Executive Summary

Introduction

In June 2009 Ministry of Defence informed the Comptroller & Auditor General of India that consequent to a case having been registered by Central Bureau of Investigation (CBI) against Shri Sudipta Ghosh, former Director General Ordnance Factories involving serious charges of corrupt practices, CBI had requested the Ministry to examine whether there were irregularities in the procurement cases finalized during the tenure of the former Director General. Since a proper analysis of the procurement cases would require in-depth examination and considerable professional skills, Ministry requested CAG to undertake a special audit of all the procurement contracts during the period by a suitable team of officers from the Indian Audit & Accounts Department.

Averring that the matter of involvement of the former DGOF in corrupt practices needs to be examined by the investigative agencies through criminal investigation and the institution of the office of the CAG is neither empowered nor equipped to carry out investigations of a forensic nature, CAG nevertheless authorised review of the procurements of stores and machineries by the OFB and Ordnance Factories as a follow up audit of the previous Report No 19 of 2007 on OFB procurements.

A team of 19 officers conducted the audit between September 2009 and February 2010. It was conducted in Department of Defence Production, Ordnance Factory Board, Ordnance Equipment Group Headquarters, Kanpur, Armoured Vehicles Group Headquarters, Avadi and 18 Ordnance Factories. The audit broadly covered procurement during the period from 2006-07 to 2008-09, but in several cases in order to analyze current procurement decisions, decisions taken in earlier years were examined. Apart from examining files and documents in Ministry and OFB, 1291 supply orders valuing Rs 4434 crore were examined by the team during the audit of the Board and Factories. This Report contains the findings of the Audit.

Audit Findings

Procurement by Ministry of Defence and Ordnance Factory Board

Nalanda Factory

Transfer of Technology

Cabinet Committee on Security accorded sanction in November 2001 for setting up facilities at Nalanda in Bihar at an estimated cost of Rs 941.13 crore to manufacture two lakh Bi Modular Charge System (BMCS) per year. The approval included transfer of technology (TOT) from Denel, a South African firm at a cost of Rs 60.51 crore. The technology was to be acquired along with procurement of 4 lakh modules to meet the Army's immediate requirement from Somchem. The estimated cost of the factory was revised to Rs 2161 crore in January 2009. The overall progress of Nalanda factory has been dismal despite an expenditure of Rs 786 crore till March 2010.

Contract agreement for transfer of technology was signed between OFB and Denel on 15 March 2002. It envisaged supply and delivery of TOT documents which comprised Product specifications including detailed dimensional drawings and designs, Quality and Inspection procedures, Process descriptions and Production methods in respect of raw materials, intermediate products and final products. The Seller's warranty and the Performance Bank Guarantee provided by Denel have expired on 31 March 2010.

Establishment of the Factory.

The factory comprises three plants, two of which are for producing Nitro Cellulose and Nitro Glycerin, which are to provide inputs to the main plant to produce BMCS. It was decided that the main BMCS plant would be procured as a package. The plants for the manufacturing of primary ingredients Nitro-glycerin (NG) and Nitro-cellulose (NC) being standard plants were to be procured separately on turn-key basis. The project of setting up of the factory was effectively converted into three independent and uncoordinated procurement decisions.

This was a fundamentally flawed strategy which led to the situation where contracts for two feeder plants have been awarded but the main BMCS plant which will use output of these plants is nowhere in sight.

The factory has also been mired in controversies. All dealings with the technology provider Denel was put on hold in June 2005 due to allegations of corruption. By that time, however, Denel supplied all the required documents and received payments for them. Further work on factory was also put on hold from June 2005 to July 2006, which required retendering for all the plants, which led to sharp hike in price.

The contract with IMI Israel for the main BMCS plant has now been mired in controversies and corruption charges and has put the future of the Nalanda plant in jeopardy.

Contract of the Main BMCS Plant to IMI Israel

Tender Enquiry for BMCS plant was issued first in March 2004. The price bid was opened in October 2004. IMI Israel emerged as the L-1 firm at a cost of Rs 571.71 crore. The matter did not progress since project was kept in abeyance by Ministry in June 2005.

After the project was restarted in July 2006, IMI was called for negotiation meeting in August 2006 and asked to reduce the price as assessed by a committee constituted by OFB. IMI however insisted on a price increase from original 2004 price of Rs 571.71 crore to Rs 654.79 crore. OFB decided to issue global tender enquiry to generate more competition.

Fresh Tenders were issued in February 2007. However, hardly any fresh competition was generated as a result of the fresh tenders. Against five companies to whom tenders were issued, only three responded within time. One of them, DMP Italy refused to sign the Integrity Pact and to pay the earnest money deposit of Rs 3 crore. As a result only two companies namely IMI, Israel and Simmel Difesa, Italy remained in consideration. The price bid was opened on 28 January 2008. The offer of IMI Israel was the lowest at Rs 1090.83 crore and the next higher quote of Simmel Difesa was at Rs 1885 crore.

During the earlier negotiations, the escalation demanded by the IMI was 15 *per cent* over a period of two years from July 2004 to August 2006. Against the fresh tender, the escalation was 67 *per cent* over a period of one year. The scope of supply in the quotes in March 2004, September 2006 and February 2007 remained the same.

Internal assessment indicated that the rate quoted by IMI was very high

The internal assessment of OFB also indicated that compared to the quotation of IMI Israel in 2004, the rates quoted by IMI in January 2008 was on a high side. By adding escalation factors to the estimates quoted in October 2004, the base price came to Rs 800.34 crore as against Rs 1050.01 crore quoted by IMI in the fresh tender. Another estimate carried out by University Institute of Chemical Technology Mumbai arrived at a cost of Rs 832.22 crore. For the Single Base Propellant Plant, Ordnance Factory Bhandara calculated the basic cost at Rs 269.1 crore as against the cost of Rs 747.23 crore demanded by IMI.

Cost Negotiations Committee did not recommend any firm negotiated price for procurement of BMCS Plant

Against this background, MOD constituted a Cost Negotiation Committee (CNC) on 27 March 2008 with DGOF as Chairman. The basic objective of the CNC was to negotiate price and other commercial terms and conditions. However, CNC did not take any firm decision regarding the final negotiated cost of the plant.

Cabinet approval to the procurement of the BMCS Plant was assumed as implicit in the approval of the cost revision of the project

The Competent Financial Authority for approving the contract of the BMCS plant was Cabinet Committee on Security (CCS). Ministry of Defence in December 2008 put up a note to Cabinet seeking approval for revision of the estimated cost of project from Rs 941.13 crore to Rs 2160.51 crore. The “approval para” of the note to the Cabinet did not refer to the BMCS plant at all and sought only the approval of the revised costs of the project. In the note, the facts of the increased cost of the BMCS plant and IMI’s offer of reduction of only US $ 3 million were mentioned as contributing reasons to the escalation of the costs. The lack of resolution on the issue in the CNC was not mentioned. Similarly, the issue of the price variation formula was not brought to the notice of the Cabinet. CCS approved the revision of cost of the project.

Ministry took this approval as “implicit approval” by the CCS of the procurement of BMCS plant and conveyed to OFB on 5 February 2009 sanction for the revised cost of project. OFB in a fax on 6 February 2009 requested to authorize it to conclude contract for BMCS plant “at the rate negotiated and approved by the Competent Financial Authority.” Ministry on 10 February 2009 informed OFB that the revision of the cost of the project as a whole has been approved by the competent authority and OFB may conclude the contract for BMCS plant “at the approved and negotiated cost.” Neither the Ministry nor the OFB clarified in their correspondence at any time as to what exactly was the "negotiated and approved cost."

Deputy Director General New Capital in the OFB in his note dated 10 February 2009 which was endorsed and approved by the former DG, clearly stated that "from the minutes of the meeting of CNC dated 22 July 2008, it is seen that the CNC did not make any conclusive decision or recommendation to MOD with regard to acceptance of the negotiated price. Also the terms for advance payment of 20 *per cent* demanded by IMI in their offer were not specifically referred to MOD for approval (being beyond OFB powers), it may be presumed that MOD has considered the entire issue covering all aspects in its totality and conveyed their sanction accordingly." The note was endorsed by the former DG.

Interestingly, Ministry took the stand that CNC was aware of such an advance demanded and therefore should be treated as integral part of the CNC proceedings. Seeking a separate approval for the payment of advance beyond admissible limit was considered a "redundant exercise". In no meeting, did CNC consider the issue of recommending the payment of advance.

Thus based on the "presumption" regarding the negotiated cost having been approved by the Competent Financial Authority, which in this case was the Cabinet, OFB concluded the contract for the BMCS plant IMI Israel in March 2009 at the total cost of Rs 1175 crore. It also paid an advance of Rs 174 crore to IMI in March 2009 which would remain idle as transactions with IMI were put on hold in June 2009 by Ministry.

The main audit findings relating to the contract are :

(a) In order to execute the contract of main BMCS plant for Nalanda factory, the normal procedures were significantly undermined;

(b) OFB's refusal to accept the revised offer of IMI of Rs 654.79 crore and the consequent decision to retender to generate more competition was ill advised. Both OFB and Ministry were aware that the number of firms capable and willing to supply BMCS plant were very few;

(c) OFB and Ministry executed the contract with IMI despite the steep increase in costs from the previous quotations ignoring available internal assessments that the hike was unreasonable;

(d) Ministry took the doubtful stand that the approval of the Cabinet to revision of costs of the entire project amounted to "implicit approval" of the procurement of main BMCS plant;

(e) Ministry misled Ministry of Finance stating that no escalation is foreseen knowing fully well that IMI has insisted on price variation formula for the Indian portion of the project;

(f) Ministry and OFB between themselves obfuscated the issue of "negotiated and approved cost." While Ministry did not hesitate to even put up before Cabinet that such price has been negotiated by CNC, OFB took the stand that CNC did not recommend any "negotiated and approved" cost to the Ministry; and

(g) Ministry allowed payment of 20 *per cent* advance arguing that CNC was aware of the issue and therefore it should be treated as integral part of the CNC considerations on the whole issue. OFB took the stand that this was not recommended by the CNC. In fact, the issue indeed was never considered by the CNC;

In the case of all three plants, decisions were taken to retender to generate more competition. In all three cases, the retendered cost was much higher than the negotiated price.

Dealings between Singapore Technologies and OFB on procurement of Close Quarter Battle Carbines by Ministry of Home Affairs

On 12 Jun 2008, OFB received a communication from the Singapore Technologies Kinetics (STK) addressed to the former DG. In this, a meeting in September 2007 was referred to in which discussions had taken place regarding collaboration between OFB and STK on offset arrangements for selected programmes of the Ministry. It was stated in that letter that STK had then received from Ministry, RFPs for Close Quarter Battle Carbines and ammunition and also other items like Light weight Howitzer and Towed Gun system. STK requested OFB to offer the draft terms and conditions for provision of offset.

In the backdrop of the above, a meeting took place on 8 July 2008 between former DG and other officials of OFB Headquarters and the representatives of STK at OFB. STK informed that Ministry of Home Affairs (MHA) was likely to make outright purchase of CQB carbine and they would like to participate in the same. Chairman / OFB stated that the subject matter can be taken up with MHA stating that "an offset agreement has been signed between OFB and STK and the latter has developed the carbine using Indian components so that the indigenization process becomes faster for supply to MHA".

Falsification of facts by OFB before Ministry of Home Affairs

The decision to "take up" the matter with the Joint Secretary, Ministry of Home Affairs stating that "an offset agreement ***has been*** signed between OFB and STK and that STK has developed the Carbine by using Indian Components so that the indigenization process becomes faster for supply to MHA" was incorrect and amounted to falsification of facts. The fact was that as on that date, neither any offset agreement had been signed nor had STK developed any carbine "by using Indian Components". As subsequent developments would indicate, this was the beginning of a web of falsifications and conspiracy that surrounded the deal between STK and OFB.

Though it was further decided in that meeting that the above can be taken up with the Ministry of Home Affairs only when the Carbine with Indian Component is developed and test fired in India in the presence of OFB, subsequent actions of the OFB belied that decision and confirmed the intention to mislead the MHA.

Close on the heels of this meeting, another meeting took place between MHA and officers from the OFB Headquarters on 24 July 2008. MHA expressed the need for acquiring 5.56 mm Carbine on most urgent basis as the plan for modernization of police forces was coming to an end on 31 March 2010. It was pointed out that 5.56mm carbine provided by OFB earlier for carrying out trial evaluation had failed. OFB officials informed that fresh trials for ammunition would take place soon but OFB’s representative also suggested that they can supply for trial 5 Nos Carbine developed by "one Singapore firm" with which OFB "will have Transfer of Technology (TOT) arrangements".

In an internal note on 29 July 2008, on a proposal whether OFB should provide the carbines offered by STK for trials by MHA, it was opined by Member (Ammunition & Explosives) and Member (Weapons, Vehicles & Equipments) that the carbines should not be offered to MHA since they had not been evaluated by the Ordnance Factories. The former DG on that note directed to call STK for a meeting.

The meeting was convened on 11 August 2008. In Phase I of the meeting which was internal, it was decided to offer to MHA the STK carbine having minimum 50 *per cent* work share with OFB along with OFB's own AMOGH carbine. In the Phase II of the meeting in which STK participated, it was decided that six carbines should be provided by STK out of which five should be offered to the MHA. STK assured that they would send two carbines immediately by 25 August which could be used by Ordnance Factories for their trials. To facilitate import, it was decided to sign the end user agreement and non disclosure agreement "today (11 August 2008) itself".

The Performance of the Carbine differed widely in trials by Small Arms Factory Kanpur and by paramilitary forces

Arrangements were then made for carrying out trials of the two STK SAR 21 MMS[1] carbines at SAF[2] Kanpur on 15 September 2008. Trials were conducted at 50 m and 200m range beyond which facilities were not available. Ability to fire with One Hand grip was found "Not suitable". Sustained firing was conducted where 720 rounds were fired in 10 minutes. Overheating was noticed at various points. At the end of the firing, safety lever became loose and could not be rectified on the spot. At the drop test at 5 metres, major misalignment problem was observed in one machine and it became non-functional. In case of the other machine, minor problems cropped up which, however could be rectified on the spot. Effect of dust as in a desert like condition was not evaluated.

MHA trials were held from 17 November to 21 November 2008 at NSG premises at Manesar. Prior to the trials STK apprehended that there might be technical complications if their carbine is subjected to reliability test specifications as spelt out in the MHA's trial directive and requested for safety certificate from OFB. This would be required as the carbines were being offered as OFB's carbines that would be produced through a TOT arrangements. OFB did not hesitate to provide the required safety certificate and other certificates for recoil forces, noise levels etc. that were issued by DDG/R&D based on the certificate issued by STK. Without formal collaboration with STK, issuing safety certificates by OFB to facilitate trial by MHA was incorrect as the carbine was fully imported and it had failed on several parameters when tested in SAF Kanpur.

On several parameters, in which SAR 21 was found deficient in SAF Kanpur, NSG trials found the carbine completely satisfactory. The drop test was done at the height of 5 feet as against 5 meter tested at SAF. While SAF complained of smoke, NSG trial did not find any trace of smoke. NSG also found that the weapon could easily be handled and fired with one hand.

[1] Singapore Assault Rifles Modular Mounting System
[2] Small Arms Factory, Kanpur

DDG/R&D who was nominated as OFB's representative at MHA trial brought out that large numbers of stoppages were observed during the firing of OFB's own 'AMOGH' carbine of Small Arms Factory being fielded by OFB. These stoppages were primarily on the account of defective feeding of ammunition by the magazine. DDG opined that the gun has otherwise performed satisfactorily as far as accuracy, consistency and other parameters are concerned. He further observed that "Poor performance of SAF Carbine during trials of NSG could have been avoided, had SAF taken more care in preparing the Weapons Systems before sending to NSG."

In a meeting in the MHA on 18 February 2009 regarding procurement of Carbines, OFB committed that they can supply the first batch of 2627 carbines on 1.9.2009, 18369 by 31.3.2010 at the same monthly rate and the total quantity by 28 February 2011. BSF opted to procure the weapon from the OFB. CRPF also agreed with that.

It was only after this commitment, the issue to undertake productionization of STK make Carbine was deliberated in the Board meeting held on 26 February 2009 which passed the following resolution:

"Production of 5.56 mm Carbine of Singapore Technology with 45mm chamber length would be undertaken subject to (a) MOD's approval of collaborative instrument with Singapore Technologies and (b) MHA's commitment to procure economically viable quantities from Ordnance Factories. The background of selection of Singapore Technologies for obtaining technology for production of 5.56 mm carbine inter-alia bringing out that no RFP was issued to identify the collaborator would be spelt out to MOD at the time of sending the collaborative instrument for their approval."

The cost of STK carbine was likely to be more than six times the cost of in-house developed carbine.

The case could not proceed further as the transaction with STK was put on hold in June 2009 by MOD after STK had indirectly been mentioned in the FIR registered by the CBI against former DGOF.

On the day OFB committed supply of carbines to MHA, OFB did not have any production arrangements with STK for production of these in India. There was no authorization from the Ministry to commence any production arrangements. OFB by committing the supply to the MHA, created a *fait accompli* situation to facilitate STK to supply the carbines piggybacking Ordnance Factories. While MHA could avoid floating the normal tendering procedures by procuring it from OFB, the fact is that OFB in absence of any co production arrangements would have supplied carbines produced by STK. The process amounted to a sophisticated connivance by OFB and STK to sell STK carbines to MHA without going through the approved laid down procedures.

Assertion of OFB before MHA that it will have TOT arrangements was not based on facts and was intended to mislead the MHA. Even the rudimentary terms and conditions of TOT and co-production arrangements had not been contemplated at that stage. OFB falsely presented before MHA the SAR 21 MMS as OFB's offer, with production and TOT arrangements with STK. The officials from the MHA and the Para Military forces accepted OFB's offer without any further examination or investigation. Such lack of diligence was unbecoming of senior management dealing with such procurements. Officials from the MHA never enquired about the production facilities knowing fully well that SAR 21 MMS is not an indigenous carbine.

Ministry of Defence was not even aware of these developments. They came to know only after the receipt of two anonymous complaints in February 2009 through MHA and initiated disciplinary action thereafter.

Dealings between Defence Corporation Russia and OFB

In a similar case, Ministry of Defence issued two RFPs for the procurement of Light Bullet Proof Vehicles (BPV) and Light Strike Vehicle (LSV) with accessories in June 2008 and August 2008 respectively. Against the above backdrop, Defence Corporation Russia (CDR) showed interest in a letter dated 8 October 2008 in formulating strategic alliance with OFB for joint production of BPV and LSV in India. OFB invited CDR on 13 October 2008 to a meeting on 23 October 2008. The decision for collaboration with CDR for participation on BPV was taken in the OFB Meeting dated 31 October 2008. Thus, the whole exercise was concluded in one month at an astonishing speed. Two Collaboration Agreements (CAs) were signed on 15 April 2009 between CDR and OFB to enter into strategic long-term collaboration for the production and supply of the LSV and BPV to OFB.

Such collaborative arrangements with CDR were entered into by the OFB without exploring the market. The work share arrangements also did not favour OFB in any way. Work-share in respect of LSV was distributed between CDR and OFB as 84.87 *per cent* and 15.13 *per cent* respectively. Similarly, in respect of BPVs, the share of CDR and OFB was distributed as 64.92 *per cent* and 35.08 *per cent* respectively. It included all the above low technology items. OFB was not to get any benefit from these CAs from technology point of view as all the major components were to be supplied by CDR and only to be assembled by OFB. On the other hand, CDR would supply their product at the cost fixed by them and without entering into any competitive bids. It was noted that there was no oversight by the Ministry of Defence to ensure that such actions are scrutinized at different levels.

Procurement by Factories

Procurement through Open Tender Enquiry and Limited Tender Enquiry

Ordnance Factories normally resort to two channels to procure stores. Limited Tender Enquiry (LTE) is issued to established suppliers who are registered with the factory concerned. Open tender enquiry (OTE) is open to any supplier. OTE channel is designed to encourage new suppliers to participate in the Ordnance Factory procurement process and thus to expand the base of suppliers to the Ordnance Factories. However, established suppliers are not barred from quoting against open tender enquiries. For materials which are proprietary or are not available widely in the open market, Single Tender Enquiry (STE) is issued.

According to Paragraph 4.6.1.1 of MMPM[3], 80 *per cent* of annual ordering quantity is to be procured through Limited Tender Enquiry (LTE) from established sources and 20 *per cent* quantity is to be procured through Open Tender Enquiry (OTE) with wider publicity for source development.

Scrutiny in audit indicated that LTE channel continued to be the dominant channel of procurement and a miniscule part of procurement was carried out through OTE channel. Out the 18 Factories selected, the information on the OTE / LTE/ STE was available in the database of seven Factories only. The data of OTE in these seven Factories during the last three years was meagre and varied from 0.07 *per cent* to 1.91 *per cent* only.

The system of open tender enquiry has been so distorted that in Ordnance Factory Khamaria the response to the OTE ranged from Re. 0.07 (7 paise) to Rs. 3700.00. Two companies namely Hyderabad Precision Co and Mech Components Ltd, both located in Hyderabad, quoted 7 paise only. Both these companies were otherwise established suppliers. The last purchase rate of the item was Rs. 4401.90 per set through LTE and the lowest offer of Re 0.07 per set was obviously "freak". Despite this the factory placed in September 2008 supply orders for the item on these two firms for 4289 and 4288 sets respectively at an absurd price of 7 paise. Needless to say, no supply of the item has been received from either of the firms. Incidentally, both the companies shared the same fax number for another tender enquiry in Ammunition Factory, Kirkee.

[3] Material Management Procurement Manual is OFB's Procurement Manual.

Tell-tale evidence of collusion of suppliers ignored

As per Rule 142 (ii) of General Financial Rules (GFR), credentials of the suppliers should be carefully verified before registration of the suppliers. Further as per Rule 142 (iv) of the GFR, performance and conduct of every registered supplier is to be watched by the Department. The suppliers are liable to be removed from the list of approved suppliers if they make any false declaration to the Government or for any ground, which in the opinion of the Government is not in public interest.

Scrutiny of the procurement files of the past three years indicated that the Ordnance Factories registered and placed orders on a large number of companies which shared the same telephone numbers, or fax numbers or registered addresses. 23 such cases are listed in Annexure III. Such cases indicate on one hand, lack of basic verification of the credentials of the companies and lack of application of mind by the authorities in the Factories on the other. It is apparent that many shadow firms were operating and cornering supply orders from various Factories. The factory authorities however did not take into account even the most obvious evidence of such malpractices which enabled the suppliers to manipulate the prices

Several individual cases of such collusion are narrated in Paragraph 6.4 of this report.

Cases of clear cartelization ignored by the Factory Officials

During audit at least 108 cases were seen in different Factories, where firms from different cities have quoted the same price for same item. All were through limited tender channel. Details are at Annexure IV. As an example, in the first case in Annexure IV, in Ordnance Factory Khamaria, five firms from Mumbai, Delhi, Pune, Gurgaon and NOIDA quoted exactly the price of Rs 398 per item for ball insert. Supply order was placed on all firms and the tendered quantity was equally distributed.

In order to stop cartelization, OFB on 18 July 2007 introduced a new measure. It prescribed that L2 and L3 tenderers should also be allowed to supply provided they accept the counteroffer of the rate quoted by L1 at a ratio of 50:30:20. However the measure did little to improve the situation as the suppliers quoted the same rate and all became L1 as a result.

One of the reasons why firms registered themselves under different names was the usual practice of Ordnance Factories to distribute the ordered quantity among different suppliers if they were found to have quoted same rate or accepted, being L2 or L3, a counter offer of the L1 rate. Such firms who operate under different names, in the event of equal distribution of tendered quantity will get a larger share through a sister concern or a ghost firm. In one extreme case, Ordnance Clothing Factory Shahjahanpur placed supply orders on 13 suppliers at the same rate by distributing the quantity of Yarn Woolen 450 Tex Type Natural Grey.

Unwillingness of TPC[4]s headed by the Head of the factory and comprising other senior factory officials to take action on blatant cases of price manipulation by suppliers and in some cases their active connivance to favour suppliers, absence of independent assessment of the rates quoted and treating the last purchase rate as the only benchmark coupled with the practice of distributing the ordered quantity among all suppliers reinforced and encouraged the practice of cartelization even more.

It also came to notice that prices quoted under OTE were significantly lower than the prices under LTE. The opinion among the factory officials was that suppliers quoted cheaper rates to grab the contracts as the first step to enter into the supply chain of the Ordnance Factories. While this may be partially true, many cases were seen in which established suppliers also participated in open tender enquiries and quoted cheaper rates. The belief also presupposes that suppliers will be making losses to make entry through the open tender channel which may not be wholly true. Cases were seen that suppliers through shadow firms also were able to suppress effective competition.

In none of the cases mentioned in Annexure IV, where cartelization was prima facie evident, Ministry or OFB or the concerned factory made any enquiries or took any effective action. On the other hand, such a situation was allowed to continue in almost all the Factories. In factory after factory the same firms responded to various tender enquiries both through LTE and OTE channel and manipulated the prices, as would be evident from Chapter VII of the Report. In many cases, in replies to audit observations the Factories justified the action by the fact that they were following the provisions of the MMPM. No initiative was taken by Ministry, OFB or the factory officials to stop the brazen manipulation of the system.

Price Discovery process in procurement

To achieve the best price in competitive tendering, open and competitive tendering is the *sine qua non*. Dependence on the limited tender, cartelization, lack of independent assessment of the reasonableness of pricing and very high delegation among different levels of officials in an environment which has little internal control have created a situation in the Ordnance Factories in which the possibility of a fair price through competitive bidding was remote. During audit, a large number of cases were seen where the prices have been manipulated and the officials had not taken any effective action to ameliorate the situation. This has emerged as the fundamental flaw in the system.

Paragraphs 6.18 and 6.18.1 of MMPM lay down the elaborate guidelines to determine the reasonableness of prices for procurement in case of competitive tendering where two or more suppliers are competing independently to secure a contract. The Manual envisages that the

[4] Tender Purchase Committees

reasonability of price proposed has to be established by taking into account the competition observed from the responses from the trade, last purchase price, estimated value, database maintained on costs based on past contracts entered into, market price wherever available, changes in the indices of various raw materials, electricity, wholesale price index and statutory changes in the wage rates etc.

Para 6.18. (e) also required that the reasonability of price be examined by resorting to Cost analysis in situations where there is wide variance over the Last Purchase Purchase not explained by corresponding changes in the indices.

Further, as per Paragraph 9.17 of MMPM, OFB was to make arrangement for data base on past contracts showing details of the items procured, their essential specifications, unit rate, quantity, total value, mode of tender enquiry, number of tenders received, number of tenders considered acceptable, reasons for exclusion of overlooked tenders, un-negotiated rates of L-1, and contract rates were to be maintained to help in ascertaining reasonability of price of future procurements. The data in respect of supply orders in excess of Rs 20 lakh was to be made available in OFB website for information of all Factories. Further, as per the Manual, database maintained on costs based on concluded contracts, prices of products available through market should also be used to assess reasonableness of prices offered.

It was noticed during audit that neither the Factories nor OFB had maintained any database as per OFB Manual. The Factories do not have any database of the estimated cost of the stores procured or the prices of the product available through market. The various TPCs determined the reasonability of the rates with reference to the last paid rate (LPR) only.

In most of the Factories, LPR was the main index to assess price reasonableness. There was no cost expert either at the OFB level or at the factory level. In one or two Factories rudimentary efforts were made in a few cases to independently arrive at an estimate.

Contract Management

Rule 158 of the General Financial Rules stipulates that “to ensure due performance of the contract, performance security is to be obtained from the successful bidder awarded the contract. Performance security is to be obtained from every successful bidder irrespective of its registration status. Performance Security should be for an amount of 5-10 *per cent* of the value of the contract.” It further stipulates that “Performance security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations.”

It was noticed in audit that in many cases the Factories did not take security deposit.

Similarly, cases were noticed about non-inclusion of option clause which favoured the suppliers. In HVF Avadi, Audit noticed that option clause was manipulated to favour R K Machine Tools.

Internal Control

Internal Audit and Vigilance

It was seen that internal control mechanisms both at the Board and Factory level were allowed to collapse and become dysfunctional.

The Chief Internal Auditor of the Factories in a response to a query in audit on the functioning of the internal audit mechanism admitted that the internal audit teams could not raise objections against Ordnance factory organizations, as they functioned under their administrative and functional control of the executive. He stated in November 2009 that during 2006-07 to 2008-09, the internal audit mechanism failed to uncover any financial irregularities both at factory level and at the level of OFB.

The malaise was however deeper and structural. Between 2006-07 and 2008-09, the Internal Audit was under the control of OFB. The Chief Internal Auditor (Factories) was under direct functional and administrative control of the Member (Finance) of OFB. He functioned with the help of five Regional Internal Audit Officers (RIAO) who were primarily responsible for functions relating to finance and accounts and only additionally, Internal Audit. The Material Planning Sheet[5] was required to be approved by the Local Audit Officer (LAO), who was also the accounts officer in the factory. The RIAO were under functional and administrative control of the respective GMs/Sr. GMs of the Ordnance Factories. Such an arrangement violated the fundamental principles of independence of internal audit. The internal audit wing did not develop any Manual, checklists or guidelines for conduct of such audit and functioned in an ad hoc manner.

The dysfunctional state of internal audit was reflected in the fact that as of March 2010, a total of 2137 audit objections were still outstanding. At the OFB level, there is a Networking Committee chaired by one DDG to monitor the internal audit objections. Only two meetings of the Committee were held in two years. As of November 2009, the last meeting was held in March 2008. At the Factory level, even though there was an ad-hoc Committee in each factory under the Chairmanship of Sr GM/GM and these committees were required to meet quarterly, such meetings were infrequent. In the past 15 quarters from quarter ending December 2005 to June 2009 in 39 Factories, 585 such meetings should have been held. Only 120 meetings were held.

[5] Material Planning Sheet is required to be generated by every factory to initiate procurement action. It shows the requirement, existing stock and dues in from previous supply orders if any to arrive at the net requirement for which procurement action is to be initiated.

80 per cent of the meetings required to be held were never held. In some of the Factories, from 2005-06 to date, only one or two meetings had taken place.

As with Internal Audit, in case of Internal Vigilance also, the dysfunctional state of vigilance was reflected in the fact that 15 Factories submitted to the Board 'Nil' reports on 18 vigilance sub topics continuously for the past three years. Even these 'Nil' reports were usually delayed by six to nine months indicating lack of attention to the reports by the CVO and the OFB. Three Factories did not even submit these reports.

Delegation of financial powers without Internal Audit and Vigilance

It is in the backdrop of collapsing internal control that Ministry of Defence in December 2006 issued orders significantly enhancing the financial powers of the Ordnance Factory Board. The objective of such enhancement of powers was to enhance autonomy and increase the efficiency of the Ordnance Factories in its day-to-day functioning. Following this, OFB on 11th April 2007 enhanced financial powers of various functionaries in Ordnance Factories for procurement of stores, plant and machineries. For procurement of stores through open tender or limited tender which is the main source of procurement of stores in the Factories, the power of GM was enhanced from Rs 1 crore to Rs 20 crore. For procurement of Plants and Machinery through limited tender or open tender in replacement of BER[6] Plants and Machinery, against projects sanctioned by government or to improve production under NC[7], the powers of General Managers were enhanced from Rs 10-25 lakh to Rs 20 crore.

