

# **PUBLIC ACCOUNTS COMMITTEE (1975-76)**

**(FIFTH LOK SABHA)**

## **HUNDRED AND NINETY-EIGHTH REPORT.**

### **PURCHASE OF BLANKETS**

[Action taken by Government on the recommendations of the Public Accounts Committee contained in their 137th Report (Fifth Lok Sabha) on, paragraph 43 of the Report of the Comptroller & Auditor General of India for the year 1972-73, Union Government (Civil) relating to the Department of Supply]



**LOK SABHA SECRETARIAT  
NEW DELHI**

*March, 1976/Phalgun, 1897 (S)*

*Price : Rs. 1.10*

**LIST OF AUTHORISED AGENTS FOR THE SALE OF LOK SABHA SECRETARIAT PUBLICATIONS**

Sl. No.	Name of Agent	Sl. No.	Name of Agent
<b>ANDHRA PRADESH</b>		<b>MAHARASHTRA</b>	
1.	Andhra University General Co-operative Stores Ltd., Waltair (Visakhapatnam).	10.	M/s. Sunderdas Gianchand, 601, Girgaum Road, New Princess Street, Bombay-2.
2.	G.R. Lakshmi paty Chetty and Sons, General Merchants and News Agents, Newpet, Chandragiri, Chittoor District.	11.	The International Book House, (Private) Limited, 6, Ash Lane, Mahatma Gandhi Road, Bombay-1.
<b>ASSAM</b>		12.	The International Book Service, Decean Gymkhana, Poona-4.
3.	Western Book Depot, Pan Bazar, Gauhati.	13.	Charles Lambert & Company, 10, Mahatma Gandhi Road, Opposite Clock Tower, Fort, Bombay.
<b>BIHAR</b>		14.	The Current Book House, Maruti Lane, Raghunath Dadaji Street, Bombay-I.
4.	Amar Kitab Ghar, Post Box 78, Diagonal Road, Jamshedpur.	15.	Deccan Book Stall, Fergusson College Road, Poona-4.
5.	M/s. Crown Book Depot, Upper Bazar, Ranchi.	16.	M. & J. Services, Publishers Representatives, Accounts & Law Book Sellers Bahri Road, Bombay-15.
<b>GUJARAT</b>		17.	People Book House, Opp. Jaganmohan Palace, Mysore
6.	Vijay Stores, Station Road, Anand.	18.	Information Centre, Government of Rajasthan, Tripoli, Jaipur City
7.	The New Order Book Company, Ellis Bridge, Ahmedabad-6.	19.	M/s. Usha Book Depot, 585 A, Chitra Bazar, Tripolia, Jaipur.
<b>HARYANA</b>		<b>RAJASTHAN</b>	
8.	M/s. Prabhu Book Service, Nai Subzi Mandi, Gurgaon.	20.	Law Book Company, Sardar Patel Marg, Allahabad-I.
<b>MADHYA PRADESH</b>		<b>UTTAR PRADESH</b>	
9.	Modern Book House, Shiv Vilas Palace, Indore City.		

CORRIGENDA TO HUNDRED AND NINTY EIGHTH  
REPORT OF THE PUBLIC ACCOUNTS COMMITTEE  
(1975-76) PRESENTED TO LOK SABHA ON  
22ND MARCH, 1976.

...

<u>Page</u>	<u>Para</u>	<u>Line</u>	<u>For</u>	<u>Read</u>
6	1.12	2	or	for
43		4 from bottom	first	firm
47		8 from bottom	circumstance	circumstances

## C O N T E N T S

	<b>PAGE</b>
COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE . . . . .	(iii)
INTRODUCTION . . . . .	(v)
CHAPTER I — Report . . . . .	1
CHAPTER II — Recommendations/Observations that have been accepted by Government . . . . .	16
CHAPTER III — Recommendations/Observations which the Committee do not desire to pursue in the light of the replies received from Government . . . . .	25
CHAPTER IV — Recommendations/Observations replies to which have not been accepted by the Committee and which require reiteration . . . . .	31
CHAPTER V — Recommendations/Observations in respect of which Government have furnished interim replies . . . . .	34
APPENDIX — Consolidated statement of Conclusions/Recommendations . . . . .	41

**PARLIAMENT LIBRARY**  
 (Library & Reference Service  
 Central Govt. Publications  
 Acc. No. R. 443864  
 Date ..... 3326

**PUBLIC ACCOUNTS COMMITTEE  
(1975-76)**

**CHAIRMAN**

Shri H. N. Mukerjee

**MEMBERS**

2. Shri T. Balakrishniah
3. Shri Chandulal Chandrakar
4. Shri Chandrika Prasad
5. Shri Darbara Singh
6. Shri C. C. Gohain
7. Shri Pampan Gowda
8. Shri Raja Kulkarni
9. Shri Shyam Sunder Mohapatra
10. Shri Priya Ranjan Das Munshi
11. Shri Narendra Singh
12. Shri Noorul Huda
13. Shri Shibbon Lal Saksena
14. Shri N. K. Sanghi
15. Shri Somchand Solanki
16. Shri Mohammed Usman Arif
17. Shrimati Pratibha Singh
18. Shri V. B. Raju
19. Shri Gulab Rao Patil
20. Shri T. K. Srinivasan
21. Dr. K. Mathew Kurian
22. Shri Rabi Ray

**SECRETARIAT**

Shri H. G. Paranjpe—*Chief Financial Committee Officer.*  
Shri N. Sunder Rajan—*Senior Financial Committee Officer.*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee as authorised by the Committee, do present on their behalf this Hundred and Ninety-eighth Report on the action taken by Government on the recommendations of the Public Accounts Committee contained in their Hundred and Thirty-seventh Report (5th Lok Sabha) on 'Purchase of Blankets'. [Paragraph 43 of the Report of the Comptroller and Auditor General of India for the year 1972-73, Union Government (Civil)—Department of Supply]

2. On the 3rd June, 1975 an 'Action Taken Sub-Committee', consisting of the following Members, was appointed to scrutinise the replies from Government in pursuance of the recommendations made by the Committee in their earlier Reports:

Shri H. N. Mukerjee	<i>Chairman</i>
Shri V. B. Raju	<i>Convener</i>
Shri Priya Ranjan Das Munshi	
Shri Darbara Singh	
Shri N. K. Sanghi	
Shri Rabi Ray	
Shri Raja Kulkarni	
Dr. K. Mathew Kurian	

3. The Action Taken Sub-Committee of the Public Accounts Committee (1975-76) considered and adopted the Report at their sitting held on the 27th February, 1976. The Report was finally adopted by the Public Accounts Committee on the 8th March, 1976.

4. For facility of reference the conclusions/recommendations of the Committee have been printed in thick type in the body of the Report. For the sake of convenience, the conclusions/recommendations of the Committee have also been appended to the Report in a consolidated form.

## **REPORT**

### **CHAPTER I**

1.1. This Report of the Committee deals with the action taken by Government on the recommendations/observations of the Committee contained in their 137th Report (Fifth Lok Sabha) presented to the Lok Sabha on 5th March, 1975 on the Purchase of Blankets, for use by the Defence forces, by the Department of Supply, which had been reported in paragraph 43 of the Report of the Comptroller and Auditor General of India for the year 1972-73, Union Government (Civil).

1.2. Action Taken Notes in respect of all the 26 recommendations/observations contained in the Report have been received from Government\* and these have been categorised as follows :

- (i) Recommendations/observations that have been accepted by Government.  
Sl. Nos. 1, 2, 3, 4, 5, 8, 9, 10, 12, 13, 14, 16, 18, 19 and 23.
- (ii) Recommendations/observations which the Committee do not desire to pursue in the light of the replies received from Government.  
Sl. Nos. 6 and 20.
- (iii) Recommendations/observations replies to which have not been accepted by the Committee and which require reiteration.  
Sl. Nos. 7 and 11.
- (iv) Recommendations/observations in respect of which Government have furnished interim replies.  
Sl. Nos. 15, 17, 21, 22, 24, 25 and 26.

1.3 The Committee expect that final replies to those recommendations/observations in respect of which only interim replies have so far been furnished will be submitted to them, duly vetted by Audit, without delay.

1.4 The Committee will now deal with the action taken by Government on some of their recommendations.

---

\*Action Taken Notes on Sl. Nos. 5, 6, 7, 8, 10, 16, 18 and 19 have not been vetted in Audit.

*Relaxation in specification of blankets (Paragraph 1.78—S. No. 7)*

1.5. Dealing with the acceptance by the Directorate General of Supplies & Disposals and the Defence Department of Blankets made of shoddy wool, the Committee, in paragraph 1.78 of the 137th Report (Fifth Lok Sabha), had observed:

“The Committee are inclined to think that there must have been a sustained pressure from the shoddy industry on the D.G.S. & D. and the Defence Department for acceptance of blankets made of shoddy wool because at that time considerable quantities of woollen garments had been imported by the industry as rags which could be utilised for the manufacture of shoddy blankets. The so-called critical supply position, which has been played up by the Defence Department, may well have been a facade behind which questionable deals for the supply of blankets were conducted. The Committee consider that had the Ministry of Defence and D.G.S. & D. asked the traditional suppliers to expedite delivery against the pending orders and unfulfilled contracts, instead of putting an emergency order, considerable financial loss to the Government would have been avoided and the quality of blankets required for the users in forward areas would not have been so much compromised. The Committee feel that use of the expression “blankets of 75 per cent shoddy wool (minimum)” in the contracts was weighted in favour of the industry because in place of 75 per cent pure wool, 75 per cent shoddy wool (minimum) became permissible. The Ministry of Defence has stated that blankets made wholly from shoddy wool contain less than 100 per cent wool. As such, in the blankets containing 75 per cent shoddy wool (minimum), the actual wool content would have been less than 75 per cent. It may be clarified why the specification was made “75 per cent shoddy wool (minimum)” instead of shoddy blankets of “75 per cent wool (minimum)”.

