

# STC's audit department retracts findings on newsprint deal

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The State Trading Corporation (STC) newsprint scandal is becoming curiouser and curiouser. Even as the Central Bureau of Investigation (CBI) is probing the deal which involved the finance director and a former chairman and managing director of the company, the audit and accounts department has suddenly decided to withdraw its original findings which had pointed out irregularities in the deal.

In fact, the reservations expressed by the audit and accounts department, which is part of the establishment of the Comptroller and Auditor General of India, was one of the reasons why the management of the STC had made a complaint to the CBI.

Sources said that Mr T. G. Srinivasan, principal director of commercial audit, suddenly wrote to Mr B. K. Chaturvedi, chairman and managing director of the STC, last month stating that the decision of the company in entering into the deal "was commercially prudent and justified". This was done apparently after the audit and accounts department did not respond to a letter from the

STC, sent at least a year ago, seeking a special audit in the matter.

"This latest finding of the audit and accounts department comes as a bolt from the blue and it might somewhat weaken the STC case," said a highly placed source who did not want to be named. The source said that the STC had waited for a long time expecting the audit and accounts department to take up the matter, but with no response forthcoming, commerce minister P. Chidambaram insisted that an FIR be filed with the CBI.

STC chairman and managing director B. K. Chaturvedi, when contacted, said: "Our internal vigilance department investigated the whole matter and the CBI also did a preliminary inquiry. Following that an FIR was filed. The CBI is looking into the criminal angle of the deal."

Mr Srinivasan was not available for comments, but senior officials in the audit and accounts department said that what had originally been given was a "draft para".

The deal under investigation relates to the import of 30,000 metric tons of standard newsprint from a Russian mill called Balkhan Paper Mills through a Delhi-based company called General Trading and a German company called Herlitz International