultant was appointed has already submitted the report and the installed capacity of Nine Units of SPMCIL are yet to be formally notified by the Company. But, the constantly increasing indent for SPMCIL as decided by the Govt. and the RBI have been addressed irrespective of the installed capacity of the machine because Company is at the threshold of Capacity building through replacement and modernization of machines.

- The Performance Management System has since been implemented commencing from the year 2011-12 vide Corporate Office Order dated 12.01.2012 in respect of Executives from E-1 level to E-6 level and the Supervisors in S-1 and S-2 level working in all the Nine Units and the Corporate Office.

- The focus of the Performance Management System in SPMCIL is broadly divided into (i) Key Performance Area for which maximum score of 70 per cent has been prescribed for achievement of individual target during the year of assessment, (ii) Competency framework has been evolved, (iii) Values of individuals assessed, (iv)

Potential Appraisal in a standard format is likely to make the system transparent and robust during the years to come.

- A formal notification on 27.06.2012 has been issued by Department of Economic Affairs, Ministry of Finance conveying the sanction of Competent Authority for changeover to IDA pattern of pay scale as prevalent in the Public Sector Enterprises and the benefits of Perquisites extended and Performance Related Pay as per the DPE norms to the Executives and non-Unionised Supervisors in SPMCIL shall be payable from 2012-13 onwards depending on the MoU target achieved and incremental profit earned.

- M/s KPMG was appointed to study the Organisational set up and the Vision and Mission for the Corporation for the next 10 years. The scope and coverage of the study in all the related areas of operation and business are broadly divided into the following categories :

    (d) Corporate Business Plan

    (e) Human Resource Management

    (f) Technical Operation

- The part A of the KPMG report which exclusively deals with the Corporate Business Plan based on the working of the verticals and the and Vision and Mission of the Company thereof is yet to be formally approved by the Company. Presently the focus is more on the capacity building of Plant and Machinery and Rationalization of Manpower so that a befitting Organisational structure and set up could be evolved to match with the global standard as per Organisational Mission and Vision spelled out by M/s KPMG in their report.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 8 of Chapter I of the Report

Recommendation Sl. No. 7

Taxation Matters

SPMCIL has informed the Committee that its production units were earlier exempted from payment of excise and custom duties as local taxes on various items, when these were functioning as departmental organizations. However, the same units are now being asked to pay various taxes by the authorities who are issuing demand notices after corporatization of these units. According to SPMCIL, Government are the ultimate consignee for most of its products and it has been agreed to in a meeting at the level of Finance Secretary and Revenue Secretary to exempt taxes on products wherever Government Departments are the consignees. It is also noticed from Memorandum of Understanding (2008-09) between SPMCIL and Ministry of Finance that the Government also stand committed to provide assistance in persuading State Governments for exemption payment of VAT, entry tax etc., available to production units prior to its corporatization. While appreciating the positive view taken in this matter, the Committee desire the Ministry of Finance to take requisite steps with due promptitude keeping in view the specific role assigned to SPMCIL in producing security products for public use.

Reply of the Government

Anomalies in taxation on some products manufactured by SPMCIL and raw-material/machines imported by SPMCIL were noticed and the same have been partly removed by notification issued by Department of Revenue, Ministry of Finance.

A comprehensive proposal for grant of exemption of excise duty, custom duty, service tax , VAT, Octroi , entry tax & cess duty to units of SPMCIL, BRBNMPL and BNPMIPL has been submitted to the Ministry of Finance and is under examination.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 19 of Chapter I of the Report

Recommendation Sl. No. 10

Disposal of Impaired Machinery

The Committee note that the procedure order stipulates that the parts of the impaired machinery should be auctioned only after the machine parts are destroyed by pressing or by gas-cutting and the dies etc. are defaced. However, the process is reported to have been frozen and no dysfunctional machinery is presently being discarded or dismantled in pursuance of a decision taken after the Telgi scam. The Committee feel that the present policy of preserving the impaired machinery in the premises is not only fraught with danger of theft but may also lead to over accumulation besides huge expenses on its security. The committee are of the firm opinion that SPMCIL should immediately undertake the safe and irreversible disposal of impaired machineries lying with the Corporation. This is a matter which cannot be procrastinated due to the hazards that have been mentioned.

Reply of the Government

The detailed procedures for disposal of impaired machinery has been prepared & included in the new Procurement Manual at Chapter 14 titled Disposal. The Procurement Manual was approved by SPMCIL Board and examined by central vigilance Commission. This was released by the then Finance Minister on 23rd May, 2011 and has been made effective w.e.f. 01.06.2011.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013)