1.6 In their Action Taken Note\* dated the 14th August, 1975, the Department of Supply have stated:

“In the review meeting of critical items held in the room of Secretary, Department of Supply on 29-10-71, the DOS revealed that 4 lakh blankets were required by them on super emergent basis by November, 1971. The matter was

---

\*Not vetted in Audit.

further discussed in the room of Secretary (Supply) on 1-11-71, wherein, it was decided that a Board be constituted for purchase of nonstandard blankets against emergent Defence requirements. The Board was to go ahead with the procurement of 2 lakh numbers and meanwhile, DOS would review and reassess their requirements and would inform the Board of their re-assessed requirements. The Board was to consist of the following:—

- (1) Dy. Director General of Supplies & Disposals—Convener.
- (2) A representative of Textile Commissioner.
- (3) A representative of DI(GS), Kanpur.
- (4) A representative of DOS.
- (5) Deputy Secretary (Internal Finance).
- (6) DS (Tex), Bombay.

As already explained against S. No. 6 (Para 1.77) the Textile Commissioner advised DGS&D on 2-11-71 that 4 lakh blankets could be supplied during November and December, 1971 conforming to Defence Specifications and subject to the relaxations suggested by him, the DGS&D *vide* their d.o. letter dated 3-11-71 intimated the said position to DOS, who in reply, informed that blankets to relaxed specifications as suggested by Textile Commissioner would be broadly acceptable to them but he added that it would not be adviseable to bind themselves to the relaxed specifications in advance as there would be variation in wool content and breaking strength in actual deliveries. the DOS suggested that the matter should be decided by the Board of Officers, who would seal suitable samples to guide inspectors.

The observation regarding expediting the traditional suppliers for delivery against pending orders, instead of putting an emergent order has already been replied to against S. No. 6 (Para 1.77) [The Department's reply to the observations contained in paragraph 1.77 has been reproduced in chapter III]

Regarding percentage of wool content, Ministry of Defence have already stated that in the trade shoddy blankets are the ones in the manufacture of which, the material used is primarily shoddy wool. Shoddy Wool is recovered from old woollen garments knitted woollen articles, cuttings and the like. These materials, these days, have

admixture of non-wool fibre and any blanket made wholly from shoddy wool contain less than 100 per cent wool. Shoddy blankets of 75 per cent wool content means that when the material of the blanket is analysed it will contain not less than 75 per cent of wool and the remainder may be any other admixture. In the trade, the term of shoddy blankets and shoddy wool is used quite loosely without having a standard meaning, composition and specification (Para 1.52 of 137th Report of PAC refers.).

In addition to the above, it will be observed that against A/T No. 794 dated 21-4-72 placed on M/s Shree Krishna Woolen Mills (P) Ltd., Bombay, samples were received from the firm. These were approved by DOS for colour variation only and were sealed and sent to DIGS for issuing suitable instructions to the Inspector concerned for guiding inspection. DIGS had also been informed by DOS that relaxation in breaking strength, weight and wool contents of blankets was not permissible. Further samples were sent to COD for guidance at the time of receipt of blankets. In this connection, DOS letter No. 86800/C/IC/OS-P-II dated 9-6-72 refers. Against the same A/T, DOS *vide* his letter of same number dated 13-7-72 had written to the DGS&D to amend the particulars governing supply as follows:—

**“As per specification No. IND/TC/1408(g) and approved 23 samples in various colours type ‘C’ except that the wool contents would be 75 per cent shoddy wool (minimum.)”**

**1.7. The Committee find that the reasons for amending the specification of the blankets to ‘75 per cent shoddy wool (minimum)’ instead of ‘shoddy blankets of 75 per cent wool (minimum)’ have not been satisfactorily explained. According to the original Defence specification for type ‘C’ blankets, the blankets were to contain 45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with minimum 10 per cent nylon, and the total wool content of the blankets was not to be less than 80 per cent. While deciding to purchase blankets of relaxed specifications, the original idea appears to have been also to procure shoddy blankets of 75 per cent wool content. This is borne out by the fact that the representatives of the industry themselves had agreed, in a meeting held in the Office of the Textile Commissioner at Bombay on 4th November, 1971, (vide minutes of the meeting reproduced in Appendix III of the 137th Report), that ‘the total**

wool content in the finished blankets shall not be less than 70 per cent' as against the original specification of 80 per cent wool content. Besides the Director of Ordnance Services had categorically stated, in his letter dated 3rd April, 1972 to the Director General of Supplies & Disposals, that 'any deficiency which cannot be met by specification blankets should be covered by shoddy blankets of 75 per cent wool content and normal breaking strength.' Yet, strangely, in one of his subsequent letters dated 13th July, 1972, the Director of Ordnance Services amended the specification, *inter alia*, to read as 'wool contents would be 75 per cent shoddy wool (minimum)'. In the opinion of the Committee this amendment influenced the subsequent course of events. The Committee would very much like to know specifically the reasons for this change in the specification as a result of which the quality of blankets required for use in the border areas were seriously impaired.

1.8. In view of the fact that the terms 'shoddy blankets' and 'shoddy wool' are used loosely by the trade, without a standard connotation, composition and specification, the Committee are of the view that Government should have exercised more care in accepting blankets made of shoddy wool to relaxed specifications. It was obligatory to ensure that the quality of the blankets was not unduly lowered. Since this was not done, the Committee has to reiterate its earlier conclusion that there must have been a sustained pressure from the shoddy industry on the DGS&D and the Defence Department for acceptance of blankets made of shoddy wool because at that time considerable quantities of woollen garments had been imported by the industry as rags which could be utilised for the manufacture of shoddy blankets'.

*Contracts placed on Shree Krishna Woollen Mills (Paragraph 1.82 Sl. No. 11)*

1.9. Commenting on the placing of orders for blankets on Shree Krishna Woollen Mills, the Committee, in paragraph 1.82, had observed:

"The Committee have no doubt and this has been confirmed by the findings of the CBI in regard to contracts placed on this firm that there has been a concerted move on the part of Shree Krishna Woollen Mills in collusion with certain corrupt officials of the M.G.O. DOS Branch, Defence Department to blackmail the Government and take much undue benefits. It is significant that when one firm failed in their contractual obligations, an asso-

ciate of the same firm (common ownership) comes through another door, blackmails the Government and extracts a much higher price."

1.10. The Department of Defence, in their Action Taken Note dated 15th September, 1975, on the above observation, have replied:

"The contracts were placed on M/s Shree Krishna Woollen Mills by the DGS&D and not by the MGO Branch OS Dte."

1.11. The Committee are surprised at the curt and casual reply given by the Department of Defence. It is no news to the Committee that the contracts in question were placed on Shree Krishna Woollen Mills by the Directorate General of Supplies & Disposals and not by the MGO Branch of the Directorate of Ordnance Services. It is, however, evident from the facts brought out during evidence before the Committee, that the Directorate General of Supplies & Disposals had apparently been influenced by the letters written by the Director of Ordnance Services on the 25th February 1972 and 3rd April, 1972, virtually sponsoring Shree Krishna Woollen Mills. Besides, as pointed out in paragraph 1.95 of the Report, in respect of the blankets supplied by this firm, the Central Bureau of Investigation have held that the inspecting staff of the Defence Department had not maintained absolute integrity and devotion to duty in the matter of inspecting and accepting the blankets and the firm was enabled to get away with the supply of below-specification blankets. In such circumstances, the role played by the Officials of the Department of Defence in this affair cannot be held to be innocent. The Committee, thus would reiterate their earlier observations in this regard. The inquiry into the part played by various officers, as required by the Committee in paragraph 1.95 of Report, should particularly take into account the aspects stressed in these observations.

*Testing of wool content of Blankets (paragraph 1.86-SI. No. 15)*

1.12. Dealing with the placing of orders by the Directorate General of Supplies & Disposals or the supply of blankets of relaxed specification, instead of inviting fresh tenders for blankets according to the prescribed specification, the Committee, in paragraph 1.86, had observed:

"Instead of inviting fresh tenders for specification blankets, the DGS&D placed orders, between April 1972 and October 1972, on three firms for 5.26 lakhs blankets of

relaxed specifications. The relaxed specifications of 4.46 lakh of these blankets was to conform to type 'C' in every respect except wool contents would be 75 per cent wool (minimum). It has been pointed out by Audit that purchase of blankets of relaxed specifications cost Rs. 13.42 lakhs more as compared with the price for specifications blankets (having 45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with 10 per cent nylon-total wool content being not less than 80 per cent). The specification prescribed in the contracts had no meaning because no scientific tests of wool contents of blankets supplied were applied in any case."

1.13. In their Action Taken Note dated the 17th November, 1975, on the above observations of the Committee, the Department of Supply replied:

"It may be explained, in this connection, that in January, 1972 a residual quantity of approximately 5.51 lakh numbers of blankets against indent dated 29-10-71, was still to be covered. Enquiry for this quantity was advertised for Types A, B and C covered under the regular specification. The tenders were opened on 7-3-72. In response to the widespread advertisement, 49 offers were received including 14 offers from different shoddy units located in the country. In the meantime, DGS&D were informed during the discussion that a further indent for 6 lakh Nos. blankets was expected from DOS (which was actually received in April, 1972) for delivery by September/October/November, 1972 i.e. 50 per cent/25 per cent/25 per cent respectively.

After the offers of the tenderers of specification blankets were fully analysed with particular reference to their capacity and delivery, it was considered that for meeting the immediate monthly requirement of 2 lakh blankets, as then indicated by DOS, it was essential to have supplies not only from the units engaged in the manufacture of specification blankets as indicated by DOS, but also from larger units did not quote according to Defence Specification but only to modified/relaxed specification.

After availing of all acceptable offers of small scale units to the maximum extent (4.81 lakhs were covered by end of March '72 and finally 6.24 lakhs) it was clear that there

was no other alternative but to purchase shoddy blankets if delivery as required by the indentor was to be maintained.

There was no purpose in issuing a separate enquiry in respect of quantity of 6 lakh numbers blankets indented in April 1972 when sufficient numbers of offers were received both in specification and shoddy blankets against the tender opened in March '72. As a matter of fact at that stage, it was felt that Industry was taking advantage of the critical position and was raising their rates. If further enquiry was floated it was quite likely that the rates would have been higher.

Since the capacity of all the units engaged in specification blankets was fully utilised, it was decided to conduct negotiations with the shoddy units, whose offers were otherwise acceptable. These units were invited to attend the meeting on 10-4-72 where not only representatives of 8 shoddy units were present but also Shri Seth of Simplex Woollen Mills concurrently attended as President of Indian Shoddy Mills Association. It could, therefore, be taken that the entire industry was represented. There was, therefore, no purpose in issuing again separate enquiry for shoddy blankets to relaxed specification.

