

25.2.2014

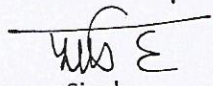
No: RailTel/Operations/Report/2012-13/Scrap disposal

✓ Executive Director/N Region
Executive Director/WRegion
Executive Director/S Region
Executive Director/E Region

Sub: Implementation of Scrap Disposal Policy

Please find enclosed the Scrap Disposal Policy duly approved by competent authority for implementation in RailTel Regions with immediate effect.


DA/- One set(12 pages)


Puran Singh

25.02.14

(Group General Manager/Infra)

CGM/JP
GM/DLI
GM/LKO
DGM/HS
AGM/DLI
DGM/NOC


28/2

SCRAP POLICY & DISPOSAL OF SCRAP

1.0 Definition of Scrap:

Scrap can be defined as the waste that has no economic value for the organization. Scrap can also be defined as the material, which is no longer useful to the organization for the purpose for which it was originally purchased or acquired.

1.1 Types of Scrap:

Scrap is a class by itself, and should be distinguished from surplus stores. These are items which are not useful for the organization for their own use and are invariably disposed of by auction, sale or any other means. Even new or second hand material that is no longer usable, may come in the category of scrap.

1.2 Reasons for arising of scrap:

Main reasons for scrapping may be following:

- i) The asset has served its normal life as stipulated by RailTel's CO letter dated 21/06/2012 and there are frequent faults and incurring of disproportionate amount on maintenance etc.
- ii) Due to technological obsolescence- the asset may not be compatible/ efficient or outdated and not usable in present circumstances.
- iii) Replacing existing equipment by advanced and higher capacity to meet the demand growth.
- iv) The aggregate cost incurred on repair of defective asset/equipment has reached a stage beyond which it is not considered desirable to run the asset economically.
- v) By use, various components are worn out to such a condition that they can't be reconditioned economically or are beyond repair.
- vi) Asset / material or any part/ component thereof are not re-useable elsewhere.

1.3 Declaration of unserviceable/scrap:

All assets /materials other than waste and unusable Assets/ materials, being classified as scrap have to be first declared unserviceable by the competent authority. The assets/materials may be classified as unserviceable based upon the recommendations of the Survey committee.

2. Survey committees:

Before any asset/ material are declared unserviceable/scrap, a survey committee will be constituted by the ED/RGM of the Region or by the Corporate Office in case the asset relates to CO. The constitution of survey committee will be as per the SOP placed at Annexure-A (Heading A & B). Survey committee normally comprises of officers from various wings of the organization i.e. one from the user department, one technical member who have proficiency for the technology for the asset to be scraped and one member from finance. In case special expertise is not available in the organization with respect of asset

proposed to be scrapped (such as Motor Vehicle, DG set etc.) an expert member from outside may be opted in the committee. The committee shall review the scrap position at an interval of every six months (i.e twice in a year). The Survey committee should critically examine the asset offered to them for scrapping, by highlighting the following points:

2.1 In case the asset has completed the useful life fixed by RailTel CO

After completion of prescribed normal life, if the asset is no longer useful or the asset has completed more than 90% of its useful life fixed by the company(except the assets which have useful life upto 3 years) and the asset is no longer useful, the survey committee can give its recommendations for scrapping the assets on the following grounds:

- a) That the asset has completed its prescribed life and has started showing deteriorating performance.
- b) Aggregate cost incurred on has reached a stage beyond which it is not considered desirable to incur more expenditure on its maintenance to run the equipment economically.

2.2 In case of Premature scrapping of Asset/materials:

In case useful life of the asset is not completed but the asset is no longer useful for the company, the asset may be referred to the Survey committee for scrapping on the following grounds:

- (a) Obsolete asset /material which are no more useful and has deteriorated in value/performance for any reason.
- (b) Broken, damaged due to fire or damaged in transit, or while in stock.
- (c) Lying in asset for a long time and declared as obsolete and unserviceable.
- (d) In case of premature scrapping, reason and justification of scrapping must be given by the survey committee.
- (e) In case the asset has completed more than 90% of its useful life fixed by RailTel CO(except the assets which have useful life upto 3 years), it will not be treated as premature for scrapping, in case it is considered by survey committee for scrapping.