Tender Purchase Committee exercising functions of Competent Financial Authority

Procurement through Tender Purchase Committees in the Factories represented a structural problem of decision making in the Factories. TPCs performed the functions of the CFA[8]. While such TPCs were headed by the CFA, the procurement cases were not considered separately on files based on the recommendations of the TPCs and no separate sanction order was issued for these procurements. While it promoted collegiate decision making, the accountability of the individual CFA could not be established in this process.

[6] Beyond Economic Repair
[7] New Capital
[8] Competent Financial Authority

Recommendations

1. **Ministry should review the role and composition of the Ordnance Factory Board. The Board should be expanded to include senior representatives of Department of Defence Production, Integrated Finance, DRDO and Army Headquarters. The Factories and the OF Secretariat should be Board managed.**

Ministry accepted the recommendation.

2. **The responsibility of the Board should be to oversee the functioning of the Ordnance Factories rather than taking decisions relating to procurement and the day to day functioning of the Factories. In other words, Board should function similar to a Board of a company.**

Ministry accepted the recommendation.

3. **Day to day running of Factories including procurements should be function of the DGOF, who should be assisted by the Members and other officials. The decisions taken by DG should be subject to the review by the Board. DG should function as the CEO with responsibility and accountability commensurate with CEO of any Organization.**

Ministry accepted the recommendation.

4. **In view of the fact that the internal control in the Ordnance Factories including OFB Headquarters has become dysfunctional, there exists a case for completely overhauling the same. Ministry may review the position and put in place a comprehensive and functional internal control system in the Ordnance Factories.**

Ministry stated that it would be incorrect to say that the internal control system has become dysfunctional. The performance of Factories is closely monitored by the Members concerned as well as Board level. The performance of the OFB is also monitored by the Ministry. A comprehensive e-procurement system has been put in place which would become operational from 01 August 2010. This would enable, the Ministry stated, to make the procurement procedures of Ordnance Factories transparent and accountable.

Appreciating the steps taken by the Ministry, it is stated that the internal control in an organization denotes a robust control environment, which sets the tone of the organization including tone at the top, risk assessment, control activities which comprise policies and procedures that help ensure that management directives are carried out. It also requires dissemination of pertinent information and continuous monitoring.

Ministry should broad base the concept of the internal control beyond narrow supervisory controls, which as would be evident from the present audit report, failed completely.

5. The Chief Internal Auditor (Factories) should have his own dedicated set up and should be completely independent from DGOF and Factories. He should report directly to the Board. Copies of his reports should be invariably endorsed to the Secretary, Department of Defence Production.

Acknowledging that the internal audit system needed to be strengthened, Ministry stated that action will be taken in consultation with the CGDA who is responsible for internal audit.

6. Secretary, Department of Defence Production should immediately form a standing audit committee to monitor the internal audit reports.

Ministry agreed to form an audit committee. The recommendation of audit would be considered to include suitable external representatives in the audit committee.

7. The Chief Vigilance Officer of the Ordnance Factories should have complete independence and should preferably be from outside the Indian Ordnance Factory Service. The guidelines issued by the CVC should be followed strictly.

Ministry informed that an officer of Railway Engineering Service has been appointed as Chief Vigilance Officer of the OFB.

8. The MMPM should be reviewed thoroughly to ensure procurement in accordance with the General Financial Rules. The artificial restrictions on the firms coming through OTE channel should be reviewed.

Ministry informed that the procurement manual is under complete revision According to the proposed revised manual, the Ministry stated, procurement would hereafter be

made mainly through open tenders and limited tenders will be resorted to avoid stock out situations and to meet unforeseen requirement of armed forces.

9. The roles and responsibilities of competent financial authority and tender purchase committee should be separated. Accountability of individual CFA both at DG level and factory level should be established. The role of the tender purchase committees should be recommendatory.

Ministry assured to examine the recommendation.

10. Ministry may review the composition of tender purchase committees and reduce the levels of such committees. Inclusion of representative from another factory in the same location should be considered.

Ministry assured to examine the recommendation.

11. Separate sanction order should be issued for each procurement and copies of such orders should be endorsed to all concerned in terms of General Financial Rules.

Ministry accepted the recommendation. It assured that separate sanction order will be issued in all procurement cases.

12. The present system of procurement through the channel of Memorandum of Understanding should be discontinued forthwith. Co-production, Co-development and Collaboration agreements should be subjected to prior approval of Ministry of Defence or the reconstituted Board. The user directorate and DRDO should be involved in these decisions.

Ministry stated a standard operating procedure for cases of collaboration has recently been prepared. In all cases in which foreign technology collaboration is involved, prior approval of the Ministry of Defence would be required. The user directorate and DRDO would also be consulted, if necessary.

13. Ministry should on a priority basis invest required resources to computerize the procurement process completely in line with the e-procurement initiative of Government of India and ensure that all Factories maintain compatible databases. Suitable procurement application also should be developed.

Ministry stated that action is under way and it is in accordance with the recommendations made by Audit.

14. **All databases should be networked so that Factories can reap the benefits of networked databases in procurement. Suitable triggers should be included in the procurement application so that unusual cases according to pre determined parameters are thrown up by the system itself.**

Ministry agreed to initiate action according to the above recommendation.

15. **Generic and widely available items should be identified and should be procured through open tenders only. List of such items should be published in the website of OFB. Such open tenders should be published in the websites of OFB and Ministry of Defence.**

Ministry stated that the procurement manual were under revision and open tender channel would be the main channel for procurement.

16. **The proposed independent CVO and Internal Audit should investigate all cases where a number of firms quote the same price.**

Ministry agreed to include stringent measures against cartelization in the revised procurement manual.

17. **A cost audit cell should immediately be set up and procurement must be done, specially in cases of limited tender and single tender taking into account the advice of the cost audit cell.**

While noting the recommendation and acknowledging that induction of qualified cost accountants will help, Ministry noted that there are industrial engineering units within the Ordnance Factories.

18. **OFB should recheck the credentials of all the vendors registered with the Factories, so that ghost firms can be rejected. Such check should include a one time check of the owners of the firms, their addresses and other details and most importantly, their manufacturing capacity by site visits/ inspections.**

Ministry agreed with the recommendation.

19. **OFB should also place a list of all such vendors with all details about their ownerships, nature of business etc. in its website.**

Ministry stated that action would be taken to include the details in the upcoming e-procurement portal of OFB.

20. **Ministry should instruct OFB Headquarters and Factories that subject to compulsions of national interest, all limited and single tenders should be published on the website till the time limited tender channel is used for procurement.**

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(Gautam Guha)
Director General of Audit
Defence Services

New Delhi
Dated July 2010

Countersigned

(Vinod Rai)
Comptroller and Auditor General of India

New Delhi
Dated July 2010

Chapter I: Introduction

1.1 Background of the Special Audit

In June 2009, Ministry of Defence Department of Defence Production informed the Comptroller & Auditor General of India (CAG) that a case had been registered by Central Bureau of Investigation (CBI) against Shri Sudipta Ghosh, the former Director General Ordnance Factories involving serious charges of corrupt practices. CBI had requested the Ministry to examine whether there were irregularities in the procurement cases finalized during the tenure of the former DGOF. Ministry informed CAG that a proper analysis of the procurement cases finalized during the above period would require in-depth examination and considerable professional skills. Secretary, Department of Defence Production[1] therefore requested that a special audit of all the procurement contracts during the tenure of the former DG may be conducted by a suitable team of officers from the Indian Audit & Accounts Department.

Averring that the matter of involvement of the former DG in corrupt practices needs to be examined by the investigative agencies through criminal investigation and the institution of the office of the CAG is neither empowered nor equipped to carry out investigations of forensic nature, CAG nevertheless authorised review of the procurements of stores and machineries by the OFB and Ordnance Factories as a follow up audit of the previous Audit Report No 19 of 2007 on OFB procurements. It was pointed out to the Ministry that the earlier Report had highlighted a number of serious irregularities in the procurement system of the Ordnance Factories but it was yet to take effective action on the recommendations made in the Audit Report to address the deficiencies in the OF procurement system.

Ordnance Factories together are the largest departmentalized manufacturing enterprise in the government sector. On one hand, the functioning of the Factories has to have the flexibility to respond to demands typical of a manufacturing industry and on the other it is controlled by the government rules and regulations. Such a

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[1] Through this report, Ministry would denote Department of Defence Production, Ministry of Defence.

scale of manufacturing requires deft management of huge manpower, huge inventories and large scale procurement of services, raw materials and semi finished goods to maintain almost a punishing round-the-clock production schedule. Much of the materials procured by the Organization, because they need to meet the stringent specifications of Defence, are not widely available in the domestic market. The increasing technological complexities and demands for newer products require constant innovations in technology as well as industrial practices.

1.2 Organisation of Ordnance Factories

There are at present 39 Ordnance Factories at 24 different locations. Two more Factories are being set up at Nalanda in Bihar and Korwa in Uttar Pradesh. The existing Factories are engaged in manufacture of arms, ammunitions, equipment, armored vehicles and personnel carriers, clothing and general stores items. At the apex is the Ordnance Factory Board (OFB) headed by the DG, who is the Chairman of the Board. The Board comprises, in addition, two additional DGs and seven members. It controls the executive functions of the organization. Apart from the overall management of the Factories which includes laying down policies and procedures on the functioning of the Factories, it monitors receipt of orders from the Services and Para-Military Forces, determines annual targets for Factories and converts orders into extracts for the Factories to manufacture. It controls the budget and provides required resources to the Factories. The OFB functions under the administrative control of the Department of Defence Production of the Ministry of Defence.

The cost of production of thirty nine Ordnance Factories in 2006-07 was Rs 7957.53 crore. In 2007-08, it was Rs 9312.61 crore and in 2008-09, it stood at Rs 10610.40 crore.

1.3 Scope of audit and audit objective

A team of 19 officers conducted the audit between September 2009 and February 2010. It was conducted in Department of Defence Production, Ordnance Factory Board, Ordnance Equipment Group Headquarters, Kanpur, Armoured Vehicles Group Headquarters, Avadi and 18 Ordnance Factories. Though the audit covered procurement during the period from 2006-07 to 2008-09, in several cases in order to analyze current procurement decisions, decisions taken in earlier years were examined. Apart from examining files and documents in Ministry and OFB, 1291 supply orders valuing Rs 4434 crore were examined by the team during the audit of the Board and Factories.

For the purpose of audit and this report, the Factories audited have been put under four groups as follows:[2]

Sl No	Group	Factories audited
1	**Avadi**	Heavy Vehicles Factory, Avadi **(HVF)**; Ordnance Factory Medak **(OFMK)**; Ordnance Factory, Trichi **(OFT)**
2.	**Kirkee**	Ammmunition Factory Kirkee **(AFK)**; High Explosive Factory, Kirkee **(HEF)**; Ordnance Factory Dehu Road **(OFDR)**, Ordnance Factory Ambernath **(OFA)**
3.	**Kanpur**	Ordnance Factory Kanpur **(OFC)**; Small Arms Factory Kanpur **(SAF)**; Ordnance Equipment Factory, Kanpur **(OEFC)**; Ordnance Parachute Factory Kanpur **(OPF)**, Ordnance Clothing Factory Shahjahanpur **(OCFS)**; Opto Electronics Factory Dehradun **(OLF)**;
4.	**Jabalpur**	Gun Carriage Factory, Jabalpur **(GCF)**; Vehicle Factory, Jabalpur **(VFJ)**; Ordnance Factory Khamaria **(OFK)**; Ordnance Factory Ambajhari **(OFAJ)**; Ordnance Factory, Chanda **(OFCH)**;

The breakup of the supply orders audited, region-wise are:-

Table 1: Number of Supply Orders audited and their value

Group	Cases audited	Value of stores audited (Rs in crore)
Kirkee	**424**	**1063**
Jabalpur	**352**	**1892**
Kanpur	**290**	**199**
Avadi	**225**	**1280**
Total	**1291**	**4434**

[2] For ease of reading, on most of the occasions, the Factories have been in this report be referred to by their shortened names.

The threshold value of supply orders taken up for examination in audit in different Factories was determined with reference to the volume of such orders in these Factories. All orders more than Rs 1 crore were selected in Avadi and Jabalpur group of Factories due to high number of orders in this category. In Kirkee group of Factories, the supply orders of more than Rs 10 lakh were selected for audit. In Kanpur group of Factories, the orders were selected using a computer aided tool, to identify erratic fluctuations in the rates of each item procured in the past three years.

During the three years from 2006-07 to 2008-09, 39 Ordnance Factories spent Rs 19,697 crore for procurement of stores and machineries. Out of this, 18 Factories selected for audit spent Rs. 10,299 crore.

The special audit was conducted to assess whether:

- The Internal control and monitoring system are in place both at MOD and OFB level to ensure timely procurement of quality stores and machinery in an efficient and economic manner;
- The policies and procedures on procurement were appropriate and adequate;
- The requirement of stores and machinery as assessed by the Ordnance Factories was realistic, based on their estimated needs to meet production targets;
- The orders for stores and machinery were finalized so as to ensure procurement from the right source, at the right price and in the right quantity;

1.4 Audit criteria

The audit criteria were adopted to evaluate procurement activities in the Ministry, OFB and 18 Factories were:

- General Financial Rules
- Material Management and Procurement Manual[3]
- Other orders issued by various authorities in Government of India including Central Vigilance Commission.

1.5 About this Report

This report is the results of audit of a large number of individual procurement cases approved by Ministry of Defence, OFB and officials of Ordnance Factories. It is

[3] OFB has revised the MMPM in 2009. Since this audit concentrated on procurements from 2006 to 31 March 2009, the earlier version of MMPM published in 2005 has been referred to.

divided into three parts. Part I includes the procurement decisions taken at the level of Ministry of Defence, Department of Defence Production and Ordnance Factory Board. Part II covers the procurements made in the Factories. Because of delegation of financial powers several such cases were referred to OFB and the Ministry for approval. Such cases have been included in Part II as they related to procurement for specific Factories. Part III deals with the general control environment affecting the procurement actions at the levels of Ministry, OFB and Factories.

Ordnance Factories place supply orders in thousands every year. While reporting cases in this report, the aspect of materiality has been kept in mind. Such materiality has been decided not only on the monetary value of the individual procurement, but also on several other factors. These factors included prima facie evidence of serious abuse of procedures as laid down in the General Financial Rules, Manuals and other orders, acts of bad faith and possibilities of fraud.

The fact that a particular kind of infraction has been reported in one or two Factories does not suggest that such cases were absent in other Factories. It is recommended that Ministry should take this report as a comprehensive feedback and initiate reforms on a wider scale.

1.6 Recommendations

Normally, recommendations are made at the end of each topic, if applicable. However, in this report, 20 recommendations have been made at the end of the report as the topics are interrelated. In respect of cases which are under investigations, only audit observations have been reported. No recommendations in such cases have been made.

Ministry of Defence, Department of Defence Production accepted all the recommendations.

1.7 Acknowledgement

The Defence Secretary, Secretary, Department of Defence Production, DG, Members and officials of OFB, Senior General Managers/ General Managers and their officers and staff of all 18 Ordnance Factories had extended unstinted co-operation and courtesies during the audit which is gratefully acknowledged.

Chapter II: Nalanda Factory

2.1 Transfer of Technology of Bi modular Charge System

The Indian Army after conducting trials of different types of propellants had recommended in 1998-99 procurement of Bi-modular charge system (BMCS) from Somchem, a division of [4]Denel, South Africa. The company was the only known manufacturer of BMCS at that time. Ministry of Defence entered into a contract with the company for procuring 4 lakh BMCS modules in April 2002. The contract envisaged transfer of technology (TOT) for indigenous production of the propellant by OFB.

Cabinet Committee on Security accorded approval in November 2001 for setting up a factory at Nalanda in Bihar at an estimated cost of Rs 941.13 crore to manufacture 2 lakh BMCS (8 lakh modules) per year. The approval included transfer of technology (TOT) from Denel at a cost of Rs 60.51 crore. The technology was to be acquired along with procurement of 4 lakh modules to meet the Army's immediate requirement from the Somchem.

Contract agreement for transfer of technology was signed between OFB and Denel on 15 March 2002. The effective date of the commencement of the contract was 15 March 2003. It envisaged supply and delivery of TOT documents which comprised Product specifications including detailed dimensional drawings and designs, Quality and Inspection procedures, Process descriptions and Production methods in respect of raw materials, intermediate products and final products. The total cost of the TOT package was of US $ 13.99 million which included US $11.86 million as license fee, US $ 1.25 million for Technical and manufacturing data pack and US $ 0.88 million for training.

The contract was to remain valid for a period of five years from the effective date i.e. 15 March 2003.. Two important conditions were to be valid for seven years. The first was the seller's warranty that if the product at semi stage have been duly accepted in accordance with the relevant quality assurance and inspection and

[4] For ease of reading, all companies, firms, partnership firms have been referred to only by name without using M/S. They are not individuals.

acceptance criteria as set out in the TOT document and that these semi stage products have been properly assembled and tested in accordance with the provisions in the same document by a competent, experienced and skilled manufacturer of products, then the final product will conform to the performance specifications set out in the Contract. The second one was the performance bank guarantee which was 10 *per cent* of the contract value of US $ 13.99 million. Both the warranty and guarantee had lapsed in March 2010.

2.2 Establishment of Nalanda Factory

In order to ensure single point responsibility of the supplier, it was decided that the main plant for BMCS which comprised of Combustible Cartridge Case Plant, Single Base Propellant Plant, Triple Base Propellant Plant, Nitro-cellulose/ Nitro glycerin paste plant and Propellant Charge Assembly plant would be procured as a package. The plants for the manufacturing of primary ingredients Nitro-glycerin (NG) and Nitro-cellulose (NC) being standard plants were to be procured separately on turn-key basis. It was to be ensured that the output from these plants complied with the specifications laid down in TOT documents. The project of setting up of the factory was thus effectively converted into three independent and uncoordinated procurement decisions.

As subsequent events would prove, this was a fundamentally flawed strategy which led to the situation where contracts for two feeder plants have been awarded but the main BMCS plant which will use output of these plants is nowhere in sight. The contract with IMI Israel for the main BMCS plant has now been mired in controversies and corruption charges and has put the future of the Nalanda plant in jeopardy. The overall progress of the factory has been dismal despite an expenditure of Rs 786 crore till March 2010.

On the earlier occasion, Ministry had also decided to cancel all contracts with Denel in June 2005 due to allegations of corruptions in some other case. The contribution of Denel to the project was to supply the TOT documents, which by that time had already been done and payment made. The Nalanda project was also kept in abeyance from June 2005 to July 2006. By the time, the project was stalled, tenders were received for all the three plants, namely the feeder Nitro-cellulose and Nitro-glycerin Plants and the main BMCS plant. The decision to keep the project in abeyance as also subsequent delay in finalizing contracts has led to considerable cost and time overrun as would be evident from the fact that the estimated cost has gone up from Rs 941 crore as originally sanctioned to Rs 2161 crore as per the revised sanction. As a result of the expiry of the warranty period for the transfer of technology, the delay has also resulted in a situation in which the manufacturing processes and outputs would be without any cover of warranty by the provider of the technology.

2.3 Contract of Main BMCS Plant to IMI Israel

Tender Enquiry for BMCS plant was issued for the first time on 29 March 2004. Technical bid was opened on 12 July 2004 and price bid on 26 October 2004. IMI Israel emerged as the L-1 firm at a cost of Rs 571.71 crore. The matter did not progress since project was kept in abeyance by Ministry in June 2005.

After the project was restarted in July 2006, IMI was called for negotiation meeting on 2nd/3rd August 2006 at OFB and asked to reduce the price as assessed by a committee constituted by OFB. IMI however insisted on a price increase from original 2004 price of Rs 571.71 crore to Rs 654.79 crore. OFB refused to accept the increased price and decided to issue global tender enquiry to generate more competition.

Fresh Tender Enquiry was issued on 26 February 2007. However, hardly any fresh competition was generated as a result of that. Against five companies to whom tenders were issued, only three responded within time. One of them, DMP Italy refused to sign integrity pact and to pay the earnest money deposit of Rs 3 crore. As a result only two companies namely IMI, Israel and Simmel Difesa, Italy remained in consideration. The price bid was opened on 28 January 2008. The offer of IMI Israel was the lowest at Rs 1090.83 crore and the next higher quote of Simmel Difesa was at Rs 1885 crore. During the earlier negotiations, the escalation demanded by the IMI was 15 *per cent* over a period of two years from July 2004 to August 2006. Against the fresh tender, the escalation was 67 *per cent* over a period of one year. The scope of supply in the quotes in March 2004, September 2006 and February 2007 remained the same.

Internal assessment indicated that the rate quoted by IMI was very high

The internal assessment of OFB indicated that compared to the quotation of IMI Israel in 2004, the rates quoted by IMI in January 2008 was on a high side. By adding escalation factors to the estimates quoted in October 2004, the base price came to Rs 800.34 crore as against Rs 1050.01 crore quoted by IMI in the fresh tender. Another estimate carried out by University Institute of Chemical Technology Mumbai arrived at a cost of Rs 832.22 crore. For the single base propellant plant, Ordnance Factory Bhandara calculated the basic cost at Rs 269.1 crore as against the cost of Rs 747.23 crore demanded by IMI.

Against this background, MOD constituted Cost Negotiation Committee (CNC) on 27 March 2008 with former DGOF as Chairman. Four meetings CNC meetings were held on 10 April 2008, 30 April & 1 May 2008, 21 May 2008 and 22 July 2008.

CNC did not make any firm and final recommendation

The basic objective of the CNC was to negotiate price and other commercial terms and conditions. However, in no meeting, CNC took any firm decision regarding the final negotiated cost of the plant. The indecisiveness of the CNC will be apparent from the following records of discussions in the CNC:

Meeting on 10 April 2008

Decisions and conclusions:

1. IMI was requested to give a presentation in the next meeting about the new features incorporated in the current proposal which are much more technologically advanced as compared to the offer of 2004 and whether this has resulted in savings arising out of usage of input material, fuel, power, water and cost of manpower;
2. IMI was requested to indicate the source for the major machine/equipment in the presentation and justify the higher cost quoted by them in the present offer;
3. IMI was asked for the reasons for high escalation in the cost of Design Documents, Erection and Commissioning costs quoted by them in the present offer; and

4. CNC desired that the justification in cost escalation should be supported with indices of the major input materials and foreign exchange currency movements in the related currencies.

Meeting on 30 April and 01 May 2008

Decisions and conclusions

(1) IMI offered a reduction of 3 million Euro. CNC however raised several issues relating to high prices. IMI asked for time for offering clarifications and justifications on the issues raised by CNC.

Meeting on 21 May 2008

Decisions and conclusions

(1) CNC decided to adjourn the meeting as no headway was being made in the negotiations;

(2) CNC also felt that there were only a few suppliers in the world, who not only have the capability but also are willing to supply the BMCS Plant. IMI had emerged as the lowest bidder twice in response to the global tender enquiry. It further felt that the past retendering action indicated that any further re-tendering action of the BMCS plant was not likely to yield any reduction in prices. Further it might lead to a single supplier situation; and

(3) CNC also decided that Ministry of Defence, higher management would be apprised about the current position on file prior to proceeding further for negotiations.

Meeting on 22 July 2008 (Last meeting of CNC)

Chairman of the CNC requested the representatives of IMI to

(1) Extend the validity of the offer up to 31 Oct 2008;

(2) The price to be reduced to the minimum.

IMI representative informed the CNC that there was no scope for reducing the price of BMCS plant as the cost of input materials for the manufacturing of the plant had increased substantially. In fact, the firm also brought in the issue of introduction of a price variation clause for the Indian component of the plant. While discussing the issue of extension of validity of their offer, IMI informed that their Indian partner has sought incorporation of a price variation formula to protect themselves from the losses arising out of steep hike in the prices of steel, cement etc. The price variation formula was to be based on prices as on 01 July 2008 and would be applicable on the Rupee content of the contract.

The meeting was adjourned for ten minutes. On re-assembly, IMI informed that their Indian partner has been consulted and they were not in a position to extend the validity without the price variation formula. Since the Request for Proposal for the BMCS plant was based on firm and fixed prices, it was decided by the CNC not to include price variation formula "***at this stage***". **IMI representative intimated that they would revert back in a few days after consulting their Indian Partner to the project.** However, on the same day, another meeting was held among Director (P&C), Ministry of Defence, DDG (New Capital) of OFB and Director Business Development IMI. IMI agreed to extend the validity of the commercial offer up to 31 October 2008. It was also stated in the minutes of the meeting that "the price variation formula, for the rupee content of the contract would be applicable from 01 August 2008 till the date of the first advance payment. This is subject to confirmation by both the parties."

Cabinet decision for revision of estimated costs of the factory was interpreted by Ministry as "implicit approval" for the procurement. This was incorrect.

The Competent Financial Authority for approval of procurement of BMCS plant was Cabinet Committee on Security. It was also the competent financial authority for approving the revised cost. These two were different issues though the increased cost of BMCS plant inter-alia led to increasing the cost of the project as a whole.

Ministry of Defence in December 2008 put up the note to Cabinet seeking approval for revision of the estimated cost of project from Rs 941.13 crore to Rs 2160.51 crore. The "approval para" of the note to the Cabinet did not refer to the BMCS plant at all and sought only the approval of the revised costs of the project. In the note, the facts of the increased cost of the BMCS plant and IMI's offer of reduction of only US $ 3 million were mentioned as contributing reasons to the escalation of the costs. The lack of resolution on the issue in the CNC was not mentioned. Similarly, the issue of introduction of the price variation formula was not brought into the notice of the Cabinet.

Ministry on 5 February 2009 conveyed to OFB sanction for the revised cost of project. OFB in a fax on 6 February 2009 requested to authorize it to conclude contract for BMCS plant “at the rate negotiated and approved by the Competent Financial Authority.” Ministry on 10 February informed OFB that the revision of the cost of the project as a whole has been approved by the competent authority and OFB may conclude the contract for BMCS plant “at the approved and negotiated cost.” Neither the Ministry nor the OFB clarified in their correspondence as to what exactly was the “negotiated and approved cost.”

Deputy Director General New Capital in the OFB in his note dated 10 February 2009 which was endorsed and approved by the former DG, clearly stated that “from the minutes of the meeting of CNC dated 22 July 2008, it is seen that the CNC did not make any conclusive decision or recommendation to MOD with regard to acceptance of the negotiated price. Also the terms for advance payment of 20 *per cent* demanded by M/S IMI in their offer were not specifically referred to MOD for approval (being beyond OFB powers), it may be presumed that MOD has considered the entire issue covering all aspects in its totality and conveyed their sanction accordingly.” The note was endorsed by the former DG.

Thus based on the “presumption” regarding the negotiated cost having been approved by the Competent Financial Authority, which in this case was the Cabinet, OFB concluded the contract for the BMCS plant with IMI Israel in March 2009 at the total cost of Rs 1175 crore. It also paid an advance of Rs 174 crore to IMI in March 2009, which would remain idle as all the transactions with IMI were put on hold in June 2009 by Ministry.

As per the existing orders on the subject normally only 15 *per cent* advance was admissible. However, IMI sought an advance of 20 *per cent* of the Euro cost of the project. The same was allowed on the ground that CNC was aware that such an advance demanded and therefore should be treated as integral part of the CNC proceedings. Seeking a separate approval for the payment of advance beyond admissible limit was considered a “redundant exercise”. In no meeting, did CNC consider the issue of recommending the payment of advance. OFB, on the other hand, “presumed” that “the Ministry has considered the entire issue covering all aspects in its totality and conveyed their sanction accordingly.”

On the draft note to the Cabinet, Ministry of Finance (MOF) wanted Ministry of Defence to confirm in the CCS note that the cost and time projected now were firm and there would be no further escalation. Ministry confirmed that the “revised project estimates are based on the negotiated price cost for main Plants and Machinery. Therefore, no further cost and time overrun is foreseen.” The assertion by the Ministry was untrue as it was fully aware that in the last meeting of the CNC, IMI had insisted on the price variation clause on the Indian content of the contract. Two junior officers- one from the Ministry and another from OFB – had also reached agreements with IMI that price variation formula would be applicable from 1 August 2008.

The deal with IMI Israel has been put on hold. Meanwhile, IMI has already been paid Rs 174 crore as advance which has been retained by the Company. The prospect of Nalanda factory coming up in foreseeable future is remote.

To sum up,

(i) OFB’s refusal to accept the revised offer of IMI of Rs 654.79 crore and the consequent decision to retender to generate more competition was ill advised. Both OFB and Ministry were aware that the number of firms capable and willing to supply BMCS plant was very few.

(ii) Ministry took the doubtful stand that the approval of the Cabinet to revision of costs of the entire project amounted to “implicit approval” of the procurement of main BMCS plant.

(iii) Ministry misled MOF stating that no escalation is foreseen knowing fully well that IMI has insisted on price variation formula for the Indian portion of the project.

(iv) CNC headed by the former DG did not take any decision on the two critical aspects namely extension of the offer up to 31 October 2008 and introduction of the price variation formula. It also did not recommended a final price for the BMCS plant. The final contract was entered into on the basis of many presumptions and assumptions.

(v) Ministry and OFB between themselves obfuscated the issue of “negotiated and approved cost.” While Ministry did not hesitate to inform the Cabinet that such price has been negotiated by CNC, OFB took the stand that CNC had not recommended any “negotiated and approved” price to the Ministry.

(vi) Ministry allowed payment of 20 *per cent* advance against the Euro cost of the project arguing that CNC was aware of the issue and therefore it should be treated as integral part of the CNC considerations on the whole issue. OFB took the stand that this was not recommended by the CNC. In fact, the issue indeed was never considered by the CNC.

Thus, in order to execute the contract of main BMCS plant for Nalanda factory, laid down procedures and approved processes and procedures were significantly undermined.

Ministry stated in its reply that there were valid and unavoidable reasons for the cost and time overrun. Ministry further stated that it would not be correct to say that the project had been converted into three independent and uncoordinated procurements. Separate tenders had to be issued for different plants as these were from different OEMs. Similarly, there had to be a separate tender for the main BMCS plant as the OEM supplying the plant would have to ensure integrated functioning of all the plants.

Ministry in its reply also stated that IMI in April 2008 provided a list of enhanced number of equipments which included Indoor Fire Detection & Suppression system, Explosion proof Air Conditioning Equipment system in the offer to create a more safe working atmosphere. It further stated that IMI gave various reasons of not giving sufficient discount considering 30 *per cent* increase in salaries for increase in scope of engineering man hours needed for the project due to reassessment of design and documentation requirement, to set up pre-production facilities, inclusion of Effluent Treatment Plant (ETP) equipment separately, price increase in travel, boarding & lodging facilities expenses etc.

Ministry’s reply about three different tenders for three plants is appreciated. However, the fact remains that there was no coordination in timing and award of these contracts. Two contracts for the feeder plants were awarded without even finalizing the contract for the main plant which was to use the outputs of these plants. The situation as of now is that while construction of the two feeder plants is in progress, the plant that will use the outputs is nowhere in sight.

On cost overrun, Ministry's reply must be viewed against the fact that the rates quoted were 67 *per cent* higher than the price demanded by IMI about a year ago. The internal assessments also took into account the escalation factors. Most importantly, however, the CNC itself requested IMI time and again to justify the higher costs quoted by them but did not get any cogent explanation. In its meeting on 21 May 2008, "CNC intimated to the representatives of IMI that there has been no change in the scope of supply and the capacity of the plant from 2004 to 2008. The increase in price could be allowed on account of three elements which were omitted by IMI in their 2004 offer namely (i) increase in air conditioning heat load, (ii) installation of fire fighting equipment and (iii) inclusion of pre production test for process validation. However" the CNC further observed "the price is substantially higher compared to the previous offer of 2004, when the elements were considered." Notably, CNC did not consider the fact that the process technology was transferred as part of the transfer of technology agreement. Ministry's reply also ignores the observation of the CNC in the last meeting that "since no headway was being made in the negotiations, it was decided to adjourn the meeting".