Please also see comments of the Committee at para 25 of Chapter I of the Repor

Recommendation Sl. No. 15

Counterfeit Currency

The menace of circulation of counterfeit currency in the country has been assuming alarming proportion in the recent years. While no assessment of counterfeit currency presently in circulation in the county has been made by Reserve Bank of India, the guesstimate reported in media put such currency at an astronomical figure of Rs. 169,000 crore floating in Indian financial system including official banking channels. The Committee have also been informed by Secretary, Ministry of Finance that the value of fake currency seized and recovered has increased from Rs. 8.39 Crore in 2006 to Rs. 25.79 crore in 2008 and an estimate by CMD, SPMCIL put the figure of counterfeit notes at 8 pieces per million after the incident of detection of counterfeit bank notes in the branch of bank at Dumariagunj, U.P. It has been averred before the Committee that counterfeiting is a law and order issue and the RBI's role in addressing the problem of counterfeiting lies in improving the security features of the currency notes, putting in place a system where all such notes making entry into banking channels are promptly detected and raising the awareness level of all users particularly, members of public. Although RBI is stated to have initiated a number of steps to cope up with the challenges of counterfeit currency including those taken to educate the people, the Committee feel that the awareness campaigns launched by RBI are yet to reach the common masses particularly in the rural areas where poor and innocent people more vulnerable to counterfeit currency continues to be the victims of this problem and are easily targeted by the anti-national elements. While impressing upon the Government to take appropriate steps to amend the penal provisions for providing protection to such hapless victims, the Committee would like to emphasise that RBI should introduce easily recognizable and yet scoring high on anti-counterfeiting security features in the design of the currency notes on the lines of advanced international practices. Needless to say that inclusion of such security features will go a long way in mitigating the hardships being faced by the common man."

Reply of the Government

An awareness campaign was launched through Doordarshan on August 15, 2010. This campaign, with an ad film titled "Paisa Bolta Hai", in Hindi and 11 other regional languages, was shown on the National and Regional Channels of Doordarshan for a year. A dedicated microsite www.paisaboltahai.rbi.org.in with easy to understand information on genuine Indian banknotes has been hosted in the official site of RBI. The objective of the campaign is to make the common people (Aam Admi) aware of the features of genuine Indian banknotes.

To address the multi-dimensional aspects of the FICN menace, several agencies such as the RBI, Ministry of Finance, Ministry of Home Affairs, Security and Intelligence Agencies of the Centre and States, Central Bureau of Investigation (CBI) etc., are working in tandem, to thwart the illegal activities related to FICNs. The work of these agencies is periodically reviewed by a nodal group (FCORD) set up for this purpose. FCORD (FICN Coordination Cell) coordinates/share all available information/intelligence and analysis on circulation/smuggling of FICN in the world. At the functional level, the CBI has been declared as the nodal agency for coordination with the States and the Directorate General of Revenue Intelligence has been nominated as the Lead Intelligence Agency for the purpose. National Investigation Agency has been empowered by National Investigation Agency Act to investigate and prosecute such offences to deal with this menace. The Government have also constituted a Terror Funding and Fake Currency Cell (TFFC) in NIA in 2010 to focus on investigation of Terror Funding and Fake Currency Cases.

[Ministry of Finance, Department of Economic Affairs]
(O.M. No.3/8/09-SPMC dated 3rd January, 2013

Please also see comments of the Committee at para Nos 34,35 and 36 of Chapter I of the Report

New Delhi
20 March 2013
29 Phalguna 1934(S)

JAGDAMBIKA PAL
Chairman,
Committee on Public Undertakings.

APPENDIX

<u>COMMITTEE ON PUBLIC UNDERTAKINGS</u>
(2012-13)

MINUTES OF THE TWENTY FIRST SITTING OF THE COMMITTEE

The Committee sat on Tuesday, the 19 March, 2013 from 1500 hrs to 1530 hrs in Committee Room 'E', Basement, Parliament House Annexe, New Delhi.

PRESENT

Shri Jagdambika Pal - Chairman

MEMBERS

Lok Sabha

2. Shri Hansraj Gangaram Ahir
3. Shri Bansa Gopal Chowdhury
4. Dr. Mahesh Joshi
5. Shri Shailendra Kumar
6. Dr. (Smt.) Botcha Jhansi Lakshmi
7. Shri Vilas Muttemwar
8. Shri Ponnam Prabhakar
9. Shri Nama Nageswara Rao
10. Dr. Prabha Kishore Taviad

Rajya Sabha

11. Shri Anil Desai

SECRETARIAT

1.	Shri A. Louis Martin	Joint Secretary
2.	Shri M.K. Madhusudhan	Additional Director

…2p..

2. At the outset, the Chairman welcomed the Members to the Sitting of the Committee. The Committee then took up Memoranda Nos. 3 to 7 containing following draft Reports:

(i). XXXX XXXX XXXX.

(ii). XXXX XXXX XXXX.

(iii). Action taken by the Government on the Observations / Recommendations contained in the Sixth Report on Security Printing and Minting Corporation of India Limited.

(iv). XXXX XXXX XXXX.

(v). XXXX XXXX XXXX.

3. The Committee approved the Memoranda and adopted the draft Reports without any modification and authorized the Chairman to present these Reports after getting them factually verified from the concerned Ministries / Departments.

The Committee then adjourned.

ANNEXURE

(Vide para 3 of the Introduction)

ANALYSIS OF THE ACTION TAKEN BY GOVERNMENT ON THE OBSERVATIONS / RECOMMENDATIONS CONTAINED IN THE SIXTH REPORT OF COPU ON "SECURITY PRINTING ANOBSERVATIONSD MINTING CORPORATION OF INDIA LIMITED."

I.	Total number of recommendations	18
II.	Recommendations/Observations that have been accepted by the Government (vide recommendations at Sl. Nos. 1,2,8,12,13,14,16 & 18)	08
	Percentage to total:	44.4
III.	Recommendations / Observations which the Committee do not desire to pursue in view of the Government's replies.	NIL
IV.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee (vide recommendations at Sl. Nos. 4,5,6,9,11 & 17)	06
	Percentage to total:	33.3
V.	Recommendation/Observation in respect of which final replies of the Government are still awaited (vide recommendations at Sl. Nos. 3,7,10 & 15)	04
	Percentage to total:	22.3