



PAKISTAN STEEL MILLS CORPN. LTD.
(BULK MATERIAL DEPARTMENT)

No BMD/Misc/12

December 02, 2012

Syed Adil Gilani
Adviser,
Transparency International-Pakistan
5-C 2nd Floor, Khayaban-e-Ittehad,
Phase-VII, DHA, Karachi.
Fax 021-35390410

Subject: **PAKISTAN STEEL TENDERS FOR PROCUREMENT OF IRON ORE**

Ref : AJCL Letter dated: 29.11.2012

Dear Sir,

Pakistan Steel has an agreement with Transparency International-Pakistan (TIP) securing that Transparency International will keep an eye in all international & local business deals being negotiated by Pakistan Steel through press tenders, contracts, and agreements. The activities in this regard being monitored by TIP keeping in view Public Procurement Rules 2004 and other laws, rules & regulations under which various business contracts, agreements are negotiated by PSM.

2 We are grateful that TIP from time to time guide us on act, omissions or any contradictory/conflicting tenders, agreements etc, viz-a-viz Public Procurement Rules or other International bindings etc.

3 You will appreciate that Pakistan Steel has always acted upon relevant omissions pointed out by TIP for the corrective actions. You may recall that recently Pakistan Steel has floated two tenders on C&F basis for procurement of One Lac Tons of Iron Ore against Tender No. BMD/02/Fine and Lump/12 opened on 8-11-2012 and Tender No. BMD/03/Fine & Lump/12 opened on 23-11-2012

4 In both the above tenders, bids were received from single source i.e. against tender opened on 8-11-2012 M/s Swiss Singapore submitted their bids and against tender opened on 23-11-2012



PAKISTAN STEEL MILLS CORPN. LTD.
(BULK MATERIAL DEPARTMENT)

No: BMD/Misc/12

December 03, 2012

Syed Adil Gilani
Adviser,
Transparency International-Pakistan
5-C, 2nd Floor, Khayaban-e-Ittehad,
Phase-VII, DHA, Karachi.
Fax: 021-35390410

Subject: **PAKISTAN STEEL TENDERS FOR PROCUREMENT OF IRON ORE**

Ref: AJCL Letter dated: 29.11.2012

Dear Sir,

Pakistan Steel has an agreement with Transparency International-Pakistan (TIP) securing that Transparency International will keep an eye in all international & local business deals being negotiated by Pakistan Steel through press tenders, contracts and agreements. The activities in this regard being monitored by TIP keeping in view Public Procurement Rules 2004 and other laws, rules & regulations under which various business contracts, agreements are negotiated by PSML.

2. We are grateful that TIP from time to time guide us on act, omissions or any contradictory/conflicting tenders, agreements etc. viz-a-viz Public Procurement Rules or other International bindings etc.

3. You will appreciate that Pakistan Steel has always acted upon relevant omissions pointed out by TIP for the corrective actions. You may recall that recently Pakistan Steel has floated two tenders on C&F basis for procurement of One Lac Tons of Iron Ore against Tender No. BMD/02/Fine and Lump/12 opened on 8-11-2012 and Tender No. BMD/03/Fine & Lump/12 opened on 23-11-2012.

4. In both the above tenders, bids were received from single source i.e. against tender opened on 8-11-2012 M/s Swiss Singapore submitted their bids and against tender opened on 23-11-2012 M/s Cargill submitted their bid.

5. The offer M/s. Swiss Singapore was examined thoroughly and rejected by Technical Scrutiny Committee (TSC) on account of following reasons.

S #.	Description
i.	Original authorization letters from the Mine Owners are required. Notarized authorization Certificates for authorized signatory by the Company is also required.
ii.	Arbitration clause and applicable laws will be the same as per tender documents.
iii.	Al ₂ O ₃ , Cu, TiO ₂ , Alkali and Moisture content and all sizes of both Indian ore are beyond the limits of tender.
iv.	The SiO ₂ content of s/nim Ore and all sizes are beyond the required limit.
v.	The Moisture of sizing of Brazilin Ore beyond the required limit. Also S, Cu, TiO ₂ and alkali content can not provided.

6. However, on receipt of letter from TIP advising that the observations raised by TSC are not very serious and Pakistan Steel is in dire need of iron ore and advised to proceed further.

Come P 12



PAKISTAN STEEL MILLS CORPN. LTD.
(BULK MATERIAL DEPARTMENT)

=02=

7. In pursuance of the advice of TIP the bid was re-evaluated by TSC. It has been observed that the following observations / deficiencies are yet to be addressed / resolved by the company, whereas the company earlier insisted to have venue of arbitration at Singapore / Dubai / London and now vide their fax dated: 30.11.2012 have agreed to as per clause-18 & 19 of tender documents :-

- i) Authority letter from mine owner.
- ii) Integrity Pact and Proforma-E.

8. It will not be out of place to mention that M/s AJCL have only been authorized by M/s Swiss Singapore to submit the offer (copy enclosed) whereas, after submitting the offer M/s AJCL are making correspondence with Pakistan Steel and other agencies, without any legal authority.

9. It is further mentioned that Pakistan Steel has faced lot of problems including arbitration with the companies which were represented by M/s AJCL in the past i.e. M/s Sesa Goa, M/s Fomento, M/s Comtrack and M/s MEL India

10. It is further clarified that Pakistan Steel have never in the past faced any legal proceedings from the renowned mine owners of Iron Ore and Coal from Australia, Brazil, Mauritania, Iran and Canada except the companies represented by M/s AJCL, as per position given in para-9.

11. It would not be out of place to mention that bail out package has been approved / provided by Government of Pakistan based on monthly target (Capacity Utilization). At present, Pakistan Steel is facing acute shortage of imported raw materials and smooth and uninterrupted supply of iron ore and coal hinges on cash flow based on deferred LC basis.

12. Another tender was opened on 23-11-2012, in which only one party M/s Cargill participated. Their offer was also examined by TSC. The observations of TSC have been properly replied/attended including arbitration clause which they have agreed to be done in Pakistan in case of any dispute. Minor adjustment of CFFO terms are still needed to be taken care and are under clarification with the party. Therefore, in view of the fact that their technical offer was acceptable to PSM being as per tender terms & conditions, their commercial offer has been placed before the Board price Committee for opening.

13. The offer submitted by Swiss Singapore is conditional as they have offered usance LC based on lifting of 100,000MTN of iron ore whereas the other party offering deferred LC on 180 days and that too with out any condition.

14. In view of the position given above, you will appreciate that Pakistan Steel has not shown any discriminatory behavior with any of the suppliers and has tried to accommodate both the Suppliers without any conflict of interest as per terms & conditions of the floated tender terms & conditions.

Best regards.

Yours faithfully


 (CAPT. @ SHAMSI HASAN)
 General Manager (BMD)