Regarding refusal to accept the higher quoted price in 2006, the Ministry replied that on restarting the project, the firm was called for negotiations and asked to reduce their price. However, instead of reducing their price, the firm asked for increase in price to Rs 654.79 crore. Since as per prevailing guidelines there was no provision to accept such increase against fixed price tender, OFB decided to issue global tender enquiry to generate more competition.

IMI's tender was originally submitted in July 2004. OFB called them for negotiations in August 2006. It would be extraordinarily naïve to expect that even after two years have passed by, the firm would actually reduce the price and there would not be any cost increase. As subsequent events unfolded, OFB and Ministry refused to accept a 15 *per cent* increase over a two year period but accepted a 67 *per cent* increase over one year.

In the other two plants i.e. NC Plant and NG Plant, the same pattern was seen. Firms which had quoted in 2004, were called for negotiations in 2006 and their proposal for increase was not acceded to. Global tenders were called for and in both cases, OFB accepted a price which was much higher that the negotiated cost demanded by the suppliers in 2006.

As regards the implicit approval by the Cabinet, Ministry stated in its reply that the Cabinet was intimated about the completion of negotiation for the BMCS plant and the revised cost of the project was based on the negotiated cost of the main plant and machinery. Since the revised cost of the project included the negotiated cost of BMCS plant, it was clear that approval of CCS for revision of project cost from Rs 941.13 crore to Rs 2160.51 crore also constitutes the approval for BMCS plant.

Ministry's contention is not correct. In this case, the CCS was the Competent Financial Authority, the "approval para" in the Note for the Cabinet did not indicate approval for procurement of the BMCS plant. "Implicit approval" by the Cabinet as mentioned in the internal notes of the Ministry cannot be assumed as the Cabinet Secretariat did not communicate specific approval of the procurement.

On the issue of CNC not making any firm recommendations, the Ministry stated that "It is not correct to say that CNC did not make any firm recommendations. When it was found that negotiations with M/S IMI were not resulting in any further reduction of the cost, the case was brought to the notice of the RM. It was noted that the offer of the L-II bidder was about 50 *per cent* higher than that of IMI and it was considered that it might not be prudent or useful to go for a fresh tender. It was decided to seek the approval of CCS for the negotiated cost."

Ministry's reply confirms that the decision to approach the Cabinet on the basis of the quoted price with a discount of 3 million Euro was an internal decision and not the final decision of the CNC. In fact, as the minutes would indicate, even in the last meeting, the CNC did not reach any firm decision. This is further reinforced by the fact that even after the decision of the Cabinet and communication of approval to OFB by the Ministry, OFB was not clear about the "negotiated and approved cost".

Regarding price variation clause, Ministry stated that the clause was not included at any point in the process of procurement. While it is true that contract entered with IMI Israel did not include the price variation clause, Ministry had entered into an understanding that the price variation clause will be implemented in future. The fact was not brought into the notice of either the Cabinet or the Ministry of Finance.

2.4 NG and NC Plant

Nitro Glycerin (NG) Plant

For the NG Plant, Biazzi of Switzerland emerged as the lowest tenderer when the price bids were opened in January 2004. Letter of intent was issued at Rs 30.06 crore in August 2004 to the Company. However, the matter did not progress any further as the project was kept in abeyance. After the project was restored in July 2006, Biazzi did not accept the earlier quoted price. OFB decided on 30 August 2006 to re-tender the case and OFB TPC[5] finalized the case in November 2007. The order was placed on Biazzi at the total cost of Rs 40.10 crore in June 2008. A payment of Rs 9.14 crore has been made till January 2010.

Nitro Cellulose (NC) Plant

As regards the NC Plant, Josef of Germany emerged as a lowest tenderer at a cost of Rs 106.06 crore against the tender enquiry issued in November 2004. On restarting the project in July 2006, Josef increased the price to Rs 136.27 crore when called for negotiations. The firm was asked to match the price with the offer of NC Plant to Ordnance Factory Bhandara, which was Rs 87.72 crore.

On refusal by the firm, global tender enquiry was issued in two phases. In the first phase, global tender was floated in October 2006 for supplier selection and short listing of firms. Three firms, namely Josef, Germany, DMP, Italy and Bowas, Austria responded and tender enquiry was issued to them in February 2007 in the second phase.

The tender enquiry did not have any provision of signing of integrity pact. The Technical Evaluation Committee of OFB however decided in its meeting on 14 August 2007 that both the short listed firms namely Josef and Bowas should provide integrity pact in terms of DPP[6] 2006 before their price bids were opened. Both the

[5] Tender Purchase Committee
[6] Defence Procurement Procedure

companies confirmed that they would provide OFB with integrity pact and Earnest Money Deposit(EMD) if they are found to be L1[7] on opening of the price bids.

The TPC in its meeting on 3 October 2007 allowed the price bids to be opened. The price bids were opened on 15 October 2007 after almost eight months from the date the tender enquiry was issued. The lowest offer of Josef, Germany was at Rs 134.26 crore. However, the firm backed out citing that they had applied for export licence without which they could not provide the integrity pact and EMD. They also stated that their suppliers were booked for next two years, inflation had reached at 3 *per cent* and they could not extend the validity period without an increase of 5.5 *per cent* for equipment, machinery and spares, 4 *per cent* for supervision charges and an increase of 3 months in delivery time. It was decided by OFB TPC to retender the case.

Against the fresh tender enquiry issued in January 2008, Ministry accorded sanction in October 2008 for Rs 186.46 crore for procurement of NC Plant. The contract was concluded by OFB with Bowas in January 2009. A payment of Rs 49.15 crore has been made to the firm till March 2010.

Normally if a supplier reneges on the conditions and commitments provided at the time of submission of tender documents, a serious view would be taken. However, in this case, despite the fact that Josef had backed out after opening of the price bids, the TPC decided to issue the tender enquiry again to the company in January 2008. The company, however, did not respond to the enquiry. The cost of the plant went up by almost 80 *per cent* on account of various delays in decision making.

DPP 2006 was applicable to all capital acquisitions undertaken by the Ministry of Defence. DRDO, OFB and DPSUs, were however, allowed to continue to follow their own procedures. The TEC[8] had no authority to introduce a condition after tender enquiries were floated and technical bids were opened. The TPC again did not have the authority to relax the condition and allow the price bids to be opened. The matter was not referred to the Competent Financial Authority i.e. the Ministry. The decision to issue the tender enquiry again to the company, who only a few months back reneged on commitments and delayed the procurement, was also incorrect.

[7] L1 represents the lowest tenderer on opening of the price bids.
[8] Tender Evaluation Committee

In case of NG Plant, when Ministry had allowed OFB on 22 April 2008 to conclude a contract with the firm concerned, an instruction was issued to restrict the expenditure to the amount already approved by the Cabinet. Remaining expenditure was to be incurred only after approval of the Cabinet to the revised costs. In this particular case, no such instruction was issued despite the fact that Cabinet approval to the revised cost was still not processed.

Ministry in its reply stated that TEC introduced the condition of integrity pact on the basis of directives issued by MOD(Finance) in February 2006 for inclusion of "Integrity Pact" as standard condition of contract. The condition was relaxed on the assurance of the firm that they would submit it before opening of price bid. On their failure to do so , TPC decided to retender the case.

As regards issue of tender enquiry again to Josef, Germany despite backing out after opening of the price bid on earlier occasion, the Ministry replied that worldwide there were a few manufacturers of this type of plant and out of them only a handful are willing to part with the technology. Thus, the Ministry stated, in order to have sufficient competition, Josef Germany was issued tender enquiry again.

Ministry's reply did not indicate on whose authority TPC decided to relax the condition of the integrity pact.

As would also be evident, competition or lack of it has been used as a factor by OFB to influence the tender processes. The decision to retender in 2006 in case of all the plants was to generate more competition. While it was well known that there were only a limited number of suppliers in the world, the retender did not any case generate significantly more competition but it increased the price substantially.

Chapter III: Co Production Arrangements, Collaboration Agreements and Memorandum of Understanding

3.1 Dealings with Singapore Technologies to supply CQB[9] Carbine to Paramilitary forces

OFB is the nominated industry for production of Carbines both for Protective and Close Quarter Combat role and is capable of absorbing technology and produce any type of Carbine.

On 12 Jun 2008, OFB received a communication from the Singapore Technologies Kinetics (STK) addressed to the former DG. In this, a meeting in September 2007 was referred to in which discussions had taken place regarding collaboration between OFB and STK on offset arrangements for selected programmes of the Ministry. It was stated in that letter that STK had now received from Ministry RFPs for Close Quarter Battle Carbines and ammunition and also other items like Light weight Howitzer and Towed Gun system. STK requested OFB to offer the draft terms and conditions for provision of offset.

In the backdrop of the above, a meeting took place on 8 July 2008 between former DG and other officials of OFB Headquarters and the representatives of STK at OFB. ST informed that Ministry of Home Affairs (MHA) was likely to make outright purchase of CQB carbine and they would like to participate in the same. Chairman / OFB stated that the subject matter can be taken up with MHA stating that "an offset agreement has been signed between OFB and STK and the latter has developed the carbine using Indian components so that the indigenization process becomes faster for supply to MHA".

The decision to "take up" the matter with the Joint Secretary, Ministry of Home Affairs stating that "an offset agreement ***has been*** signed between OFB and STK and that STK has developed the Carbine by using Indian Components so that the indigenization process" was incorrect and amounted to falsification of facts. The fact was that as on that date, neither any offset agreement had been signed nor had STK

[9] Close Quarter Battle Carbine

developed any carbine "by using Indian Components". Even the most rudimentary details of such a contractual arrangement for such co-development and co-production had not been thought of. As subsequent developments would indicate, this was the beginning of a web of falsifications and conspiracy that surrounded the deal between STK and OFB.

Though it was further decided in that meeting that the above can be taken up with the Ministry of Home Affairs only when the Carbine with Indian Component is developed and test fired in India in the presence of OFB, subsequent actions of the OFB belied that decision and confirmed the intention to mislead the MHA.

Close on the heels of this meeting, another meeting took place between MHA and officers from the OFB Headquarters on 24 July 2008. MHA expressed the need for acquiring 5.56 mm Carbine on most urgent basis as the plan for modernization of police forces was coming to an end on 31 March 2010. It was pointed out that 5.56mm carbine provided by OFB earlier for carrying out trial evaluation had failed. OFB officials informed that fresh trials for ammunition would take place on 25 July 2008 in which representatives of the Para Military Forces would be present. If the trials were successful, OFB would provide sample by end of August and trials could take place by 15 September 2008. OFB's representative also suggested that they can supply 5 Nos Carbine developed by "one Singapore firm" with which OFB "will have Transfer of Technology (TOT) arrangements". The representative's promise of TOT was at that stage only a promise.

In an internal note on 29 July 2008, on a proposal whether OFB should provide the carbines offered by STK for trials by MHA, it was opined by Member (Ammunition & Explosives) and Member (Weapons, Vehicles & Equipment) that the carbines should not be offered to MHA since they had not been evaluated by the Ordnance Factories. The former DG on that note directed to call STK for a meeting.

The meeting was convened on 11 August 2008. In Phase I of the meeting which was internal, it was decided to offer to MHA the STK carbine having minimum 50 *per cent* work share with OFB along with OFB's own AMOGH carbine. In the Phase II of the meeting in which STK participated, it was decided that six carbines should be provided by STK out of which five should be offered to the MHA. STK assured that they would send two carbines immediately by 25 August which could be used by

Ordnance Factories for their trials. To facilitate import, it was decided to sign the end user agreement and non disclosure agreement "today (11 August 2008) itself".

It was also informed in that meeting that "supply to MHA needed to start within 6 months after the placement of order and the supply of 50,000 carbines would have to be completed within 18 months thereafter. OFB would like to take up the component which could be productionized in 6 months time by making use of OFB's existing facilities." For the purpose of progressing the project in a time bound fashion two committees – a commercial committee and a technical committee were also formed.

Arrangements were then made for carrying out trials of the two STK SAR 21 MMS[10] carbines at SAF[11] Kanpur on 15 September 2008. Trials were conducted at 50 m and 200m range beyond which facilities were not available. Ability to fire with One Hand grip was found "Not suitable". Sustained firing was conducted where 720 rounds were fired in 10 minutes. Overheating was noticed at various points. At the end of the firing, safety lever became loose and could not be rectified on the spot. At the drop test at 5 metres, major misalignment problem was observed in one machine and it became non-functional. In case of the other machine, minor problems cropped up which, however could be rectified on the spot. Effect of dust as in a desert like condition was not evaluated.

MHA trials were held from 17 November to 21 November 2008 at NSG premises at Manesar. Prior to the trials STK apprehended that there might be technical complications if their carbine is subjected to reliability test specifications as spelt out in the MHA's trial directive and requested for safety certificate from OFB. This would be required as the carbines were being offered as OFB's carbines that would be produced through a TOT arrangements. OFB did not hesitate to provide the required safety certificate and other certificates for recoil forces, noise levels etc. that were issued by DDG/R&D based on the certificate issued by STK. Without formal collaboration with STK, issuing safety certificates by OFB to facilitate trial by MHA was incorrect as the carbine was fully imported and it had failed on several parameters when tested in SAF Kanpur.

On several parameters, in which SAR 21 was found deficient in SAF Kanpur, NSG trials found the carbine completely satisfactory. The drop test was done at the height

[10] Singapore Assault Rifles Modular Mounting System
[11] Small Arms Factory, Kanpur

of 5 feet as against 5 metre tested at SAF. While SAF complained of smoke, NSG trial did not find any trace of smoke. NSG also found that the weapon could easily be handled and fired with one hand.

DDG/R&D who was nominated as OFB's representative at MHA trial brought out that large number of stoppages were observed during the firing of OFB 'AMOGH' carbine of Small Arms Factory being fielded by OFB. These stoppages were primarily on the account of defective feeding of ammunition by the magazine. DDG opined that the gun has otherwise performed satisfactorily as far as accuracy, consistency and other parameters are concerned. He further observed that "**Poor performance of SAF Carbine during trials of NSG could have been avoided, had SAF taken more care in preparing the Weapons Systems before sending to NSG."**

In a meeting in the MHA on 18 February 2009 regarding procurement of carbines, OFB committed that they can supply the first batch of 2627 carbines on 1.9.2009, 18,369 by 31.3.2010 at the same monthly rate and the total quantity by 28 February 2011. BSF opted to procure the weapon from the OFB. CRPF also agreed with that.

It was only after this commitment, the issue to undertake productionization of STK make Carbine was deliberated in the Board meeting held on 26 February 2009 which passed the following resolution:

"Production of 5.56 mm Carbine of Singapore Technology with 45mm chamber length would be undertaken subject to (a) MOD's approval of collaborative instrument with Singapore Technologies and (b) MHA's commitment to procure economically viable quantities from Ordnance Factories. The background of selection of Singapore Technologies for obtaining technology for production of 5.56 mm carbine inter-alia bringing out that no RFP was issued to identify the collaborator would be spelt out to MOD at the time of sending the collaborative instrument for their approval."

The cost of STK carbine was likely to be more than six times cost of in-house developed carbine.

The case could not proceed further as the transaction with STK was put on hold in June 2009 by MOD after STK had indirectly been mentioned in the FIR registered by the CBI against former DGOF.

On the day on which OFB committed supply of carbines to MHA, OFB did not have any production arrangements with STK for production of these in India. There was no authorization from the Ministry to commence any production arrangements. OFB by committing the supply to the MHA, created a *fait accompli* situation to facilitate STK to supply the carbines piggybacking Ordnance Factories. While MHA could avoid floating the normal tendering procedures by procuring it from OFB, the fact is that OFB in absence of any co production arrangements would have supplied carbines produced by STK. The process amounted to a sophisticated connivance by OFB and STK to sell STK carbines to MHA without going through the approved laid down procedures.

Assertion of OFB before MHA that it will have TOT arrangements was not based on facts and was intended to mislead the MHA. Even the rudimentary terms and conditions of TOT and co-production arrangements had not been contemplated at that stage. OFB falsely presented before MHA the SAR 21 MMS as OFB's offer, with production and TOT arrangements with STK. The officials from the MHA and the Paramilitary forces accepted OFB's offer without any further examination or investigation. Such lack of diligence was unbecoming of senior management dealing with such procurement. Officials from the MHA never enquired about the production facilities knowing fully well that SAR 21 MMS is not an indigenous carbine.

OFB's decision to approach the Ministry of Defence at a very late stage for approval of collaborative instrument between STK and OFB amounted to a *fait accompli* situation in which little alternative was available. If the proposal was rejected, the supply to MHA would have been jeopardized and the modernization of paramilitary forces would have been adversely affected.

Strangely, Ministry of Defence was not even aware of these developments. They came to know only after the receipt of two anonymous complaints in February 2009 through MHA and initiated disciplinary action thereafter.

Incidentally, SAR 21 MMS is a well respected carbine internationally and is in use in armies of several countries. Ministry of Home Affairs and Ministry of Defence should review the procedures and analyze the reasons why such procurements could not be made in a transparent manner without so much of falsities and lies.

To sum up:

(i) OFB continuously presented to Ministry of Home Affairs as if it has already entered into a co-production arrangements with Singapore Technologies, which was intentional falsification of facts;

(ii) Officials of the Ministry of Home Affairs also did not enquire about the capacity of the Ordnance Factories to produce such Carbines;

(iii) Ministry of Defence was in complete dark about the activities of the OFB with regard to the offer to MHA.

Ministry in its reply accepted that the following serious and substantive lapses have been committed by OFB in this case:

(i) STK's carbines were offered to MHA without going through the due process. No assessment of their capabilities or track record was seen to have been made;

(ii) Even after the failure of the STK carbine in the drop test during trials, it was decided to offer it to MHA despite the valid objections raised by the Members of OFB. The sample size of two carbines was also inadequate;

(iii) Offering a defective carbine which had failed in critical test during trials to the paramilitary forces was another serious aspect. Acceptance of the carbine would have serious adverse implications in terms of national security.

Ministry informed that it had taken a very serious view of the matter and decided to initiate disciplinary proceedings against officers who were responsible. CVC was approached for first stage advice and they have endorsed the stand by the Ministry.

3.2 Collaboration agreement with CDR Russia

In a similar case, Ministry of Defence issued two RFPs for the procurement of Light Bullet Proof Vehicles (BPV) and Light Strike vehicle (LSV) with accessories in June 2008 and August 2008 respectively. Against the above backdrop, Defence Corporation Russia (CDR) showed interest in a letter dated 8 October 2008 in formulating strategic alliance with OFB for joint production of BPV and LSV in India. CDR expressed their intention to OFB to send a team of expert to explore the various avenues of co-operation and finalize the Teaming Agreement. OFB invited CDR on 13 October 2008 to a meeting on 23 October 2008. The decision for collaboration with CDR for participation on BPV was taken in the Board Meeting dated 31 October 2008. Thus, the whole exercise was concluded in one month at an astonishing speed. Two Collaboration Agreements(CAs) were signed on 15 April 2009 between CDR and OFB to enter into strategic long-term collaboration for the production and supply of the LSV and BPV to OFB.

It was noticed in audit that such CAs were entered into by the OFB with exploring the market. The work share arrangements did not favour OFB in any way as work-share in respect of light strike vehicle (LSV) was distributed between CDR and OFB as 84.87 *per cent* and 15.13 *per cent* respectively. The share of OFB included items, which can be purchased from trade by outsourcing (wheel, tyres, lighting system, battery, assembly, painting etc.). Similarly, in respect of BPVs, the share of CDR and OFB was distributed as 64.92 *per cent* and 35.08 *per cent* respectively. It included all the above low technology items. OFB was not to get any benefit from these CAs from technology point of view as all the major components were to be supplied by CDR and only to be assembled by OFB. On the other hand, CDR would supply their product at the cost fixed by them and without entering into any competitive bids.

The CAs entered by OFB with a foreign company violated the laid down procedures for procurement of such services. The intense speed with which the agreement was finalized was also suspect. It was noted that there was no oversight by the Ministry of Defence to ensure that such actions are scrutinized at different levels.

Ministry in its reply stated that OFB was always tight on time while participating against RFP with a foreign partner. In these cases 82 days and 84 days were available to respond to the RFP issued by Ministry of Defence. Hence fast actions are pre requisite for successful participation in RFP.

It is however to be noted that the work share arrangements were such that Ordnance Factories instead of producing were actually selling a foreign product under the garb of the Ordnance Factory produce. The *modus operendi* is very similar to the one adopted in case of Close Quarter Battle Carbine.

3.3 Co-production arrangements for FSAPDS[12] with IMI

A Memorandum of Understanding (MOU) entered into on 26 October 2003 by and between OFB and IMI for production of following types of products:-

Type A Products: Products which shall be pioneered and introduced for the first time through collaboration between IMI and OFB.

Type B Products: Products that have already been established by IMI, but shall be jointly produced by IMI and OFB with their respective resources, so that owing to this synergy the same product though already established by IMI can be produced at a lower cost without compromising the quality.

Against the above background, OFB entered into a co-production arrangement with IMI Israel to produce FSAPDS ammunition. In the phase I, the work share of OFB was to provide Primer and Igniter (US$ 17), Stub Case (US$ 41), Assembly of complete round, Test (US$ 56), Packaging, Transportation and Proof Cost (US$ 40). Compared to this, IMI was required to supply complete penetrator assembly (US$ 508) and Combustible Cartridge Case and Propellant (US$ 227). In Phase II, IMI was required to supply blank penetrator (US$ 278). Machining & complete penetrator assembly (US$ 215) was required to be done by the OFB. Thus in effect, in phase I, OFB was essentially required to assemble the final product.

A contract agreement was signed between OFB and IMI Israel in September 2004 for supply of 15,000 units MK-I FSAPDS 125mm anti-tank ammunition in two phases. The first batch assembled in India was subjected to proof test in May 2005. Controller of Quality Assurance (Ammunition) did not accord Bulk Production Clearance as it failed in the proof test. Meanwhile, in the Target Fixation meeting for 2005-06 held in January 2005, it was decided that OFB would supply further 30,000 of the ammunition during 2005-06 (cumulative 45,000). Though the consignment of 15,000 units was awaiting Bulk Production Clearance from inspectorate authority, OFB imported further 30,000 units in September 2005 valuing Rs 99.34 crore (US$ 22 million) at the Phase-I rate. 45,000 units valuing Rs 141 crore were still lying idle as of May 2010.

[12] FSAPDS : Fin Stabilized Armour Piercing Discarding Sabot

Without stabilizing the co-production of FSAPDS from the first consignment of imported components, OFB's procurement of 30,000 additional units worth Rs 99.34 crore and MOD's sanction thereof was a case of wrong judgment.

Though it was repeatedly mentioned by OFB and MOD at the time of processing of case that the agreement was meant for 'co-production and co-development' of 125 mm FSAPDS, the details of work-share worked out by OFB indicated that it was neither a co-development nor co-production in the initial phases. The share of IMI to OFB was 83 *per cent* to 17 *per cent*. Further, the 17 *per cent* contribution of OFB was insignificant.

Between 2001 and 2003, Army had directly procured 46000 rounds of 125 mm FSAPDS from IMI Israel without any problem relating to quality. DGQA was the Inspection authority also for imported ammunition. The ammunition was acceptable both DGQA and Army. However, when the ammunition against the agreement dated September 2004 was received by OFB, both DGQA and Army could not clear the ammunition. Ministry remained the silent spectator during the whole process and failed to resolve the issue which resulted in 45000 units of FSAPDS worth Rs 141 crore lying idle. The ammunitions procured by OFB and Army were proven products and were supplied by the same supplier.

Ministry replied that bulk production clearance was accorded in June 2009 and in view of the selective permission for business dealings with IMI, the preparatory action was being taken.

Ministry's reply was silent as to why the procurement was done for the second phase, when the bulk production clearance was not given even for first phase.

Chapter IV: Provisioning

4.1 Background

For manufacturing organisations like Ordnance Factories, provisioning is an important function involving estimations of requirements of raw materials and semi finished goods to ensure production schedule meet the production targets. Over provisioning would result in accumulation of inventories blocking scarce resources. Under provisioning on the other hand would disrupt the production schedule. Provisioning also is the first step for effective procurement management.

Paragraph 3.1.1 of the MMPM[13] lays down that the provisioning action should commence with 100 *per cent* of the target for the ensuing financial year plus 25 *per cent* for the first quarter of the following year. The net requirement of stores (for a maximum period of 15 months) is then arrived at duly taking into account the existing stock, dues in[14] and work-in-progress. As regards actual holding of inventories, Paragraph 3.4 of the MMPM lays down the overall inventory holding of the factory at not more than the maximum level of three to six months requirements at any point of time.

The OFB finalizes the annual production programme for various items in consultation with the users before commencement of each financial year and communicates the production target to the Ordnance Factories. The Factories then draw up production plans based on such annual targets and initiate provisioning and procurement of raw material and components required. Material planning sheets generated by the Factories are based on production programme and standard estimate for an item and indicate the net requirement after taking into account the stock and dues.[15]

4.2 Over provisioning approved by OFB

During the audit at OFB Headquarters and Ministry of Defence, it was noticed that 11 cases were approved between January 2007 to December 2008 in which the basic norms of provisioning were violated. The requirements projected through these 11

[13] Material Management and Procurement Manual: OFB's procurement manual
[14] Dues in a term used to denote supplies due but for which the supply orders have already been placed.
[15] Paragraph 3.8 of MMPM

proposals worth Rs 224 crore for procurement of stores by different Ordnance Factories were much more than the laid down provisioning norms of 15 months and was ranging from 24 to 36 months. These were sanctioned by the OFB or Ministry of Defence and resulted in excess procurement worth Rs. 137 crore over and above the provisioning norms. The details are given in Annexure I.

It was also noticed that 8 sanctions worth Rs. 229 crore were accorded by OFB between February 2007 and April 2007 without initiation of Material Planning Sheet. These eight cases mostly involved single tenders. The suppliers were ROE[16] (6 cases), Sundaram Clayton (one case) and R K Machine Tools, TS Kissan and Kew Industries (one case).The details are given in Annexure II.

Ministry replied that most of the items were marked by factors such as difficulty to procure, longer lead time, highly volatile prices, limited sources etc. There were cases in which procurement in restricted lots would lead to higher prices and stock out situations resulting in overall loss to the state. There would hardly be an instance where an item would remain unutilized.

Ministry's reply is generic in nature and does not address the specific cases mentioned. The provisioning norms for 16 months take into account these factors already. Audit did not come across any evidence to justify deviations from the provisioning norms.

Case 1: Excess procurement from Private firms

In one particular case, OFB accorded sanction in July 2008 for procurement of Shell 105 mm IFG[17] at the total cost of Rs 51.42 crore. The eventual suppliers were T S Kissan, R.K Machine Tools and KEW. OFB finalized the case during 2008-09 taking into account the requirement for 2007-08 whereas the stock in hand and dues were sufficient to meet even the requirement for 2008-09. The requirement was thus artificially inflated in order to facilitate the unnecessary procurement. The value of excess procurement was Rs 36.63 crore.

Ministry replied in June 2010 that as the in-house manufacturing capacity of 105 mm shell in Ordnance Factory Kanpur and Ordnance Factory Ambajhari during the year 2008-09 was inadequate, it was decided to restrict the supplies from Ordnance

[16] M/S Rosoboronexport Russia
[17] Indian Field Gun

Factory Kanpur to 2 lakh and Ordnance Factory Ambajhari was not given any production programme.

Ministry's reply needs to be considered in the backdrop of the following facts. The Store Holder's Inability Sheet, which the TPC considered in May 2008, was raised in November 2007. According to the TPC minutes after taking the full requirement of 2007-08 and 2008-09 and considering dues in etc. the deficiency for OF Chanda was calculated at 226383 and for Ordnance Factory Bolangir was calculated at 30750. The IFD procurement was provisioned at 130000 shells from OF Kanpur and the provision for trade procurement was 127130 shells based on requirements from OF Chanda of 231586 shells and for OF Bolangir of 100400 shells during 2008-09.

Actual production figures in the Factories as in the printed annual accounts for 2008-09 depicted a different picture. OF Kanpur produced 191988 shells during the year and OF Ambajhari produced 30202 totaling 222190 shells. The final production of OF Chanda was however at 153765 and that of OF Bolangir was 104989 totaling 258754 shells.

This will indicate that trade procurement of at least 90566 shells worth Rs 36.63 crore was in excess of actual requirement.

Case 2: Excess procurement from a subsidiary of BEL

In yet another case, OFB accorded sanction for procurement of 4248 Image Intensifier Tubes for OLF[18], to be procured from BELOP, Pune a subsidiary of BEL at the total cost of Rs. 56.49 crore (without Customs Duty) and Rs. 71.69 crore (with Customs Duty). The original proposal of OLF was for the procurement of 4944 I I Tubes. OFB Level TPC-I held in May 2008 worked out the requirement as 4248. The above deficiency was calculated taking full production target of 2008-09 and 2009-10. As per norms, only 25 *per cent* of the requirement of 2009-10 should have been taken into account and the deficiency should have been worked out to 2345 only. The excess procurement amounted to Rs. 25.30 crore.

Ministry in its reply stated that it was difficult to procure the item for which very few manufacturers are available world-wide. It also confirmed that about 90 *per cent* of the Tubes have been used by 2009-10 and balance 10 *per cent* would be used in 2010-11.

[18] Opto Electronics Factory Dehradun

Ministry's reply confirms the audit point of over provisioning.

4.3 Questionable and unnecessary trade procurement by Factories

Case 1 : Undue favour to a private firm by Ordnance Factory Ambernath

Ammunition Factory Kirkee placed an IFD[19] on Ordnance Factory Ambernath (OFA) in November 2005 for supply of 37 MT of steel cups KF 38 required for AK-47 Ammunition. Accordingly, OFA placed an IFD on MSF[20] for supply of 125 MT of steel strips. Later cups manufactured by OFA were rejected at AFK. AFK short closed the IFD in June 2007 and required only 14 MT of steel cups for Pre Despatch Inspection and commissioning of an imported machine.

Despite this, in October 2007, OFA placed a supply order on Paras Engineering Company, Mumbai for supply of 165.11 Metric Tons of Cold Rolled Steel sheets in two sizes worth Rs. 3.24 crore. According to the terms and condition of supply order, five coils of each size were to be supplied as a pilot samples. Cups manufactured out of the pilot coils were to be test fired at AFK. Only after successful trials, bulk production clearance was to be given.

The cups were never test fired by AFK, but bulk production clearance was given by OFA to the firm in April 2008 to supply the remaining sheets.

138.338 MT of Steel sheets worth Rs 2.72 crore are lying in OFA. Possibility of their further use is remote as there is no further requirement of the steel cases for AK 47 ammunition. Undue favour was thus granted to the supplier at the cost of the national exchequer.

Ministry stated in June 2010 that OFB would take immediate action to ensure that the steel is utilized without any further delay. It also informed that explanation of officers concerned will be called for procuring the steel in spite of reduction in demand.

Case 2 : Unnecessary procurement of brass cups at Ammunition Factory Kirkee

AFK requires brass cups for manufacture of 5.56 mm ammunition and their requirements were met by OFA. During ammunition review meeting held at OFB on

[19] Inter Factory Demand- where one factory procures from another
[20] Metal and Steel Factory

11/12 June 2008, it was decided that 2300 MT brass cups for 5.56 mm ammunition was required against which OFA would supply 2100 MT brass cups. AFK was directed to procure balance requirement of 2008-09 plus three months opening stock of brass cups from trade .Accordingly AFK placed a supply order on Rashtriya Metal Industries for supply of 157 MT of brass cups valuing Rs 8.09 crore with delivery period up to 31 March 2009.

