

**OIL AND NATURAL GAS
COMMISSION—EXTRA EXPENDITURE
OF 70.31 LAKHS ON THE
PURCHASE OF POUR POINT
DEPRESSENT**

**MINISTRY OF PETROLEUM &
NATURAL GAS**

**COMMITTEE ON
PUBLIC UNDERTAKINGS
1992-93**

TENTH LOK SABHA



**LOK SABHA SECRETARIAT
NEW DELHI**

THIRTEENTH REPORT
COMMITTEE ON PUBLIC UNDERTAKINGS
(1992-93)

(TENTH LOK SABHA)

OIL & NATURAL GAS COMMISSION—EXTRA
EXPENDITURE OF RS. 70.31 LAKHS ON THE
PURCHASE OF POUR POINT DEPRESSANT

(MINISTRY OF PETROLEUM & NATURAL GAS)

[Action taken by the Government on the
recommendations contained in the 59th
Report of Committee on Public Undertakings
(Eighth Lok Sabha)]



*Presented to Lok Sabha on 31.3.1993
Laid in Rajya Sabha on 31.3.1993*

LOK SABHA SECRETARIAT
NEW DELHI

March, 1993/Chaitra, 1915 (Saka)

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 OF RS. 70.31 LAKHS ON THE PURCHASE OF POUR
 POINT DEPRESSANT.

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(1992-93)**

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2. **Smt. P.K. Sandhu** — *Deputy Secretary*
3. **Shri T.R. Sharma** — *Under Secretary*

* Ceased to be a Member of the Committee consequent on appointment as Minister in the Council of Ministers w.e.f. 18th January, 1993.

**ACTION TAKEN SUB-COMMITTEE OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS
(1992-1993)**

1. **Shri A.R. Antulay — *Chairman***
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6. **Prof. (Smt.) Rita Verma**
7. **Shri Santosh Kumar Sahu**
8. **Smt. Kamla Sinha**

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this 13th Report on Action Taken by Government on the recommendations contained in the 59th Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Oil & Natural Gas Commission—Extra expenditure of Rs. 70.31 lakhs on the purchase of pour point depressant.

2. The 59th Report of the Committee on Public Undertakings was presented to Lok Sabha on 20th July, 1989. Replies of Government to all the recommendations contained in the Report were received on 13th March, 1991. As some statements made by the representatives of ONGC and the Ministry at the time of their evidence before the Committee earlier on the subject were found to be factually incorrect, the Committee took evidence of the representatives of Ministry of Petroleum and Natural Gas and Oil & Natural Gas Commission on 31st December, 1992 to verify the facts. The replies of the Government were considered by the Action Taken Sub-Committee of Committee on Public Undertakings on 24th March, 1993. The Committee also considered and adopted this Report at their sitting held on 24th March, 1993.

3. An analysis of the action taken by Government on the recommendations contained in the 59th Report (1989-90) of the Committee is given in Appendix-III.

NEW DELHI;
March 29, 1993

Chaitra 8, 1915 (Saka)

A.R. ANTULAY,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by Government on the recommendations contained in the Fifty-Ninth Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Oil & Natural Gas Commission—Extra expenditure of Rs. 70.31 lakhs on the purchase of pour point depressant, which was presented to Lok Sabha on 20th July, 1989.

2. Action Taken notes have been received from Government in respect of all the 10 recommendations contained in the Report. These have been categorised as follows:—

(i) Recommendations/observations that have been accepted by Government.

Sl. Nos. 1 to 10 (Paragraphs Nos. 62 to 71)

(ii) Recommendations/observations which the Committee do not desire to pursue in view of Government's reply:

NIL

(iii) Recommendations/observations in respect of which replies of Government have not been accepted by the Committee:

NIL

(iv) Recommendations/observations in respect of which final replies of Government are still awaited:

NIL

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

4. The Fifty-Ninth Report of the Committee was based on an audit paragraph contained in C & AG's Audit Report, 1986, Part VIII relating to ONGC—extra expenditure of Rs. 70.31 lakhs on the purchase of pour point depressant (PPD). Briefly the facts of the case as brought out by Audit in their audit paragraph, were that an order for supply of 2400 MT of PPD was placed by ONGC on M/s. Chika Limited (an indigenous firm) on 23 April, 1982. According to Audit, the supplier (M/s. Chika Limited) could not adhere to the delivery schedule and the supply of PPD effected by them was not of right quality and desired specification. The Commission's action of placing order for the entire requirement for PPD on the single indigenous firm, whose capability in effecting timely supplies had been doubted by the Tender Committee, resulted in a

situation where the Commission was forced to take resort to imports and get the material airlifted at an additional avoidable expenditure of Rs. 70.31 lakhs.