During the preparation of this action taken note it was considered necessary to obtain from the Ministry of Defence (Department of Defence Production D.G.I.) the results of detailed tests conducted by their Inspectors before accepting the blankets with 75 per cent shoddy wool. A further action taken note will be submitted after information on this point is received from the D.G.I."

**1.14. While the Committee do not desire to pursue the question of fresh tenders not having been invited for the supply of specification blankets, they would like to know the results of the detailed tests, if any, of the wool content of the blankets conducted by the Defence Inspectors before accepting the supplies. This would give an idea of the extent to which the quality of blankets meant for use by the Defence personnel had been compromised.**

*Recoveries in respect of rejected Blankets (Paragraphs 1.92 & 1.96—Sl. Nos. 21 and 25)*

**1.15. Dealing with the claims of Government in respect of the blankets found unacceptable to the indentor, the Committee, in paragraphs 1.92 and 1.96, had observed:**

1.92 "From the facts disclosed in the Audit Paragraph as well as the report of the CBI which investigated the supply of sub-standard blankets by Shree Krishna Woollen Mills against three A/Ts Nos. 664, 691 and 794, it is clear that the DOS, Army Headquarters and the Department of Supply sacrificed the interest of the Government and allowed themselves to be duped by this firm. There had been outright rejection of 1,452 blankets against A/T No. 664 and 2,898 blankets against A/T No. 691 and these were not acceptable even on a price reduction. The value calculated on the basis of the blankets accepted under price reduction is stated to be Rs. 3,05,566 and the claims covering blankets not acceptable under price reduction are still to be worked out.

\* \* \* \* \*

1.96 The Committee have noted that so far as the loss to Government on account of supply of sub-standard/below specification blankets is concerned, action was initiated by DGS&D to effect recovery from the firm. They were served with a Demand Notice for a sum of Rs. 3,05,566. The stay of this recovery has, however, been granted by the Delhi High Court. The Committee would like to be informed about the final disposal of this case."

1.16. With reference to the observations contained in paragraph 1.92, the Department of Supply, in their Action Taken Note dated 17th November, 1975, have stated:—

"In A/T No. 664 where demand notice has been issued for Rs. 3,05,566/- toward; blankets to be accepted under price reduction—firm has obtained the stay from Delhi High Court. As regards totally rejected blankets, DOS has intimated the salvage value on 7-1-1975. In consultation with the Ministry of Law, Litigation Section has been requested to take further action for filing an appeal in the Delhi High Court against the stay and also to include the amount to be recovered for the totally rejected quantity. This amount comes to Rs. 53,761/75.

As regards A/T No. 691 where recovery has to be made for 2,898 Nos. of Blankets not acceptable even under price reduction Ministry of Law has been consulted on various occasions for issue of demand notice. They have finally desired to know whether the firm was associated at the time of reconstitution of the sample and whether any let-

ter was given to them after re-inspection stating that the stores were not according to the specification and were unacceptable. This information has been called for from CBI/CTT&C and the demand notice is likely to be issued as soon as replies are received."

1.17. The Action Taken Note dated 17th November, 1975 furnished by the Department in regard to the observations contained in paragraph 1.96 is reproduced below:

"The matter is still *sub-judice*. The Committee would be informed the outcome of the case when the same is settled by the Delhi High Court."

1.18. The Committee take a serious view of the desultory manner in which the question of enforcing Government's claims in respect of the blankets rejected by the indentor is being dealt with by the concerned departments. As early as 21st December 1974, the Committee had been informed by the Department of Supply that 'action has been taken to contest the case' filed by Shree Krishna Woollen Mills in the Delhi High Court praying for a stay of the recovery of Rs. 3.05,566, representing the Government's claim towards blankets accepted under price reduction in respect of A/T No. 664. Yet, till November 1975, no real steps appear to have been taken by the Department of Supply to get the stay vacated and the Department is still in the process of 'filing an appeal' against the stay. The Committee cannot countenance such delays where the financial interests of Government are concerned and desire that appropriate steps should be taken soon to get the stay vacated and to effect recovery.

1.19. The delay in regard to the recoveries due in respect of A/T No. 691 is equally deplorable. Here again, the Committee had been informed by the Department of Supply on 21st December, 1974, that on the basis of the advice given by the Ministry of Law, Government was making a claim towards breach of warranty against the supplier. All that has happened since then, in the span of about a year, is further consultation with the Ministry of Law and deferment of effective action for the recovery of monies legitimately due to Government. The Committee ask for this long-pending issue to be finalised forthwith and an upto date report furnished to them. The Committee would also like to be informed of the money value of the 2,898 blankets rejected against this supply order.

***Fixation of responsibility for lapses and suspension of Business dealings with the Firm (Paragraphs 1.88, 1.93, 1.95 and 1.97—  
Sl. Nos. 17, 22, 24 and 26).***

1.20. Commenting on the role played by different officials of the Departments of Defence and Supply in this transaction, the Committee, in paragraphs 1.88, 1.93, 1.95 and 1.97, had recommended:

1.88 "The Committee are not at all convinced by the argument advanced by the Ministry that orders for 5.26 lakh blankets at Rs. 45.02 per blanket was placed because the capacities of the other supplying firms were full. Besides paying higher prices for the blankets of relaxed specifications the Department very willingly compromised the quality of blankets, as it has been categorically stated by the representative of the Department of Defence that 75 per cent wool, if it is shoddy, does make it inferior to quality 'A' and 'B'. The Committee consider that there was a serious lapse on the part of the Department of Supply in not calling for fresh tenders for this item when for specification blankets, tenders were called and particularly, when a higher rate was going to be paid for shoddy blankets. The Committee are of the view that it is a clear case of collusion and require responsibility to be fixed for exemplary punishment under advice to the Committee.

1.93. The Committee would like the Government to investigate how the Officers of the Department of Supply in what appears to be clear collusion with an officer of no less than a Director of Ordnance Services (Lt. Gen. Sandhu) placed as many as four contracts with Shree Krishna Woollen Mills knowing fully well its antecedents and its past performance. This is a case of clear corruption. The Committee would also like the Government to enquire why the Defence Department failed in their duty to detect the defective supplies tendered by this firm for inspection. It is a sad commentary on the functioning of the Defence Inspectorate that it was only an anonymous complaint to Central Ordnance Depot, Kanpur and also the Director General of Supplies and Disposals which exposed the scandal.

1.95 The Committee have noted that the Central Bureau of Investigation which enquired into the matter of supply of sub-standard blankets by Shree Krishna Woollen Mills have held that one Lt. Col., one Scientific Officer, three

officiating Chargemen (Grade I), one Chargeman (Grade II) and one Officiating Assistant Foreman did not maintain absolute integrity and devotion to duty in the matter of inspecting and accepting the blankets and, as a result, the firm supplied a large number of sub-standard and below specification blankets, resulting in pecuniary advantage of more than Rs. 3 lakhs to the firm. The C.B.I. has also recommended banning of business dealings with the firm. More than a year has elapsed since the findings of the C.B.I. were communicated to Government but the Government have not yet initiated proceedings for major penalties against the six civilian officers and no decision has been taken on the suggestion that the pension of the Lt. Col. who was released from re-employment in the army with effect from 15th June, 1973, should be reduced. The Committee would like that disciplinary proceedings should be finalised without delay. The Committee would also like to know the decision taken by the Government on the recommendation that business dealings with this firm and any other firm or company owned, managed or controlled by the Directors of this firm, should be banned. The Committee are of the opinion that an immediate inquiry should be instituted into the part played in this case by various officers in particular the Director of Ordnance Services (Lt. Gen. Sandhu). The Committee would suggest that this inquiry should be entrusted either to the Central Vigilance Commission or to a Judicial Commission presided over by a sitting High Court Judge.

\* \* \*

1.97. The Committee are most distressed to see that the officials mentioned above who were entrusted with safeguarding the financial interests of the Government while procuring an essential item for our fighting troops, namely blankets, in the forward areas conspired with private business and defrauded the exchequer as well as seriously jeopardised the fighting efficiency of our troops by exposing them to climatic hazards. Appropriate action should be taken against them immediately and the more senior the officer involved the more severe the punishment that should be inflicted on him."

1.21. In their Action Taken Note dated the 17th November, 1975 on the above recommendations, the Department of Supply have stated as follows:—

"The Public Accounts Committee had recommended that an

inquiry is to be instituted into the part played in the case by various officers and that such an inquiry should be entrusted either to the Central Vigilance Commission or to a Judicial Commission presided over by a High Court Judge. The Cabinet Secretariat have been requested to take a view on behalf of the Government as a whole regarding the agency who should conduct the inquiry. The decision of the Cabinet Secretariat is awaited. Further action taken notes will be forwarded in due course."

1.22. The Department of Defence, in their Action Taken Note dated the 9th October, 1975, furnished to the Committee with reference to the recommendations contained in paragraph 1.95, have stated:

"After investigating the case, the C.B.I. recommended action against Lt. Col. JBS Thakur under Section 45 read with Section 52(f) of the Army Act, 1950 and regular departmental action against S/Shri Y. R. Chawla, SSO-II, M. D. Gupta, Chargeman Grade I, P. L. Joshi, Chargeman Grade I, S. K. Joshi Chargeman Grade I, K. L. Tuckley, Chargeman Grade II and R. Ramakrishnan, Assistant Foreman. Departmental proceedings, as for a major penalty, in common proceedings have been initiated against all the civilian officials mentioned above. Chargesheets under Rule 14 of the CCS(CC&A) Rules, 1965 were issued to them on 11-3-75. As the Officials denied the Charges against them, the case has been entrusted to a Commissioner for Departmental Enquiries for an enquiry. Enquiry proceedings are now pending with the Commissioner for Departmental Enquiries.

As regards Lt. Col. J. B. S. Thakur, court martial proceedings could not be initiated against him as he was released from re-employment in the Army with effect from 15th June, 1973. The C.B.I., who were requested to examine the question of prosecuting Lt. Col. Thakur and the others in a Court of Law, stated that the material available in this case did not warrant prosecution of either Lt. Col. Thakur or the other civilian officials. Therefore, the feasibility of imposing a suitable cut in the pension of Lt. Col. Thakur on the basis of the evidence brought out in the SPE's report is under active consideration.