The firm failed to supply store within the delivery period. AFK finally extended it up to 31 August 2010. In the meanwhile AFK met the target for 08-09 and 09-10 without trade support, which is indicative of the fact that AFK did not require the supply from the vendor. AFK however, did not cancel the supply order. The additional expenditure as a result of procurement from the trade amounted to Rs 1.33 crore compared to the cost of manufacturing of the cups in the factory in 2008-09.

Ministry stated in June 2010 that the requirement of 5.56 mm ammunition was phenomenally high and had been increasing. The supply order was placed on the trade due to non availability of brass cups from the sister Factories. Ministry also stated that as against a target of 1206.56 lakh rounds in 2008-09, AFK achieved production of 1147.64 lakh rounds. Similarly in 2009-10, against a target of 1217.52 lakh rounds, the factory achieved production of 1200 lakh rounds. Ministry further stated that the procurement price from trade was Rs 515.55 per kilogram against the IFD price of Rs 570 per kilogram.

Ministry’s reply does not acknowledge the fact that despite the failure of the vendor to supply the brass cups and continuous extension of the delivery date by the factory, the shortfall in production during the last two years has been only marginal. Further, as per OFB’s own guidelines, only the difference in material cost would affect the decision to procure from the trade. Though the IFD issue price was Rs 570, the material cost was Rs 431 and the total production cost was Rs 470.

Case 3: Procurement of Fuze from private firm when OFAJ had the capacity to produce

OFB in October1997 instructed all the Factories that in the event of the price of an IFD store being higher than trade cost, higher price alone should not be considered by the Factories as the only factor for deciding to order on trade overlooking the capacity of sister factory to produce such store. However, if the material price alone of the IFD (supplying) factory was more than the total cost of the store obtained extrade, the buying factory has the option to go to trade. Further, as per OFB's policy (12/06) guidelines for determining interdepartmental production vis-a-vis trade procurement, all Factories should first explore the possibility of getting items from sister Factories, receiving factory would go for cost breakup of the item from IFD supplying factory before going for trade.

Ordnance Factory Ambajhari (OFAJ) has a production capacity of 1,00,000 Nos. per year of the Fuze MG-25 required for 23mm Schilka. During the three years from 2006-07 to 2008-09, OF Khamaria (OFK) procured 5,51,592 Fuzes at the unit rate ranging from Rs. 411 to Rs 418. During the same period, it also placed an order for 2,40,000 fuzes from OFAJ against Inter Factory Demand. OFAJ could supply only 1,29,806 units. The material cost of the product in OFAJ ranged from Rs 110 to Rs 117

It was noticed in audit that OFB fixed the target of only 25,000 in 2006-07 for OFAJ. No target was given in 2007-08 and in 2008-09 a target of 1,00,000 was fixed. The factory claimed to have fulfilled all targets. While OFK placed the procurement order on the trade, OFAJ had the capacity up to 1,00,000 per year, it would appear due to OFB fixing less target, the factory could not supply to its full capacity.

Ministry replied in June 2010 that there was enough IFD placed on OFAJ but the factory could not supply the full quantity. This however contradicts the claim of OFAJ in November 2009 that from 2006-07 to 2008-09, all targets have been fulfilled. In 2006-07, for example, according to OFAJ, a target of 25,000 was set, which the factory fulfilled. In 2007-08, no target was set and in 2008-09, a target of 1,00,000 was set against which 24,646 were issued. The balance quantity was under proof.

Ministry further stated that OFB would take immediate steps to verify the actual capacity for production of fuze MG-25 on OF Ambajhari and ensure that the in house capacity is fully utilized before placing order on trade.

Case 4: Excess raw materials issued to a private firm by Ordnance Factory Trichy

Ordnance Factory, Trichy placed an order in April 2009 on M/s. Anang Enterprise, Kolkata for supply of 26,862 Units of Piston Extension at a unit rate of Rs 325 with stipulation to supply 3500 Units per month. Raw material for the subject work was to be issued by the factory and the supply to be completed by the firm in April 2010.

On receipt of the item from the firm, further machining on the item was to be done at the factory, before using the same in production of the rifles. The firm could not supply the items as per the agreed monthly delivery schedule though raw materials were issued by the factory as per schedule. As of October 2009 the factory had issued raw material for 21,175 Units but the firm supplied only 14,023 items. As monthly supply of the item by the firm was ranging from 1000 to 3400 Units only affecting the production target of the rifles, the factory short-closed the order in November 2009. The excess raw materials issued to the firm for supply of the remaining 7152 Units were lying with them at the time audit was conducted.

Ministry in June 2010 confirmed that the items had been received in full in March 2010.

Chapter V : Tendering

5.1 Procurement through Open Tender

Broadly, procurement by Ordnance Factories is conducted through three channels. A Limited Tender Enquiry (LTE) is issued to established suppliers who are registered with the factory concerned. Open tender enquiry (OTE) is open to any supplier. OTE channel is designed to encourage new suppliers to participate in the Ordnance Factory procurement process and thus to expand the base of suppliers to the Ordnance Factories. However, established suppliers are also allowed to quote against open tender enquiries. For materials which are proprietary or are not available widely in the open market, Single Tender Enquiry (STE) is issued.

According to Paragraph 4.6.1.1 of MMPM, 80 *per cent* of annual ordering quantity is to be procured through Limited Tender Enquiry (LTE) from established sources and 20 *per cent* quantity is to be procured through Open Tender Enquiry (OTE) with wider publicity for source development.

Scrutiny in audit indicated that LTE channel continued to be the dominant channel of procurement and a miniscule part of procurement was carried out through OTE channel. Out the 18 Factories selected, the information on the OTE / LTE/ STE was available in the database of seven Factories only. The data of OTE in these seven Factories during the last three years was meagre and varied from 0.07 *per cent* to 1.91 *per cent* only.

Even when new suppliers were registered, it was seen that they were not encouraged. Ordnance Parachute Factory Kanpur registered 21 new suppliers since 2006 for supply of different stores. The factory however did not issue any tender to these new suppliers despite capacity verification and registration by the factory.

5.2 Cases of malpractices relating to OTE

Several cases were noticed where Ordnance Factories ignored the companies which came through OTE channel or allowed the established companies to take advantage of the OTE channel by various methods.

Case 1 Abnormally low rate accepted through the OTE channel

Ordnance Factory Khamaria issued an OTE for 8577 sets of ‘Time & Impact Fuze 447 in January 2007 in order to develop more sources. The response to the OTE ranged from Re. 0.07 (7 paise) to Rs. 3700.00. Two companies namely Hyderabad Precision Co and Mech Components Ltd, both located in Hyderabad, quoted 7 paise only. Both these companies were otherwise established suppliers. The last purchase rate of the item was Rs. 4401.90 per set, and the lowest offer of Re 0.07 per set was obviously “freak**”**. Despite this the factory placed in September 2008 supply orders for the item on these two firms for 4289 sets and 4288 respectively at an absurd price of 7 paise. Since both the firms were found technically acceptable and are regular suppliers to several Factories, obviously such rates were quoted to block entry of other suppliers. Needless to say, no supply of the item has been received from either of the firms. Incidentally, both the companies shared the same fax number for another tender enquiry in Ammunition Factory, Kirkee.

Ministry replied that disciplinary action would be initiated against the officers responsible for placing orders on these two firms on abnormally low price. Action would also be initiated to blacklist these two firms. Ministry further committed that appropriate provisions would be included in the revised procurement manual of OFB to prevent recurrence of such practices.

Case 2: Order not placed on a firm despite lower rates through OTE channel

In Ordnance Factory Kanpur, proof machined body of 51mm bomb was procured from May 2004 to August 2008 from two firms namely RK Machine Tools and Mukesh Industries through LTE channel. A third company namely Lucky Engineering got two supply orders on 06 May 2004 and 22 December 2006 through the OTE channel. The rate of Lucky Engineering was Rs 77 per body on 06 May 2004, the rates charged by RK Machine Tools and Mukesh were Rs 165 per body on 16 June 2004. Similarly, in December 2006, Lucky Engineering charged Rs 124 per body whereas in February 2007, the rate charged by RK Machine Tools and Mukesh was Rs 188. Yet only the above two supply orders were placed on Lucky Engineering and bulk of the procurement continued to be carried out through LTE channels through these two companies. The difference between the OTE rates and LTE rates in respect of all the supply orders from May 2004 to August 2008 amounted to Rs 6.17 crore compared to the available prices charged by Lucky Engineering.

Ministry replied in June 2010 that subsequently Lucky Engineering has become an established supplier in 2008 and the increased competition has led to better rates. Ministry's reply was however silent as to the reasons why supply order continued to be placed on RK Machine Tools and Mukesh at higher prices despite the fact that Lucky Engineering was quoting lower prices on more than one occasion.

Case 3 : Even packing boxes were procured through limited tender

As per Paragraph 4.3.3 of MMPM, OTE should be resorted to for all generic items. In practice, this provision was hardly followed. During the last 3 years Ammunition Factory Kirkee procured even packing material through LTE from only two suppliers - Stuti Enterprises. & Embee International. In Vehicle Factory Jabalpur, for transportation contracts, LTE was resorted rather than going for OTE. During 2006 to 2008, contracts worth Rs 16.38 crore were given to four firms only.

Ministry stated in June 2010 that packing materials like wooden boxes and paper cartons cannot be considered as generic items as they are required for ammunitions. However, it is felt in audit that such low technology items like packing boxes can easily be procured through open tender channels. The specifications of these boxes did not indicate any special characteristics that would require specialized technology.

Case 4: Loss due to non-issue of tender to a supplier who had supplied at lower rate earlier

In Ordnance Parachute Factory Kanpur, a supply order for 40,000 metres webbing nylon was placed on 24 October 2008 on Swadeshi Newar Cotton Mills Kanpur through OTE channel. The company completed the supply on 24 March 2009. However, the store was not brought on charge due to delay in inspection. When LTE for 9,14,755 metres of the same store was issued on 31 March 2009, the LTE was not issued to the company on the ground that full quantity was not brought on charge. Going by the rate quoted by the company in October 2008, the excess expenditure incurred on the supply order through LTE amounted to Rs 72.04 lakh.

Ministry stated in June 2010 that testing of supplied materials takes some time and therefore the company could not be treated as an established vendor on the day the limited tender was issued. While the claim of the Ministry was technically correct, the fact remains that this caused a loss of Rs 72 .04 lakh to the exchequer.

Case 5: Loss due to non issue of tender to supplier who had supplied at lower rate

Fabric Nylon was procured regularly by Ordnance Parachute Factory, Kanpur (OPF). In October 2007, Ordnance Clothing Factory Shahjahanpur (OCFS) initiated procurement action for 1,27,920 metres of the fabric. OCFS obtained the list of four suppliers from OPF. The latter factory also intimated that supply order was placed on Shalon Rs 76.50 per metre in August 2006 against OTE. Quantity Enhancement Clause was also exercised by OPF for this contract. OCFS, however, did not even issue tender enquiry to Shalon. LTE was issued to other four firms intimated by the OPF. All four firms quoted, out of which the lowest tender was by two firms, both of whom had quoted the exact rate of Rs 133 per metre. Subsequently OCFS placed order in November 2008 at Rs 48 per metre against OTE which clearly showed the downward trend in rates and also the actual pricing/ rate of the item. The loss to the exchequer amounted to Rs 1.08 crore.

Ministry replied in June 2010 that the vendor selection for issue of the limited tender was done on 4 October 2007 and as on that day, Shalon did not supply 50 *per cent* of the quantity. It could not, therefore be treated as an established vendor. Ministry also stated that when OTE is issued for source development, very low rates are received as they are entry rates for new vendors.

Ministry did not however indicate as to how the quantity enhancement clause could be operated on Shalon. The fact also remains that despite knowing that Shalon has been supplying at a lower price, the Ordnance Clothing Factory Shahjahanpur did not even issue tender enquiry to them.

Overall, Ministry in its reply has taken a technical view about issuing tender enquiry on limited tender basis and open tender basis. The primary objective of the tender process is to encourage fair competition leading to fair price. During audit, enough evidence came to light- narrated in subsequent paragraphs- to indicate that strong collusive relationship exists between many suppliers. Consistently ignoring the much lower prices through the OTE channel and placing supply orders on the higher prices through the LTE channel has only reinforced the grip of the select group of suppliers on the procurement processes in the Ordnance Factories.

5.3 Tell-tale evidence of collusion of suppliers ignored

As per Rule 142 (ii) of GFR, credentials of the suppliers should be carefully verified before registration of the suppliers. Further as per Rule 142 (iv) of the GFR performance and conduct of every registered supplier is to be watched by the Department. The suppliers are liable to be removed from the list of approved suppliers if they make any false declaration to the Government or for any ground which in the opinion is not in public interest.

Scrutiny of the procurement files of the past three years revealed that the Ordnance Factories registered and placed orders on a large number of companies which shared the same telephone numbers, or fax numbers or registered addresses. 23 such cases are listed in Annexure III. Such cases indicate on one hand, lack of basic verification of the credentials of the companies and lack application of mind by the authorities in the Factories on the other. It is apparent that many shadow firms were operating and cornering supply orders from various Factories. The factory authorities however did not take into account even the most obvious evidence of such malpractices which enabled the suppliers to manipulate the prices which would be apparent in the present and the following chapter.

5.4 Individual cases of collusion and/or shadow firms

Ammunition Factory Kirkee

Case 1

Ammunition Factory Kirkee sent fax messages on 21 April 2009 to Mukesh Industries and KEW Industries at the same fax number giving counter offer to both the firms being L2 and L3. Both the companies replied from the same fax number on 26 April 2009 at 2235 and 2237 hrs. The ordered quantity was distributed among three firms. While the supply order on the first firm was placed on 22 April 2009, the supply orders were placed on these two firms on 3 May 2009.

Case 2

Ammunition Factory Kirkee invited limited tender enquiry for Fuze Percussion DA5A (Empty) from Hyderabad Precision Mfg Co Pvt Ltd and Mech Components Pvt Ltd. Both these companies were located in Hyderabad. The firms were registered by AF Kirkee for the same items on 6 and 7 July 2006. An amendment to the tender enquiry was faxed to both the companies at the same fax address which were responded to.

During audit, at least 4 other fax messages from Mech Component Pvt Ltd were received by AF Kirkee from the fax number which belonged to Hyderabad Precision Pvt Ltd.

In case of OF Khamaria, these two companies were issued supply order at the freakish rate of 7 paise as mentioned at Case 1 under Paragraph 6.2 of this report.

Case 3

In Ammunition Factory, Kirkee, two firms got themselves registered. The firm Precision Engineering was owned Shri Anil Kumar Agarwal whose residence was 30 Ayodhya Enclave, Cheshire Home Road Ranchi. The owner of other firm Alcast was Shri Sashi Kant Agarwal, who also indicated the same address. They shared the same mobile number, fax number and telephone number. Both of them were given supply orders and the factory corresponded with the firm from the same fax number without raising any issue of collusion between the firms.

Case 4

In another case, in the same factory, two Kolkata based companies having different addresses corresponded from the same fax number. In response to a tender enquiry for Cartridge Training for 81 mm Mortar Bomb, Asha Industries having address at Tarpan Ghat Road, Kolkata and Tirupati Industries at Ram Saran Poddar Lane, Kolkata despatched their tenders through Speed Post which were posted on the same day at the same time at the same post office. The tender of Tirupati Industries was posted from Kolkata GPO on 12 January 2007 at 1907 hrs with a serial number EE 50714823. The tender of Asha Industries was despatched from the same post office on the same date at 1907 hrs with a serial number E 50714824. Both the companies again posted tenders against a later tender enquiry from the same post office on the same date at the same time with consecutive serial numbers for speed post. On both the occasions, supply orders were placed on both the companies without examining the possibility of collusion.

Case 5

High Explosives Factory, Kirkee

In High Explosives Factory Kirkee in case of a transportation contract, , tenders were received among others from Gauri Roadlines and Vijay Roadlines. Both had the same telephone number. The contract was awarded to Vijay Roadlines. Similarly, in Ammunition Factory Kirkee two firms namely Veekay Enterprise and Sheth &Co quoted against another tender in which both the firms showed the same fax number. While partner of one firm was Shri BV Sheth, the partner of the second firm was Shri AV Sheth.

Case 6

Ordnance Factory Ambernath and Ordnance Factory Kanpur

Cases were also noticed in Ordnance Factory Ambernath, Ordnance Equipment factory, Kanpur where such firms operated with collusive possibilities. In Ordnance Equipment Factory Kanpur, four firms based in Tamil Nadu with identical telephone number participated in the tender process. Two of these firms had same address as well.

Case 7

Ordnance Clothing Factory Shahjahanpur

In Ordnance Clothing Factory Shahjahanpur, large number of supply orders were placed on 10 firms from Panipat and Ludhiana from 1997 for Yarn Woolen 450 Tex Natural Grey. These firms were

(a) RSM Woolen Mills,

(b) Mittal Woollen and Cotton Mills

(c) Prestige Spinners Ludhiana

(d) Punjab Wool Syndicate Ludhiana

(e) AAA Spinners Panipat

(f) Siddharth Woolen Mills Panipat

(g) Raghav International Ludhiana

(h) Maheswari Woollen Mills Ludhiana

(i) Vikas Udyog Ludhiana and (j) Geeta Woollen Mills Ludhiana.

Audit scrutiny indicated that

(a) RSM Woolen Mills and Mittal Woolen and Cotton Mills had the same telephone number.

(b) Prestige Spinners and Punjab Wool Syndicate had identical telephone and fax numbers. They also had identical address.

(c) AAA Spinners and Siddharth Woollen Mills had identical telephone and fax number, identical e-mail address and identical address.

(d) Raghav International and Maheswari Woolen Mills had identical fax number and identical address.

(e) Vikas Udyog and Geeta Woollen Mills had same telephone number.

Thus competition among these Factories was suspect but the factory refused to act on the aspect and kept on placing the supply orders.

Case 8

Ordnance Parachute Factory, Kanpur

For procurement of 29,275 Nos. of Universal Member, an item for tent, in Ordnance Parachute Factory, Kanpur four firms namely Bishmber Dayal Onkar Pershad Delhi, Standard Niwar Mills Kanpur, VK Brothers Kanpur and AVR Enterprises Kanpur responded. From the three quotations received from Kanpur based firms, it was noticed that the Fax number of Standard Niwar Mills Kanpur & AVR Enterprises Kanpur was identical. Their e-mail address was also the same. Tender enquiries to Standard Niwar Mills Kanpur & VK Brothers Kanpur were issued to the same address. They also had the same phone numbers.

Examination in audit of the three quotations received from three companies indicated that all of them had the same format and had been typed from the same document from the computer. Against the date of delivery, the blank spaces were underlined and were filled by hand. The length of the underlines in all the quotations was exactly the same viz. 1.4 cm and 2.1 cm. The handwriting in all the three quotations was the same.

Bishmber Dayal Onkar Pershad Delhi quoted a rate of Rs 163.63 per number with 4 *per cent* UP Trade Tax. VK Brothers Kanpur became the L-I as it quoted Rs Rs 158.00 per number with 4 *per cent* UP Trade Tax. However, against Taxes and Duties: Excise Duty, whatever was written was covered with a black sketch pen. The supply order SO No.60049 was placed on the firm on 17-05-2006 for Rs 48.10 lakh through a process which was to say the least suspect. In another factory namely Ordnance Equipment Factory Kanpur, the same three firms were involved in the tender enquiry 20080183/PV/4142 dated 10 June 2008.

V. K. BROTHERS

105/696, Chamanganj,
Bhannana Purwa,
Kanpur - 208 003
Phone : 0512-2546449

VKB

Handwriting same in all the three quotations

18/3/06

3/4

TO,
The General Manager ,
Ordnance Parachute Factory,
KANPUR - 208 004.

9-3-3

23/3

SUB.: T/E No.20050749/PROV DUE ON 23.03.2006 FOR SUPPLY OF UNIVERSAL MEMBER .

Dear Sir,

We have the pleasure to participate against your subject tender enquiry with our lowest rate , terms and conditions as under :-

ITEM NO.	Description of Stores	QTY	RATE
01.	UNIVERSAL MEMBER CONFIRMING TO TENDER SPECIFICATION.	29275 NOS.	@ RS. 158=49= PER NO. (One hundred Fifty Eight Rupee...)

Handwriting same in all the three quotations

TERMS & CONDITIONS

1. TERMS OF DELIVERY : FREE DELIVERY TO O.P.F. KANPUR.

2. DATE OF DELIVERY : Commencement within 15 days & Completion by 03 months from the date of receipt of firm Order complete in all respects.

Length of lines same at 1.4 cm and 2.1 cm

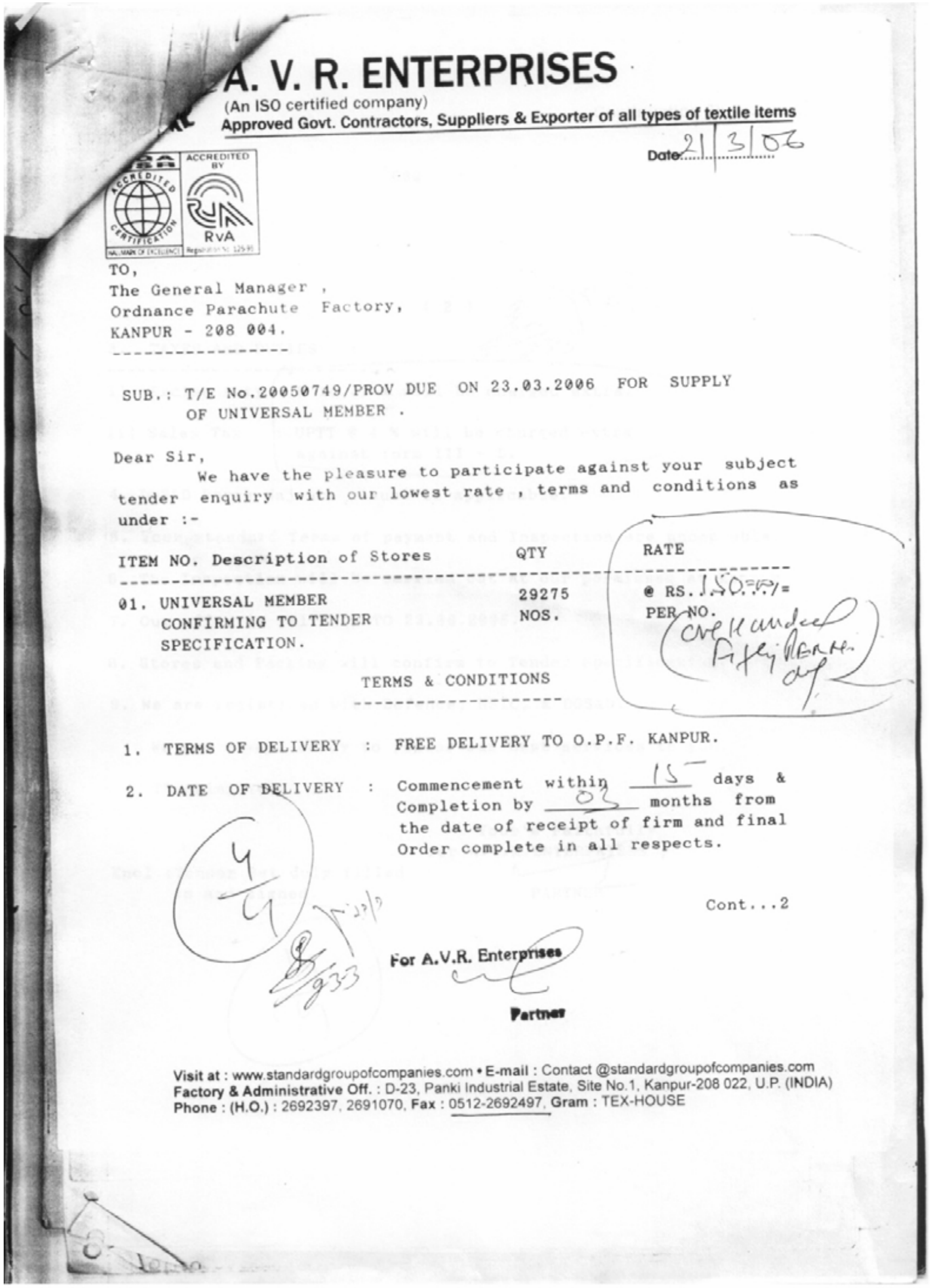
Cont...2

For V. K. BROTHERS

Proprietor

MANUFACTURERS & EXPORTER OF

Cotton Tape, Niwar, Belts, Ropes, Webbing, Wet Equipment, Tents, All Types of Bags, Dosuite Sheeting, Fabric Cotton, Razal, Coat Combat, All Type of Uniform, Leather Items etc.



A. V. R. ENTERPRISES

(An ISO certified company)

Approved Govt. Contractors, Suppliers & Exporter of all types of textile items

Date 21/3/06

TO,
The General Manager ,
Ordnance Parachute Factory,
KANPUR - 208 004.

SUB.: T/E No.20050749/PROV DUE ON 23.03.2006 FOR SUPPLY OF UNIVERSAL MEMBER .

Dear Sir,

We have the pleasure to participate against your subject tender enquiry with our lowest rate , terms and conditions as under :-

ITEM NO.	Description of Stores	QTY	RATE
01.	UNIVERSAL MEMBER CONFIRMING TO TENDER SPECIFICATION.	29275 NOS.	@ RS. 150=00/= PER NO. One Hundred Fifty Rupees only

TERMS & CONDITIONS

1. TERMS OF DELIVERY : FREE DELIVERY TO O.P.F. KANPUR.
2. DATE OF DELIVERY : Commencement within 15 days & Completion by 03 months from the date of receipt of firm and final Order complete in all respects.

Cont...2

4/4

For A.V.R. Enterprises

Partner

Visit at : www.standardgroupofcompanies.com • E-mail : Contact @standardgroupofcompanies.com
Factory & Administrative Off. : D-23, Panki Industrial Estate, Site No.1, Kanpur-208 022, U.P. (INDIA)
Phone : (H.O.) : 2692397, 2691070, Fax : 0512-2692497, Gram : TEX-HOUSE

STANDARD NIWAR MILLS

(An ISO certified company)

Approved Govt. Contractors, Suppliers & Exporter of all types of Textile items

Date : 20/3/06

TO,
The General Manager ,
Ordnance Parachute Factory,
KANPUR - 208 004.

SUB.: T/E No.20050749/PROV DUE ON 23.03.2006 FOR SUPPLY OF UNIVERSAL MEMBER .

Dear Sir,

We have the pleasure to participate against your subject tender enquiry with our lowest rate , terms and conditions as under :-

ITEM NO.	Description of Stores	QTY	RATE
01.	UNIVERSAL MEMBER CONFIRMING TO TENDER SPECIFICATION.	29275 NOS.	@ RS. 156.79/= PER NO.

TERMS & CONDITIONS

1. TERMS OF DELIVERY : FREE DELIVERY TO O.P.F. KANPUR.
2. DATE OF DELIVERY : Commencement within 21 days & Completion by 03 months from the date of receipt of firm and final Order complete in all respects.

For STANDARD NIWAR MILLS

PARTNER

Cont...2

Visit at : www.standardgroupofcompanies.com • E-mail :Contact@standardgroupofcompanies.com
Regd. Off. & Factory :D-24, Panki Industrial Estate, Site No.1, Kanpur - 208 022, U.P. (INDIA)
Phone : (H.O.) : 2691152, 2691070, 2546449, Fax : 0512-2692497, Gram : NEWAR-HOUSE

Ministry stated that Ordnance Factory Board would conduct a detailed enquiry into the cases. A fresh capacity verification of the firms involved would be conducted to see whether they have separate production facilities. Explanation of the officers would also be called for.

The other replies of the Ministry seek to establish that all these firms were independent entities and hold separate registration numbers etc. However, the issue is not whether they have separate identities or have separate production facilities. There was enough evidence to suggest that these firms are colluding with each other to suppress competition in the procurement process. Ministry's replies do not comment on the tell tale evidence of such collusion. If counter offers are being made by two companies from the same fax at the same time or tenders are being posted together or the same handwriting appears on quotations by different firms, they cannot be treated as mere coincidences.

5.5 Manipulation of procedures to avoid single tender situation

Case 1

In Vehicle Factory Jabalpur, against a tender enquiry for manufacture and supply of Frame side member Drilled RH along with Frame Filtch RH for Stallion vehicle, two firms namely Simplex Metallica and Simplex Auto Industries responded. From 2004 onwards, one or the other of these two firms had been awarded the supply orders. Audit scrutiny indicated that both these firms are located at the same address. Their telephone numbers and fax numbers were the same. In one of tender opening meeting on 13 January 2009, the same individual represented both the firms. By adopting this malpractice, potential single tender situation was avoided.

Case 2

Ordnance Equipment Factory Kanpur issued a two bid global tender enquiry for procurement of 2 Light Duty Splitting Machines in January 2007. Only two firms - Anurag Trading Co. Kanpur and Panna Marketing (P) Ltd. Kanpur responded. Both of them had identical telephone numbers, fax numbers. The e-mail address of Anurag was shyam_meh@rediffmail.com and that of Panna was shyammeh@rediffmail.com. Their addresses were different. Apart from the fact that the factory corresponded with both the firms at the same fax number, it did not enquire into how the same land line telephone number could be installed in two different premises. This however, enabled the factory to avoid a potential single tender situation.

Case 3

In another case, Ordnance Parachute factory Kanpur issued in April 2006 an open tender enquiry for procurement of 30 Single needle flat bed chain stitch industrial sewing machines. The case was re-tendered in July 2006. Three bids were received and after technical evaluation, only two remained in the competition. These firms were Star International Pvt Ltd and New India Sewing Machine Company, Kanpur. Supply order was placed on Star International Pvt Ltd for Rs 24.95 lakh.

Both Star International Pvt Ltd and New India Sewing Machines Company Kanpur had the same fax number. It was also seen that the factory letter dated 01 December 2006 to both the parties were faxed to the same number.

Case 4

In Ordnance Clothing Factory Shahjahanpur, against an open tender enquiry of December 2007 for procurement of two numbers of Warping machines, two firms – M/s Keshar Corporation, Ahmedabad and M/s Tech Mech Engineers Ahmedabad responded. The Fax numbers of both the firms in the correspondences were found to be identical. Despite the similar identities of the firms which resulted in single tender situation and vitiating tendering process, TPC decided to place order on M/s Tech Mech Engineers Ahmedabad at a cost of Rs 34.66 lakh.

Ministry stated that Ordnance Factory Board would conduct a detailed enquiry into the cases. A fresh capacity verification of the firms involved would be conducted to see whether they have separate production facilities. Explanation of the officers would also be called for.

5.6 Cases of cartelization by quoting the same price

During audit at least 108 cases were seen in different Factories, where firms from different cities have quoted the same price for same item. All were through limited tender channel. Details are at Annexure IV. As an example, in the first case in Annexure IV, in Ordnance Factory Khamaria, five firms from Mumbai, Delhi, Pune, Gurgaon and NOIDA quoted exactly the price of Rs 398 per item for ball insert.

Supply order was placed on all firms and the tendered quantity was equally distributed.

In order to stop cartelization, OFB on 18 July 2007 introduced a new measure. It prescribed that L2 and L3 tenderers should also be allowed to supply provided they accept the counteroffer of the rate quoted by L1 at a ratio of 50:30:20. However the measure did little to improve the situation as the suppliers quoted the same rate and all became L1 as a result.