5. After examining the matter and taking evidence of the representatives of ONGC and Ministry of Petroleum & Natural Gas the Committee commented upon the placement of order of 2400 MT of PPD on M/s. Chika Limited especially when the members of the Tender Committee were apprehensive about the firm's capacity in view of its inability to complete the supply within stipulated period in respect of an earlier order of 400 MT placed on them in July, 1981. The Committee on Public Undertakings (1989-90) in paragraph 71 of their 59th Report recommended as under:

"The Committee, therefore, recommend that though belated, a thorough probe by C.B.I. should be made into the whole deal and the persons found responsible for deliberately misleading the Commission into awarding this contract to this firm should be punished and the possibility of recovering the losses incurred by ONGC from M/s. Chika Limited should also be examined."

6. After the presentation of the Report to Lok Sabha M/s. Chika Limited sent a representation to the Chairman, Committee on Public Undertakings stating that their contract with their principals (Dai Ichi Karkaria Private Limited) had been terminated from 18.3.1982 and hence the question of supply of the above material to ONGC did not arise. When the representation of the firm was sent to the Ministry for comments, the Ministry of Petroleum & Chemicals informed on 28.6.1990 *inter-alia* as under:

"ONGC have confirmed that the facts given in the representation are correct that M/s. Chika Ltd. are not manufacturers of PPD and were acting as distributors of M/s. Dai Ichi Karkaria Private Ltd. until 18.3.1982 when this relationship was severed. ONGC was informed of this on 22.4.1982 and therefore the final purchase order in respect of 2400 MT of PPD was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. on 23.4.1982 and not on M/s. Chika Ltd. This fact was not pointed out by ONGC earlier and in fact, throughout the evidence before COPU also. Chairman, ONGC is being asked to look into this lapse and fix responsibility and take necessary action against those responsible for this lapse. It is regretted that this fact was not pointed out to COPU earlier with the result that in the entire report of COPU mention was made of M/s. Chika Ltd. and not of M/s. Dai Ichi Karkaria Pvt. Ltd. who were the actual firm on whom the order was placed."

7. In their action taken replies furnished on 13.3.1991 the Ministry of Petroleum & Natural Gas had stated as under:

“The order for supply of 2400 MT of PPD was finally placed by ONGC on M/s. Dai Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd. who had originally participated in this tender as the authorised distributor of M/s. Dai Ichi Karkaria Pvt. Ltd. This change was necessitated because of the reported termination of the distributorship arrangement between the two firms on 18.3.82. M/s. Chika Ltd. had also made a representation to the Chairman, Committee on Public Undertakings in respect of COPU's 59th Report. The representation was examined in this Ministry and the same has been accepted to the extent that M/s. Chika Ltd. were not manufacturer of PPD and were acting as distributor of M/s. Dai Ichi Karkaria Pvt. Ltd., until 18.3.1982 when their distributorship was reportedly terminated by M/s. Dai Ichi Karkaria Pvt. Ltd.”

Audit while vetting the reply on action taken by Government has observed as under:

“It is correct that M/s. Chika Ltd. were not manufacturers of PPD and were acting as the distributor of M/s. Dai Ichi Karkaria Pvt. Ltd. and order for 2400 MT of PPD was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. However, the fact regarding termination of distributorship on 18.3.1982 was not available on record.”

The Ministry have also stated:

“The final order in respect of 2400 MT was placed on M/s Dai Ichi Karkaria Pvt. Ltd. M/s Chika Ltd. have been informed accordingly vide this Ministry's letter of even number dated 31.10.1990. It is regretted that this fact was not brought out suitably by ONGC earlier and, in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU suitably about distributorship arrangement between M/s Dai Ichi Karkaria Pvt. Ltd. and M/s Chika Ltd. and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.”

8. In view of the seriousness of the matter and for not presenting the correct position before a Parliamentary Committee, the Committee on Public Undertakings (1992-93) took evidence of the representatives of Ministry of Petroleum & Natural Gas and Oil & Natural Gas Commission on 31st December, 1992 and sought necessary clarifications on certain points as brought out in the succeeding paragraphs.