The CBI's recommendation, that business dealings with the Shree Krishna Woollen Mills and any other firm or com-

pany owned, managed or controlled by the Directors of this firm should be banned, is under consideration of Government.

Regarding the recommendation of the P.A.C. for entrusting the enquiry either to the Central Vigilance Commission or to a Judicial Commission presided over by a High Court Judge, the Central Vigilance Commission have agreed to undertake a fact-finding enquiry. The Inquiry Officer of the CVC will be assisted by two officers of the Ministry of Defence and the Department of Supply, who are conversant with the case. After the report of the fact-finding enquiry is received, further necessary action, if any, will be taken by the Government in consultation with the Central Vigilance Commission."

**1.23. The Committee note that the Central Vigilance Commission have agreed to undertake a fact-finding enquiry into this case. The proposed enquiry should be thorough and should also be completed quickly. Stringent action must follow against officials found guilty of malafide intentions and corrupt practices. As already observed by the Committee, in paragraph 1.97, the more senior the officer involved, the more exemplary the punishment inflicted ought to be. Pending completion of the inquiry, Government should examine the feasibility of at least transferring the officers whose bonafides are suspect to less sensitive areas of work. The Committee would like to know the final decision of the Cabinet Secretariat, which needs to be expedited, on their recommendation contained in paragraph 1.93.**

**1.24. The enquiry proceedings relating to the six civilian officials of the Defence Inspection Organisation about whom the Special Police Establishment of the Central Bureau of Investigation, reported as long ago as in November, 1973, that they had not maintained absolute integrity and devotion to duty in the matter of inspecting and accepting the blankets, are stated to be still pending with the Commissioner for Departmental Enquiries. The Committee ask for expedition in this matter. The final decision on the question of imposing a suitable cut in the pension of the Lieutenant-Colonel who was found guilty by the Special Police Establishment and who is stated to have been released from re-employment in the Army must not be delayed any further, as more than two years have elapsed since the 'Investigating Agency' submitted its report. The Committee need hardly emphasise that such delays in the completion of disciplinary proceedings foil their purposes and should be avoided.**

1.25. What causes grave concern to the Committee is the apparent reluctance on the part of Government to initiate action on another recommendation of the Central Bureau of Investigation to the effect that business dealings with the firm, Shree Krishna Woollen Mills, which had indulged in malpractice, substitution and other irregularities, should be banned. It is distressing that there has been no decision in this regard, in spite of the lapse of over two years since the findings of the Central Bureau of Investigation were made available to Government and more than a year since the Committee were first seized of this matter. Government have also not furnished any reasons for this delay, except to state that the recommendation was 'under consideration'. The Committee deplore this delay in a straight forward case and take serious view of the peculiarly casual approach of Government in this matter. The circumstances of and reasons for this delay should be forthwith investigated and responsibility fixed for appropriate action. The Committee reiterate its earlier recommendation that business dealings with this firm and any other firm or company owned, managed or controlled by the Directors of this firm should be banned, and call upon Government to implement it forthwith and report the action taken within a month.

## **CHAPTER II**

### **RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation**

MGO Branch (Directorate of Ordnance Services) Defence Department placed an indent on DGS&D for supply of 6 lakh blankets by 30th September, 1972 and another 6 lakh by 30th September, 1973. The blankets were of three prescribed specifications *viz.*

- (a) 100 per cent indigenous wool of medium quality.
- (b) 90 per cent indigenous wool of coarser quality admixed with 10 per cent viscose rayon or nylon.
- (c) 45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with minimum 10 per cent nylon total wool content blankets shall not to be less than 80 per cent.

[S. No. 1 (Para 1.72) of Appendix VI to 137th Report (Fifth Lok Sabha)]

#### **Action Taken**

No action by Government is called for on these observations of the PAC.

[Ministry of Defence O. M. No. PC 12(1)/75/D(O.I.) dated 22-9-75]

#### **Recommendation**

This is a rigid precondition put forward although the supply timings had no relation whatsoever with stipulation. As the blankets were required at short notice the Defence Department agreed to relax the specification. According to relaxed specifications, (i) the blankets could be made with imported shoddy wool, (ii) the wool content was not to be less than 70 per cent; and (iii) breaking strength could be less by 10 per cent.

[S. No. 2 (Para 1.73) of Appendix VI to 137th Report (Fifth Lok Sabha)]

### **Action taken**

No action by Government is called for on these observations of the PAC.

[Ministry of Defence O.M. No. PC 12(1)/75/D(O.I.) dated 22-9-1975]

### **Recommendation**

A sense of urgency was created and the reason advanced by the Defence Department for such a course of action was that the supply of blankets by the DGS&D was not keeping pace with the requirements of the Defence Department.

[S. No. 3 (Para 1.74) of Appendix VI to 137th Report (5th Lok Sabha)]

### **Action taken**

No action by Government is called for on these observations of the PAC.

[Ministry of Defence O.M. No. PC. 12(1)/75/D(O.I.) dated 22-9-1975]

### **Recommendation**

According to the information furnished to the Committee, the normal annual requirement of blankets by the Defence Department is approximately 7 lakhs and the specifications are also rigid. It has been stated that the 'Defence Department' makes advance planning and places its indents on the DGS&D. The DGS&D places acceptances of Tenders on registered suppliers for supplies within the dates indicated in the acceptance notes and the dates are also extended in relaxation in consultation with the indentor. Inspection of goods supplied against the Acceptance of Tenders is the responsibility of the MGO Branch of Defence Department and the procedure followed by the Defence Inspectorates for the inspection of goods supplied by the trade against the A/Ts placed by the DGS&D is as per DGI's Standing Orders. It has also been stated that certain departures on points of detail from the general inspection drill are made on the merits of each case.

[S. No. 4 (Para 1.75) of Appendix VI to 137th Report (5th Lok Sabha)]

### **Action taken**

No action by Government is called for on the observations made by PAC. It may however be stated that the inspection of goods

supplied against the A/T is the responsibility of the Directorate General of Inspection and not of the MGO Branch.

[Ministry of Defence O.M. No. PC. 12(1)/75/D(O.I.)  
dated 15-9-1975]

### **Recommendation**

The Secretary of the Department of Supply has stated during evidence that it is not the function of the DGS&D to scrutinise the demand that is placed on them. There was a pressing demand for the supply of blankets on the DGS&D who taking into consideration the emergency situation, sought the good offices of the Textile Commissioner and, as a result of a meeting held in the office of the Textile Commissioner with the industry on 4th November, 1971 arranged for the supply of blankets according to relaxed specifications.

[S. No. 5 (Para 1.76) of Appendix VI to 137th Report  
(5th Lok Sabha)]

### **Action taken**

No action by Government is called for on these observations of the Public Accounts Committee.

[Department of Supply O.M. No. P III-22(1)/75  
dated 22-10-1975]

### **Recommendation**

On the 3rd November, 1971 the Deputy Director General (N) (DGS&D) wrote to the Defence Department that blankets manufacturers can meet the additional defence requirements of 4 lakh numbers subject to certain relaxations. On the same day, the Lt. Genl. Sandhu the DOS, Army Headquarters, writes to Secretary in the Ministry of Supply, that description and the specifications of the blankets as mentioned in D.D.G.(N) (DGS&D) D.O. letter of 3rd November, 1971, are broadly acceptable to the Army Headquarters. On the 23rd November, 1971, DDOS(P), Army Headquarters, makes a request to DDG(N), DGS&D "kindly place orders on these two firms (M/s. Krishna Woollen Mills, Bombay and M/s. Swadeshi Woollen Mills, Ludhiana) and forward copies of the same to this office by hand for further action.

[S. No. 8 (Para 1.79) of Appendix VI to 137th Report  
(5th Lok Sabha)]

### **Action taken**

No action by Government is called for on these observations of the Public Accounts Committee.

[Department of Supply O.M. No. PIII-22(1)/75 dated 22-10-1975]

### **Recommendation**

M/s Shree Krishna Woollen Mills whose name was recommended by the Defence Department received an order for supply of 13,000 blankets which were stated to be lying ready in stock with them. The samples submitted by this firm were examined and discussed in the room by MGO on 18th November, 1971 and it was decided to procure these blankets on the basis of the two samples. In pursuance of the recommendation of the Defence Department that DGS&D should place order on Shree Krishna Woollen Mills, Bombay negotiations were conducted with the firm on 26th November, 1971 and an order was placed with them with the approval of Associated Finance, for delivery of 13,000 blankets by 10th December, 1971. Earlier on 9th November, 1971 a contract was placed with Shree Krishna Woollen Mills for supply of 50,000 blankets to the relaxed specifications pursuant to the discussions held with the shoddy industry that blankets with deviations should be accepted. The delivery of 50,000 blankets was to be made by 31st December, 1971. The firm could supply only 37,000 blankets by the due date. The quantity on order with Shree Krishna Woollen Mills was increased on 1st January, 1972 from 50,000 to 1,00,000 and this was stated to be done "with a view to ensure supply by 31st January, 1972 of 4 lakh blankets wanted by Defence Services by November-December, 1971 out of 12 lakh blankets indented for in October, 1971.

[S. No. 9 (Para 1.80) of Appendix VI to 137th Report (5th Lok Sabha)]

### **Action taken**

No action is called for on these observations of the PAC.

[Ministry of Defence O.M. No. PC. 12(1)/75/D(O.I.) dated 22-9-1975]

### **Recommendation**

One of the associates of Shree Krishna Woollen Mills viz. Arther Import & Export Co. was given an order for 62,500 blankets out of

the total quantity of 19 lakhs indented for earlier. This firm had supplied 34,200 blankets against the order of 62,500 and the balance of 28,300 blankets was cancelled. The Committee strongly suspect that after Arther Import and Export Co. had failed in the contractual obligations, their own associate Shree Krishna Woollen Mills came forward through another door to supply blankets which eventually turned out to be of very much sub-standard quality. It may be mentioned that two of the Directors of Arther Import and Export Co. (Shri S. N. Puri and R. N. Khanna) are also Directors of Shree Krishna Woollen Mills (P) Ltd., Bombay.

[S. No. 10 (Para 1.81) of Appendix VI to 137th Report (5th Lok Sabha)]

#### Action taken

No action by Government is called for on these observations of the Public Accounts Committee.