One of the reasons why firms registered themselves under different names was the usual practice of Ordnance Factories to distribute the ordered quantity among different suppliers if they were found to have quoted same rate or accepted, being L2 or L3, a counter offer of the L1 rate. Such firms who operate under different names, in the event of equal distribution of tendered quantity will get a larger share through a sister concern or a ghost firm. In one extreme case, Ordnance Clothing Factory Shahjahanpur placed supply orders on 13 suppliers at the same rate by distributing the quantity of Yarn Woolen 450 Tex Type Natural Grey.

Unwillingness of TPC[21]s headed by the Head of the factory and comprising other senior factory officials to take action on blatant cases of price manipulation by suppliers and in some cases their active connivance to favour suppliers, absence of independent assessment of the rates quoted and treating the last purchase rate as the only benchmark coupled with the practice of distributing the ordered quantity among all suppliers reinforced and encouraged the practice of cartelization even more.

It also came to notice that prices quoted under OTE were significantly lower than the prices under LTE. The opinion among the factory officials was that suppliers quoted cheaper rates to grab the contracts as the first step to enter into the supply chain of the Ordnance Factories. While this may be partially true, many cases were seen in which established suppliers also participated in open tender enquiries and quoted cheaper rates. The belief also presupposes that suppliers will be making losses to make entry through the open tender channel which may not be wholly true. Cases were seen that suppliers through shadow firms also were able to suppress effective competition.

[21] Tender Purchase Committees

In none of the cases mentioned in Annexure IV, where cartelization was prima facie evident, Ministry or OFB or the factory concerned made any enquiries or took any effective action. On the other hand, such a situation was allowed to continue in almost all the Factories. In factory after factory the same firms responded to various tender enquiries both through LTE and OTE channel and manipulated the prices, as would be evident from the next chapter. In many cases, in replies to audit observations the Factories justified the action by the fact that they were following the provisions of the MMPM. No initiative was taken by Ministry, OFB or the factory officials to stop the brazen manipulation of the system.

Distribution of ordered quantity vitiated the tendering process itself

Case 1:

OFB's circular dated 18 July 2007 stated that wherever Ordnance Factories would like to distribute the quantity under procurement to more than one supplier for strategic reasons to have better and assured supply prospect, a decision will be taken in advance whether order would be placed on two or three firms. The circular further stated that accordingly a clause should be included in the tender enquiry.

Small Arms Factory Kanpur issued a limited tender enquiry in November 2008 to three firms for procurement of 138844 Nos Magazine Assembly (30 rounds). In the tender enquiry itself, it was mentioned that order will be placed on three firms at L1, L2 and L3 at the pre determined ratio of 50:30:20. There was no strategic reasons for dividing the quantity and in fact there were several other firms who were awarded supply orders earlier to whom tender enquiries were not issued. The LPR rate was Rs 114.50 in March 2008. L1 firm Ajit Chemicals quoted a price of Rs 119.50 per item for 50 *per cent* of the quantity, L2 firm Nityanand Udyog quoted Rs 119.75 for full quantity and L3 Miltech Industries quoted a rate of Rs 120, again for full quantity. Supply orders were placed on all the three at the ratio of 50:30:20 at the rate of Rs 119.50. All the supply orders had a QEC[22] of 25 *per cent*.

As would be seen in the case, limited tender enquiry was issued to only three firms with a condition that orders will be placed on all three. Thus the three firms would have known beforehand that they would be awarded the contract. The uncanny similarities in the rates quoted would also be indicative of that fact.

[22] Quantity Enhancement Clause- an option clause for repeat order at the contracted price

Case 2:

In another case in Ordnance Parachute Factory Kanpur, the process was subverted even further. In April 2009, the factory was declared as nodal factory for procurement of Fabric for Olive Green Dresses. Sunil Industries of Mumbai on 15 April 2009 addressed a letter to the factory that the firm had come to know that the factory had recently finalized the list of approved suppliers for the above product but the name of their firm has not been included. Even though, OEF Headquarters Kanpur reminded the GM OPF on 6 May 2009 to issue the limited tender enquiry as time has been lost and more than three established suppliers were available, the limited enquiry was issued on 26 May 2009 after 20 days. It was issued to five firms including Sunil Industries as by that time the capacity verification of the firm was completed. A similar condition of division of quantity in the ratio of 50:30:20 was mentioned in the enquiry itself.

All the five firms responded. The L1 firm S Kumar Nationwide quoted Rs 82.80 per metre for full quantity. Two firms (Reliance India Ltd and Sangam India) quoted Rs 90 per metre. The remaining two firms (Grasim Bhiwani Textiles and Sunil Industries) quoted Rs 90.25 per metre. Thus one firm was L1, two firms were L2 and two at L3. Supply orders were placed on all the five firms in the ratio of 50:15:15:10:10.

Ministry replied that disciplinary cases would be initiated against the officers responsible.

Case 3

Small Arms Factory Kanpur issued a limited tender enquiry in April 2007 for procurement of 7956 Bipod Assembly consisting of 20 Compartments to 12 suppliers. All the firms quoted and National Tools Limited Kolkata became the lowest tenderer at Rs 2446 per unit. The TPC approved placement of order on the firm. However, some of the other firms complained that National Tools was not an established supplier and hence should not have been issued the limited tender enquiry. The factory decided to retender. In the second tender, 11 firms quoted the same rate of Rs 2440 per unit. The factory placed supply orders in June 2007 on all the firms by distributing the ordered quantity.

Against the OTE, in March 2007, supply orders were placed on Ashoka Moulders Kolkata and Nityanand Udyog Nagpur at a rate of Rs 1099 per item. The loss to the exchequer was Rs 1.06 crore.

Ministry stated in June 2010 that source development rates are not used for comparison as firms grossly under quoted to get entry into the category of established suppliers.

Ministry's reply was silent about the collusive aspect of the tendering process.

5.7 Communication with the suppliers

To provide equal opportunities to all suppliers and to generate maximum competition in an environment in which tender enquiries are issued only to limited number of suppliers and there exists tell-tale evidence of cartel, it is of utmost importance that all suppliers receive the enquiries. During audit, however, in several Factories, cases were seen of different and irregular modes of communication. Gun Carriage Factory Jabalpur issued tender enquiries to some suppliers through Registered Post while others through normal post in respect of the same tender enquiry. Ordnance Factory Ambajhari issued tender enquiry under Posting Certificates. In Gun Carriage Factory, it was further observed that in some cases no postal stamp expenses were incurred while issuing such notices to some firms. While the factory replied that this was due to clubbing of more than one TE in one envelope, the risks of these notices not being issued or being handed over to the firms cannot be ruled out.

Audit also came across a few cases in which quotations sent by fax were accepted and supply order placed on the basis of that. As per MMPM, a quotation by fax may be considered as regular tender if the same is followed by a formal tender within 7 days from the date of opening of tenders provided the copy by fax is complete in all respect.

Audit scrutiny indicated that against a tender enquiry in Ordnance Equipment Factory Kanpur, three suppliers submitted their quotations through FAX without follow up by the formal tender. Factory considered all three FAX quotations and decided to place supply order on a firm, which was irregular. A few such cases were seen also in Vehicle Factory Jabalpur, Ordnance Factory Khamaria and Ordnance Factory Ambajhari.

Ministry stated that explanation of the officers would be called for accepting quotations through fax which were not followed by regular sealed tenders in the Factories.

Chapter VI: Price Discovery Process for Procurement

6.1 Background

To achieve the best price in competitive tendering, open and competitive tendering is the *sine qua non*. Dependence on the limited tender, cartelization, lack of independent assessment of the reasonableness of pricing and very high delegation among different levels of officials in an environment which has little internal control have created a situation in the Ordnance Factories in which the possibility of a fair price through competitive bidding was remote. During audit, a large number of cases were seen where the prices have been manipulated and the officials had not taken any effective action to ameliorate the situation. This has emerged as the fundamental flaw in the system.

Paragraphs 6.18 and 6.18.1 of MMPM lay down the elaborate guidelines to determine the reasonableness of prices for procurement in case of competitive tendering where two or more suppliers are competing independently to secure a contract. The Manual envisages that the reasonability of price proposed has to be established by taking into account the competition observed from the responses from the trade, last purchase price, estimated value, database maintained on costs based on past contracts entered into, market price wherever available, changes in the indices of various raw materials, electricity, wholesale price index and statutory changes in the wage rates etc.

Para 6.18 (e) also required that the reasonability of price be examined by resorting to Cost analysis in situations where there is wide variance over the Last Purchase Price (LPR) not explained by corresponding changes in the indices.

Further, as per Paragraph 9.17 of MMPM, OFB was to make arrangement for data base on past contracts showing details of the items procured, their essential specifications, unit rate, quantity, total value, mode of tender enquiry, number of tenders received, number of tenders considered acceptable, reasons for exclusion of overlooked tenders, un-negotiated rates of L-1, and contract rates were to be maintained to help in ascertaining reasonability of price of future procurements. The data in respect of supply orders in excess of Rs 20 lakh was to be made available in

OFB website for information of all Factories. Further, as per the Manual, database maintained on costs based on concluded contracts, prices of products available through market should also be used to assess reasonableness of prices offered.

It was noticed during audit that neither the Factories nor OFB had maintained any database as per the Manual. The Factories do not have any database of the estimated cost of the stores procured or the prices of the product available through market. The various TPCs determined the reasonability of the rates with reference to the last paid rate (LPR) only.

In most of the Factories, LPR was the main index to assess price reasonableness. There was no cost expert either at the OFB level or at the factory level. In one or two Factories rudimentary efforts were made in a few cases to independently arrive at an estimate.

Ministry while noting the observations of Audit stated that OFB's procurement manual was under revision.

6.2 Proactive initiative by factory officials to help a particular supplier

Case 1

L1 Overlooked

Engine Factory Avadi issued a tender enquiry in May 2007 for supply of 1364 number of Connecting Rod for manufacture of engines for tanks. Echjay Forgings offered a unit rate of Rs 2269 for the full supply. The total cost would have come to Rs 37,13,108. Second lowest offer of T S Kissan was of unit rate of Rs 1999 for 450 Units and Rs 2450 for the remaining 914 Units with a total cost of Rs 37,65,819**.** The factory asked T.S. Kissan whether it could supply the entire quantity at the unit rate of Rs 1999. The firm accepted and the supply order was placed in August 2007. Echjay Forgings was not issued any counter offer. The firm's unilateral counter offer of Rs 1999 per unit for the full supply was treated as "unsolicited offer" and hence was not considered. Firms quoting a higher rate coupled with their readiness to lower the price significantly would indicate that the rates were inflated.

Ministry replied that disciplinary action would be initiated against the officers responsible for irregular acceptance of higher offers.

Case 2

Undue favour to a private firm

Ordnance Parachute Factory Kanpur issued a two bid open tender enquiry for 192 High Speed Single needle Lock Stitch Industrial Sewing machines. The last date for purchase of tender documents was 13 September 2005 and due date for opening of the technical bids was 6 October 2005

The factory received a letter dated 17 September 2005 from Star International Pvt Ltd. It enclosed a demand draft dated 21 September 2005 of Rs 200 and requested to issue tender forms to the firm. Obviously the letter was backdated and the factory officials did not take any notice of it. As a special case, GM on 22 September 2005 authorised issue of tender documents even though the last date for issuing tender documents had already expired.

In the original tender enquiry, 8 brands of sewing machines were mentioned as "Make acceptable". In a meeting on 29 September 2005, a committee of senior officers constituted by Additional DG, OEF reviewed the aspect of introducing new brands. One of the brands introduced was "Golden Wheel".

When the bids were opened, it was seen that the tender submitted by Star International Pvt Ltd had quoted for the brand "Golden wheel" in its bid dated 28 September 2005. After opening the price bids, it was seen that the rate quoted by the firm was the lowest. Supply order was placed on Star International Pvt. Ltd. Kanpur at the cost of Rs. 65.76 lakh.

Obviously, the factory officials knew that the firm had quoted the brand Golden Wheel, which otherwise was supposed to be secret. The factory took elaborate measures like forming committees to consider post tender issues, but all decisions eventually helped the supplier. This is a clear case of tender process being manipulated to favour a particular supplier.

Ministry informed that disciplinary action would be initiated against those responsible for issuing tender forms after the last date and manipulating the tender process.

6.3 Assessment of reasonability of price absent

Case 1: Wide price variation under LTE and OTE by the same supplier

Ordnance Clothing factory Shahjahanpur issued an OTE in November 2008 and LTE in March 2009 for procurement of Shirting Angola. The OTE was a two bid tender whereas the LTE was a single bid one. In response to the OTE, eight firms responded. The LTE was issued to six firms and five responded. Three firms were common to both OTE and LTE.

Price bids of seven firms received under OTE were opened on 15 April 2009. The price bids of five firms received under LTE were opened on 28 April 2009. Under the OTE channel, Essma Woolen emerged as L1 at Rs 138.40 per metre whereas against the LTE channel, Bansal Spinning Mills emerged as L1 at Rs 159.80 per metre. The supply orders were placed on Essma Woolen on 23 April 2009 for 75036 metres at the rate of Rs 138.40 per metre and on Bansal Spinning Mills and OCM India Limited at the rate of Rs 152.50 for 2,23,586 metres. The difference in amount between the OTE and LTE rate was Rs 31.53 lakh for the volume ordered under LTE channel.

This case indicated:

(a) The number of suppliers responding to OTE was more than the number to whom LTE were issued;

(b) Three firms were common to both OTE and LTE;

(c) Same firms quoted lower rates for OTE than for LTE. For example, Bansal quoted Rs 144.45 per metre under OTE. Essma quoted Rs 138.40 per metre under LTE;

(d) The Tender Purchase Committees who considered both the cases and in which many members were common was aware of the most recent rate of Essma under OTE but did not consider the same for negotiations. It considered the Last Purchase rate of LTE which was one year old.

Ministry replied that the Factory resorted to OTE as there was only one established firm. Normally OTE takes long time to finalize as capacity verification was to be done for new firms. Before OTE case could be decided, further requirement arose and relevant TPC found that by that time capacity verification of 5 more firms have been completed and they were found to be complying with composite mill status.

Ministry's reply pointed towards the inherent weaknesses in the procurement system. It was not clear why the capacity verification could not be done earlier.

Case 2: Cartel among suppliers helped to manipulate prices across Factories

Containers with disc required for 81 mm bomb were being procured by Ammunition Factory Kirkee, Ordnance Factory Dehu Road and Ordnance Factory Chanda. The rates at which the Factories procured this item in different years are given below:

Table 2: Procurement of Container with Disc Different Price in Different Factories

Year	Name of Ord. Factory	Name of Firm	Rate	Qty (Nos.)	Total Value (Rs. In lakh)
2005-06	AFK	Sheth & Co.	13.15	283200	37.24
		Vee Kay Enterprises	13.15	283200	37.24
		Sai Industries, Pune	13.15	283200	37.24
		Shree Polymers	13.15	283200	37.24
		Mac. Polymers	13.15	283200	37.24
	OFDR	Sheth & Co.	15.90	52850	8.40
		Vee Kay Enterprises	15.90	52850	8.40
		Sai Industries, Pune	15.90	52850	8.40
		Shree Polymers	15.90	52850	8.40
		Miltech Industries Pvt. Ltd.	15.90	52850	8.40
		Nityanand Udyog Pvt. Ltd.	15.90	52850	8.40
	OFCH	Sheth & Co.	14.57	97500	14.21
		Vee Kay Enterprises	14.57	97500	14.21
		Shree Polymers	15.90	294775	46.87
2006-07	AFK	Sai Enterprises	16.55	637317	105.47
		Sai Industries Pune	16.55	355798	58.88
		Sheth & Co.	16.55	481285	79.65
	OFDR	Sai Industries Pune	16.55	281520	46.59
	OFCH	Nityanand Udyog	16.55	671646	111.15
		Miltech Industries	16.55	646646	107.02
		Sheth & Co.	16.55	195040	32.27
		Vee Kay Enterprises	16.55	796646	131.84
2007-08	AFK	-	-	-	-
	OFDR	-	-	-	-
	OFCH	Sai Industries	6.24	1067512	66.61
		Shree Polymers	6.24	640507	39.97
		Sai Enterprises	6.24	427004	26.64
2008-09	AFK	Shree Polymers	6.24	203000	12.66
	OFDR	Sai Industries	6.24	140086	8.74
		Sai Enterprises	6.24	420261	26.22
		Narendra Explosive Ltd.	6.24	70380	4.39
	OFCH	Sai Trading	14.75	530538	78.25
2009-10	OF CH	Sai Industries	9.50	404111	38.39
		Shree polymer	9.50	242466	23.03
		Sai Enterprises	9.50	161644	15.36

As would be seen from the above table, the item was being procured by the three Factories at the rate of Rs 16.55 per item. It was seen in audit that in January 2008, three firms namely Sai Industries Pune, Shree Polymers Pune and Sai Enterprises Pune quoted all inclusive rates ranging from Rs 6.24 to Rs 6.60 in OFCH. The supply orders were finally placed by the factory on all the three at a rate of Rs 6.24 all inclusive. All the three firms were reported to be sister concerns. Eventually all the firms also completed the supply order. In the same month, in Ammunition Factory Kirkee, Shree Polymers quoted Rs 15.91 per piece. Co-ordination among the

Factories helped to discover the wide variation and most of the suppliers supplied at the reduced rate.

Against a limited tender enquiry issued by Ordnance Factory Chanda in September 2008, none of the above mentioned companies responded. The lowest quotation was that of Seth and Co, Mumbai at Rs 24.50. After price negotiations, the firm reduced the rate to Rs 15.75, a reduction of 35 *per cent*. The factory decided to re tender. Against retendering, three firms Nityanand Udyog, Seth & Co and Sai Trading Thane quoted the same rate of Rs 14.95 (all inclusive). After "prolonged" negotiations, the rates were reduced to Rs 14.75 (all inclusive) by Sai Trading, Thane.

Next year in 2009-10, the three firms namely Sai Industries, Shree Polymers and Sai Enterprises came back and quoted Rs 14.74 per item. It however came to light that these firms were supplying the same items to Ordnance Factory Dehu Road at Rs 9.50 per item. Against counter offer, the three firms accepted the rate and supply orders were placed on them.

The case illustrates the complete lack of transparency in pricing and the unwillingness of the factory officials in dealing with this in the absence of any mechanism of independently arriving at the reasonability of prices. Cartel among the suppliers also helped them to manipulate the prices of the item.

Case 3

Cartel formation in supply of magazine assembly

In Small Arms Factory Kanpur, a limited tender enquiry for Magazine Assembly (30 rounds) was issued in January 2007 to four firms namely Militech Industries, Nityanand Udyog, Sheth & Co and Ajit Chemicals. All the firms quoted the same rate of Rs 115.50 per Unit. The Last Purchase Rate for the item was Rs 115.50 in June 2006. The parties quoted exactly at the last Purchase Rate. The factory called all four firms for negotiations and all of them reduced prices by Re 1. Supply orders were placed on all four.

This case illustrates how in a system of limited tendering, a cartel can defeat the spirit of competition.

Ministry replied that the procedures and rules were followed in both letter and spirit.

Case 4: Lack of coordination in procurement of Nylon cord

Cord nylon OG 1785 N was procured by both Ordnance Equipment Factory, Kanpur and Ordnance Clothing Factory, Shahjahanpur. The OCFS have been procuring the item at rates of Rs 1.01 to Rs 1.30 per meter since 2004. However OEFC procured the item at rates from Rs 1.20 in 2004 to Rs 1.80 in 2008-09. Even the same supplier e.g. Viraj Sintex was supplying the same item to both Factories but at widely different rates.

Ministry stated in June 2010 that there was enough competition and the relevant TPC found the L1 price reasonable.

Case 5 Wide difference between the budgetary quote and tender quote against single tender

Larsen & Toubro Ltd Lucknow vide letter dated 20 June 2006 to Ordnance Factory Kanpur quoted price of Copper Welding Wire (Cupromig conforming to Mil-E-45829 A (MU) size 2.4 mm) at Rs. 975.00 per Kg. In July 2006, just after a month, against a single tender to the company, the same firm quoted the rate of Rs.1925 for the same item. The increase in the rates within one month worked to 97 *per cent*. The supply order for 210 Kg was placed on the firm in August 2006 at Rs 1925 totaling Rs 4.81 lakh. Subsequently OFC placed supply orders on single tender basis on Innovative Marketing Agencies (stockist of L&T) during the period between August 2006 and February 2008 at the rates given in the table. In comparison to the original price indicated in June 2006, the difference was Rs. 84.65 lakh as detailed in Table 3:-

Table 3: Different Rates for Copper Welding Wire

Sl. No.	SO NO.& Date	Qty (in Kg)	Rate in Rs. Per Kg	Rate quoted by the firm in 06/06 (in Rs)	Difference w.r.t rate in 06/06 (in Rs.)
1.	487 dt. 08-08-06	210	1925	975	950
2.	0168 dt. 24-05-07	360	2271	975	1296
3.	0456 dt. 22-08-07	1800	2292.34	975	1317.34
4.	0856 dt. 02-12-07	1800	2292.34	975	1317.34
5.	1195 dt. 22-02-08	450	2292.34	975	1317.34
6.	5128 dt. 06-02-08	1872	2292.34	975	1317.34

During the same period, the price of copper in international market fluctuated only by 10 *per cent*. The factory did not take any notice of the international price nor undertook any cost analysis before going for procurement of these items on single tender basis.

Ministry stated in June 2010 that the vendor had apologized for quoting inadvertently. Ministry also stated that it would be incorrect to state that the factory did not take any notice of the international price and the audit contention that international prices fluctuated by only 10 *per cent* was incorrect.

Ministry's replies are not borne by facts. Table 4 indicates the facts:

Table 4 Comparison of the rate quoted with LME rate of Copper in the same month:

SO No & Date	Rate quoted per Kg in Indian Rupees	LME Rate per tonne of Copper in US $ in the month of the SO	Exchange rate for Indian Rupee
487 dated 08 August 2006	1925	7695	46.95
168 dated 24 May 2007	2271	7682	41.08
456 dated 22 August 2007	2292.34	7513	40.79
856 dated 02 December 2007	2292.34	6587	39.60
1195 dated 22 February 2008	2292.34	7887	39.51
5128 dated 06 February 2008	2292.34	7887	39.51

The fact that the wide variation between the budgetary quote and the actual quotation was not even recognized by the factory till it was pointed out in audit is enough indication of the casualness with which the matter was dealt with. It also should be apparent that the prices quoted and paid had no relationship with the LME price. For example, the LME rate and exchange rate came down sharply between August 2007 and December 2007, but the prices paid by the factory remained the same.

Case 6: Transportation cost 70 *per cent* of consignment value and Loss of Rs. 56.91 lakh due to error of judgment

Ordnance Factory Khamaria issued in March 2007, a limited tender enquiry for procurement of 59,000 Kg of Propellant powder 5/7 for production of 23 mm Schilka APIT/HEIT ammunition. The quantity was calculated based on the requirement for OFK at 53924 Kg and for Ordnance factory Bolangir at 15,000 Kg with 25 *per cent* additional provision. Dues in and supply from another OF were calculated at 27,196 Kg. The Last Purchase Rate as per the Supply order dated 02 May 2005 was US $ 13.90 CIF.

On the day of opening of the tender on 15 June 2007, quotations from two firms namely Tasco Export Ukraine and Russian Tech Centre, Delhi were received. On the same date, one more sealed quotation of Kintex Bulgaria was available at the time of opening of the tender. The envelop of this quotation had two seals i.e. one received at GM's Secretariat from the firm at 1020 hrs on 15 June 2007 and another received at Gate No 1 of the factory on the same date at 1400 hrs. The tender was marked late and not opened.

A note was put up to GM for advice on whether to include the Kintex quotation in the present tender enquiry. In the noting it was stated that the fax quotation of Kintex Bulgaria was received in the factory well before the scheduled date and time of opening of tenders. The GM constituted a team of two officers to examine and submit the report by 18 June 2007.

The team submitted report on 18 June 2007 recommending to process the fax quotation in normal manner as regular tender received in time and suggested remedial measures for future.

Again, on the next tender opening day on 19 June 2007, it was noticed that one envelop from BBT Poland containing quotation for the same tender was there in the tender opening box. On this envelop, there was a stamp of receipt dated 9 June 2007. Hence it appeared that the tender was received well before the tender opening date and time. The General Manager constituted another team which recommended that this tender also should also be treated as a valid one. The quotation of BBT Poland was opened on 26 June 2007 and was included in the present tender enquiry.

Four firms quoted the unit rates of the item as under:

Table 5: Rates for Propellant powder 5/7

1	Kintex Bulgaria	US $ 12.10FOB; US $ 13.70 CIF
2	Tasko Export Ukraine	US $ 13.00 FOB; US $ 14.00 CIF
3	RTC New Delhi	1020.00 per kg. CIF Basis
4	B.B.T. Poland	US $ 22.27 FOB

The first meeting of the Tender Purchase Committee of the factory took place on 26 June 2007. It was decided that Supply Order be placed on FOB basis only and the transportation of the propellant could be arranged by SCI in normal manner. It was also decided that Ordnance Factory Bhandara should be consulted once again regarding the exact quantity that they would be able to supply. Ordnance Factory Bhandara informed that their production target has been revised and they would be able to supply 20000 Kg by February 2008, in addition to 13000 Kg already supplied. It further informed that another 27000 Kg of proof passed materials would be supplied by December 2007. Thus, the total requirement of the propellant as projected in the LTE would have been supplied by February 2008.

The TPC in its meeting on 24 August 2007 reduced the requirement to 20000 Kg and decided to place the order on Kintex Bulgaria on FOB basis. OFK placed the supply order for 20000 Kg of the item @ Rs.12.10 US $ on FOB basis on Kintex Bulgaria at the total contract value of US $ 2,42,000. The factory also had to spend Euro 1,08.000 for shipment of the item through Shipping Corporation of India. The firm was to supply the full quantity by December 2007. However, the propellant could reach the factory only in July 2008.

The case would indicate the factory was extremely casual about receiving and properly registering the tenders from the suppliers. The tenders were opened on three different dates, thus vitiating the process. The TPC despite knowing the fact that the LPR of May 2005 included the CIF rates and required quantity was drastically reduced due to increased intra factory supply by OF Bhandara, recommended FOB rates without verifying the cost of shipping. As later events would prove, the shipping cost that the factory had to bear was 70 *per cent* of the total cost of procurement.

Case 7: Similar case in OF Chanda

Similarly while importing 40000 sets of combustible cartridge cases filled for 125mm ammunition from Ukraine, Ordnance Factory Chanda suffered a loss of Rs 1.06 crore due to opting for FOB rate rather than the CIF rate.

Ministry stated in June 2010 that clause 7.5 of the MMPM stated that with a view to ensuring that the cargo was carried by Indian Shipping lines, import contracts should as a rule be made on FOB basis. It was mandatory on the part of the Factories to get their consignments transported through Shipping Corporation of India only.

Accordingly, contract was made on FOB basis and the consignments were transported through Shipping Corporation of India.

Ministry's contention was incorrect as OF Khamaria placed 11 supply orders during 2006-07 to 2008-09 on CIF basis. OF Chanda also placed three supply orders on CIF basis during this period.

Case 8: Unwanted airlifting of stores

An offer from M/s RBE, Russia was obtained in September 2006 for supply of 145 deficient items for assembly of the five T 90 tanks on CIP-Airport basis. OFB accorded sanction in January 2007 for the import proposal on CIP-Airport basis with a condition that contract should be concluded only if supply of the items could be completed by February 2007. Otherwise fresh offer from the firm on FOB-Seaport basis should be obtained and contract concluded.

As the firm refused to supply the items by February 2007, HVF obtained a fresh commercial offer from the firm in March 2007 for supply of 239 items. But the rates of the offer were on CIP-Airport basis even though HVF called for the rates on FOB-Seaport basis. As the rates quoted by the firm was considered very high, Chairman OFB constituted a Tender Purchase committee in March 2007 to negotiate the price and conclude a contract for product support required for T-90 tanks during 2007-08 and 2008-09. This committee consisted of five officers, which visited Russia in April 2007, negotiated and reduced the prices against only two items. Against, the offer received for 239 items to rebuild five CKD tanks only the prices of two items viz., Gear Box LH & RH was negotiated and price reduced. The Committee empowered to negotiate and conclude contract did not consider the issue of mode of transportation at all. Finally supply order was placed on the basis of air transportation only. Audit worked out an additional expenditure of Rs.85.74 lakh as the differential cost between air and sea transportation.

On receipt of stores, against the planned schedule of production of the last 5 CKD tanks in the year 2005-06, HVF issued the tanks only in 2008-09. Thus there was no urgency to justify the air lifting of the stores.

Ministry stated in June 2010 that airlifting of these items was necessitated for early completion and issue of tanks to the army. It was however noted in audit that the tanks were issued from October 2008 to February 2009.

Case 9: Wide variation in quoted price not analysed

Ordnance Equipment Factory Kanpur placed a supply order in December 2006 on Sangam India Ltd for procurement of fabric 410 gms OG WP PV Dope dyed at the rate of Rs 123.30 per metre. On 7 March 2007, another supply order was placed on the firm for the same material at the rate of Rs 142 per metre. The difference for the order quantity in March 2007 amounted to Rs 3.58 crore. While the TPC during negotiations brought down the price from Rs 152.01 per metre as originally quoted to Rs 142 per metre, there was no analysis done to assess the reasons which increased the price by more than Rs 18 per metre.

Ministry stated in June 2010 that there were enough competition and all possible efforts had been made by the TPC to bring down the rate.

Case 10: Undue benefit of Rs.10.36 crore to a private party in procurement of Motor Tube

OF Ambajhari procured 'Pinaka Motor Tube Flow Formed', in 2006-07 by conversion of Pre-Form Blanks where the required quantity of Pre-Form Blanks was to be procured by the factory from another Ordnance factory namely Metal and Steel factory against Inter Factory Demand. These were then provided to a private company HYT Pune under civil trade for conversion. However, during 2007-08 OFAJ procured the same item from the same private firm through outright purchase where the responsibility of procuring Pre-Form Blanks rested with the firm. In 2008-09, the factory procured the said item through both conversion and outright purchase routes. As seen from the comparative cost statement of conversion route and outright purchase route of Pinaka Motor Tube, the cost through conversion route and the outright purchase route was Rs.22,194 .80 per unit and Rs.38,190.11 per unit respectively. The private company however, procured the Pre form blanks from the same Metal and Steel factory, Ishapore which otherwise could have been done by OFAJ as they did in 2006-07. By deciding on outright purchase, OFAJ incurred an additional expenditure of Rs 10.36 crore for two years while giving an undue benefit to a private firm.

Ministry replied in June 2010 that there was no additional expenditure involved in the decision as MSF estimated Pre formed cost was Rs 65,000 and the conversion cost was Rs 56,353 which came to Rs 1.21 lakh. Ministry contended that placing order on HYT Pune at Rs 1.16 lakh thus was cheaper.

The cost of Pre form at Metal & Steel Factory was not Rs 65,000 and was only Rs 34,847 as per the annual accounts of Metal and Steel factory. Thus, the information provided by the Ministry was incorrect.

Case 11 Huge increase from the LPR ignored

Opto Electronics Factory, Dehradun floated a tender enquiry in February 2006 to 6 foreign firms out of which offers were received from BBT Poland and Topaz, Ukraine only. Examination of the details of offer submitted by the firms indicated that the increase over last purchase rate in respect of 11 items were ranging from 62 *per cent* to 5207 *per cent*.