A. Placement of orders on M/s. Dai Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd.

9. During evidence the Committee pointed out that the fact that actual order for supply of 2400 MT of PPD. was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd. was not brought to the notice of the Audit. The Committee (1989-90) were also not informed about it at any stage. It was only on receipt of representation dated 28.7.1989 from M/s. Chika Ltd. that the matter came to the notice of the Committee for the first time.

10. When asked about the reasons for not placing the true facts before the Committee the Secretary, Petroleum and Natural Gas stated as follows:

"I have gone through the records of both the ONGC as also the Ministry. I find that these two companies name have been used in an inter-changing fashion. The focus being on placement of orders for PPD, deviation from the tender norms etc. had dominated the entire discussion. This aspect has been submitted to this Committee a number of times, both in oral and written submissions. This particular fact was not specifically pointed out that the actual order was placed on the main manufacturer, viz. Dai Ichi and not on M/s. Chika Limited."

11. On being pointed out by the Committee that the order for pour point depressant was placed as far back as in April, 1982 and the fact that this was placed on M/s. Dai Ichi Karkaria Pvt. Limited and not on M/s. Chika Limited had come to the notice only after presentation of the Committee's Report in July, 1989, the Petroleum Secretary stated:—

"Yes, that is admitted."

12. The Committee wanted to know whether any enquiry was made to fix the responsibility of the persons responsible for not placing true facts before the Committee. The Petroleum Secretary stated:

"The Chairman, ONGC was asked to enquire into this and fix the responsibility and to report the results of that. So, the Departmental enquiry has been conducted; responsibility was fixed on three serving officials and warnings have been given. Those warnings have been placed on the ACRs of the officers. That is the report that we have also got."

In this connection, the Chairman ONGC also stated:—

"The enquiry say that there was no deliberate attempt to conceal anything. The enquiry Committee was comprising of Group General Manager Production, Shri P.V. Rao, and Deputy General Manager Finance, Shri Chatterjee. On the basis of the departmental enquiry three officers of the ONGC were warned to be careful in future."

13. The Departmental enquiry Committee had in their findings however, stated as under:

“The Committee considered that the omission should have been detected by the working level both at the Project level as well as by the officers of internal audit at Headquarters whose responsibility it was to verify and finalise the reply before submission to appropriate agencies.

There was an opportunity to verify the position when draft report of COPU was sent to Commission for comments. It is, however, observed that only figures included in the COPU report were verified and other aspects were not examined with source documents resulting undetection of the above omission even at that stage.”

14. From the enquiry report as also written replies furnished by the Ministry it is also noticed that 5 officers were identified for the lapse. The warning could be issued only to 3 officers as 2 other officers had since retired.

15. When asked by the Committee whether the punishment awarded was commensurate with the negligence of the concerned employees, the Petroleum Secretary stated:

“This (warning) has been placed in the character roll. In the scheme of things, they are all below Board level officers and the ONGC is quite competent to take action against them. The Ministry had asked them to take action and this had been done.”

He added:

“If the Ministry has to look into this, then the entire records have to be gone through not merely the enquiry report. Then only the Ministry can form its own independent conclusion. This has not been done.”

16. The Committee take strong exception to the wrong statement of facts made by ONGC during their evidence before the Committee and also in their written information that M/s. Chika Ltd. were the actual suppliers of PPD whereas the purchase order for the entire material of 2400 MT of PPD was actually placed on M/s. Dai Ichi Karkaria Pvt. Ltd. with whom M/s. Chika Ltd. had severed their connections from 18 March, 1982 and they had informed ONGC about it on 22 April, 1982. The plea taken by ONGC and Minister that both the names were used in inter-changing fashion is hardly convincing. Undoubtedly the officers dealing with the case did not exercise due care and caution to verify the facts from their records as is evident from the findings of the Departmental Enquiry Committee which states that even at the time of verification of the facts in the draft Report only figures included in the COPU report were verified and other aspects were not examined with source documents resulting undetection of omis-

sion even at that stage. The Committee express their strong displeasure over the deliberate mis-statement of facts made before a Parliamentary Committee. They, however, desire that the representatives of concerned public undertakings as also of the administrative Ministry should invariably verify the veracity of facts from their records before appearing before this august body so that such instances, though rare, are not repeated in future.