[Department of Supply O.M. No. PIII-22(1)/75 dated 22-10-1975]

#### Recommendation

On the 25th February, 1972 DOS, Army Hqrs. in his letter addressed to Secretary, Ministry of Supply writes:

"Recently on 11th February, 1972 a meeting was held by the DGS&D in Bombay with the representatives of the shoddy mills associations on the question of procurement of blankets. The Shoddy mills association could at best offer 5 lakhs blankets per year of reduced specifications, i.e. blankets having 75 per cent wool content against 80 per cent wool content. Shree Krishna Woollen Mills have offered to produce 50,000 blankets per month with 80 per cent wool content provided they are immediately booked and given long term orders.

In the light of the above and past experience of the rate of supplies it is necessary that all these mills who offer to concentrate on manufacture of blankets for defence especially of normal specification should be fully booked as early as possible. This is all the more important as price of wool is rising and any delay will result in extra expenditure. You might like to look into the case of M/s Shree Krishna Woollen Mills in the above context."

[S. No. 12 (Para 1.83) of Appendix VI to 137th Report (5th Lok Sabha)]

### **Action taken**

No action is called for on these observations of the PAC.

[Ministry of Defence O.M. No. PC. 12(1)/75/D(O.I.)  
dated 22-9-1975]

### **Recommendation**

Again on the 3rd April, 1972, DOS (Lt. Genl. Sandhu), Army Headquarters sends a letter to DGS&D stating that:—

“The total requirement of blankets in 1972-73 subject to clearance by Ministry of Finance (Defence) will be 8.91 lakhs (new indent) plus 9.07 lakhs against outstanding contracts, i.e. 17.98 lakhs. Against this and taking into account the availability of blankets with us we would require 12 lakhs out of 17.98 lakhs by September 1972. Our assessment is that the old suppliers will not be able to deliver more than 6 to 6.5 lakh blankets by September, 1972. New suppliers who can supply A, B and C grade of blankets should, therefore, be tapped. Any deficiency which cannot be met by specification blanket should be covered by shoddy blankets of 75 per cent wool content and normal breaking strength.”

[S. No. 13 (Para 1.84) of Appendix VI to 137th Report  
(5th Lok Sabha)]

### **Action taken**

No action is called for on these observations of the PAC.

[Ministry of Defence O.M. No. PC. 12(1)/75/D(O.I.)  
dated 22-9-1975]

### **Recommendation**

He even goes to the extent of putting in, that letter, a recommendation for Shree Krishna Woollen Mills saying that:—

“You must have received the capacity report of Shree Krishna Woollen Mills and also negotiated with them and other suppliers. I shall be grateful if an indication of the outcome of the negotiation specially with regard to the

prospects meeting the requirement of 12 lakh blankets by September 1972 can be given."

[S. No. 14 (Para 1.85) of Appendix VI to 137th Report (5th Lok Sabha)]

**Action taken**

No action is called for on these observations of the PAC.

[Ministry of Defence O.M. No. PC. 12(1)/75/D(O.I.) dated 22-9-1975]

**Recommendation**

One of the firms receiving the order of 3,86,000 blankets is the same firm, *viz.* Shree Krishna Woollen Mills whose name was recommended by DOS, Army Headquarters (Lt. Gen. Sandhu).

[S. No. 16 (Para 1.87) of Appendix VI to 137th Report (5th Lok Sabha) ]

**Action taken**

No action by Government is called for on these observations of the Public Accounts Committee.

[Department of Supply O.M. No. P. III-22(1)/75 dated 22-9-1975]

**Recommendation**

It is noteworthy that Shree Krishna Woollen Mills did not attend the meeting held on 10th April, 1972 where besides the representatives of 8 shoddy units the President of the Indian Shoddy Mills Association was present.

[Sl. No. 18 (Para 1.89) of Appendix VI to 137th Report (5th Lok Sabha) ]

**Action taken**

No action by Government is called for on these observations of the Public Accounts Committee.

[Department of Supply O.M. No. P. III-22(1)/75 dated 22-10-1975]

### **Recommendation**

Shree Krishna Woollen Mills had also given a representation addressed to the Minister on 5th April, 1972 saying that they could supply blankets with 75 per cent wool content otherwise conforming in every respect to Defence specification, at the rate of Rs. 41 per blanket, offering delivery at the rate of 50 to 60 thousand numbers per month. This representation is stated to have been discussed in the room of the Minister of Supply on 7th April, 1972 orders for additional quantities of blankets were thereafter placed on Shree Krishna Woollen Mills.

[S. No. 19 (Para 1.90) of Appendix VI to 137th Report  
(5th Lok Sabha) ]

### **Action taken**

No action by Government is called for on these observations of the Public Accounts Committee.

[Department of Supply O.M. No. P III-22(1) 75 dated  
22-10-1975]

### **Recommendation**

The Committee are surprised by the statement made by the Ministry of Defence that "All consignments of barrack blankets from M's Shree Krishna Woollen Mills were inspected before issue of Inspection Notes accepting them." This is not correct. Had the inspection been done properly and faithfully by the inspecting staff and in terms of the instructions laid down in the DGI's inspection order, the acceptance of a large number of sub-standard blankets would not have been possible. There would seem to have been dismal failure and dereliction of duties on the part of the inspecting staff also.

[S. No. 23 (Para 1.94) of Appendix VI to 137th Report  
(5th Lok Sabha) ]

### **Action taken**

The consignments of Blankets Barrack from M's Shree Krishna Woollen Mills were inspected, before issue of inspection notes accepting them. However, it was found subsequently that this inspection

had not been carried out satisfactorily. The case was investigated by the CBI. The C.B.I. accused one SSO-II, one Assistant Foreman and four chargemen of dereliction of inspection duties. The CVC recommended departmental disciplinary action against these individuals. Disciplinary proceedings have been instituted against these officials and the case has been entrusted to a Commissioner for Departmental Enquiries for a joint enquiry.

[Ministry of Defence O.M. No. PC 12(1)/75/D (O.I.) dated  
15-9-1975]

## **CHAPTER III**

### **RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLIES RECEIVED FROM GOVERNMENT**

#### **Recommendation**

The Committee are constrained to note that in spite of the fact that the annual requirements of the Defence Department for Supply of blankets were known to the DGS&D, they had not made any firm arrangements either for locating new source of supply of the right quality or for watching the deliveries against A/T placed on traditional suppliers. In several cases deliveries had to be extended or contracts had to be cancelled. When an emergent indent was received from the Defence Department for supply of 4 lakh blankets, the DGS&D without taking any steps to expedite supplies against the pending contracts, acquiesced in the proposal of the Textile Commissioner that 4 lakh blankets could be obtained from the shoddy industry with relaxed standards. It is very surprising that the DOS Defence Department should have readily agreed to this proposal on the false plea of emergency although there was in fact no emergency at all. When asked to state what was meant by emergency demand the representative of the Defence Department has informed the Committee in evidence that, "There were about 12 lakh blankets already outstanding for supply between 1969 and 1971. These were not being supplied according to schedule which had been arrived at on the contractual basis worked out by DGS&D. We were left with no other option but to place an additional demand for 6 lakhs for delivery during 1972-73, though previous demand was existing there, because we do forward provisioning". He further informed the Committee that "this indent was not an emergency purchase. This was only an indent placed for 1972-73 in the routine fashion. All that has happened was that we had advanced the schedule of delivery. We had asked for it a little earlier." The Committee are not at all convinced with the submission of these arguments.

[S. No. 6 (Para 1.77) of Appendix VI to 137th Report  
(Fifth Lok Sabha)]

### Action taken

As regards the question of annual requirement of Defence Department being known to DGS&D, the position is clarified as under:—

- (i) During the meeting held in DGS&D on 4-3-71, DOS informed that the requirement of Blankets will be more or less steady @ 6 lakhs blankets per annum for the next three years.
- (ii) Deputy DOS informed on phone on 6-11-71 that normal annual requirements of blankets would be about 7.38 lakhs Nos.
- (iii) DOS under letter No. 86800/C/KC/OS-P-II dated 6-2-1973 also indicated monthly wastage figure as 60,000 Nos. which would give the impression of the annual requirements would be about 7.20 lakhs.

It is not correct to say that DGS&D did not make any efforts to locate the new source of supply for the right quality of blankets. As the established suppliers in large scale units were not quoting against DGS&D enquiries for blankets, certain measures were adopted in consultation with the Department of Supply to make up the deficiencies, to watch deliveries against the AT's placed with the traditional suppliers and to adopt measures for locating new source of supply. The position of supply of blankets was under constant review at the level of Senior Officers in DGS&D and the Ministry of Supply. Apart from the regular machinery that existed in DGS&D for progressing Co-ordination Committee meeting were held by the Secretary (Supply) with Senior Officers of Services Headquarters and Ministry of Defence. Similarly regular review meetings for critical items were held by Director General, DGS&D with the Director of Ordnance Services. Details are as follows:—

- (a) In January 1971 a Co-ordination Committee meeting was held when the problem of large demands on the one hand and the reluctance of the bigger units in the industry to quote to DGS&D on the other, were discussed;
- (b) In March 1971, Secretary (Supply) held a meeting with the large scale manufacturers but the response was not encouraging;
- (c) In July 1971, the DGS&D deputed a team of Officers headed by Deputy Director General and consisting of represen-

tatives of Defence Inspectors and DOS to visit the manufacturing centres in Punjab to expedite supplies. After visiting the various centres the team submitted its findings on the basis of which it was concluded that the requirements of DOS would not be met fully by expected supplies from the traditional suppliers;

- (d) KVIC were requested to mobilise additional sources of supply according to the then Defence specification of their own specification;
- (e) Further round of discussions were held with larger units to see if they could supply blankets at the negotiated rate, which evidently was on the higher side, as compared to the rate of the small scale sector;
- (f) The assistance of textile Commissioner was sought for procuring large number of blankets. This has a reference to the decision taken in the Department of Supply on 9-8-1971. Discussions were held with KVIC on 19-8-71 and consequently orders for 20,000 blankets were placed as per samples.
- (g) A meeting was held on 22-10-71 in the room of Additional Secretary, Ministry of Defence, wherein it was decided that DGS&D would submit report by 30-10-71 on the arrangements made by various firms for stepping up the production.
- (h) Textile Commissioner *vide* his telex dated 27-10-71 intimated DGS&D that 15,000 Blankets to required specifications could be obtained arranged before 15-11-1971, as against the Defence requirements of 4 lakhs.
- (i) A meeting was held in the room of Secretary (Supply) on 29-10-1971 wherein, it was decided that with the help of Textile Commissioner the possibilities of persuading the big mills would be explored to supply as large a number of blankets as possible.
- (j) Textile Commissioner *vide* his telex dated 29-10-71 intimated names of bigger shoddy spinning mills, who could supply the required blankets as per specification by the end of December, 1971 if orders were placed immediately.