(i) For OFC:-

- (a) The no. of joints in a given length of OFC is more than prescribed limit.
- (b) The loss in signal strength over a given length of the OFC is more than prescribed limit
- (c) The loss in signal strength can't be restored by any means by using of amplifiers etc. economically.

- (d) Any other parameters prescribed

(ii) For Equipment

- (a) In case of premature scrapping, full justification for scrapping may be given by the committee.
- (b) Whether the frequent failure/fault is such that it is not considered capable of giving satisfactory service even after incurring reasonable expenditure on the rectification of defects.
- (c) Whether the aggregate cost incurred on replacement and repair of the defective components has reached at a stage beyond which it is not considered desirable to run the asset economically.
- (d) Whether any components are considered good and can be recovered and used elsewhere.
- (e) Survey committee must ensure that any asset which has exchange value must be replaced by exchanging the same at best negotiated rates (item such as batteries, DG set, ACs etc can be replaced through exchange offer).

2.3 Recommendation on anticipated sale price: The survey committee after careful examination of the condition of scrap and with due consideration of the prevailing market price must mention in its report the anticipated sale price of the scrap. Based on the anticipated sale price of scrap the process of disposal may be processed by the scrap disposal committee.

2.4 Survey committee should broadly examine all the aspects and submit their recommendations for acceptance/modification/rejection to the Competent Authority. The Proforma for recommendation of the Survey committee is placed at Annexure-B. The recommendations given by Survey Committee will be submitted to the Accepting Authority for accepting the report. After acceptance of the report it will be forwarded for disposal to the committee as per the SOP(Heading 'C' i.e. SOP of scrap Disposal Committee for sale of scrap) of Annexure A.

3.0 Obsolete/ Unserviceable Stores:

All stores which are declared as obsolete or unserviceable may be ordered to be disposed of by sale or otherwise under orders of an authority to whom powers may be delegated in this behalf. The survey committee may be constituted for scrapping the store materials as per SOP (Annexure-A) for declaring the stores as Obsolete/ Unserviceable. The survey committee should also ensure that the existing store proposed to be considered as obsolete or unserviceable is not re-useable elsewhere.

4. PROCEDURE FOR DISPOSAL OF SCRAP

4.1.0 Sale of Scrap:

After approval of the Survey committee report by the competent authority, the scrap may be disposed of by inviting the concerned auctioneers dealing with that particular scrap. There are different auctioneers dealing with different types of scrap such as telecom cards, iron, wood, telecom equipment, cable etc. No lot should be made by bringing the entire scrap at any single place for sale of scrap.

4.1.1 For disposal of scrap items like furniture, computers, UPS, packing materials etc preference should be given to the RailTel staff; where in sealed quotations from willing staff may be invited for disposal of these items.

4.1.2 The Lot formation for sale of scrap must be scientific.

4.1.3 The defective / scrap material should be available at nominated place in field, generally the Headquarter of O&M Incharge in Division / Territory. If the cost of aggregating the material appears to be more than the cost that could be realized through disposal, it should be disposed on "as is where is basis".

4.2.0 General condition for sale of scrap:

4.2.1 The scrap asset/materials should be lifted by the successful scrap dealer after dismantling/recovery as the case may be from the places where the asset/material is lying on "as is where is" basis.

4.2.2 **Inspection:** The intending scrap dealer can inspect the scrap well in advance in the presence of the unit officer concerned and assess/satisfy himself regarding its condition, if required and felt necessary by scrap dealer. All the scrap materials are offered on "**AS IS WHERE IS**" BASIS. The quantities mentioned against the lots are purely indicative and without any guarantee and no complaint whatsoever regarding conditions/deficiencies of the scrap asset / material will be entertained at any stage as the case may be. Full responsibility lies with the successful scrap dealer to pay the agreed amount in time and lift the scrap material without delay. Scrap dealer shall quote for the whole lot and not part thereof.

4.2.3 The asset/ store so declared scrap will be disposed off by the method mentioned in SOP placed at (Heading C) Annexure A.

4.2.4 **Earnest Money** EMD may be accepted as per procurement policy of the company for sale of scrap for the modes of sale mentioned under para 4.

4.2.5 **Mode of payment for sale of scrap:** The successful scrap dealer shall pay the amount agreed in full along with applicable tax and other duties, if any, (on 100% of the scrap material value) within 15 calendar days from the date of issue of acceptance letter by way of Demand Draft drawn in favour of Railed Corporation of India Limited, New Delhi. The mode of payment of sale of scrap will be through DD or electronic transfer only. No cash may be accepted for sale of scrap.