17. The Committee have not gone into the adequacy of the punishment given to the officers responsible for committing the lapse. They, however, regret to note that out of 5 officers who were identified by the Departmental Committee for having committed the lapse warnings could be issued to three of them as two other officers have since retired. The Committee do not appreciate helplessness on the part of ONGC in taking any action against the officers responsible for such serious lapses who have since retired. They are of the view that pending departmental enquiry those retiring officers who have committed such grave mistakes should not have gone unpunished.

B. Award of Contract

18. As brought out in the para 5 of the Report, in the context of several irregularities in awarding the contract by ONGC for pour point depressant and extra expenditure incurred thereon the Committee had recommended a thorough probe by CBI into the whole deal. The Government in their reply furnished in March 1991 stated as follows:

“Government have accepted this recommendation and referred the entire matter for a thorough enquiry by CBI.”

19. During the course of evidence of the representatives of Ministry of Petroleum and Natural Gas and ONGC, the Committee wanted to know whether the CBI had submitted their report. The Petroleum Secretary stated that CBI Report was received during the last week of September, 1992.

20. As regards the action taken on CBI's findings, the witness stated:

“According to the instructions in the Vigilance Manual, the CBI findings have to be examined by the Central Vigilance Commissioner. We find that out of six Officers, one Officer was at the Board level and therefore, the Ministry had to do that. In respect of that one officer the Ministry had consulted the CVC. His opinion has just now been received. That has been examined in the Ministry and it was submitted to the Minister. The Minister's orders are awaited. And in respect of five other officers we had advised ONGC to take similar action, that is to consult the CVC and ONGC has to be the disciplinary authority to take action on that.”

21. In a post-evidence reply the Ministry of Petroleum and Natural Gas have further informed the Committee that the CBI recommended major penalty against 5 officers (one of them being of Board level) and minor

penalty against one officer. In case of Board level the matter has been examined in consultation with CVC. The CVC reportedly had mentioned they were of the view that while a case of deliberate commission of irregularity/malafide had not been established against the Board level officer concerned, lapses of the nature of omission on his part could not be ruled out. The CVC, however, left to the Ministry to take such administrative action against officer as it might deem appropriate. The Ministry examined the matter but no case was made out of either any wrongful gain to him or wrongful loss to the organisation.

22. As regards the other officers, the Ministry of Petroleum and Natural Gas have stated that issuance of charge sheets against the guilty officers was under process by ONGC.

23. The Committee also wanted to know whether any of the above officers was promoted during pendency of CBI enquiry into the matter. The Ministry of Petroleum and Natural Gas stated in a written note that two of these officers were promoted by ONGC with effect from 1.1.1991 and 1.1.1992 when the CBI enquiry was in progress.

24. The Committee enquired about the promotion procedure in respect of employees against whom the CBI enquiries were in progress. Chairman ONGC stated during evidence as follows:—

“It depends upon what is the finding of the enquiry. Normally, if there is an enquiry against an officer going on specifically to find out about any malafide intention in any purchase order or if irregularities have been committed by any one, then the Departmental Promotion Committee goes through the ACRs. If they find something, they record their decision and keep that in a sealed cover till it is finalised.”

25. The Committee note that as recommended by them the entire matter has been got investigated by CBI. While the Committee would not like to repeat the irregularities committed in awarding the contract etc., they feel that their findings made out in their 59th Report have been vindicated as CBI has recommended major penalty against 5 officers of ONGC besides minor penalty against one officer. The Committee trust that appropriate action would be taken against the guilty/erring officials and the Committee apprised of the final results. Needless to point out that ONGC would review its system of awarding contracts for various purchases/works etc. with a view to remove various deficiencies, if any, that exist in the present system.

26. The Committee are shocked to note that even two officers of ONGC were promoted at a time when the CBI enquiry in the matter was in progress against them in gross violation of the established rules. They would therefore desire that responsibility in this regard should be fixed immediately and action be taken against the officers guilty of giving promotion. They desire also to be apprised of the outcome.