- (k) Textile Commissioner, vide his letter dated 30-10-71 informed Secretary, Indian Shoddy Mills that 4 lakhs blankets conforming to Defence Specification IND|TC|1408 (g) were required by DGS&D within a period of one month. Secretary ISMA was advised to direct all the prospective suppliers to contact DGS&D with their prices and schedule of delivery.
- (l) A meeting was held in Textile Commissioner's Office on 31-10-71 with the representatives of Shoddy industry for procurement of 4 lakh blankets within one month. During discussions it emerged that it was not possible to get the stores unless the specifications were relaxed [pp. 8-9/- DDG (N) Shoddy].
- (m) On 1-11-71, a meeting was held in the room of Secy. Department of Supply. It was felt during discussion that supply of 1.25 lakh blankets against contracts already placed could be expected by November 1971. DGS&D informed in this meeting that in the discussions held with larger units, it emerged that it was not possible to get specification blankets. It was, therefore, decided to constitute a Board of Officers to effect procurement of non-standard blankets against emergent Defence requirements.
- (n) Textile Commissioner advised DGS&D on 2-11-1971 that 4 lakh blankets could be supplied during November|December 1971 to Defence specifications, subject to the following relaxations:—
  - (i) Firm order should be placed within 3 days;
  - (ii) Specification should be relaxed and 70 per cent wool contents in lieu of 80 per cent should be accepted.
  - (iii) Breaking strength reduced by 10 per cent, and
  - (iv) The supplies would be effected in plain dark grey shade, otherwise slight variation in grey couleur be permitted.
- 3. It may be further clarified that the Ministry of Defence did not place a separate emergent indent for 4 lakh blankets. This requirement was reiterated within the original indent placed by the Ministry of Defence on 29-10-1971, for 12 lakh blankets. 4 lakh blankets out of the indent for 12 lakh blankets placed on 29-10-71 were required in addition to supplies materialising against indents placed earlier.

4. The DOS in his DO letter of 3 Nov. 71, stated that descriptions and specifications of the blankets as mentioned in DO letter of November, 71, from DDG (N) are broadly acceptable to us. He however, felt that it will not be advisable to bind ourselves to these specifications in advance as there are bound to be variations in wool content and breaking strength when deliveries are actually made. He also suggested that the matter be left to be decided by the Board of Officers to be constituted by the DGS&D for this purpose, in which his representative and the representative of DI (GS) will also serve as members.

5. The position explained in the foregoing clearly shows that in spite of best efforts on the part of DGS&D to tap new sources of supplies and progressing the contracts placed for the standard blankets supplies did not come through as expected. Considering the emergent situation faced by the DGS&D and the DOS, there was no other alternative, but to procure the shoddy blankets to the relaxed specifications, as suggested by the Textile Commissioner/Board (Constituted for purchase of non-standard blankets against emergent Defence requirements).

[Department of Supply O.M. No. P III-22(1)/75 dated 14-8-1975]

#### **Recommendation**

It has been pointed out in the audit paragraph that out of the first lot of 1.13 lakh blankets ordered on Shree Krishna Woollen Mills, 0.13 lakh blankets supplied in December 1971 were accepted for meeting urgent requirement although breaking strength of these blankets were much lower. Of the balance one lakh blankets 0.50 lakh blankets were to be supplied by December, 1971. As the firm failed to supply the blankets by then it was allowed to supply all the one lakh blankets by January, 1972. The blankets were actually supplied by February, 1972. The Committee feel that the action of the D.G.S.&D. in giving extension of delivery date to Shree Krishna Woollen Mills particularly when the Defence requirement was stated to be an urgent need because of an emergency was most improper and highly objectionable.

[S. No. 20 (Para 1.91) of Appendix VI to 137th Report (5th Lok Sabha)]

#### **Action taken**

The quantity of 1.13 lakhs blankets consisted of 2 contracts—one dated 27-11-71 for 13,000 Nos. to be delivered by 10-12-71. The

firm delivered 10,000 Nos. in time and balance 3,000 Nos. by 24-12-71 (Inspection Note Dates). The second contract was placed on 8-11-71 initially for 50,000 Nos. to be delivered by 31-12-71 and later on increased on 11-1-72 to one lakh Nos. for delivery of the increased quantity of 50,000 Nos. by 31-1-72. The firm supplied 37,000 out of 50,000 Nos. by the due date 31-12-71. The shortfall of 13,000 against the original quantity of 50,000 Nos. was made up by 15-1-72, i.e. with the delay on only 15 days. The quantity of 50,000 Nos. which was ordered on 1-1-1972 could not, however, be delivered by 31-1-1972 and extension of D.P. for this quantity was given for delivery upto 28-2-72 was allowed as the DOS had agreed to the same in a meeting held in the room of DG(S&D) on 1-2-1972 and attended by DOS himself as recorded on the DGS&D Purchase file.

[Department of Supply O.M. No. P III-22(1)/75 dated  
17-11-1975]

## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

#### **Recommendation**

The Committee are inclined to think that there must have been a sustained pressure from the shoddy industry on the DGS&D and the Defence Department for acceptance of blankets made of shoddy wool because at that time considerable quantities of woollen garments had been impored by the industry as rags which could be utilised for the manufacture of Shoddy blankets. The so-called critical supply position, which has been played up by the Defence Department may well have been a facade behind which questionable deals for the supply of blankets were conducted. The Committee consider that had the Ministry of Defence and DGS&D asked the traditional suppliers to expedite the delivery against the pending orders and unfulfilled contracts. instead of putting an emergency order considerable financial loss to the Government would have been avoided and the quality of blankets required for the users in forward areas would not have been so much compromised. The Committee feel that use of the expression 'blankets of 75 per cent' shoddy wool (minimum), in the contracts was weighted in favour of the industry because in place of 75 per cent pure wool, 75 per cent shoddy wool minimum became permissible. The Ministry of Defence has stated that blankets made wholly from shoddy wool contain less than 100 per cent wool. As such in the blankets containing 75 per cent shoddy wool (minimum) the actual wool content would have been less than 75 per cent. It may be clarified why the specification was made "75 per cent shoddy wool (minimum)" instead of shoddy blankets of 75 per cent wool (Minimum).

[S. No. 7 (Para 1.78) of Appendix VI to 137th Report  
(5th Lok Sabha)]

#### **Action taken**

In the review meeting of critical items held in the room of Secretary, Department of Supply on 29-10-71, the DOS revealed that 4 lakh blankets were required by them on super emergent basis by

November, 1971. The matter was further discussed in the room of Secretary (Supply) on 1-11-71, wherein, it was decided that a Board be constituted for purchase of non-standard blankets against emergent Defence requirements. The Board was to go ahead with the procurement of 2 lakh members and meanwhile, DOS would review and re-assess their requirements and would inform the Board of their re-assessed requirements. The Board was to consist of the following:—

- (1) Dy. Director General of supplies & Disposals-Convener.
- (2) A representative of Textile Commissioner.
- (3) A representative of DI(GS), Kanpur.
- (4) A representative of DOS.
- (5) Deputy Secretary (Internal Finance).
- (6) DS(TEX), Bombay.

As already explained against S. No. 6 (para 1.77) the Textile Commissioner advised DGS&D on 2-11-71 that 4 lakh blankets could be supplied during November and December, 1971 conforming to Defence Specifications and subject to the relaxations suggested by him, the DGS&D *vide* their D.O. letter dated 3-11-71 intimated the said position to DOS, who in reply, informed that blankets to relaxed specifications as suggested by Textile Commissioner would be broadly acceptable to them but he added that it would not be advisable to bind themselves to the relaxed specifications in advance as there would be variation in wool content and breaking strength in actual deliveries, the DOS suggested that the matter should be decided by the Board of Officers, who would seal suitable samples to guide inspectors.

The observation regarding expediting the traditional suppliers for delivery against pending orders, instead of putting an emergent order has already been replied to against S. No. 6 (Para 1.77).

Regarding percentage of wool content, Ministry of Defence have already stated that in the trade shoddy blankets are the ones in the manufacture of which, the material used is primarily shoddy wool. Shoddy wool is recovered from old woollen garments, knitted woollen articles, cuttings and the like. These materials, these days, have admixture of non-wool fibre and any blanket made wholly from shoddy wool contain less than 100 per cent wool. Shoddy Blankets of 75 per cent wool content means that when the material of the blanket is analysed it will contain not less than 75 per cent of wool and the remainder may be any other admixture. In the trade, the term of shoddy blankets and shoddy wool

is used quite loosely without having a standard meaning, composition and specification (Para 1.52 of 137th Report of PAC refers).

In addition to the above, it will be observed that against A/T No. 794 dated 21-4-72 placed on M/s. Shree Krishna Woollen Mills (P) Ltd., Bombay samples were received from the firm. These were approved by DOS for colour variation only and were sealed and sent to DIGS for issuing suitable instructions to the Inspector concerned for guiding inspection. DIGS had also been informed by DOS that relaxation in breaking strength, weight and wool contents of blankets was not permissible. Further samples were sent to COD for guidance at the time of receipt of blankets. In this connection, DOS letter No. 86800/C/ KC/OS-P-II dated 9-6-72 refers. Against the same A/T, DOS vide his letter of same number dated 13-7-72 had written to the DGS&D to amend the particulars governing supply as follows:—

23

“As per specification No. IND/TC/1408(g) and approved samples in various colours type ‘C’ except that the wool contents would be 75 per cent shoddy wool (minimum).”