- 4.2.6 **Default in payment:** In case of default on payment within the time limits specified in D.O., the payment has to be made together with additional charge @ 1% per week or part thereof on the due amount for the period of delay within 14 calendar days from the due date. However, RailTel reserves the right to accept or not to accept the payment with or without additional charges after the expiry of the time limit of 15 calendar days from the date of issue of acceptance letter or even within the aforesaid additional period of 14 calendar days at RailTel's sole discretion and the Earnest Money Deposit of the tenderer will automatically stand forfeited and the decision of RailTel in this regard shall be final and binding up on the scrap dealer.
- 4.2.7 **Security Deposit:** In case the scrap dealer(s) be accepted as per the terms and conditions, the EMD deposited by the successful scrap dealer(s) shall be automatically converted into Security Deposit while issuing Sale Acceptance Letter. In case the rates quoted by scrap dealer is accepted and the scrap dealer fails(s) to make further financial arrangements towards the full value of the scrap materials and/or taxes/duties and/or any other financial arrangements are stipulated, the Security Deposit obtained on conversion of EMD shall be forfeited without any prejudice to the rights of RailTel to claim such further damages in this regard without further reference to the scrap dealer.
- 4.2.8 **Delivery Period:** The scrap material should be lifted by the scrap dealer within 15 (fifteen) calendar days from the date of Delivery Order after completing the required formalities i.e., from the date of payment to the date of lifting the scrap material lies with the successful scrap dealer. However the period can be extended at the discretion of RailTel depending upon the situation/circumstances. Any scrap dealer who fails to lift the scrap materials fully or partly of the materials within the above stipulated period shall have to pay ground rent @ 2% per week or part thereof for a maximum period of further 2 (Two) weeks from the date of expiry of free delivery time as stipulated. In case the whole or any part of the scrap materials remains un-lifted even after the said extended period, the scrap dealer shall have no claim whatsoever on the scrap materials remaining un-lifted and the amount paid to the RailTel will be forfeited apart from the rights of RailTel to dispose of such goods in any manner it likes and the scrap dealer will have no right whatsoever to any compensations and the decision of RailTel in this regard shall be final and binding up on the scrap dealer.
- 4.3 **Termination of Contract/Risk Purchase:** In the event of scrap dealer's failure to fulfill any of the required obligation including non-lifting of scrap materials as per time prescribed, RailTel decision in regard to scrap dealer's failure being final and binding on the scrap dealer. RailTel shall have the full liberty to do any or all of the following:
- a. Cancel the deal with immediate effect for the Disposal of scrap Telecom Store Materials under the deal agreed if delivery is not taken by the scrap dealer as on that date in which case, the Security Deposit/ Earnest Money Deposit (as the case may be) shall stand forfeited.

AND/OR

b. Retain and/or adjust/recover from scrap dealer and amount lying with RailTel to the scrap dealer's credit either under this contract or any other deal or which may at any time become payable/refundable to scrap dealer under this deal or any other deal/contract the amount of losses or damages or claim that might be incurred by RailTel selling the scrap Telecom Store Materials under the deal not taken delivery of at scrap dealer's risk and costs.

Even after such recovery/adjustment by RailTel from scrap dealer's any amount as mentioned above lying with RailTel, if any further amount is still found payable/refundable by the scrap dealer, he shall pay the same to RailTel on demand without any objection or demur. The decision of RailTel in this regard to the actual losses incurred by RailTel including the reasonableness of the rate at which RailTel may sell the scrap telecom store material shall be final and binding on the scrap dealer, provided if no loss is incurred by RailTel. The scrap dealer shall not be entitled to the refund of the amount retained by way of advance towards the un-lifted stores and the decision of RailTel in this regard shall be final and binding up on the scrap dealer(s).

4.4 SOP for Disposal of scrap:

Based on the anticipated scrap value recommended by the Survey Committee and approved by the competent authority as per SOP, the ED/RGM of region should decide based upon the recommendation of the Scrap Disposal Committee as per SOP(Heading 'C' of Annexure-A) as the mode of sale of the same, such as by Spot Bid Sale, calling quotations, sealed bids, e-auction, Live Auction, or any other method to get the best price for sale of the scrap.