C. Liquidated/penalty clause in the contract and refunds made to supplier.

27. The Committee in their 59th Report had recommended that possibilities of recovering the extra expenditure incurred in air lifting the material due to non-supply by the indigenous supplier to the tune of Rs. 70.31 lakhs should be examined. Explaining the action taken on the recommendation of the Committee, Chairman ONGC stated during evidence:

“Sir, we obtained the legal opinion on whether this extra amount can be recovered from the supplier. The legal opinion is that as the total expenditure incurred by ONGC on imported material was less than the amount that would have been spent for procuring the same from M/s Dai Ichi Karkaria Private Limited, the Commission has no case for claiming any damages, having in fact suffered no loss. Further, as per legal opinion, ONGC has no surviving right to recover the extra amount of import and air freight the material from M/s Dai Ichi Karkaria Private Limited.”

28. The Committee also wanted to know whether there was any penalty clause in the contract entered with the suppliers and whether any payment was recovered from supplier for not adhering to delivery schedules, the Chairman ONGC stated as follows:

“There is liquidated Damages Clause in the supply order. On that basis certain amount of money was recovered from the supplier or withheld from his payments. However, it was later reimbursed when it was found that there were extraneous reasons for the delay in supply of the material and the party cannot be entirely held responsible for the delay.”

He added:

“Only the Liquidated Damages Clause was there in the supply order. According to that we could buy the material at the expense of the supplier who has defaulted. Since we have paid a much lower cost than what we would have paid to the supplier if we had bought the material from him, there was no penalty imposed on him.”

29. It also came out during evidence that ONGC had withheld payment of Rs. 17.52 lakhs payable to supplier for delay in supply of material. However, this was later refunded to supplier. Asked about the reasons for making refund, Chairman, ONGC stated during evidence:

“Rs. 17,51,829.85 was withheld from the bills of the party. This was later refunded. The reason given were: (a) One of the essential ingredients for manufacture of PPD is orthoxylene. This is being manufactured by M/s IPCL. This is an important ingredient which is not only required for polymerization but also as a solvent to ensure the physical properties of PPD, that is to remain in the liquid form. (b) This material was in short supply at that time and the supplier

had represented a number of times that they could not get timely supply of this ingredient and also had approached ONGC and the Ministry of Petroleum and Natural Gas to help in this matter. (c) It was also a fact that because of the difference in quality of the material the supplier was asked to improve the quality and then offer the material. One of the reasons for reschedule of the delivery was with a view not to discourage the genuine indigenisation efforts of the suppliers.

These are the basic reasons why it was decided to extend the delivery period and not charge the Liquidated Damages."

30. Asked whether any payment was recovered from the supplier on account of non-adhering to quality standards, the Ministry stated in a post evidence reply that ONGC had recovered a total amount of Rs. 9,35,035.66 from the supplier because the material supplied in 5 lots did not conform to the laid down specifications.

31. The Committee regret to note that an amount of Rs. 17.51 lakhs which was withheld by ONGC from payment to supplier due to non-adherence of delivery schedules as per the contract provisions was later on released on supplier's request. The Committee are not at all convinced with the arguments advanced by ONGC in favour of the supplier firm for not supplying the requisite material in time due to certain constraints. Before entering into the contract it was the firm's responsibility to tie up all the arrangements to ensure timely supply of the material to ONGC. The Committee deplore such justifications given on behalf of the supplier by a commercial Public Sector Undertaking like ONGC. Apart from the legal position in the matter, the Committee would like to know from the Ministry as to whether this aspect was also examined by CBI. The Committee desire that in future ONGC should invariably provide penalty/liquidated damages clauses in their contracts to safeguard the Commission's interest. Needless to say that the Commission should also strictly enforce such provisions in case of default.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation Sl. No. 1 (Paragraph No. 62)

On the basis of a paragraph which appeared in the Report of the Comptroller & Auditor General of India, Union Government (Commercial) 1986, Part VIII, the Committee have examined the Oil and Natural Gas Commission's action of placing order for the entire requirement of 2400 MT of Pour Point Depressant (PPD) on a single indigenous firm, M/s. Chika Limited, whose capability in effecting timely supplies had been doubted by the Tender Committee and which resulted in a situation where the Commission was forced to take resort to imports and got the material airlifted at an additional avoidable expenditure of Rs. 70.31 lakhs. The Committee's findings and their recommendations are set out in the succeeding Paragraphs.