[Department of Supply O.M. No. PII-22(1)/75 dated 14-8-1975]

#### Recommendation

The Committee have no doubt—and this has been confirmed by the findings of the CBI in regard to contracts placed on this firm—that there has been a concerted move on the part of M/s Shree Krishna Woollen Mills in collusion with certain corrupt officials of the MGO/DOS Branch, Defence Department to blackmail the Government and take much undue benefits. It is significant that when one firm failed in their contractual obligations, an associate of the same firm (common ownership) comes through another door, blackmails the Government and extracts a much higher price.

[S. No. 11 (Para 1.82) of Appendix VI to 137th Report (5th Lok Sabha)]

#### Action taken

The contracts were placed on M/s Shri Krishna Woollen Mills by the DGS&D and not by the MGO Branch.

[Ministry of Defence O.M. No. PC. 12(1)/75/D(O.I.) dated 15-9-1975]

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendation

Instead of inviting fresh tenders for specification blankets, the DGS&D placed orders, between April 1972 and October 1972, on three firms for 5.26 lakhs blankets or relaxed specifications. The relaxed specification of 4.46 lakhs of these blankets was to conform to type 'C' in every respect except wool contents would be 75 per cent wool (minimum). It has been pointed out by Audit that purchase of blankets of relaxed specifications cost Rs. 13.42 lakhs more as compared with the price for specification blankets (having 45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with 10 per cent nylon—total wool content being not less than 80 per cent). The specification prescribed in the contracts had no meaning because no scientific tests of wool contents of blankets supplied were applied in any case.

[S. No. 15 (Para 1.86) of Appendix VI of 137th Report  
(Fifth Lok Sabha)]

#### Action Taken

It may be explained, in this connection, that in January, 1972 a residual quantity of approximately 5.51 lakh numbers of blankets against indent dated 29-10-71, was still to be covered. Enquiry for this quantity was advertised for Types A, B and C covered under the regular specification. The tenders were opened on 7-3-72. In response to the widespread advertisement, 49 offers were received including 14 offers from different shoddy units located in the country. In the meantime, DGS&D were informed during the discussion that a further indent for 6 lakh Nos. blankets was expected from DOS (which was actually received in April, 1972) for delivery by September/October/November, 1972 i.e. 50 per cent, 25 per cent, 25 per cent respectively.

After the offers of the tenderers of specification blankets were fully analysed with particular reference to their capacity and delivery, it was considered that for meeting the immediate monthly require-

ment of 2 lakh blankets, as then indicated by DOS, it was essential to have supplies not only from the units engaged in the manufacture of specification blankets as indicated by DOS, but also from larger units who did not quote according to Defence Specification but only to modified/relaxed specification.

After availing of all acceptable offers of small scale units to the maximum extent (4.81 lakhs were covered by end of March '72 and finally 6.24 lakhs) it was clear that there was no other alternative but to purchase shoddy blankets if delivery as required by the indentor was to be maintained.

There was no purpose in issuing a separate enquiry in respect of quantity of 6 lakh numbers blankets indented in April '72 when sufficient numbers of offers were received both in specification and shoddy blankets against the tender opened in March '72. As a matter of fact at that stage, it was felt that Industry was taking advantage of the critical position and was raising their rates. If further enquiry was floated it was quite likely that the rates would have been higher.

Since the capacity of all the units engaged in specification blankets was fully utilised, it was decided to conduct negotiations with the shoddy units, whose offers were otherwise acceptable. These units were invited to attend the meeting on 10-4-72 where not only representatives of 8 shoddy units were present but also Shri Seth of Simplex Woollen Mills' concurrently attended as President of India Shoddy Mills Association. It could therefore, be taken that the entire industry was represented. There was, therefore, no purpose in issuing again separate enquiry for shoddy blankets to relaxed specification.

During the preparation of this action taken note it was considered necessary to obtain from the Ministry of Defence (Department of Defence Production D.G.I.) the results of detailed tests conducted by their Inspectors before accepting the blankets with 75 per cent shoddy wool. A further action taken note will be submitted after information on this point is received from the D. G. I.

[Department of Supply O.M. No. P. III-22(1)/75 dated 17-11-1975]

#### Recommendation

The Committee are not at all convinced by the argument advanced by the Ministry that orders for 5.26 lakh blankets at Rs. 45.02 per

blanket was placed because the capacities of the other supplying firms were full. Besides paying higher prices for the blankets of relaxed specifications the Department very willingly compromised the quality of blankets, as it has been categorically stated by the representative of the Department of Defence that 75 per cent wool, if it is shoddy, does make it inferior to quality 'A' and 'B'. The Committee consider that there was a serious lapse on the part of the Department of Supply in not calling for fresh tenders for this item when, for specification blankets, tenders were called and particularly, when a higher rate was going to be paid for Shoddy blankets. The Committee are of the view that it is a clear case of collusion and require responsibility to be fixed for exemplary punishment under advice to the Committee. [Para 1.88].

The Committee would like the Government to investigate how the Officers of the Department of Supply in what appears to be clear collusion with an officer of no less than a Director of Ordnance Services (Lt. Gen. Sandhu) placed as many as four contracts with Shree Krishna Woollen Mills knowing fully well its antecedents and its past performance. This is a case of clear corruption. The committee would also like the Government to enquire why the Defence Department failed in their duty to detect the defective supplies tendered by this firm for inspection. It is a sad commentary on the functioning of the Defence Inspectorate that it was only an anonymous complaint to Central Ordnance Depot, Kanpur and also the Director General of Supplies and Disposals which exposed the scandal. [Para 1.93].

The Committee have noted that the Central Bureau of Investigation which enquired into the matter of supply of sub-standard blankets by Shree Krishna Woollen Mills have held that one Lt. Col., one Scientific Officer, three Officiating Chargemen (Grade I), one Chargeman (Grade II) and one officiating Assistant Foreman did not maintain absolute integrity and devotion to duty in the matter of inspecting and accepting the blankets and, as a result, the firm supplied a large number of sub-standard and below specification blankets, resulting in pecuniary advantage of more than Rs. 3 lakhs to the firm. The C.B.I. has also recommended banning of business dealings with the firm. More than a year has elapsed since the findings of the C.B.I. were communicated to Government but the Government have not yet initiated departmental proceedings for major penalties against the six civilian officers and no decision has been taken on the suggestion that the pension of the Lt. Col. who was released from re-employment in the army with effect from 15th June, 1973 should be reduced. The Committee would like that disciplinary proceedings should be finalised without delay. The Com-

mittee would also like to know the decision taken by the Government on the recommendation that business dealings with this firm and any other firm or company owned, managed or controlled by the Directors of this firm should be banned. The Committee are of the opinion that an immediate inquiry should be instituted into the part played in this case by various officers in particular the Director of Ordnance Services (Lt. Gen. Sandhu). The Committee would suggest that this inquiry should be entrusted either to the Central Vigilance Commissioner or to a Judicial Commission presided over by a High Court Judge. [Para 1.95]

The Committee are most distressed to see that the officials mentioned above who were entrusted with safeguarding the financial interests of the Government while procuring an essential item for our fighting troops, namely blankets, in the forward areas conspired with private business and defrauded the exchequer as well as seriously jeopardised the fighting efficiency of our troops by exposing them to climatic hazards. Appropriate action should be taken against them immediately and more senior the officer involved more severe punishment that should be inflicted on him. [Para 1.97]

[S. No. 17, 22, 24 and 26 (Para 1.88, 1.93, 1.95 and 1.97) of Appendix VI to 137th Report (Fifth Lok Sabha)]

#### **Action Taken**

##### *Department of Supply*

The Public Accounts Committee had recommended that an inquiry is to be instituted into the part played in the case by various officers and that such an inquiry should be entrusted either to the Central Vigilance Commission or to a Judicial Commission presided over by a High Court Judge. The Cabinet Secretariat have been requested to take a view on behalf of the Government as a whole regarding the agency who should conduct the inquiry. The decision of the Cabinet Secretariat is awaited. Further action taken notes will be forwarded in due course.

[Department of Supply O.M. No. P. III-22(1) '75 dated 17-11-1976]

##### *Ministry of Defence*

S. No. 24 after investigating the case, the C.B.I. recommended action against Lt. Col. JBS Thakur under Section 45 read with Section 52(f) of the Army Act, 1950 and regular departmental action against S/Shri Y. R. Chawla, SSO-II, M.D. Gupta, Chargeman

Grade I, P. L. Joshi, Chargeman Grade I, S. K. Joshi Chargeman Grade I, K. L. Tuckley, Chargeman Grade II, and R. Ramakrishnan, Assistant Foreman. Departmental Proceedings, as for a major penalty, in common proceedings have been initiated against all the civilian officials mentioned above. Chargesheets under Rule 14 of the CCS (CC&A) Rules, 1965 were issued to them on 11-3-75. As the officials denied the Charges against them, the case has been entrusted to a Commissioner for Departmental Enquiries for an enquiry. Enquiry proceedings are now pending with the Commissioner for Departmental Enquiries.

2. As regards Lt. Col. J. B. S. Thakur, court martial proceedings could not be initiated against him as he was released from re-employment in the Army with effect from 15-6-1973. The C.B.I., who were requested to examine the question of prosecuting Lt. Col. Thakur and the others in a Court of Law, stated that the material available in this case did not warrant prosecution of either Lt. Col. Thakur or the other civilian officials. Therefore, the feasibility of imposing a suitable cut in the pension of Lt. Col. Thakur on the basis of the evidence brought out in the SPE's report is under active consideration.

3. The CBI's recommendation, that business dealings with the Shree Krishna Woollen Mills and any other firm or company owned, managed or controlled by the Directors of this firm should be banned, is under consideration of Government.

4. Regarding the recommendation of the P.A.C. for entrusting the enquiry either to the Central Vigilance Commission or to a Judicial Commission presided over by a High Court Judge, the Central Vigilance Commission have agreed to undertake a factfinding enquiry. The Inquiry Officer of the CVC will be assisted by two officers of the Ministry of Defence and the Department of Supply, who are conversant with the case. After the report of the factfinding enquiry is received, further necessary action, if any, will be taken by the Government in consultation with the Central Vigilance Commission.

[Ministry of Defence O.M. No. PC. 12(1)75|D(O.T.)  
dated 9-10-1975].