4.5 Accounting procedure in respect of abandoned Assets and sale of scrap:

When asset is abandoned/ dismantled/declared unserviceable/ replaced after expiry of its prescribed life, no accounting adjustment is necessary. In other case, where the asset is has been abandoned/ dismantled/declared unserviceable/ replaced as per recommendation of the Survey committee and approval of the competent authority, the following entries will be made in Railtel books:

Accumulated Depreciation A/c	Dr
De-commissioned Asset	Dr (Net Depreciated value)
Gross Block	Cr

At the time of sale of de-commissioned Asset after declaring scrap

(i) In case sale proceed is more than Net depreciated value

Bank A/c	Dr.
De-commissioned Asset A/c	Cr
P & L A/c (Profit on sale of Asset)	(as other income)

(ii) In case of sale proceed is less than the net depreciated value

Bank A/c
P & L A/c (Loss on sale of asset)
De-commissioned Asset A/c

Dr.
(as other expenditure)
Cr

ANNEXURE - A

As per approval of Executive Board in the 26th meeting held on 23rd December, 2013 vide item No. 4 the SOP will be as under for Scrapping and Disposal of Scrap

(A) SOP for scrapping of assets for the Survey Committee after expiry of useful life of the asset fixed by RailTel vide CO letter dated 21.06.2012

S.No.	Subject	Committee for Group A Items	Committee for Group B Items	Remarks
1	Constitution of Survey Committee for declaration of material/Asset as unserviceable/ Scrap	Asst. GM /Sr. Mgr. level committee	DGM level committee	-Committee will have three members with one from Finance & one from user deptt - Finance member may be one level below
2	Acceptance of the report of survey committee	ED/RGM	Concerned Director	

(B) SOP for scrapping of assets for the survey committee before(Premature) expiry of useful life fixed by RailTel vide CO letter dated 21.06.2012

S.No.	Subject	Committee for Group A Items	Committee for Group B Items	Remarks
1	Constitution of Survey Committee for declaration of material/Asset as unserviceable/ Scrap	(i) Upto present book value of assets of Rs 10 lakh:- Addl. GM/DGM level committee (ii) For present book value of assets more than Rs 10 lakh:- GGM/GM level committee	GGM/GM/Addl GM level committee	-Committee will have three members with one from Finance & one from user deptt - Finance member may be one level below
2	Acceptance of the report of survey committee	Concerned Director	Concerned Director	- In consultation with Associate Finance

(C) SOP for Sale of scrap by the committee

S.No.	Subject	For anticipated scrap value of the Lot upto Rs. 5 lacs	For anticipated scrap value of the Lot more than Rs 5 lakh	Remarks
1	Disposal/ sale of scrap	Asst. GM/Sr. Mgr. level committee	Addl. GM/DGM level committee	Evaluation Committee will have three members with one from Technical, one from Finance & one from user deptt. - Finance member may be one level below
2	Acceptance of the report of committee	GM	ED/RGM	

NOTE:- In case the asset relate to Corporate Office , the committee may be formed at CO with respective officer as mentioned for RO

S. No	Items for Group - A	Items for Group - B
1	<p><u>Power supply related asset :</u></p> <ol style="list-style-type: none"> 1. VRLA / SMF / LM /Lead Acid Batteries 2. Battery charges / Invertors/AC-DC convertors, 3. DG Sets / 	<p><u>OFC Transmission & Active Assets</u></p> <ol style="list-style-type: none"> 1.OFC Transmission Equpt's DWDM/SDH/Carrier Ethernet/Packet Optical Networks, 2.NMS servers, NGN switch, data servers/Storage devices, 3. Network/Core/Routers, Media Gateways, 4. Microwave Radio Network,
2	<p><u>OFC Transmission & Active Assets:</u></p> <ol style="list-style-type: none"> 1. CPE Devices including Modems/Protocol, converters/Media convertors/POE Devices, 2. LAN wiring, 3. Edge/Access Routers, 4. Radio Equpt. (Last Mile), 	<p><u>Passive Assets</u></p> <ol style="list-style-type: none"> 1. OFC & PIJF copper cables & duct, 2. Pre-Fabricated Shelter,
3	<p><u>Other Assets:</u></p> <ol style="list-style-type: none"> 1. Office Equipment, 2. Furniture & Fixtures 	<p><u>Field Maintenance Assets</u></p> <ol style="list-style-type: none"> 1. OTDR/Splicing Machine & Tool kit
4		<p><u>Other Assets:</u></p> <ol style="list-style-type: none"> 1. Computer(Desktop) 2. Laptop 3. Mobiles