Reply of the Government

No action is called for. However, it is pointed out that the order for supply of 2400 MT of PPD was finally placed by ONGC on M/s Dai Ichi Karkaria Pvt. Ltd. and not on M/s Chika Ltd., who had originally participated in this tender as the authorised distributor of M/s Dai Ichi Karkaria Pvt. Ltd. This change was necessitated because of the reported termination of the distributorship arrangement between the two firms on 18.3.82 M/s Chika Ltd. had also made a representation to the Chairman, Committee on Public Undertakings in respect of COPU's 59th Report. The representation was examined in this Ministry and the same has been accepted to the extent that M/s Chika Ltd., were not manufacturer of PPD and were acting as distributor of M/s. Dai Ichi Karkaria Pvt. Ltd., until 18.3.82 when their distributorship was reportedly terminated by M/s. Dai Ichi Karkaria Pvt. Ltd.. Audit while vetting the reply action taken by Government has observed as under:—

“Though it is correct that M/s. Chika Ltd. were not manufacturers of PPD and were acting as the distributor of M/s. Dai Ichi Karkaria Pvt. and order for 2400 MT of PPD was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. However, the fact regarding termination of distributorship on 18.3.1982 was not available on record.”

As a result the final order in respect of 2400 MT was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. M/s. Chika Ltd. have been informed accordingly vide this Ministry's letter of even number dated 31.10.1990. It is regretted that this fact was not brought out suitably by ONGC earlier and, in fact,

throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU suitably about distributorship arrangement between M/s. Dai Ichi Karkaria Pvt. Ltd. and M/s. Chika Ltd., and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemical (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US (EO) dated 13.3.1991]

Recommendation Sl. No. 2 (Paragraph No. 63)

The Committee note that the Oil and Natural Gas Commission had invited tenders in August, 1981 for supply of 3500 MT of PPD having 12°C pour point. Out of 18 firms, who had submitted their tenders, the sample of only one firm, Petrolite USA, passed the laboratory test. In March 1982 the Tender Committee considered, in addition to petrolite USA, the offers of Chika Limited, Bombay, Shell Chimie France, Lubrizol UK and Nutro Chemical, USA, whose product had been established. The Tender Committee found the offer of M/s. Chika Limited to be the lowest. Although this firm had claimed that it was in a position to supply 1800 MT of PPD per annum at the rate of 150 MT per month, the Tender Committee were apprehensive about the firm's capacity to supply this material as the firm had earlier failed to complete within the prescribed period an order placed on them in July, 1981 for supply of 400 MT of PPD. Taking all these factors into consideration, the Tender Committee recommended in March, 1982 that supply order for 1100 MT only might be placed on M/s. Chika Limited (an indigenous firm) and the remaining quantity of 2400 MT might be divided among three foreign companies viz. M/s. Petrolite USA (400 MT), Lubrizol UK (1500 MT) and shell Chimie France (500 MT). Strangely, in total dis-regard of the recommendation made by the Tender Committee, Member (Offshore) decided in consultation with Member (Materials) and Member (Finance) that since M/s. Chika's offer was the lowest, no order should be placed on any foreign party. Accordingly, an order for supply of 2400 MT was placed by the Commission on Chika Limited in April, 1982.

Reply of the Government

Factual, no comments.

Government have decided to have the entire matter thoroughly investigated by the Central Bureau of Investigation as recommended by the Committee in para. 71 of the report. However, as mentioned earlier the final order to supply 2400 MT of PPD was placed on M/s. Dia-Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd., as the former had

terminated the distributorship of letter. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s Dai Ichi Karkaria Pvt. Ltd. and M/s Chika Ltd., and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.1991]

Recommendation Sl. No. 3 (Paragraph No. 64)

From the information furnished to them, the Committee find that in accordance with the supply order placed on Chika Ltd. on 21st June, 1982, the firm had undertaken to supply PPD of requisite specification at the rate of 150 MT every month from May, 1982 to September, 1982, 300 MT per month from October, 1982 to February, 1983 and the remaining quantity of 150 MT in March, 1983. As against the stipulated period of 11 months. M/s. Chika Ltd., took an inordinately long time of 17 months in supplying the material completing the last instalment in September, 1983 only. The apprehension of the Tender Committee regarding the ability of Chika Ltd. to supply the quantity as per scheduled dates was thus proved to be true. This was not the first time when the firm had failed to complete its order in time. Earlier also an order for supply of 400 MT placed on them in July, 1981 was delayed by five months.