Strangely, Rosoboronexport (RBE), Russia which was the OEM's nominated supplier of different items of T-72 tanks did not even quote. The reasons for such huge increases were neither assessed nor brought on board. OFB allowed OLF to place the supply order on BBT Poland for most of the items after BBT Poland brought down the rates for each item by US $ 0.50.

Ministry stated in June 2010 that the factory made all possible efforts to get the best possible rate ex-import.

Chapter VII: Contract Management

7.1 Linking of Price Variation Formula to WPI of wrong group led to huge loss

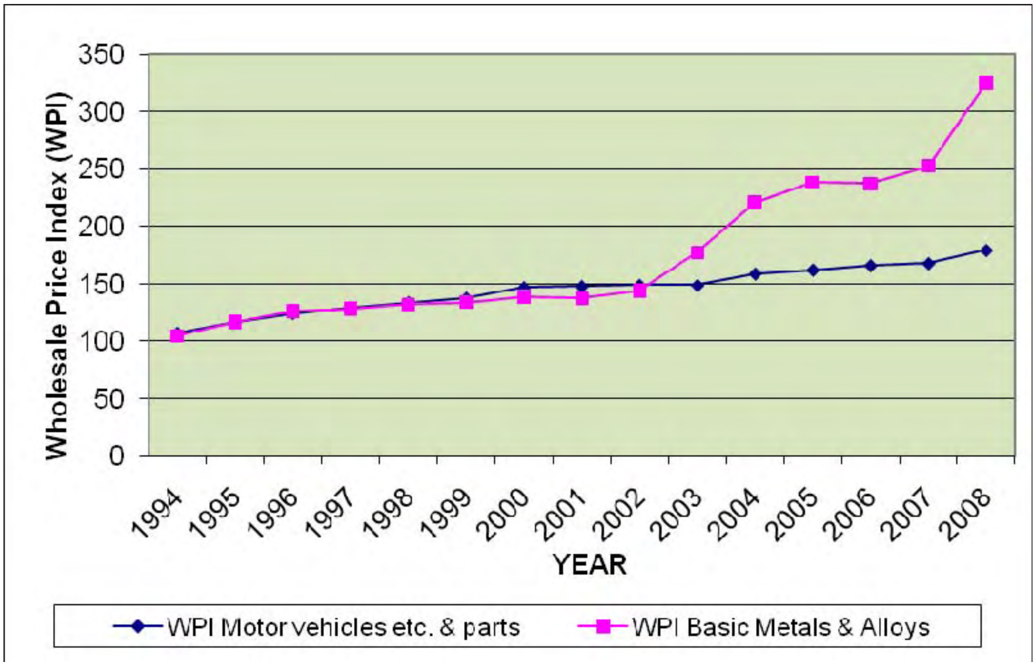
Ordnance Factory Board (OFB) and Tata Engineering and Locomotive Co. (TELCO) entered into an "**Agreement**" in September 1998 granting OFB rights for producing 2.5 Ton pay load model LPTA 713(4x4) vehicle 'the product' at Vehicle Factory, Jabalpur (VFJ) from the CKD/SKD vehicles to be supplied from the firm. The agreement included inter alia the following two conditions:

(a) The prices of the Product, its aggregates, and items of itemised price list of components/sub-assembly/other materials would be subject to the "**price variation formula**".

(b) In case of reduction in price of any vehicle model identical to the one under that agreement, the benefits in reduction in prices would be passed on to OFB/VFJ.

OFB and TELCO entered into supplemental agreements on 07 August 2001 and 04 December 2006 to amend certain articles of the Principal Agreement/Supplemental agreements. It included that the obligation of TML (Tata Motors Limited formerly known as TELCO) would extend up to fourteen years from the effective date of the Principal Agreement i.e. 4 September 1998.

The price variation formula of the above agreements was linked to the WPI (wholesale price Index) of the sub-group 'Basic Metals and Alloy' instead of the WPI for the appropriate sub-group 'Motor Vehicles, Motorcycles, Scooters, Bicycles & Parts'. The trend analysis of WPI for above two sub groups for September (designated month of price variation formula of the agreements) indicated that from September 2003 onwards, the WPI for the sub-group 'Basic Metals and Alloys' was rising steeply in comparison of the WPI for the sub-group 'Motor Vehicles, Motorcycles, Scooters, Bicycles & Parts' as depicted below: -



During the audit of supply orders valuing Rs 1 crore and above placed on the TML during the period 1 April 2006 to 31 March 2009 the total additional payment made to the TML in respect of the supply orders under the Principal Agreement and its supplemental worked out to Rs.105 crore plus taxes and excise duty thereon due to adoption of **WPI** for sub-group “Basic Metal and Alloys” rather than for “Motor Vehicles etc. and parts” for calculating the price variation.

Similarly, OFB and Ashok Leyland Ltd. entered into an agreement on 10 August 1998 granting OFB rights for producing STALLION Mk III Model 5/7.5 Ton payload 4x4 version at Vehicle Factory, Jabalpur and /or any other Ordnance Factory under the control of OFB. The prices of the Product, its aggregates, and items of itemized price list of components/sub-assembly/other materials were subject to a similar price variation formula with minor variations in the weightage of various factors. The agreement also had a similar fall clause.

OFB and Ashok Leyland entered into supplemental agreements on 09 April 2003, 16th December 2005, and 17th October, 2006 to amend certain Articles of the Principal Agreement/Supplemental agreements. It included that the Principal Agreement would be in vogue during a period of fourteen years from the date of the signing the (Principal) Agreement i.e. 10 August 1998.

The price variation formula of the above agreements also adopted WPI for the sub-group 'Basic Metals and Alloy' instead of the WPI of the appropriate sub-group 'Motor Vehicles, Motorcycles, Scooters, and Bicycles & Parts'. The trend analysis of WPI of above two sub groups for the for month of March (designated month of price variation formula of the agreements) indicated the same trend of steep rise in "Basic Metals and Alloys" compared to "Motor Vehicles etc. and parts".

From supply orders valuing Rupees One crore and above placed on the M/s Ashok Leyland during the period 1 April, 2006 to 31 March, 2009 the total additional payment that had to be made to the Ashok Leyland in these supply orders worked out to Rs.148 crore plus taxes and excise duty thereon due to adoption of WPI for wrong sub-group for the "price variation formula".

In reply to the observation made regarding the excess payment the factory mainly stressed that the sub-group (for WPI) suggested by audit was not covering vehicles of exclusive Military use which were technically quite different from the commercial ones. It also stated that the WPI which was perceived to be more suitable was decided at the time of agreement as it could not be anticipated in advance, that which index would move which direction in the future. Ministry's reply confirmed the above replies of the factory.

The factory's reply was not tenable as the vehicles under the agreements were actually truck and basic material of commercial truck and military truck are almost similar. Further the agreement itself had a fall clause that should there be a reduction in price of any vehicle model identical to the one covered by the agreement, the benefit in reduction in prices would be passed on to OFB/VFJ.

7.2 Non furnishing of Performance Security Deposit

Rule 158 of the General Financial Rules stipulates that "to ensure due performance of the contract, performance security is to be obtained from the successful bidder awarded the contract. Performance security is to be obtained from every successful bidder irrespective of its registration status. Performance Security should be for an amount of 5-10 *per cent* of the value of the contract." It further stipulates that "Performance security should remain valid for a period of sixty days beyond the date of completion of all contractual obligations of the supplier including warranty obligations."

Paragraph 5.2 of the MMPM also stipulates that Performance Security Deposit is payable to the purchaser by the supplier in the form of bank guarantee issued by a scheduled bank within 30 days of the contract The BG is to be returned to the supplier on successful completion of all obligations under the contract. According to the manual, the performance security deposit is to be paid by all firms irrespective of the registration status with DGS&D and NSIC. MMPM also stipulated the performance security deposit at 10 *per cent*, but OFB later in October 2006 brought the amount down to 5 *per cent*, the lowest point of the range provided in the GFR.

The MMPM however, exempted the PSUs and firms supplying proprietary items from payment of performance security. Apart from the fact that such exemption is not authorised by the GFR, there is no rationale also for such exemption. Performance security is designed to protect the purchaser from the risks of non supply of stores at the right time and such risks are present even when the suppliers are PSUs or single source. Incidentally Railways have not exempted the PSUs from payment of security deposit.

It was noticed in audit that in many cases the Factories did not take security deposit. In Ammunition Factory Kirkee, in several cases the factory did not insist on the security deposit and finally orders were not successfully executed by the firm.

Following is an illustrative list of firms which did not deposit the security deposit and also did not supply the store so far is shown in the following table:-

Table 6: Cases of Performance Security Deposit waived or not insisted upon

Name of the firm s	SO No & date	Name of the item	Oty. Ordered	Oty. Received	Total value	Remarks
RK Machine tools	800455 dt 28-04-09	Mine APM	10015 set	NIL	9894820	Waived
Hydrabad precision	800937 dt 25-03-09	Mine APM	550 set	NIL	5508250	Waived
Naveen Tools	900116 dt 30-04-09	Mine APM	988 set	NIL	5936892	Waived
Ashoka Industries	900111 dt 28-04-09	Mine APM	988 set	NIL	5936892	Waived
Shiva Plastic	800478 dt 11-10-08	Ammn. Container	37600 Nos	NIL	860288	Not deposited
Pandit Engg Pune	700344 dt 7-6-07	Air bolt	1000	NIL	731250	Not deposited
Stuti Enterprises	800784 dt 17-2-09	Separators for cartoon 23 A	525000	NIL	645750	Not deposited
Unipack Industries	701386 dt 15-3-08	Box M 20 A/L	3000	NIL	582000	Not deposited
Alcast	800722 dt 27-1-09	Notched coil	25500	NIL	561000	Not deposited
Precision Engg	800721 dt 27-1-09	Notched coil	25500	NIL	561000	Not deposited

Ministry replied that in the revised Procurement manual, the provisions regarding waiver of Performance Security Deposit would be made more stringent.

7.3 Management of the option clause

Option clause for quantity enhancement is included in a contract to reap the benefit of the present price against future demand. The purchaser through this clause gains an option to procure part of the goods if required in future at a cheaper rate, if the market prices go up.

Paragraph 9.15 of the MMPM lays down detailed guidelines for operation of the option clause. Factories are required to indicate at the stage of tender enquiry itself the decision regarding inclusion of the option clause in the supply order. While the Manual provides that the tenderers should be directed to quote for quantities mentioned in the tender as well as give consent for up to 100 *per cent* enhanced quantities against option clause. Subsequent exercise of the option clause, according to the Manual would be decided on the standard factors like existence of requirement, market trend, quality and quantity of supplies received etc. up to the point of time of exercising the option with due care to avoid over provisioning.

A large number of cases were seen in different Factories indicating extremely poor management of option clauses.

Ministry stated that though the audit observation is in line with the Procurement Manual, inclusion of option clause in the tender enquiry has its effect on the price as the firm has to supply items with longer delivery period. Accordingly, the firm may keep the price high so as to accommodate any market fluctuation.

Option clause is a standard contract condition widely prevalent. The reply of the Ministry does not conform to this.

Case 1

Undue favour to firms due to non exercise of option clause

In Ordnance Factory Dehu Road, it was noticed that for procurement of Fuze 213P MK (M-3) empty for 81 mm Illuminating, 10 supply orders were placed on different firms as detailed in the following table

Table 7: Procurement of Fuze 213P MK (M-3) empty for 81 mm Illuminating

Sl No	SO No & date	Name of the firms	Ord qty (nos)	Rate (Rs)	25 *per cent* option qty (nos)
1	2005SP0173 dt 2/8/05	IST N.delhi	20500	1223/-	5125
2	2005SP0759 dt 8/3/06	MI	16400	1285/-	4100
3	2005SP0760 dt 8/3/06	IST	16400	1285/-	4100
4	2005SP0761 dt 8/3/06	VXL	16400	1285/-	4100
5	2006SP0807 dt 30/3/07	MI	12300	1410/-	3075
6	2006SP0808 dt 30/3/07	IST	12300	1410/-	3075
7	2006SP0809dt 30/3/07	VXL	12300	1410/-	3075
8	2007SP0636 dt 31/12/08	VXL	23210	1736.28/-	5802
9	2007SP0637 dt 31/12/08	IST	21100	1736.28/-	5275
10	2008SP0478 dt 22/12/08	IST	10550	1789/-	

It was observed that though the demands were available, there was no declining trend in the price and the supply orders had the option clause, the factory did not exercise the option clause even though factory purchased the stores from the same suppliers at higher rates. Due to non operation of QEC, the factory incurred an additional expenditure of Rs.54.52 lakh.

In reply the factory stated that as per the Manual, option clause is normally exercised after receipt of 50 *per cent* quantity and in these cases, 50 *per cent* quantity was not supplied within the original delivery period. Such a literal interpretation of the manual provisions belies the judgment expected of the senior management of the factory, as they did not hesitate to place fresh supply orders on the same firms at a higher rate.

Ministry stated in June 2010 that the firms supplied small quantities during the original delivery period and bulk supplies were made during the extended delivery period. As the manual provides that option clause could be exercised during original delivery period, such clause could not be exercised.

Case 2

Non-inclusion of option clause by HVF Avadi

Heavy Vehicles Factory placed a supply order in January 2006 on ASL Systems, Bangalore for procurement of 132 Navigational GPS Satellite Sets by October 2006 at a rate of Rs 133621. No option clause was provided for in the tender enquiry and in the supply order, Material Planning Sheet generated in July 2006, which was within the validity period of the supply order, indicated a total requirement of 167 Units after taking into account the dues in from the earlier supply order. In August 2006, however, the Factory decided to procure 134 sets.

The factory placed another supply order on the firm in March 2007 for the 134 sets to be supplied by Mar 2008 at a higher unit rate of Rs 1,50,696. Though option clause for 50 *per cent* was provided for in the tender enquiry for the fresh requirement of 134 sets and HVF and AV HQ recommended for inclusion of the option clause, OFB TPC while approving the proposal did not specifically mention the option clause. Hence the option clause was not included in the supply order.

Within currency of this second order (of March 2007), requirement arose in November 2007 for another 74 sets. As no option clause was available in the order of March 2007, the factory had to again place one more supply order on the same firm in July 2008 for procurement of 74 sets at a higher rate of Rs 1,52,170. But the factory included the option clause for 50 *per cent* this time in the supply order of July 2008 and availed of the same in May 2009.

The factory informed Audit that as there was no specific mention in the approval of OFB on inclusion of the option clause, the same was not included in the two supply orders of January 2006 and March 2007. The reply is not justified as inclusion of option clause is a manualized provision. Failure of the Factory to include the option clause (for 25 *per cent* in the first case and 50 *per cent* in the second case) resulted in an extra expenditure of Rs 6.62 lakh.

Case 3

Non-inclusion of option clause by OF Medak

Ordnance Factory, Medak placed a supply order in July 2006 on Bhaskara Dynamics, Bangalore for supply of 59 Units of Assembly Track Guard at a unit rate of Rs 194625. Even though the tender enquiry provided for option clause for 25 *per cent*, yet the same was not incorporated in the supply order. Even before placement of the supply order in July 2006, a further requirement of 10 Units of the item arose in June 2006. As the order did not contain the option clause, the additional requirement of 10 Units had to be procured at a higher rate of Rs 243000 through another supply order of August 2008 placed on the same firm, resulting in delay and an extra expenditure of Rs 483750. The factory informed Audit that the order was to be placed for 59 Units of the item and the balance requirement was to be developed in-house and therefore the option clause was not incorporated in the order of July 2006. The fact remains that no in house development took place and besides it would have been prudent to include the mandatory provision of option clause in the supply order particularly when the clause was included in the tender enquiry.

Case 4

Option clause not exercised by HVF Avadi

Heavy Vehicles Factory placed a supply order in February 2006 on Universal Radiators for supply of 68 Units of Rack with Radiators at a unit rate of Rs 2,49,812 by March/September 2007 with an option clause for supply of 17 Units (25 *per cent*). Material Planning Sheet generated in September 2006 indicated a net requirement of 92 Units. When the accounts authorities vetted a requirement of 50 Units, the factory did not avail the option clause available in the supply order of February 2006 to procure 17 Units at the rate of Rs 2,49,812. Instead it placed another supply order in June 2007 on Halgona Radiators, Bangalore for procurement of 50 Units at a unit rate of Rs 3,28,753.

HVF replied to Audit that as action for procurement of 17 Units had already been initiated through OTE, option clause available in the order of Feb 2006 was not availed of. However, the reply overlooks the fact that the requirement was more than 17 and hence the benefit of the option clause could well have been derived. Failure to do so involved an additional expenditure of Rs 13.41 lakh.

Case 5

Delay in exercise of option clause

HVF placed a supply order in October 2006 on BEMCO Ltd for supply of 114 Units (LH) and 125 Units (RH) of Distributing Mechanism at a rate of Rs 67,500 with a delivery period up to November 2007 later extended up to December 2008. An option clause for 25 *per cent* was included in the supply order. The firm supplied all the items by August 2008. Material Planning Sheet of June 2008 indicated a requirement of 352 Units in Jun 2008. However HVF took two months to process the case for availing the option clause. By the time it decided to avail the same, the firm completed the supplies by Aug 2008. HVF, therefore, had to place another order on the same firm in Mar 2009 for the 352 Units at a higher rate of Rs 87,674.

HVF replied to Audit that option clause could not be exercised since the firm had completed the supplies. Delay on the part of the factory to avail of the option clause resulted in an extra expenditure incurred was Rs 24.21 lakh.

Case 6 Refusal to accept discount by OLF Dehradun resulted in loss

Opto Electronics Factory Dehradun placed a supply order in June 2008 on Belop Pune for 4248 Units of High Performance Super Gen Image Intensifier tube at the rate of Euro 1935. It floated another tender enquiry in January 2009 for a further quantity of 2400 Units. AV Headquarters advised the factory in April 2009 to take up with the firm for acceptance of 25 *per cent* option clause. The firm while refusing to accept the option clause agreed to supply 25 *per cent* of the earlier quantity provided a discount of Euro 10 per unit is withdrawn from the second offer. Despite the recommendations of AV Headquarters, OFB refused. The refusal of OFB resulted in an extra expenditure of Rs 18.43 lakh taking into account the discounted rate of Euro 2025 per Unit with an exchange rate of Rs 64.26 for each Euro.

7.4 Arbitrary management of option clause to favour RK Machine Tools

Case 1

Heavy Vehicles Factory placed a supply order in March 2006 for supply of 300 Units of Track Assembly at a rate of Rs 3.55 lakh by Dec 2006 extended up to June 2007. The supply order incorporated an option clause for a further quantity of 76 Units. When action was initiated by HVF to avail of the option quantity of 76 sets at the rate of Rs 3.52 lakh, a reduction in price agreed to by the firm earlier, OFB decided in April 2007 to avail of the option clause for nine sets only (25 *per cent* of the **balance quantity**) since as per MMPM manual, during the extended period of validity of the contract, option clause could be utilized for 25 *per cent* of the balance quantity only. OFB took the decision despite the fact that the factory was holding **nil** balance of the item in its stock. The nine sets were procured in May 2009.

Case 2

OFB however took an exactly opposite position in June 2007 in case of another supply order which was placed by the Factory on the same firm in August 2006 for 122 sets of Track Assembly by March 2007 extended up to June 2007 at a unit rate of Rs 352000. The order included option clause for 30 sets. When HVF initiated action in Jun 2007 (during the extended period) to procure all the 30 sets under the option clause, OFB approved the same . As per rules applicable in the earlier case, OFB should have approved 25 *per cent* of the balance quantity. This was despite the fact that the factory was holding in the month of June Units ranging from 29 to 78 as against average monthly consumption of 17 Units.

The option clause was used to favour the firm.

Case 3

As on 31 July 2008, the holding of Track Assembly by Heavy Vehicles Factory was 106 Units. Between 01 August 2008 to 05 December 2008, 23 Units were issued. Despite this the factory placed one more supply order on the firm on 14 Oct 2008 for 144 sets of Track Assembly to be supplied by 28 Feb 2009. Option clause for 50 *per cent* (72 Nos) was included in the order.

The firm supplied 90 sets on **the next day**, i.e. on 15 October 2008 and 35 sets **on the second day** i.e. on 16 October 2008 for inspection. The firm requested the factory **on the sixth day** i.e. on 20 October 2008, to exercise the option clause. The factory, however, exercised the option clause in December 2008 with a stipulation that the firm should supply the option quantity after 31 March 2009 citing its budgetary constraints in 2008-09. By that time the factory was holding **173 sets** of the item in its stock catering to for nearly 10 months' average requirement when it exercised the option clause. But the firm supplied the option quantity in January 2009 itself informing the factory that additional funds were already allotted to the factory by the OFB. When Audit sought clarifications, HVF clarified that the firm, being the sole supplier of the item, was having more than one supply order at any day and therefore it supplied the items immediately. However, the fact remains that instead of the option clause proposal to be initiated by the factory based on its actual requirement, the firm requested the factory to exercise the option clause in the instant case, that too within six days from placing the order. HVF exercised the option clause when it was holding 173 sets of the item (catering to nearly 10 months' requirement). The above facts indicated that the option clause in the instant case (having financial implication of Rs 3.57 crore) was exercised to enable the firm to supply the item even though those were not immediately required by the factory.

Case 4

HVF placed a supply order on the firm in September 2006 for supply of 41,367 sets of Track Shoe Assembly (a part of Track assembly) at a unit rate of Rs 3442. The delivery period was initially up to September 2007, which was extended to December 2007. Though HVF at the time of initiating the procurement proposal, recommended for inclusion of the option clause for 100 *per cent*, sanction of the CFA i.e. Ministry was silent on the issue. Nevertheless, the factory included the option clause for 25 *per cent* in the supply order placed in Sep 2006. The firm completed the supply by December 2007.

In the meantime requirement of further quantities of 330 and 9170 sets arose in January 2007 and July 2007 respectively. HVF initiated action in December 2007 to procure the total additional requirement of 9500 sets under option clause. However, OFB refused to avail the option clause on the grounds that the MOD's sanction did not contain the option clause and the firm had already supplied all the ordered quantity of 41,367 Units by that time. This was despite the fact that all concerned were aware of the fact that prices against a fresh tender would go up due to upward trend of the cost of the item. When HVF subsequently floated fresh tender enquiry for 9500 Units, a unit rate of Rs 3771 with price variation clause was received from the same firm. However, no order could be placed on the firm due to Ministry's orders to put on hold any further order on the firm.

Ministry stated in reply that option clause could be used any time after 50 *per cent* have been supplied against a supply order.

Ministry should investigate the brazen favouritism shown to the firm in excercising the option clause.

7.5 Liquidated damages and penalty

Case 1

Ordnance Factory Board approved in April 2007 a supplementary agreement between Gun Carriage Factory Jabalpur and RosoboronExports Russia for supply of 50 sets of Article 2A46M with SPTA on 1:1 basis required for T-90 guns at the unit rate of US$ 1,26,000. The delivery was to be completed in two batches within 11 months from the date of transfer of advance payment, which was done on 7 August 2007. The delivery therefore was to be completed by the supplier by 6 July 2008. The original contract signed in April 2001 envisaged payment of liquidated damages at the rate of 0.07 *per cent* of the value of stores per day supplied later than one month of the stipulated last date of delivery up to maximum 5 *per cent*.

The second consignment of 25 Units arrived at the designated port, Chennai, in January 2009. However in stead of recovering liquidated damages as per the contract conditions, GCF actually extended the delivery period to December 2008.

Ministry stated in June 2010 that ROE is a government company of Russia and is an exclusive supplier of defence equipments. General Manager of the factory had exercised his delegated authority in waiving the LD and had taken a composite view to ensure deliveries.

Chapter VIII: Internal Control

8.1 Internal Audit

The importance of robust internal control mechanism for a manufacturing Organization like Ordnance Factories cannot be overemphasized. Government rules and regulations do provide for internal control mechanisms like internal audit, vigilance, control by Ministry and superior authorities. As would be evident, it was seen that many such internal control mechanisms were allowed to collapse and become dysfunctional.

The Chief Internal Auditor of the Factories in a response to a query by audit on the functioning of the internal audit mechanism admitted that the internal audit teams could not raise objections against Ordnance factory organizations, as they functioned under their administrative and functional control of the executive. He stated in November 2009 that during 2006-07 to 2008-09, the internal audit mechanism failed to uncover any financial irregularities both at factory level and at the level of OFB.

The malaise was however deeper and structural. Between 2006-07 and 2008-09, the Internal Audit was under the control of OFB. The Chief Internal Auditor (Factories) was under direct functional and administrative control of the Member (Finance) of OFB. He functioned with the help of five Regional Internal Audit Officers (RIAO) who were primarily responsible for functions relating to finance and accounts and only additionally, Internal Audit. The Material Planning Sheet[23] was required to be approved by the Local Audit Officer (LAO), who was also the accounts officer in the factory. The RIAO were under functional and administrative control of the respective GMs/Sr. GMs of the Ordnance Factories. Such an arrangement violated the fundamental principles of independence of internal audit. The internal audit wing did not develop any manual, checklists or guidelines for conduct of such audit and functioned in an ad hoc manner.

[23] Material Planning Sheet is required to be generated by every factory to initiate procurement action. It shows the requirement, existing stock and dues in from previous supply orders if any to arrive at the net requirement for which procurement action is to be initiated.

The dysfunctional state of internal audit was reflected in the fact that as of March 2010, a total of 2137 audit objections were still outstanding. At the OFB level, there is a Networking Committee chaired by one DDG to monitor the internal audit objections. Only two meetings of the Committee were held in two years. As of November 2009, the last meeting was held in March 2008. At the Factory level, even though there was an ad-hoc Committee in each factory under the Chairmanship of Sr GM/GM and these committees were required to meet quarterly, such meetings were infrequent. In the past 15 quarters from quarter ending December 2005 to June 2009 in 39 Factories, 585 such meetings should have been held. Only 120 meetings were held. 80 *per cent* of the meetings required to be held were never held. In some of the Factories, from 2005-06 to date, only one or two meetings had taken place.

Analysis of the range of internal audit observations indicated that the focus was less on procurement and management of stores. In 18 Factories, only 9 *per cent* observations related to procurement.

8.2 Internal Vigilance

As in the case of internal audit, the state of internal vigilance was also poor. The vigilance set up in Ordnance Factories organization is headed by the Chief Vigilance Officer (CVO) at the Corporate Headquarters. He is assisted by two Directors. In addition, there were two Group Vigilance Officers (GVOs) at Kolkata and Avadi.

The foundation of the internal vigilance activities is on the vigilance officers at the factory level. These vigilance officers were required to undertake surprise vigilance inspection, implement preventive vigilance measures and also aid and advise the General Managers of the factory in vigilance matters. However, there was no dedicated vigilance officer in the Factories and they were invariably entrusted with a number of activities, including purchase and recruitment. The deployment of Vigilance Officers of the same organization on production, purchase, maintenance, day-to-day administration etc had direct conflict of interest with the vigilance responsibilities. The OFB and the CVO OFB failed in executive control of implementing the subject CVC directive.

CVC’s guidelines, among other things, envisage that the CVO should not be from the same organization and he should not hold the charge relating to recruitment and purchase. However, at all levels - from Ministry down to the Factories, such conflict of interest was noticed. In the Ministry, Joint Secretary (OF) who was responsible for processing cases of procurement within the domain of Ministry's powers also acted as the Chief Vigilance Officer for the Ordnance Factories.

The dysfunctional state of vigilance was reflected in the fact that 15 Factories submitted "Nil" reports on 18 vigilance sub topics continuously for the past three years. Even these "Nil" reports were usually delayed by six to nine months indicating lack of attention to the reports by the CVO and the OFB. Three Factories did not even submit these reports.

8.3 Delegation of Financial Powers from Ministry to OFB without any control mechanism in place

Ministry of Defence in December 2006 issued orders significantly enhancing the financial powers of the Ordnance Factory Board. The objective of such enhancement of powers was to enhance autonomy and increase the efficiency of the Ordnance Factories in its day-to-day functioning. The salient features of enhanced delegation as approved by the Ministry were

(1) All proposals concerning a particular factory should be finalized at the factory level wherein representative of OFB may be a member of PNC /CNC[24] for high value cases.

(2) Clubbing the proposals for input materials, required by more than one factory for realization of the benefit of bulk purchases leveraging quantity discount.

(3) In case of procurement where the price increase has been more than 8 *per cent* of LPR, then the matter should be put up to OFB for information along with justification; and

(4) Procurement from Rosoboronexport would not be treated as single vender case.

Following this, OFB on 11 April 2007 enhanced financial powers of various functionaries in Ordnance Factories for procurement of stores, plant and machineries. Such delegation increased financial powers of factory officials by as much as 9900 *per cent* in some cases. For procurement of stores through open tender or limited tender which is the main source of procurement of stores in the Factories,

[24] Price Negotiations Committee/ Cost Negotiations Committee

the power of GM was enhanced by 1900 *per cent* from Rs one crore to Rs 20 crore, that of Joint GM by 400 *per cent*. Even the powers of floor level Works Manager were increased by 525 *per cent*. For procurement of Plants and machinery through limited tender or open tender in replacement of BER[25] Plants and machinery, against projects sanctioned by government or to improve production under NC[26], the powers of General Managers were enhanced by 9900 *per cent* from Rs 10-25 lakh to Rs 20 crore.

However justified was such excessive delegation on a wide scale, it was carried out without any attention to the weak control environment and without any effort to improve the same. Ministry while delegating powers did not make any effort to put in practice enhanced control measures. With a collapsing internal audit, ineffective vigilance mechanisms and virtually no control by the Ministry, the control environment became even weaker with such vast powers at the field level.

An examination in audit of the nature and extent of delegation of financial power by OFB to Ordnance Factories indicated that the same was not in accordance with the letter and spirit of the order on the subject issued under MOD letter dated 20 December 2006. The Ministry for example stipulated that in cases of bigger purchases the PNC/CNC should consist of a representative of Ordnance Factories Board. However, OFB order dated 6 March 2007 delegating powers up to Rs 20 crore for purchase of stores and up to Rs 25 crore for Plant & Machinery to various functionaries in Ordnance Factories envisaged reconstituted Tender Purchase Committee (TPCs) which did not include any representative from Ordnance Factory Board. Ministry did not take any action to ensure that its intent was implemented.

Procurement through TPCs in the Factories represented a structural problem of decision making in the Factories. TPCs performed the functions of the CFA[27]. While such TPCs were headed by the CFA, the procurement cases were not considered separately on files based on the recommendations of the TPCs and no separate sanction order was issued for these procurements. While it

[25] Beyond Economic Repair
[26] New Capital
[27] Competent Financial Authority

promoted collegiate decision making, the accountability of the individual CFA could not be established in this process.

Ministry of Defence while delegating the financial powers also specifically advised on the price reasonableness and where ever the increase in prices was more than 8 *per cent* of the Last Purchase Price, the cases were required to be sent to OFB for information with justification. Based on Ministry's letter dated 20.12.2006, the OFB vide their letter 10/6/MM/(P&C) dated 24.4.2007 to all the GMs directed that all efforts are to be made to keep the prices in control and increase if any should be within 8 *per cent* of LPR. It was seen in audit that such cases were not reported by the General Managers nor were they checked by the OFB members. For cases finalized with more than 8 *per cent* price increase, reports along with justification duly linking with market indices, base metal price increases etc were to be submitted to concerned Member / operating division, with a copy to OFB / MM (P&C) division on monthly basis by fifth of the following month. At least 14 Factories did not furnish the reports since May 2007. OFB also did not monitor the reports.