PERFORMA FOR RECOMMENDATION OF SURVEY COMMITTEE FOR SCRAPPING OF ASSET

PROPOSAL FOR SCRAPPING OF _____

A) Details of Asset:

1. Name and description of asset:
2. Date of installation / capacity:
3. Details of subsequent expansion, if any:
4. Prescribed life of the asset:
5. Whether at present life expired: YES / NO
6. Identification number marked for the asset:
7. Cost/ booked expenditure in r/o asset & its expansion, if any:
8. Present book value of the asset (i.e. present depreciated value):
9. Annual expenditure on maintenance:
10. Total expenditure on maintenance since installation:

B) Performance of the Asset:

1. Past history & performance of the asset:
2. Present status of the asset
3. If faulty , likely expenditure to restore, if any
4. Fault rate
5. Reasons for scrapping along with performance indicators:
6. Any other remarks

C) In case of premature scrapping:

1. Special Reason of premature scrapping:
2. Option(s) considered to restored the efficiency/put in working condition:
3. Asset or any part / component of the asset which can be re-usable elsewhere:

D) Residual value of the asset:

1. Expected sale value of the asset scrapped :
2. Whether any exchange option is available to replace the asset (such as batteries, DG sets, ACs etc)

Recommendations of the Survey committee

Report to be signed by all the members of the survey committee

NOTE:- The committee shall review the scrap position at an interval of every six months (i.e. twice in a year)





To,
All Regional General Managers,
All Finance Head of the Regions.

Sub: Revision of Useful Life of Assets

21/06/2012

Useful life of different type of assets have been reassessed by the Committee of GM/P/CO, GM/O&M/SR and GM/F/ER, as Nominated vide MD's letter no. Railtel/Sectt/Project/2012/17 dtd.26.04.2012. The useful life of different type of assets are given below. The method for the depreciation calculation will be "Straight Line Method".

Delhi
email
26/7/12
DG
Lko
JP
Delhi

S.NO.	PARTICULARS OF ASSETS	USEFUL LIFE OF ASSETS
A	POWER SUPPLY RELATED ASSETS:	
1	VRLA/SMF/LM/Lead Acid Batteries	5 Years
2	Battery charges/ Invertors/ DC-DC Convertors	8 Years
3	DG Sets	8 Years
B	OFC TRANSMISSION AND ACTIVE ASSETS	
1	OFC Transmission Equipment's DWDM/SDH/Carrier Ethernet/Packet Optical Networks	8 Years
2	Edge/ Access Routers	5 Years
3	CPE Devices including Modems/Protocol Converters / Media Converters/ POE Devices	1 Years
4a	Network management system servers, NGN Switch, data servers/Storage devices	8 Years
4b	Networks/ Core / Routers, Media Gateways	8 Years
5(a)	Radio Equipment (Last Mile)	3 Years
5(b)	Microwave Radio Network	8 Years
5(c)	LAN Wiring	8 Years
C	PASSIVE ASSETS	
1	OFC & PIJF Copper cables & Duct	18 Years
2	Pre-Fabricated Shelter	20 Years
D	FIELD MAINTENANCE ASSETS	
1	LCTs/ PCs/Desktops	3 Years
2	OTDR / SPLICING Machine / Tool kit	5 Years
E	OTHER ASSETS	
1	Computers/Laptop, Office Equipment's, Furniture & Fixtures	5 Years

Residual Value %

The same will be effective prospectively w.e.f 1/04/2011 and depreciation on all the assets will be charged as per the life decided above. The assets Register of all the Regional offices for the year 2011-12 has been modified by the Corporate Office and will be sent to all the Regional Offices in due course.

This is issued with the concurrence of finance and approval of MD.

Kumar Bachchan
Mgr/DMM

- Copy for information to:
- 1) PPS to MD for kind information to MD
 - 2) DF/DPOM/ED(NPM)
 - 3) All GGMs & GM LAW & CO

DGM/Fin