Reply of the Government

A decision was taken by the superior authority not to accept the recommendations of the Tender Committee. This decision is to be thoroughly probed by the CBI now as decided by Government. In addition, as stated earlier, the final order to supply 2400 MT of PPD was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s. Dai Ichi Karkaria Pvt. Ltd. and M/s. Chika Ltd., and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.1991]

Recommendation Sl. No. 4 (Paragraph No. 65)

The Committee find that not only the firm did not adhere to the delivery schedule but the supply effected by them was also not of right quality inasmuch as though the material supplied by Chika Ltd. is reported to have passed all laboratory tests but it failed in the field tests. The Secretary, Ministry of Petroleum & Natural Gas when asked by the

Committee if the past performance of the company should not have been taken into account before placing the order on them, did admit and stated: "They could have taken". The Committee regret to note that though in May, 1982 ONGC found the supply of 62.5 tonnes of PPD by Chika Ltd. against an earlier order to be substandard, no action was taken to cancel the contract. The reply of the ONGC that the material had passed all laboratory tests is far from satisfactory, especially, when the earlier supply of 62.5 tonnes of PPD had also failed to stand the field test despite the fact that it too had passed a similar laboratory test. It is a known fact that majority of the work is done in the field and not in the laboratories. The Committee wonder why ONGC persisted with Chika's supply, especially when the material had failed to give the desired results in the field. Naturally, due to the supply of inferior quality of material, consumption increased which resulted in depletion of stock. The Committee, therefore, deplore the hurried manner in which ONGC went ahead with placing the order of 2400 MT of PPD on Chika Ltd. without awaiting the field tests in respect of the earlier supply.

Reply of the Government

No comments. The matter has been referred to CBI by Government for a thorough investigation in acceptance of the recommendations of the Committee. In addition, as stated earlier, the final order to supply 2400 MT was placed on M/s Dai-Ichi Karkaria Ltd. and not on their distributor M/s Chika Ltd. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s Dai-Ichi Karkaria Pvt. Ltd. and M/s Chika Ltd., and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.1991]

Recommendation Sl. No. 5 (Paragraph No. 66)

Both ONGC and the Ministry of Petroleum & Natural Gas have tried to justify the deal with the firm on the grounds of indigenisation and saving of foreign exchange. The quality of the product and other factors such as assured regular supply could not be totally sacrificed for the sake of indigenisation. The Committee are, therefore, not satisfied with such unconvincing replies and have their reservations about the whole deal. Against the above background, the Committee are unable to appreciate the circumstances under which the Member (offshore) took such a big risk in awarding the contract for the entire quantity of 2400 MT of PPD to M/s. Chika Limited whose past record was not at all satisfactory. It is really strange that despite the apprehensions expressed by the Tender Committee in no uncertain terms, about the firm's capability, ONGC

placed an order of 2400 MT on this firm. Looking to the facts of the case, the Committee are led to believe that the decision of ONGC in awarding such a big contract to this firm is not above suspicion. Evidently there is an inexplicit tilt in favour of M/s. Chika Limited.

Reply of the Government

The entire matter has been referred to CBI by Government in accordance with the Committee's recommendations. In addition, as stated earlier the final order to supply 2400 MT was placed on M/s. Dai-Ichi Karkaria Pvt. Ltd. and not on their distributor M/s. Chika Ltd. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s. Dai-Ichi Karkaria Pvt. Ltd. and M/s. Chika Ltd., and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.1991]

Recommendation Sl. No. 6 (Paragraph No. 67)

The Committee note that Letter of Intent for supply of 2400 MT of PPD was issued by ONGC to M/s. Chika Limited on 23 April, 1982 whereas the case was actually cleared by Member (Finance) on 1st May, 1982 only. The Committee were informed during evidence that this was done on a request made by the firm that they would be able to implement the delivery schedule only if they had the Letter of Intent by 26th April. Explaining the reasons why the Member (Finance) did not take a decision before 26th April, 1982, the representative of ONGC informed the Committee, "He was not physically placed at the same station. I am making a statement which is not on record. I am very sure that this was discussed on telephone. But this is not recorded in file". The Secretary, Ministry of Petroleum & Natural Gas also stated in his evidence that "because the matter was urgent, order was obtained over phone and the Member signed it later on". The Committee are of the view that ONGC had shown undue haste in awarding the contract to the firm. They feel that such an important matter might not have cropped up suddenly. Much groundwork might have been done before arriving at the decision to award the contract to M/s. Chika. It is very surprising that to meet the deadline given by the firm, the normal procedure was circumvented in favour of the firm. The Committee cannot help expressing their displeasure over the fact that the concurrence of the Member (Finance) for placing the order was obtained on phone and this fact was not even recorded in the file. The Committee feel that since ONGC was the sole buyer of PPD from M/s. Chika, it was ONGC who should have dictated the terms and not the supplier. The Committee had pointed out these lapses on the part of ONGC to the Secretary of the Ministry during his evidence and had also