#### **Recommendation**

From the facts disclosed in the Audit Paragraph as well as the report of the C.B.I. which investigated the supply of sub-standard blankets by Shri Krishna Woollen Mills against three A/Ts Nos. 664, 691 and 794, it is clear that the DOS, Army Headquarters and

the Department of Supply sacrificed the interests of the Government and allowed themselves to be duped by this firm. There had been outright rejection of 1452 blankets against A/T Nos. 664 and 2698 blankets against A/T Nos. 691 and these were not acceptable even on a price reduction. The value calculated on the basis of the blankets accepted under price reduction is stated to be Rs. 3,05,566 and the claims covering blankets not acceptable under price reduction are still to be worked out.

[S. No. 21 (Para 1.92) of Appendix VI to 137th Report (5th Lok Sabha)].

#### **Action taken**

In A/T No. 664 where demand notice has been issued for Rs. 3,05,566/- towards blankets to be accepted under price reduction-firm has obtained the stay from Delhi High Court. As regards totally rejected blankets, DOS has intimated the salvage value on 7-1-1975. In consultation with the Ministry of Law, Litigation Section has been requested to take further action for filing an appeal in the Delhi High Court against the stay and also to include the amount to be recovered for the totally rejected quantity. This amount comes to Rs. 53,761/75.

2. As regards A/T No. 691 where recovery has to be made for 2898 Nos. of Blankets not acceptable even under price reduction Ministry of Law has been consulted on various occasions for issue of demand notice. They have finally desired to know whether the firm was associated at the time of re-constitution of the sample and whether any letter was given to them after re-inspection stating that the stores were not according to the specification and were unacceptable. This information has been called for from CBI/ CTT&C and the demand notice is likely to be issued as soon as replies are received.

[Department of Supply O.M. No. P. III-22(1) /75  
dated 17-11-1975].

#### **Recommendation**

The Committee have noted that so far as the loss to Government account of supply of sub-standard/below specification blankets is concerned action was initiated by D.G.S. & D. to effect recovery from the firm. They were served with a Demand Notice for a sum of Rs. 3,05,566/-. The stay of this recovery has however been gran-

ted by the Delhi High Court. The Committee would like to be informed about the final disposal of this case.

[S. No. 25 (Para 1.96) of Appendix VI to 137th Report  
(Fifth Lok Sabha)]

**Action Taken**

The matter is still sub-judice. The Committee would be informed of the outcome of the case when the same is settled by the Delhi High Court.

[Department of Supply O.M. No. 5 P. III-22 (1) /75  
dated 17-11-1975].

NEW DELHI;

March 9, 1976

Phalguna 19, 1897 (Saka).

H. N. MUKERJEE.

*Chairman,*  
Public Accounts Committee.

## APPENDIX

### *Consolidated Statement of Conclusions/Recommendations*

Sl. No.	Para No. of the Report	Ministry Concerned	Conclusions/Recommendations
1	2	3	4
1	1.3	Ministry of Defence Department of Supply	The Committee expect that final replies to those recommendations/observations in respect of which only interim replies have so far been furnished will be submitted to them, duly vetted by Audit, without delay.
2	1.7	Do	The Committee find that the reasons for amending the specification of the blankets to '75 per cent shoddy wool (Minimum)' instead of 'shoddy blankets of 75 per cent wool (Minimum)' have not been satisfactorily explained. According to the original Defence specification for type 'C' blankets, the blankets were to contain 45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with minimum 10 per cent nylon, and the total wool content of the blankets was not to be less than 80 per cent. While deciding to purchase blankets of relaxed specifications, the original idea appears to have been also to procure shoddy blankets of 75 per cent wool content. This is borne out by the fact that the representatives of the industry themselves had agreed, in a meeting held

in the Office of the Textile Commissioner at Bombay on 4th November, 1971, (*vide* minutes of the meeting reproduced in Appendix III of the 137th Report), that 'the total wool content in the finished blankets shall not be less than 70 per cent' as against the original specification of 80 per cent wool content. Besides the Director of Ordnance Services had categorically stated, in his letter dated 3rd April 1972 to the Director-General of Supplies and Disposals, that 'any deficiency which cannot be met by specification blankets should be covered by shoddy blankets of 75 per cent wool content and normal breaking strength.' Yet, strangely, in one of his subsequent letters dated 13th July, 1972, the Director of Ordnance Services amended the specification, *inter alia*, to read as 'wool contents would be 75 per cent shoddy wool (minimum)'. In the opinion of the Committee, this amendment influenced the subsequent course of events. The Committee would very much like to know specifically the reasons for this change in the specification, as a result of which the quality of blankets required for use in the border areas were seriously impaired.

In view of the fact that the terms 'shoddy blankets' and 'shoddy wool' are used loosely by the trade, without a standard connotation, composition and specification, the Committee are of the view that Government should have exercised more care in accepting blankets made of shoddy wool to relaxed specifications. It was obligatory to ensure that the quality of the blankets was not unduly lowered.

4

1.11 Ministry of Defence

43

Since this was not done, the Committee has to reiterate its earlier conclusion that 'there must have been a sustained pressure from the shoddy industry on the DGS&D and the Defence Department for acceptance of blankets made of shoddy wool because at that time considerable quantities of woollen garments had been imported by the industry as rags which could be utilised for the manufacture of shoddy blankets'.

The Committee are surprised at the curt and casual reply given by the Department of Defence. It is no news to the Committee that the contracts in question were placed on Shree Krishna Woollen Mills by the Directorate-General of Supplies & Disposals and not by the MGO Branch of the Directorate of Ordnance Services. It is, however, evident from the facts brought out during evidence before the Committee, that the Directorate General of Supplies & Disposals had apparently been influenced by the letters written by the Director of Ordnance Services on the 25th February 1972 and 3rd April 1972, virtually sponsoring Shree Krishna Woollen Mills. Besides, as pointed out in paragraph 1.95 of the Report, in respect of the blankets supplied by this first, the Central Bureau of Investigation have held that the inspecting staff of the Defence Department had not maintained absolute integrity and devotion to duty in the matter of inspecting and accepting the blankets and the first was enabled to get away with the supply of below-specification blankets. In such circumstances, the role played by the Officials of the Department of Defence in this affair cannot be held to be innocent. The Committee, thus, would reiterate their earlier

5

1.14 Department of Supply  
Ministry of Defence

6

1.18 Department of Supply

observations in this regard. The inquiry into the part played by various officers, as required by the Committee in paragraph 1.95 of the Report, should particularly take into account the aspects stressed in these observations.

While the Committee do not desire to pursue the question of fresh tenders not having been invited for the supply of specification blankets, they would like to know the results of the detailed tests, if any, of the wool content of the blankets conducted by the Defence Inspectors before accepting the supplies. This would give an idea of the extent to which the quality of blankets meant for use by the Defence personnel had been compromised.

The Committee take a serious view of the desultory manner in which the question of enforcing Government's claims in respect of the blankets rejected by the indentor is being dealt with by the concerned departments. As early as 21st December 1974, the Committee had been informed by the Department of Supply that 'action has been taken to contest the case' filed by Shree Krishna Woollen Mills in the Delhi High Court praying for a stay of the recovery of Rs. 3.05,566. representing the Government's claim towards blankets accepted under price reduction in respect of A/T No. 664. Yet, till November 1975, no real steps appear to have been taken by the Department of Supply to get the stay vacated and the Department is still in the process of 'filing an appeal' against the stay. The Committee cannot countenance such delay where the financial

7

1.19

—Do—

interests of Government are concerned and desire that appropriate steps should be taken soon to get the stay vacated and to effect recovery.

8

1.23

Department of Supply  
Ministry of Defence

The delay in regard to the recoveries due in respect of A/T No. 691 is equally deplorable. Here again, the Committee had been informed by the Department of Supply on 21st December, 1974 that on the basis of the advice given by the Ministry of Law, Government was making a claim towards breach of warranty against the supplier. All that has happened since then, in the span of about a year, is further consultation with the Ministry of Law and deferment of effective action for the recovery of monies legitimately due to Government. The Committee ask for this long-pending issue to be finalised forthwith and an upto date report furnished to them. The Committee would also like to be informed of the money value of the 2898 blankets rejected against this supply order.

54

The Committee note that the Central Vigilance Commission have agreed to undertake a fact-finding enquiry into this case. The proposed enquiry should be thorough and should also be completed quickly. Stringent action must follow against officials found guilty of malafide intentions and corrupt practices. As already observed by the Committee, in paragraph 1.97, the more senior the officer involved, the more exemplary the punishment inflicted ought to be. Pending completion of the inquiry, Government should examine the feasibility of at least transferring the officers whose bonafides are suspect to less sensitive areas of work. The Committee would like to know the final decision of the Cabinet Secretariat, which needs

9

1.24

Department of Supply  
Ministry of Defence

to be expedited, on their recommendation contained in paragraph 1.93.

The enquiry proceedings relating to the six civilian officials of the Defence Inspection Organisation about whom the Special Police Establishment of the Central Bureau of Investigation, reported as long ago as in November, 1973, that they had not maintained absolute integrity and devotion to duty in the matter of inspecting and accepting the blankets, are stated to be still pending with the Commissioner for Departmental Enquiries. The Committee ask for expedition in this matter. The final decision on the question of imposing a suitable cut in the pension of the Lieutenant-Colonel who was found guilty by the Special Police Establishment and who is stated to have been released from re-employment in the Army must not be delayed any further, as more than two years have elapsed since the 'Investigating Agency' submitted its report. The Committee need hardly emphasize that such delays in the completion of disciplinary proceedings foil their purpose and should be avoided.

10

1.25

—Do—

What causes grave concern to the Committee is the apparent reluctance on the part of Government to initiate action on another recommendation of the Central Bureau of Investigation to the effect that business dealings with the firm, Shree Krishna Woollen Mills, which had indulged in malpractice, substitution and other irregula-

rities, should be banned. It is distressing that there has been no decision in this regard, in spite of the lapse of over two years since the findings of the Central Bureau of Investigation were made available to Government and more than a year since the Committee were first seized of this matter. Government have also not furnished any reasons for this delay, except to state that the recommendation was 'under consideration'. The Committee deplore this delay in a straight forward case and take serious view of the peculiarly casual approach of Government in this matter. The circumstance of and reasons for this delay should be forthwith investigated and responsibility fixed for appropriate action. The Committee reiterate its earlier recommendation that business dealings with this firm and any other firm or company owned, managed or controlled by the Directors of this firm should be banned. and call upon Government to implement it forthwith and report the action taken within a month.

L7

---