8.4 Role of the TPCs

Rule 137 of the General Financial Rules requires every authority delegated with financial powers of procuring goods in public interest to own responsibility and accountability to bring efficiency, economy, transparency in matters relating to public procurement and for fair and equitable treatment of suppliers and promotion of competition in public procurement.

Rule 22 of the GFRs further states that no authority may incur any expenditure unless the same has been sanctioned by the competent authority. GFRs also envisage issue of sanction orders and lay down procedures for communicating such orders to accounting and auditing authorities.

OFB has laid down several layers of Tender Purchase Committees both at the headquarters and factory levels. Such purchase committees are invariably headed by the authority who otherwise would be the competent financial authority in that specific procurement case. Altogether 4 levels of TPCs are laid in OFB Headquarters and another four levels are laid at the factory level.

Paragraph 6.22 of the MMPM provides that TPC recommendations/decisions will provide necessary authority for placing orders after the minutes of the TPC proceedings clearly bringing out its recommendations/ decisions are signed by all the members.

While it encourages collegiate decisions, in all Factories, the TPC minutes were treated as the final approval of the procurement decisions. No separate sanction orders conveying the sanction of the Competent Financial Authority were issued. This diluted accountability of the CFA.

ANNEXURE-'I'

Provisioning in excess of permissible limits

Sl. No	OFB /MOD Sanction No. and date	Value of sanction (Rs in crore)	Factory	Item	Qty/ Rate in Rs/ Firm's name	Total requirement as per rule (15 months) (Qty in Nos)	Sufficiency + Dues (Qty in Nos)	Net quantity required	Qty actually provisioned / Period of provision	Qty excess provisioned	Value of excess provisioning (Rs in crore)/ Period of over provision
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (7)-(8)	(10)	(11) = (10)-(9)	(12)= (6)*(11)
1.	**01/ Shell 105 mm/IFG/ OFCH/08/MM/ INDG/00I dated 24-07 2008 (LTE)**	**51.42**	**OFCH**	**Shell 105 mm IFG**	**127130/ 4044.70 T S Kisan RK Machine KEW**	**414983**	**382534**	**32449**	**127130 (27 months)**	**94681**	**38.30 (12 months)**
2.	**13/ OFK/ 08/CST-0139/ 08/MM/ INDG dated 01-12-2008 (S T)**	**2.75**	**OF KH**	**Piezo Electric Generator Assy.**	**10200 sets/ 2699.60 CEL Shahibabad**	**37500**	**47550**	**NIL**	**10200 (27 months)**	**10200**	**2.75 (12 months)**
3.	**59/06-07/SSO(STORES)/P/HV dated 17-01-2007**	**1.40**	**HVF**	**Assembly Valve Exhaust with Disc Lock**	**19314 nos 725.80 Kar Mobiles Bangalore**	**13308**	**2163**	**11145**	**19314 (24 months)**	**8169**	**0.59 (9 months)**
4.	**54/06-07/SO(STORES)/P/HV dated 31.1.07**	**5.89**	**EFA**	**Fuel Injection Pump**	**399 nos 1.47 lakh RBE,Russia.**	**293**	**62**	**231**	**399 (24 Months)**	**168**	**2.47 (9 months)**
5.	**05/08-09/SO (STORES)/P/ HV dated 21.7.08**	**56.49**	**OLF.**	**I.I. Tube**	**4248 nos. 1.33 lakh Belop, Pune**	**3263**	**918**	**2345**	**4248 (24 months)**	**1903**	**25.30 (9 months)**

Annexure I continued

Sl. No	OFB /MOD Sanction No. and date	Value of sanction (Rs in crore)	Factory	Item	Qty/ Rate/ Firm's name	Total requirement as per rule (15 months) (Qty in Nos)	Sufficiency + Dues	Net quantity required	Qty actually provisioned / Period of provision	Qty excess provisioned	Value of excess provisioning (Rs in crore)/ Period of over provision
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9) = (7)-(8)	(10)	(11) = (10)-(9)	(12)= (6)*(11)
6.	4043/IND/AFK/MM/DP/2237 dated 23.3.07	1.73	AFK	Cartg. Trg for 81 mm	39744 435/- 9 firms	1639 .	NIL	1639	39744 (27 months)	38105	1.66 (12 months)
7.	4042/IND/AFK/MM/DP/2236 dated 19.4.07	2.53	AFK	Mine APM 16 1A	24000 nos. 1053/- 3 firms	25113.	31090	NIL	24000 (27 months)	24000	2.53 (12 months)
8.	4039/IND/AFK/MM/DP/2234 dated 19.4.07	1.79	AFK	Fuze Mine combination	48840 nos. 366.62 3 firms	138511.	208188	NIL	48840 (27 months)	48840	1.79 (12 months)
9.	4038/IND/AFK/MM/DP/2233 dated 18.4.07	3.38	AFK	Fuze Percn. DA 5A	81920 nos. 413/- 5 firms	449746.	599320	NIL	81920 (27 months)	81920	3.38 (12 months)
10.	4030/IND/OFCH/MM/DP/2229 dated 3.5.07	3.05	OFCH	Bomb Body 81 mm	42060 nos. 725.84 3 firms	155738.	225904	NIL	42060 (27 months)	42060	3.05 (12 months)
11.	MOD No. 2(6)/836/2004/DP(Plg-III) dated 30.4.07	93.92	HVF	Radio sets	795 nos. Rs 11.81 lakh M/s Tadiran Communication, Israel	331	NIL	331	795 (36 months)	464	54.81 (21 months)
	Total	224.35									136.64

ANNEXURE – 'II'

Procurement made without ascertaining the actual requirement

Sl. No.	OFB Sanction No. and date	Value of sanction (Rs in crore)/ Qty	Factory	Item	Firm's name	Over- provisioned quantity/ Value of over provision in Rs	Remarks
1.	72/ 06-07/SO (Stores) / P/HV dated 12-02 2007 (S T)	15.07 145 items	HVF	Items for T-90 Tank	M/S RBE, Moscow	145 items (15.07 crore)	The items were earlier purchased along with CKD for T-90 . But CKD could not be assembled. The reason behind the repurchase was not mentioned in the proposal.
2.	71/06-07/ SO(Stores)/ P/ HV/ dated 12-02-2007 (S T)	1.83 111 items	HVF	Items for T-90 Tank	M/S RBE, Moscow.	111 items (1.83 crore)	----Same as above.
3.	OFB No. 67/ 06-07/ SO (Stores) / P/HV dated 12.2-2007 (S T)	1.41 180 sets	OFMK	Items for OH BMP –II	M/S Sundaram Clayton	130 sets (1.02 crore)	The requirement as per production programme was for 50 vehicles. Sanction accorded by OFB for 180 vehicles without deliberation and assigning any reason thereby led to over-provisioning.
4.	3081/IND/OFCH/MM/HE 1A dated 23.2.07	2.09 10000 nos.	OFCH	Bomb 120mm HE 1A	R.K. Machine Tools, T.S. Kishan and KEW Industries	4861 nos (1.01 crore)	Against the requirement of 5139 nos, OFB sanctioned for a quantity of 10000 thereby led to over-provisioning.
5.	84/06-07/SO(STORES)/P/HV dated 13.4.07	93.26 20 and 30 nos.	HVF	Hull complete and Hull welded	M/S RBE Moscow	20 and 30 nos. (93.26 crore)	No Material Planning Sheet prepared by HVF. Thus without bringing to light the programme/ target, procurement proposal of HVF, OFB approved the quantity in toto.
6.	86/06-07/SO (STORES) / P/HV dated 13.4.07	91.15 9 items	HVF	Track, Radiator etc.	M/S RBE Moscow	9 items (91.15 crore)	Same as above.
7.	88/06-07/SO(STORES)/ P/HV dated 23.4.07	14.72 30 and 50 sets	HVF	Completing Articles Components & Turret items	M/S RBE Moscow	30 and 50 sets (14.72 crore)	Same as above.
8.	OFB TPC-II held in March 2007	9.85 30 sets/ 53 sets/ 53 sets	HVF	Turret, Hull and Transmission items	M/S RBE Moscow	30 sets/ 53 sets/ 53 sets (9.85 crore)	Same as above.
	Total	229.38			Total	227.91	

Annexure III : Evidence of Collusion among different firms

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
AFK	No 800995	M/s Mukesh industries	Ludhiana	0181-2459777 & 2225715.			Identical handwriting in both quotations
	Opened on 07.04.09	M/s KEW	Ludhiana	0181-2459777 & 2225715			-do-
AFK	No 800117 dt 03.06.09	M/ Hydrabad Precision	Hyderabad	0140-23079342			
		M/S Mech componenets	Hyderabad	0140-23079342			
AFK	No 701217 dt 25.01.08	M/s Raj Industrial Corporation	New Delhi	011-25724732			
		M/s Singhal Industries	New Delhi	011-25724732			
AFK & HEF	No 701185 dt 11.01.08t 11.01.08	M/s Alcast	Ranchi	065-2275867	9431115661		Identical handwriting in both quotation
	AD 28000015 dt 26.02.08	M/s Precision Engg works	Ranchi	065-2275867	9431115661		-do-
AFK	800813 dt 16.01.09	M/s Asha Industries	Kolkata	0133-24002098			TE has been dispatched at the same time from same post office
		M/s Tirupati Industries	Kolkata	0133-24002098			

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
HEF	TR No 29000021 dt 11.02.09	M/S Vijay Roadlines	Pune	020-27111003 & 27111005			
		M/S Gauri Road-lines	Pune	020-27111003 & 27111005			
AFK	800868 dt 30.01.09	M/s Veekay	Mumbai	022-26237710			
		M/s Seth	Mumbai				
		M/s Chowdhury Packagers	Nagpur				Management accepted that the office address of the both firm is same.
OFA		M/s Safety Packagers	Nagpur				
		Aabha Packaging	Badlapur				Management agreed that both the firm are owned by same firm.
		Shanti Packaging	Kalyan				
HEF	29000276 dt 1.04.09	M/s Supreme packages	Mumbai				Both the companies transmitted the quotations through same FAX .
		M/s Super pack	Mumbai				

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
OCFS	2007000313 dt 1.03.08	M/s RSM Woolen Mills	Panipat		0180-2630340		Identical text in both the quotations
		M/s Mittal Woolen & Cotton Mills	Panipat		0180-2630340		
		M/s Prestige Spinners (P) Ltd.	Ludhiana	0161-2609926	0161-2609921		Identical address of Head Office- 186, Industrial Area A, Ludhiana
		M/s Punjab Wool Syndicate	Ludhiana	0161-2609926	0161-2609921		
		M/s AAA Spinners	Panipat	0180-2650717	0180-3292271	jains-puneet@yahoo.co.in	Identical address of Head Office- E-33, Industrial Area, Panipat
		M/s Siddhartha Woolen Mills	Panipat	0180-2650717	0180-3292271	jains-puneet@yahoo.co.in	

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
		M/s Raghav International	Ludhiana	0161-743457			Identical address of Works Office-32, Netaji Nagar, Ludhiana
		M/s Maheshwari Woolen Mills	Ludhiana	0161-2743457			
		M/s Vikas Udyog	Ludhiana		0161-5069865		
		M/s Geeta Woolen Mills	Ludhiana		0161-5069865		
OEFC	20070807/PV/1806 dt 25.08.07	M/s PJ Technocrat	Jabalpur		2432256 (Residence)		
		M/s General Errectors & Fabricators Corporation	Jabalpur		2432256 (Residence)		
	20080183/PV/4142 dt 10.06.08	M/s Standard Niwar Mill	Kanpur	0512-2692497	2691070 & 2546449	D-24, Panki Industrial Estate	All three quotations with identical text and handwriting
		M/s AVR Enterprise	Kanpur	0512-2692497	2691070 & 2546449	D-23, Panki Industrial Estate	
		M/s VK Brothers	Kanpur		2691070	D-21, Panki Industrial Estate	

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
	20061502/PV/2616 dt 01.03.2007	M/s D.Rajamanickam & Co.	Bodinayakanur (Tamilnadu)	04546-280328	04546-280288	1/202, Pudur South Street	(i) Identical text in quotations and handwriting including signatures
		M/s P.Duraiappa Nadar Sons	Bodinayakanur (Tamilnadu)	04546-280328	04546-280288	1/201, Pudur South Street	(ii) Identical date seal on quotations (iii) Final Quotation mentioned on top of quotations
		M/s Saravanan Industries	Theni (Tamilnadu)		04546-280288	57, Cumbum Road	
		M/s Sri Duraiappa Ginning Factory	Theni (Tamilnadu)	04546-280328	04546-280288	57, Cumbum Road	
	20061065/PV/1400 dt 04.01.2007	M/s Jupiter Rubber Pvt. Ltd.	Kolkata	24980359	24455039 (Office) & 30955760 (Factory)	Block-A, House N.6, New Alipore (Office) & Bibirhat Road, P.O. Rashpunji, South 24 Paraganas (Factory)	Identical text in quotations and handwriting including signatures

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
		M/s Poly Fill Industries	Kolkata	24980359	24455039 (Office) & 32955760 (Factory)	Block-A, House N.6, New Alipore (Office) & Bibirhat Road, P.O. Rashpunji, South 24 Paraganas (Factory)	
OPF	20071010/PROV/TENDER dt 15.03.08	M/s B.K.R.Engineers	Ludhiana	0161-5045270	0161-2537432 & 0161-5012765		Identical text in quotations and office telephone nos. of M/s BKR Engineers were mentioned as FAX no. by other two firms
		M/s Daya Industries	Ludhiana	0161-5012765	0161-2542848		
		M/s Rattan Industries (India)	Ludhiana	0161-2537432			
		M/s Samraat Enterprises	Kanpur				Identical format and text used in quotations and identical handwriting
		M/s Quality Engineering	Kanpur				

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
	20060609/PROV dt 19.12.06	M/s Oriental Synthetic & Rayon Mills Pvt.Ltd.	Thane	27615616	27630071, 27681140 & 27683332	D-64, T.T.C. MIDC Turbhe	Identical format and text used in quotations
		M/s Paithan Silk Mills	Thane	27615616	27630071, 27681140 & 27683332	D-64, T.T.C. Industrial Area, Turbhe	
	20050840/PROV dt 29.03.06	M/s Bansal Wool Traders	Ludhiana	0161-2511226	0161-2510771	sanjaybansal_bsml@yahoo.co.in (E-mail ID)	Identical format and text used in quotations
		M/s Bansal Spinning Mills Ltd.	Ludhiana	0161-2511226	0161-2510771	sanjaybansal_bsml@yahoo.co.in (E-mail ID)	
		M/s KKK Mills	Ludhiana	2674793	2451236 (Res) & 2552852 (Res)	145, Industrial Area A (City Office) & B-40, Focal Point, Phase V (Works Office)	Identical format and text used in quotations
		M/s Vikas Udyog	Ludhiana	2674793	2451236 (Res)	B-40/1, Focal Point, Phase V (Works Office)	
		M/s Geeta Woolen Mills	Ludhiana		2552852 (Res)	145, Industrial Area A (City Office) & B-40/2, Focal Point, Phase V (Works Office)	

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
SAF	2603001906 dt 29.01.09	M/s Sandeep Metal Crafts (P) Ltd.	Nagpur	(07104)236860	(07104)237878 & 235165	info@sandeepmetalcraft.com (E-mail ID of office) and 09823064146 (Mobile No. of Office) as per VRRF	As per VRRF Shri Avinash Deshpande, Director was proprietor but he signed for M/s Priya Preci-Comp Pvt Ltd
		M/s Priya Preci- Comp Pvt.Ltd.	Nagpur	(07104)235483	(07104)235017 & 234811 and 09823037009 (Mobile No.)	shyam@sandeepmetalcraft.com (E-mail ID of Proprietor) and 09823064146 (Mobile No. of Proprietor) as per VRRF	As per VRRF Shri Shyam Agrawal,MD was proprietor but the quotation was signed by Shri Avinash Deshpande, Director
		M/s Shanti Arms- Tech Pvt.Ltd.	Nagpur	(07104)235410	(07104)235047		
OFC	B20092130/PV/2009-10 dt 06.08.09	M/s Oxeeco Technologies Pvt.Ltd.	Hyderabad	(040)27203742		B-6/4, I.D.A.,UPPAL	Identical FAX nos. and identical handwriting in both the quotations
		M/s Spanex Products	Hyderabad	(040)27203742		B-6/1, I.D.A.,UPPAL	

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
	20072476/LP-5/PV-B dt 20.03.08	M/s R.K. International	Kanpur	(0512)2232913			Identical FAX nos. and identical handwriting in both the quotations
		M/s V.S. Chemical Trading Co.	Kanpur	(0512)2232913			
	A20070373/LP-21/PV(A)/2007-08 dt 05.12.07	M/s M.B.Traders	Kanpur				Identical text and handwriting in both the quotations
		M/s Indo Synthetics	Kanpur				
OPF	20050749 dated 2.3.2006	M/S Standard Niwar Mill	Kanpur	0512 -2692497			1. same FAX No.at different location
		M/S FVR Enterprises M/s. V.K. Brothers	Kanpur	0512-2692497			1. OPF issued Tender document to M/S Standard Niwar Mills & M/S VK Brothers i.e.105/696,Chamanganj Bhannanpurva 2. All three firm use same word format

Annexure III

Name of the factory	TE No & date	Name of the firm	Location of the firm	Fax No	Telephone Numbers	E-mail id/ address	Remarks
VFJ	08/3778/VMM/ A/VFJ due on Dec. 2008	Simplex Auto Industries	Jabalpur	0761-4032995	2423944 4032992	Simplex Estate Nagpur Road Jabalpur	Tender Opening attended by Shri J.B. Singh for both firms
		Simplex Metalica	Jabalpur	0761-4032995	2423944 4032992	Simplex Estate Nagpur Road Jabalpur	
VFJ	08/3779/VMM/ A/VFJ dated Dec. 2008	Simplex Auto Industries	Jabalpur	0761-4032995	2423944 4032992	Simplex Estate Nagpur Road Jabalpur	Tender Opening attended by Shri J.B. Singh for both firms
		Simplex Metalica	Jabalpur	0761-4032995	2423944 4032992	Simplex Estate Nagpur Road Jabalpur	

Annexure IV

Annexure IV

Statement Showing the details wherein firms quoted Identical Rates.

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Ordnance Factory Khamaria				
1	05-CST -0909 Dt 02-01-06	Ball Insert	M/s. Manisha Rubber Mumbai	398.00	LP064034	6/3/2006	25.85
			M/s Kamal Rubplast Delhi	398.00	LP064035	6/3/2006	25.85
			M/s Rohit Rubber Pune	398.00	LP064036	6/3/2006	25.85
			M/s V.K.Rubplast Gurgaon	398.00	LP064037	6/3/2006	25.85
			M/s Vikas Extrusion Noida	398.00	LP064038	6/3/2006	25.85
2	06CST-0358 dt. 29/07/2006	Ball Insert Front	M/s. Manisha Rubber Mumbai	417.00	LP064093	9/9/2006	18.06
			M/s Kamal Rubplast Delhi	417.00	LP064092	9/9/2006	18.06
			M/s Rohit Rubber Pune	417.00	LP064094	9/9/2006	18.06
			M/s V.K.Rubplast Gurgaon	417.00	LP064095	9/9/2006	18.06
			M/s Vikas Extrusion NOIDA	417.00	LP064096	9/9/2006	18.06
3	06CST-0839 dt. 16/12/2006	Base Plate 7.8 mm /8.5 mm	M/s Castiplast Pvt. Kolkata	70.00	LP064169	1/8/2007	26.87
			M/s Galaxi EPOXY CAST Pune.	70.00	LP064170	1/8/2007	26.87
			M/S D.K. Insulation, Bhopal	70.00	LP064171	1/8/2007	26.87
4	06CST-0933 dt. 03/01/2007	Slipping Ring	M/s V.K.Rubplast Gurgaon	43.80	LP064194	2/6/2007	17.94
			M/s Rohit Rubber Product Pune	43.80	LP064196	2/6/2007	17.94
			M/s Paramount Plastic New Delhi	43.80	LP064195	2/6/2007	17.94
			M/s Mechanical Seals & pack Mumbai	43.80	LP064197	2/6/2007	17.94
5	06CST-0840 dt. 16/12/2006	Base Plate	M/s Castiplast Pvt. Kolkata	70.00	LP064211	2/18/2007	37.31
			M/s Galaxi EPOXY CAST Pune.	70.00	LP064213	2/18/2007	37.31
			M/s D.K.Insulation Bhopal	70.00	LP064212	2/18/2007	37.31

Annexure IV

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
6	06CST-1002 dt. 18/12/2006	Fuse Empty for 23mm Schilka	M/s Sandeep Metalcraft Nagpur	423.00	LP064225	3/10/2007	356.13
			M/s Vxl Technologies Faridabad	423.00	LP064226	3/13/2007	356.13
			M/s Meen components, Hyderabad	423.00			356.13
			M/s Hydrabad Precision Hydrabad	423.00	LP064227	3/13/2007	356.13
			M/s Naveen Tools Calcutta	423.00			356.13
			M/s Ashoka Industries Calcutta	423.00	LP064228		356.13
7	06CST-0844 dt. 20/12/2006	Carrier Ammunition IA	M/s Paramount Plastic New Delhi	318.00	LP064238	3/15/2007	22.51
			M/s Bihani Udyog, Jabalpur	318.00	LP064239	3/15/2007	22.51
			M/s Seth & Co. Mumbai	318.00	LP064240	3/15/2007	22.51
			M/s Nilkamal Crates Mumbai	318.00	LP064240	3/15/2007	22.51
			M/s V.K. Rub plast Gurgaon	318.00	LP064241	3/15/2007	14.7
8	06CST-0843 dt 11/01/2007	Carrier Ammunition I2A(Plastic)	M/s Paramount Plastic New Delhi	325.00	LP064255	3/24/2007	23.54
			M/s Bihani Udyog, Jabalpur	325.00	LP064256	3/24/2007	23.54
			M/s Nilkamal Crates Mumbai	325.00	LP064254	3/24/2007	23.54
			M/s V.K. Rub plast Gurgaon	325.00	LP064253	3/24/2007	23.54
			M/s Sai Industries Thane	325.00	LP064249	3/24/2007	23.54
			M/s Nityanand Udyog Nagpur	325.00	LP064252	3/24/2007	23.54
			M/s Miltech Industries Nagpur	325.00	LP064251	3/24/2007	23.54
			M/s Seth & Co. Mumbai	325.00	LP064250	3/24/2007	23.54
9	06CST-0842 dt 20/12/2006	Ball Insert Front	M/s. Manisha Rubber Mumbai	417.00	LP064258	3/24/2007	32.05
			M/s Kamal RubplastDelhi	417.00	LP064257	3/24/2007	40.06
			M/s Rohit Rubber Pune	417.00	LP064259	3/24/2007	40.06
			M/s V.K. Rubplast, Gurgaon	417.00	LP064261	3/24/2007	40.06
			M/s. Vikas Enterprises NOIDA	417.00	LP064260	3/24/2007	40.06

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
10	06CST-0841 dt 20/12/2006	Bangalore Torpedo	M/s. Priya Preci Co. Nagpur	1,695.00	LP074056	6/20/2007	38.11
			M/s. Pandit Engg. Pune	1,695.00	LP074057	6/20/2007	38.11
			M/s. Sandip Metal Nagpur	1,695.00	LP074058	6/20/2007	38.11
			M/s. CNC Components Kolkata	1,695.00	LP074059	6/20/2007	38.11
			M/s. Shanti Arms Nagpur	1,695.00	LP074060	6/20/2007	38.11
			M/s. Raj Industries New Delhi	1,695.00			0
11	07-CST-852 Dt. 19.12.07	Base Plate 7.8 mm	M/s. Galaxy Epogy Cast Pune	70.00	LP074060	6/20/2007	71.07
			M/s. D.K. Industries Bhopal	70.00	LP074060	6/20/2007	48.05
			M/s. Castiplast Pvt. Ltd. Kolkata	70.00	LP074060	6/20/2007	30.03
12	08-CST-574 dt 13.09.08	Base Plate 7.8 mm	M/s. Galaxy Epogy Cast Pune	82.00	LP084169	12/26/2008	56.06
			M/s. D.K. Industries Bhopal	82.00	LP084168	12/26/2008	56.06
			M/s. Castiplast Pvt. Ltd. Kolkata	82.00	LP084170	12/26/2008	56.06
13	08-CST-579	Base Plate8.5 mm	M/s. Galaxy Epogy Cast Pune	82.00	LP084172	12/26/2008	0
			M/s. D.K. Industries Bhopal	82.00	LP084171	12/26/2008	16.02
			M/s. Castiplast Pvt. Ltd. Kolkata	82.00	LP084173	12/26/2008	20.02
14	07CST-1018 dt 19/01/2008	Slipping Ring	M.s. V.K. Rubplast (I) Pvt. Ltd. Gurgaon	43.70			0
			M/s. Rohit Rubber Product Pune	43.70	LP074241	3/12/2008	63.8
			M/s. Paramount Plastic New Delhi	43.70	LP074242	3/12/2008	26.95
			M/s. Mechanical Seals & Pack. Industries Mumbai	43.70	LP074243	3/12/2008	36.84
			M/s. Corrosin Engg Ahmedabad	43.70			0
			M/s. Seth & Co. Mumbai	43.70			0
			M/s. Pooja Enterprises New Delhi.	43.70			0

Annexure IV

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
15	07CST-0848 dt 18/12/2007	Ball Insert	M/s. Kamal Robplast Inds. Delhi	451.00	LP074246	3/12/2008	62.9
			M/s. Manisha Rubber Mumbai	451.00			0
			M/s. Rohit Rubber Pune	451.00	LP074248	3/12/2008	25.16
			M/s. Vikas Extrusion Noida	451.00			0
			M/s. V.K. Rubplast India Gurgaon	451.00	LP074247	3/12/2008	37.74
16	08CST-0034 dt 07/05/2008	Time & Impact Fuze FFV-447 EMPT ASY	M/s. Micron Instrument Pvt. Ltd. New Delhi	3,419.78	LP084052	6/26/2008	107.76
			M/s. VXL Technologies	3,419.78	LP084053	6/26/2008	72.54
			M/s. Sandeep Metalcraft Pvt. Ltd.	3,419.78	LP084054	6/26/2008	72.54
17	08-CST-0575 dt. 04.10.08	Ball Insert Front & Rear	M/s. Rohit Rubber Product Pune	495.00	LP084132	11/5/2008	35.52
			M/s. Vikas Extrusion (P) Ltd.	495.00	LP084133	11/5/2008	23.68
			M/s. Manisha Rubber Enterprises Mumbai		LP084131	11/5/2008	59.19
			Ordnance Factory Chanda				
18	200700029/A dt 9.4.2007	Mortar Bomb 120 mm Empty	Kew Industries Ltd. Jalandhar	1,995.00	1071142/A1		124.92
			T.S. Kisan Faridabad	1,995.00			0
			R.K. Machine Tools Ludhiana	1,995.00			0
19	200600994/A dt 28.03..2007	Fuze Percn.DA 162 (M-2)	Naveen Tools Co. Kolkata	595.00	1071195/A1	8/10/2007	124.85
			Priya Precision Co. Ltd. Nagpur	595.00	1071197/A1	8/10/2007	124.85
			Sandeep Metal craft Ltd.Nagpur	595.00	1071198/A1	8/10/2007	124.85
			Shanti Arms -TechLtd.Nagpur	595.00	1071199/A1	8/10/2007	124.85
			Tirupati Industries Kolkata	595.00	1071196/A1	8/10/2007	124.85
			Ashoka INDUSTRIES Kolkata	595.00	1071194/A1	8/10/2007	124.85
			Asha Industries Kolkata	595.00	1071192/A1	8/10/2007	124.85

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Hyderabad Precision Co. Hydradabad	595.00	1071193/A1	8/10/2007	124.85

Annexure IV

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
20	200600995/A dt 28.03..2007	Ammunition Container Box C-44A	Lakshmi Industries New Delhi	1,098.00	1071137/A4	39247	72.88
			United Steel & Allied Industries	1,098.00	1071136/A4	39247	91.09
			New Delhi				
			Vaman B Purohit Pune	1,098.00	1071138/A4	39247	72.87
21	200800630/A dt 12.12.2008	Container with Disc	Nityanand Udyog Nagpur	14.95	1081360/A1	1/25/2009	117.38
			Seth & Co. Mumbai	14.95	1081359/A1	1/25/2009	195.63
			Sai Industries Thane	14.95	1081361/A1	1/25/2009	78.25
22	200800634/A dt 15.12.2008	Primer Electric 1A/L	Asha Industries Kolkata	370.00	1081327/A1	12/30/2008	35.52
			CNC Components Kolkata	370.00	1081328/A1	12/30/2008	46.76
			Sandip Metal Craft Nagpur	370.00	1081329/A1	12/30/2008	46.76
			Ashoka Industries Kolkata	370.00	1081330/A1	12/30/2008	46.76
			Mech Components Pvt. Ltd. Hyderabad	370.00	1081331/A1	12/30/2008	46.76
23	200600660/A dt 21.12.2006	FRP Packing Box for Influence Mine	Kombyne Transpack Pvt. Ltd. Pune	11,351.00	1061439/A1	39156	116.92
			Nilkamal Crates Mumbai	11,351.00			0
24	200600605/A dt 08.12.2006	Container with Disc	Miltech Industries Nagpur	16.65	1061449/A1	3/16/2007	107
			Mach Polymer Pune	16.65			0
			Nityanand Udyog Nagpur	16.65	1061448/A1	3/16/2007	111.12
			Seth & Co. Mumbai	16.65	1061450/A1	3/16/2007	32.27
			Sai Industries Pune	16.65			
			VK Enterprises Mumbai	16.65	1061451/A1	3/16/2007	131.79
25	200600606/A dt 08.12.2006	Ammn. Container Box 40 A/L	Vedant Paper Craft Pvt. Ltd. Nagpur	150.00			0
			Vidushi Technical & Commercial Nagpur	150.00			
			Sharad Paper Products Nagpur	150.00	1061429/A1	3/14/2007	47.99
			Shrinivas Paper Converter Vishakhapatnam	150.00			0

Annexure IV

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Uma Limited Product Hyderabad	150.00	1061430/A1	3/14/2007	47.99
			Eastern India Vishakhapatnam	150.00			0
			Unicon Products Chennai	150.00			0
			Packwell Paper Tube New Delhi	150.00	1061428/A1	3/14/2007	47.99

Annexure IV

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
26	200600602/A dt. 08.12.2006	Mine A/T 1A/L Empty	Jarikela Lumberman Kolkata	190.00	1061377/A1	2/24/2007	27.02
			Hari Narayan Bihani Jaipur	190.00	1061378/A1	2/24/2007	27.02
			Miltech Industries Nagpur	190.00	1061379/A1	2/24/2007	27.02
			Seth & Co. Mumbai	190.00	1061380/A1	2/24/2007	27.02
			Nilkamal Crates Mumbai	190.00	1061381/A1	2/24/2007	27.02
			Nityanand Udyog Nagpur	190.00	1061382/A1	2/24/2007	27.02
27	200600601/A dt. 08.12.2006	Container with Disc	Seth & Co. Mumbai	53.00	1061368/A1	2/22/2007	52.5
			Sai Industries Pune	53.00	1061369/A1	2/22/2007	52.5
			VEEKAY Enterprises Mumbai	53.00	1061370/A1	2/22/2007	52.5
28	200600598/A dt 07.12.2006	Mine APRS M-14	Miltech Industries Nagpur	64.00	1061409/A1	3/7/2007	31.87
			Nityanand Udyog Nagpur	64.00	1061410/A1	3/7/2007	31.87
			Shyam Udyog Kolkata	64.00	1061412/A1	3/7/2007	31.87
			Synthetic Modular Limited	64.00	1061411/A1	3/7/2007	31.87
29	200600599/A dt 07.12.2006	Mine AT 4DND Empty Assy.	Miltech Industries Nagpur	547.40	1061384/A1	2/24/2007	43.66
			Nilkamal Crates& Bins Mumbai	547.40	1061383/A1	2/24/2007	43.66
			Nityanand Udyog Nagpur	547.40	1061385/A1	2/24/2007	43.66
			Seth & Co. Mumbai	547.40	1061387/A1	2/24/2007	43.66
			VEEKAY Enterprises Mumbai	547.40	1061386/A1	2/24/2007	43.66
30	200600603/A dt 08.12.2006	120 mm HE 1A Empty body	KEW Industries Jalandhar	1,725.00	1061347/A1	2/6/2007	83.47
			R.K.Machine Tools Ludhiana	1,725.00	1061348/A1	2/6/2007	83.47
			T.S.Kisan & Co. Faridabad	1,725.00	1061349/A1	2/6/2007	41.73
31	200500740/A dt 05.01.2006	Ammn Contai- ner 40A/L	Uma Laiminated Products Hyderabad	128.90	1061117/A2	5/4/2006	101.6
			Eastern India Container Vishakhapatnam	128.90	1061119/A2	5/4/2006	20.32

Annexure IV

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Sharda Paper Products Pvt. Ltd. Nagpur	128.90	1061120/A2	5/4/2006	122.12
			Vedant Paper Craft Nagpur	128.90			0
			Srinivas Paper Converters Vishakhapatnam	128.90			0
			Packwell Paper Tube New Delhi	128.90	1061118/A2	5/4/2006	41.91
			K. Cone Products Chennai	142.00			0

Annexure IV

Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
32	200700068/A dt 27.04.2007	Carrier Ammn 10C	Shanti Udyog Jabalpur	297.00	1071098/A4	5/11/2007	39.45
			Baijnath Plastic Products Thane	297.00	1071099/A4	5/11/2007	39.45
			Bajaj Engg. & Consultants Bahadurgarh	297.00	1071100/A4	5/11/2007	39.45
			Dhingra Enterprieses Modinagar	297.00	1071101/A4	5/11/2007	39.45
			Ajit Chemicals Pvt.. Ltd. Kanpur	297.00	1071102/A4	5/11/2007	39.45
			Harinarayan Bihani Jabalpur	297.00	1071103/A4	5/11/2007	39.45
			V.K. Ruberplast India Ltd. Haryana	297.00	1071104/A4	5/11/2007	39.45
			Miltech Industries Nagpur	297.00	1071105/A4	5/11/2007	39.45
			Nilkamal Crates and BINS Pvt. Ltd. Mumbai	297.00	1071106/A4	5/11/2007	30.32
			Nityanand Udyog Nagpur	297.00	1071107/A4	5/11/2007	39.45
			Paramount Plastic Industries New Delhi	297.00	1071108/A4	5/11/2007	39.45
			Sai Trading Thane	297.00	1071109/A4	5/11/2007	39.45
33	200600180/A dt. 15.06.2006	Container to Drg. No. 4-24929	AKAY Udyog Nagpur	372.00	1061233/A4	9/26/2006	12.66
			Industry & Private Ltd. Gurgaon	372.00	1061231/A4	9/26/2006	13.69
			Jaspal Industries Mumbai	372.00	1061232/A4	9/26/2006	13.69
			Laxmi Ishwar Industries New Delhi	372.00	1061234/A4	9/26/2006	13.69
			Miltech Industries Ltd. Nagpur	372.00	1061236/A4	9/26/2006	13.69
			Precision Steels New Delhi	372.00	1061237/A4	9/26/2006	13.69
			Sandip Metal Craft Nagpur	372.00	1061238/A4	9/26/2006	13.69
			United Steel & Alloy Industries New Delhi.	372.00	1061235/A4	9/26/2006	13.69
34	200600888/A dt 19.02.2007	Primer Electric 1A/L Empty	Ashoka Industries Kolkata	337.50	1071155/A1	7/4/2007	19.49
			Asha Industries Kolkata	337.50	1071153/A1	7/4/2007	24.36
			CNC Componens Pvt. Ltd. Kolkata	337.50	1071154/A1	7/4/2007	19.49

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Hyderabad Precision Co. Hyderabad	337.50	1071156/A1	7/4/2007	19.49
			MECH Components Hyderabad	337.50	1071158/A1	7/4/2007	19.49
			Tirupati Industries Hyderabad	337.50	1071157/A1	7/4/2007	24.36
35	200700326/A dt 17.08.2007	Ammn. Container Box M 41A	Ashok Timber Industries Haryana	576.00 & 613.00	1071263/A4	11/16/2007	22.91
			Unipack Industries AR Chhacharauli	576.00 & 613.00	1071264/A4	11/16/2007	22.47

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
36	200500727/A dt 29.12.2005	Carrier Ammn. 10C	Bihani Udyog Jaipur	261.00	1061050/A2	4/12/2006	44.81
			Rajnath Plastic Products Mumbai	261.00	1061046/A2	4/12/2006	44.36
			Hari Narayan Bihani Jaipur	261.00	1061047/A2	4/12/2006	44.81
			Miltech Industries Nagpur	261.00	1061048/A2	4/12/2006	44.81
			Nityanand Udyog Nagpur	261.00	1061051/A2	4/12/2006	44.81
			Paramount Plastic Industries New Delhi	261.00	1061053/A2	4/12/2006	44.81
			Seth & Co. Mumbai	261.00	1061054/A2	4/12/2006	44.81
			Sai Trading Mumbai	261.00	1061055/A2	4/12/2006	44.81
			VEEKAY Enterprises Mumbai	261.00	1061056/A2	4/12/2006	44.81
			VK Rubplast Gurgaon	261.00	1061052/A2	4/12/2006	44.81
37	200600600/A dt 07.12.2006	Pressure Pad Type A	Manisha Rubber Enterprises Mumbai	108.00	1061363/A1	2/15/2007	41.53
			Rohit Rubber Product Pune	108.00	1061364/A1	2/15/2007	41.72
			VK Rubplast Haryana	108.00	1061365/A1	2/15/2007	52.17
38	200500737/A dt 05.01.2006	Primer Electric 1A/L	Ashoka Industries Kolkata	333.00	1061030/A1	4/10/2006	31.5
			Asha Industries Kolkata	333.00	1061029/A1	4/10/2006	31.5
			CNC Components Kolkata	333.00	1061031/A1	4/10/2006	31.5
			Navin Tools Kolkata	333.00	1061033/A1	4/10/2006	31.5
			Tirupati Industries Kolkata	333.00	1061032/A1	4/10/2006	31.5
39	200500741/A dt 05.01.2006	Ammn. Contai- ner 36A/L	Easter India Vishakhapatnam	253.00			
			Packwell Paper Tube Ind. New Delhi	253.00	1061122/A2	5/4/2006	69
			Sharad Paper Product Nagpur	253.00	1061123/A2	5/4/2006	196.43
			Srinivasa Paper Converter Vishakhapatnam	253.00	1061121/A2	5/4/2006	23
			Uma Laminated Product Hyderabad	253.00			0

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Vedant Paper Nagpur	253.00			0
			Vidushi Technical & Commercial Nagpur	253.00			0
40	200700009/A dt. 05.04.2007	Ammunition Container Box M 43A	Dada Dharamnath Timber Co. Nagpur	945.00			0
			Gopal Enterprises Nagpur	945.00	1071122/A4	5/31/2007	30.13
			Shanti Timber Products Nagpur	945.00	1071124/A4	5/31/2007	51.69
			Wood Preserver Nagpur	945.00	1071123/A4	5/31/2007	51.69
41	200800706/A dt 11.01.2009	Bomb 120 mm HE 1A Empty	KEW Industries Jalandhar	1,890.00	1081446/A1	3/29/2009	237.99
			RK Machine Tools Ludhiana	1,890.00	1081445/A1	3/29/2009	317.32
			T.S. Kisan & Co. Haryana	1,890.00	1081447/A1	3/29/2009	126.92
42	200800324/A dt 07.08.2008	Primer Electric 1A/L Empty	Ashoka Industries Kolkata	370.40	1081214/A1	10/5/2008	57.85
			Asha Industries Kolkata	370.40	1081213/A1	10/5/2008	57.85
			Mech Components Hyderabad	370.40	1081212/A1	05-10-20087	57.85
43	200800639/A dt. 16.12.2008	Packing Box Wooden	Shanti Timber Nagpur	1,450.00	1081441/A4	3/29/2009	53.41
			Universal Timber Haryana	1,450.00	1081443/A4	3/29/2009	21.37
			Wood Preservers Nagpur	1,450.00	1081442/A4	3/29/2009	53.41
44	200800167/A dt. 24.6.2008	Mine APERs M-1A with fuze	Castiplast Pvt.Ltd. Kolkata	72.00	1081217/A1	10/7/2008	200.8
			Nityanand Udyog Nagpur	72.00	1081216/A1	10/7/2008	200.8
			Synthetic Modular Ltd.	72.00	1081215/A1	10/7/2008	200.8
45	200800667/A dt. 27.12.2008	Set of combustible Cartg. Case of FSAPDS	Maspack Ltd. Hyderabad	3,400.00	1081439/A3	3/29/2009	101.02
			SM Pulp Packing New Delhi.	3,400.00	1081440/A3	3/29/2009	67.36
46	200800054/A dt. 03.05.2008	Set of combustible Cartg. Case of FSAPDS	Maspack Ltd. Hyderabad	3,400.00	1081198/A3	9/26/2008	79.17

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			SM Pulp Packing New Delhi.	3,400.00	1081199/A3	9/26/2008	118.74
			Ordnance Factory Ambajhari				
47	FS2280084 dt 24.07.2008	Conversion Motor Tube to Liner Assy.	ALLEN REINFORCE Plastic (P) Ltd. Hyderabad	18,000.00	FS3280169	12.12.2008	1618.66
			VALETH Tightech Composits Pvt. Ltd. Chennai	18,000.00	FS3280165	06.12.2008	539.55
48	FS22600067 dt 28.10.2006	Conversion Motor Tube to Liner Assy.	ALLEN REINFORCE Plastic (P) Ltd. Hyderabad	16,000.00	FS3260108	24.12.2007	317.14
			VALETH Tightech Composits Pvt. Ltd. Chennai	16,000.00	FS3260109	24.12.2007	317.14

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Ordnance Clothing Factory Shahjahanpur				
49	2007000034 Dt29-05-07	Yarn woollen 450 Tex	M/S KK Mills Ludhiana	79.04	2007000144	7/19/2007	27.96
			M/S Mahesweri woollen Mills Ludhiana	79.04	2007000145	7/19/2007	27.98
			M/SPrestige Spinners (P) Ltd Ludhiana	79.04	2007000146	7/19/2007	29.09
			M/SRK Woolen Mills Ludhiana	79.04	2007000147	7/19/2007	29.35
			M/S Hariana Woolen Mills Panipat	79.04	2007000148	7/19/2007	27.96
			M/S Geeta Woolen Mills Ludhiana	79.04	2007000149	7/19/2007	27.96
			M/SRSM Woolen Mills Ludhiana	79.04	2007000150	7/19/2007	29.35
			M/SMahavir woollen Mills Panipat	79.04	2007000151	7/19/2007	29.35
			M/SCAPITAL Woolen Mills Panipat	79.04	2007000152	7/19/2007	29.35
			M/S Siddarth Woolen mills Panipat	79.04	2007000153	7/19/2007	27.96
			M/SKanhia Textiles Mills Panipat	79.04	2007000154	7/19/2007	27.96
			M/S The Goel Engg & Woolen Works panipat	79.04	2007000155	7/19/2007	27.96
			M/S Bansal Spinning Mills Ltd Ludhiana	79.04	2007000156	7/19/2007	41.85
50	2006000330 dt 30.12.06	Yarn Worsted 55 Tex	M/s Jainson Hosiery Ludhiana	615.00	20070211	9/11/2007	87.16
			M/S KK Mills Ludhiana	615.00	20070212	9/11/2007	87.39
			M/s Sankeshwar Synthetic ltd Ludhiana	615.00	20070213	9/11/2007	83.45
51	2007000173 dt. 29.10.07	Fabric Nylon 75 GSM	M/s Kusumgar Corporates Mumbai	133.00	20070370	1/14/2008	106.33
				133.00	20070371	1/14/2008	85.01
52	200700158 dt. 19.10.07	Fabric blanket Wool	M/s Jainson Hosiery Ludhiana	238.00	429	3/6/2008	101.26
			M/S KK Mills Ludhiana	238.00	430	3/6/2008	101.36
53	2007000313 dt. 01.03.08	Yarn Woolen 450 Tex	M/SPrestige Spinners (P) Ltd Ludhiana	79.30	475	2/27/2008	34.1
			M/SCAPITAL Woolen Mills Panipat	79.30	476	2/27/2008	199.3

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
54	2007000311 dt. 01.03.08	Cloth Cotton CW	M/S MS Textiles Mumbai	95.00	9	4/18/2008	68
			M/S Universal Yarn & Textiles Mumbai	95.00	10	4/18/2008	66.4
55	2008000108 dt. 21.08.08	Pile Fabric Polyster	m/S Youngman Woolen Mills Ludhiana	103.00	192	10/25/2008	39.87
			M/S Sunrise International Jalandhar	103.00	193	10/25/2008	31.89
56	2008000107 dt. 20.08.08	Yarn worsted 80 Tex	M/SPrestige Spinners (P) Ltd Ludhiana	360.00	195	10/25/2008	37.44
			M/S KK Mills Ludhiana	360.00	195	10/25/2008	58.84

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
57	2008000110 dt. 22.08.08	Fabric blanket Wool	M/s Jainson Hosiery Ludhiana	251.00	213	11/17/2008	57.73
			M/S Bansal Spinning Mills Ltd Ludhiana	251.00	214	11/17/2008	57.73
			M/S KK Mills Ludhiana	251.00	215	11/17/2008	57.73
58	2008000132 dt. 11.09.08	Shirting Angola	M/s Jainson Hosiery Ludhiana	147.49	246	12/21/2008	59.1
			M/S Bansal Spinning Mills Ltd ludhiana	147.49	247	12/21/2008	59.1
59	2008000294 dt. 30.03.09	Yarn Woolen 450 Tex	M/S Bansal Spinning Mills Ltd Ludhiana	84.50	31	5/28/2009	294.83
			M/S Hariyana Woolen & General Mills Panipat	84.50	32	5/28/2009	366.9
			Ord. Parachute Factory, Kanpur				
60	20080524 dt. 25.01.09	Fabric Nylon	M/s Kusumgar Corporates Mumbai	165.00	20080734	2/26/2009	21.58
			M/S Oriental Synthetic & Ryon Ltd Mumbai	165.00	20080735	2/26/2009	22.53
			Small Arms Factory, Kanpur				
61	2803001587 dt. 23.01.09	Case Assy of 9 mm Magazine	M/S National Industries Kanpur	81.00	28042152	3/10/2009	5.32
			M/S Bee Kay Precision Kanpur	81.00	28042151	3/10/2009	7.98
			M/S US Industries Kanpur	81.00	28042150	3/10/2009	13.3
62	2803000210 dt. 06.05.08	Monopod Assy for LMG 5.56	M/S Sandeep Metal Craft Nagpur	2,196.00	28040701	6/12/2008	52.66
			M/S CNC Components Kolkata	2,196.00	28040702	6/12/2008	35.09
			Ordnance Equipment Factory, Kanpur				
63	4143 dt 06.08	Three way Joint with base plate for tent extendable	M/S Industrial Enterprises Kanpur	259.00	80333	8/9/2008	94.66

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			M/S P. N. Sons Kanpur	259.00	80334	8/9/2008	94.66
64	4144 dt. 06-08	Four Way Joint For Tent Extendable Frame Supported	M/S Shanker Metals works Kanpur	260.75	80335	39669	78.57
			M/S Vishwa Traders Kanpur	260.75	80336	39669	78.57
			M/S Nutesh Industries Lucknow	260.75	80337	39669	78.57
			M/S Superior Fabrics Kanpur	260.75	80338	39669	78.57

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
65	3488 dt. 05.08	Leather Buff Vegetable Tanned Sole bend	M/S Shewan tannery Kanpur	205	80247	39633	149.51
			M/S Malik Company Kanpur	205	80248	39633	149.51
			Ordnance Factory Trichi				
66	8416D42730 dt.28/10/2008	Mfg. and supply of Barrel extension	AANAG Enterprises (P) Ltd Kolkata	308.00	8641 D61874	10/1/2009	6.57
			SUBAH Engr (P) Ltd Chennai	308.00	8641 D61875	10/1/2009	6.57
67	8411D42130 dt.04/05/2008	Mfg. and supply of Stud Change Lever	Precision Transmission Chain, Hoogly	14.00	8211 D61193	6/4/2008	1.49
			Universal Steel Products, Kolkata	14.00	8211 D61194	6/4/2008	2.18
68	8391D43195 dt.04/02/2009	Mfg. and supply of Stud Change Lever	Precision Transmission Chain, Hoogly	14	8391 D 62077	2/26/2009	2.31
			Universal Steel Products, Kolkata	14	8391 D 62078	2/26/2009	3.47
69	7641D41163 dt.06-03-2008	Mfg. and supply of Piston Extn VII	Sri Konark Precision Tools (P) Ltd, Hyderabad	390	8641 D 61026	4/11/2008	38.03
			SKM Tech PVT Ltd, Hyderabad	390	8641 D 61027	4/11/2008	12.68
			Engn Accessories (P) Ltd, Chennai	390.00	8641 D61028	4/11/2008	11.41
			AANAG Enterprises (P) Ltd Kolkata	390.00	8641 D61029	4/11/2008	5.07
70	8221D42987 dt.16-12-2008	Modified Retainer Sring Recoil	AANAG Enterprises (P) Ltd Kolkata	45.85	8221 D 61872	1/10/2009	26.13
			Rohini Auto Electricals (P) Ltd, Hyderabad	45.85	8221 D	1/10/2009	13.94
71	7181G41078 dt.16/02/2008	Sling Assy ARDE SK/3303	Delite Buff Indst, Mumbai	72.80	7181 G60015	3/6/2008	5.08
			Indrakala Udhyog, Kolkata	72.80	7181 G60016	3/6/2008	5.08
			Indian Fine Blank, Kolkata	72.80	7181 G60017	3/6/2008	12.69

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
72	8181G43331 dt.17/02/2009	Sling Assy ARDE SK/3303	Indrakala Udhyog, Kolkata	83.00	9181 G63108	4/28/2009	8.3
			Indian Fine Blank, Kolkata	83.00	9181 G63109	4/28/2009	13.83
			Starline Indst, Kolkata	83.00	9181 G63110	4/28/2009	4.42
73	8181G43307 dt.17/02/2009	Pull Through for 5.56 MM TA/94	A.K.Ghosal & Sons, Kolkata	14.48	9181 G63021	4/7/2009	1.72
			Central Brush Works, Kolkata	14.48	9181 G63022	4/7/2009	3.23
74	8181E42772 dt.05/11/2008	Pin Firing SK 3143/33	Mahapravu Moulding Works, Howrah	49.00	8181 E 61769	8/12/2008	3.57
			Pivot Fabrique HP, Solan	49.00	8181 E 61770	8/12/2008	6.69
75	8181E43118 dt.23/01/2009	Pin Firing SK 3143/33	Mahapravu Moulding Works, Howrah	49.00	8181 E 62025	2/13/2009	8.6
			Pivot Fabrique HP, Solan	49.00	8181 E 62026	2/13/2009	12.84
76	8181E43279 dt. 17/02/2009	Pin Firing SK 3143/33	Mahapravu Moulding Works, Howrah	49.00	8181 E 62279	3/30/2009	11.59
			Pivot Fabrique HP, Solan	49.00	8181 E 62280	3/30/2009	21.73
77	8211E43343 dt. 18/02/2009	Cover for 5.56 MM Rifle INSAS	US Engrs, Kanpur	126.00	8211 E 62223	3/21/2009	9.19
			Deep Dies & Tools, Lucknow	126.00	8211 E 62224	3/21/2009	13.78
78	8391E42434 dt. 24/07/2008	Hammer Blanks for 5.56 MM	Rohini Auto Electricals (P) Ltd, Hyderabad	135.00	8391 E 61461	8/27/2008	2.7
			SUBAH Engr (P) Ltd Chennai	135.00	8391 E 61462	8/27/2008	21.16
79	8391E43392 dt. 25/02/2009	Hammer Blanks for 5.56 MM	AM Diamond Engg Works, Howrah	135.00	8391 E 62263	3/26/2009	11.73
			SUBAH Engr (P) Ltd Chennai	135.00	8391 E 62262	3/26/2009	24.44
			Rohini Auto Electricals (P) Ltd, Hyderabad	135.00	8391 E 62264	3/26/2009	7.82

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
80	8391E43482 dt. 06-03-2009	Block Rear Blanks for 5.56 MM	Associated Tools, Hlwrah	187.00	9391 E 63114	4/29/2009	21.05
			Das & Co, Howrah	187.00	9391 E 63115	4/29/2009	31.57
81	8331E43114 dt. 20/01/2009	Cylinder Gas for 5.56 MM INSAS	SUBAH Engr (P) Ltd Chennai	288.00	8331 E 62014	2/12/2009	25.01
			Laxmi Konark Precision Technics, Hyderabad	288.00	8331 E 62015	2/12/2009	15
			Pricihole Machine Tools (P) Ltd, Thane	288.00	8331 E 62016	2/12/2009	8
82	7181G40217 dt. 17/05/2007	Chest Rifle 5.56 MM Wooden (10) Hold	Maurya Timbers, Yamuna Nagar	2,800.00	7181 G59841	1/4/2008	9.44
			Ashok Timber Indst, Yamuna Nagar	2,800.00	7181 G59842	1/4/2008	6.3
			Krishna Indst, Kanpur	2,800.00	7181 G59843	1/4/2008	9.44
			Md Khalil, Md Bashir, Kanpur	2,800.00	7181 G59844	1/4/2008	6.3
			Universal Timber Corpn, Yamuna Nagar	2,800.00	7181 G59845	1/4/2008	9.44
			Wood Preservers Pvt Ltd, Nagpur	2,800.00	7181 G59846	1/4/2008	6.3

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
83	8181E42164 dt. 13/05/2008	Flash Absorber SK 3143/40	Anil Enterprises	125.00	8181 E 61202	6/6/2008	8.28
			Precision Fastners (I) Pvt Ltd, Kolkata	125.00	8181 E 61203	6/6/2008	8.28
			Southern Guages & Fine Components,	125.00	8181 E 61204	6/6/2008	8.28
			Universal Steel Products, Kolkata	125.00	8181 E 61205	6/6/2008	8.28
84	8181E42999 dt. 19/12/2008	Flash Absorber SK 3143/40	Abinav Yantrik Udhyog Pvt Ltd, Kolkata	74.00	8181 E 62021	2/13/2009	3.27
			India Trade Centre, Kolkata	74.00	8181 E 62022	2/13/2009	4.91
85	7181E40996 dt. 07/02/2008	Grip Pistol ARDE SK 2689/11	Miltech Indst Pvt Ltd, Nagpur	41.13	7181 E 59998	3/4/2008	1.91
			Nilkamal Ltd, Mumbai	41.13	7181 E 59999	3/4/2008	1.91
			Nityanand Udyog Pvt Ltd, Nagpur	41.13	7181 E 60000	3/4/2008	1.91
86	8181E42882 dt. 21/11/2008	Grip Pistol ARDE SK 2689/11	Miltech Indst Pvt Ltd, Nagpur	41.13	8181 E 61923	1/20/2009	3.28
			Nilkamal Ltd, Mumbai	41.13	8181 E 61924	1/20/2009	2.46
			Nityanand Udyog Pvt Ltd, Nagpur	41.13	8181 E 61925	1/20/2009	1.31
87	8181F43122 dt. 25/01/2009	Grip Pistol ARDE SK 2689/11	Miltech Indst Pvt Ltd, Nagpur	41.13	8181 F 62018	2/13/2009	2.75
			Nilkamal Ltd, Mumbai	41.13	8181 F 62019	2/13/2009	1.1
			Nityanand Udyog Pvt Ltd, Nagpur	41.13	8181 F 62020	2/13/2009	1.1
88	7181F41066 dt. 14/02/2008	**Butt Plastic (MOD) SK 454/6/1**	Miltech Indst Pvt Ltd, Nagpur	192.34	7181 F 59976	2/23/2008	8.73
			Nilkamal Ltd, Mumbai	192.34	7181 F 59977	2/23/2008	39.18
			Mahabir Plastic Indst, Kolkata	192.34	7181 F 59978	2/23/2008	5.82
			Nityanand Udyog Pvt Ltd, Nagpur	192.34	7181 F 59979	2/23/2008	5.82
89	8181F43144 dt. 29/01/2009	**Butt Plastic (MOD) SK 454/6/1**	Miltech Indst Pvt Ltd, Nagpur	192.34	8181 F 62036	2/13/2009	12.89

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
			Nilkamal Ltd, Mumbai	192.34	8181 F 62037	2/13/2009	7.72
			Nityanand Udyog Pvt Ltd, Nagpur	192.34	8181 F 62038	2/13/2009	9.67
			Ordnance Factory Dehuroad				
90	2008000566	Fuze 213 MK-5 M-3	Micron Instruments	1,390.00	2008SP0586	15/2/2009	327.54
	dt. 19-12-2008						
			VXL Technologies Ltd	1,390.00	2008SP0587	15/2/2009	291.15

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
91	2007000418	Empty components	Raj Industrial Corporation New Delhi	435.00	2007SP0374	12/1/2008	48.94
	dt. 17-11-2007	lower set	Hanuman Engineering Works, Pune	435.00	2007SP0375	12/1/2008	48.94
			Sainath Engineering Works	435.00	2007SP0376	12/1/2008	48.94
			Mech Components Pvt Ltd	435.00	2007SP0381	12/1/2008	48.94
			Hyderabad				
			Shanti Arms-Tech Pvt Ltd	435.00	2007SP0378	12/1/2008	48.94
			Ashoka Industries, Kolkata	435.00	2007SP0382	12/1/2008	48.94
			Sandeep Metal Kraft Pvt Ltd	435.00	2007SP0379	12/1/2008	48.94
			Hyderabad Precision	435.00	2007SP0380	12/1/2008	48.94
			Alcast, Ranchi	435.00	2007SP0383	12/1/2008	48.94
			Precision Engineering, Ranchi	435.00	2007SP0384	12/1/2008	39.15
			Priya Preci-comp Pvt Ltd	435.00	2007SP0377	12/1/2008	48.94
92	2007000420	Set of 5 components	Raj Industrial Corporation, New Delhi	84.00	2007SP0355	11/1/2008	82.73
	dt. 20-11-07	upper set	Singhal Industries, New Delhi	84.00	2007SP0356	11/1/2008	33.09
			Union Steel Ind.	84.00	2007SP0357	11/1/2008	49.63
93	2007000360	Spring with link	Press tools & Co	43.70	2007SP0491	15/1/08	14.73
	dt. 3-11-07		Eloquent Engg	43.70	2007SP0492	15/1/08	9.18
94	2007000388	Body lower for 81 mm	Sainath Engineering Works	600.00	2007SP0385	13/1/08	149.76
	dt. 6-11-07		Ashoka Moulders	600.00	2007SP0386	13/1/08	99.84
95	2008000284	Body lower for 81 mm	Sainath Engineering Works	600.00	2008SP0326	12/11/2008	135.83
	dt. 16-9-08		Ashoka Moulders	600.00	2008SP0327	12/11/2008	90.55
96	2007000377	Body upper for 81 mm	Hanuman Engineering Works Pune	385.00	2007SP0393	13/1/08	83.53
	dt. 5-11-07		Ashoka Moulders	385.00	2007SP0394	13/1/08	27.84
			CNC Components Pvt Ltd	385.00	2007SP0395	13/1/08	27.84
			Naveen Tools Mfg Co Pvt Ltd Kolkata	385.00	2007SP0396	13/1/08	27.84
97	2008000789	Body upper & lower	Hanuman Engineering Works Pune	2,575.00	2009SP0002	24/4/09	49.21
	dt. 12-3-09		Singhal Industries, New Delhi	2,575.00	2009SP0003	24/4/09	32.78
98	2008000272	Adaptor Nose	Sainath Engineering Works	225.00	2008SP0377	20/11/08	17.73
	dt. 16-9-08		Ashoka Moulders	225.00	2008SP0378	20/11/08	17.73
			Singhal Industries, New Delhi	225.00	2008SP0379	20/11/08	8.87

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Sl No	TE No.& Dt	Item Name	Name & Address of the firms	Rate quoted (In Rupees)	S.O.No	Date	Value (Rs. In lakh)
99	2007000705	Delay holder	Ashoka Moulders	34.00	2008SP0009	23/4/08	7.56
	dt. 10-3-08		Precision Engineering, Ranchi	34.00	2008SP0011	23/4/08	10.08
100	2008000152	Tail unit 11A	Eloquent Engg Works	315.00	2008SP0215	4/9/08	28.76
	dt. 23-6-08		Hanuman Engineering Works Pune	315.00	2008SP0216	4/9/08	21.57
			Ashoka Industries, Kolkata	315.00	2008SP0217	4/9/08	11.5
101	2007000387	Tail unit 11A	Sainath Engineering Works	220.00	2007SP0418	14/1/08	40.92
	dt. 6-11-07		Ashoka Industries, Kolkata	220.00	2007SP0419	14/1/08	32.74
			Eloquent Engg Works	220.00	2007SP0420	14/1/08	16.37
102	2007000706	Body upper & lower	Hanuman Engineering Works Pune	2,700.00	2008SP0025	2/5/2008	29.67
	dt.11-3-08		Singhal Industries, New Delhi	2,700.00	2008SP0026	2/5/2008	17.78
			Sainath Engineering Works	2,700.00	2008SP0027	2/5/2008	11.84
103	2007000684	Body Aluminium	Sainath Engineering Works	740.00	2008SP0038	6/5/2008	17.24
	dt. 29-2-08		Sumak Engineers	740.00	2008SP0039	6/5/2008	10.34
			Precision Engineering, Ranchi	740.00	2008SP0040	6/5/2008	6.89
104	2007000749	Ammunition	Seth and Company	23.90	2008SP0001	5/4/08	20.83
	dt. 30-3-08	Container 69 A	Veekay Enterprises	23.90	2008SP0002	5/4/08	34.71
			Miltech Industries, Nagpur	23.90	2008SP0003	5/4/08	13.88
105	2007000379	Container with disc	Sai Enterprises	16.55	2008SP0078	23/4/08	26.22
	dt. 5/11/07		Sai Industries	16.55	2008SP0079	23/4/08	8.74
106	2008000333	Bottom plate	Eloquent Engg Works	126.00	2008SP0450	10/12/08	8.49
	dt. 22-9-08	with swivel	Hanuman Engineering Works Pune	126.00	2008SP0451	10/12/08	5.09
107	2007000359	Cover empty	Singhal Industries, New Delhi	36.23	2007SP0546	25/1/08	11.15
	dt. 3-11-07		Union Steel Ind.	36.23	2007SP0546	25/1/08	6.69
108	2007000373	Set of 8 components	Union Steel Ind.	240.00	2007SP0542	25/1/08	39.79
	dt. 4-11-07		Priya Preci-comp Pvt Ltd	240.00	2007SP0543	25/1/08	19.1
			Sandeep Metal Kraft Pvt Ltd	240.00	2007SP0544	25/1/08	12.73
							21403.93