suggested examination of the whole matter in detail. The Secretary had thereupon assured the Committee, "We will do it Sir, I accept the suggestion". The Committee, therefore, desire that the whole matter should be thoroughly probed with a view to laying down a fool-proof procedure for awarding a contract and its scrupulous observance, leaving no scope for arbitrary decisions at any level.

Reply of the Government

The matter has been referred to CBI for a thorough probe as recommended by the Committee. In addition, as stated earlier, the final order to supply 2400 MT was placed on M/s. Dia-Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPUs also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s. Dai-Ichi Karkaria Pvt. Ltd. and M/s. Chika Ltd. and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.1991]

Recommendation Sl. No. 7 (Paragraph No. 68)

The Committee find that clause 14 of the Tender Letter issued to M/s. Chika Limited specifically provided that if the materials supplied to the Commission were found to be not of the correct quality or not according to specification required or otherwise not found satisfactory, the Commission would be entitled to reject materials, cancel the contract and buy its requirements in the open market at the risk and cost of the supplier. The tender also contained a penalty clause which mentioned that penalty would be imposed on the supplier for failure to supply the stores by the due date stipulated in the supply order. This clause, however, gave relief to the supplier that in case he was unable to effect delivery of stores by the due date, he must apply for extension in time giving valid reasons for that. But from the supply order (called contract by ONGC) placed on the firm, the Committee find that the terms which were advantageous to ONGC had been watered down. ONGC has now informed that the word "penalty" had been substituted with "liquidated damages". The Committee, on a specific enquiry whether any penalties on account of delay in supply of PPD were provided in the contract had been informed by the representative of ONGC during evidence, "Liquidated damages are mentioned, not the penalties." According to ONGC liquidated damages were leviable only if the Commission had suffered losses. The Committee were also informed that liquidated damages clause (penalty) is not invoked where extension in the delivery schedule is granted and it was also stated that liquidated damages amounting to Rs. 17,51,829 would have become recoverable from the firm for not

observing delivery schedules. The Committee find that ONGC had recovered a sum of Rs. 6,43,000 from Chika Ltd. on account of extra usage of the material to achieve the desired result. According to them liquidated damages were not levied because ONGC did not suffer any loss as the corresponding material was cheaper in the market due to waiver of custom duty which accounted for 94 per cent of the price.

Reply of the Government

The entire matter has been referred to CBI for a thorough enquiry in accordance with the recommendations of the Committee. In addition, as stated earlier, the final order to supply 2400 MT was placed on M/s. Dai-Ichi Karkaria Ltd. and not on their distributor M/s. Chika Ltd. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s. Dai-Ichi Karkaria Pvt. Ltd. and M/s. Chika Ltd., and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.1991]

Recommendation Sl. No. 8 (Paragraph No. 69)

The Committee fail to understand why penalty clause was omitted in the contract. By omitting the penalty clause in the contract the ONGC allowed the firm to safely escape the penalty for not adhering to the delivery schedule agreed upon with them. Further, instead of rejecting the sub-standard materials being supplied and cancelling the contract at the cost and risk of Chika Ltd. in May, 1982 itself, when ONGC had also found that 62.5 tonnes of material supplied by the same firm earlier had failed during the field test, ONGC went on giving extensions for delay in supply of the material even though it was not provided in the contract. The reasons put forward by ONGC that delivery schedule was refixed because the firm had failed to procure the timely supply of orthorylene one of the essential ingredients, for manufacture of PPD are far from convincing. The Committee are convinced that had the penalty clause been provided in the contract and invoked for non-observance of the delivery schedule and poor quality of the material, ONGC might have recovered from the firm a substantial amount as their rightful due which the Commission was otherwise deprived of. The Committee feel that omission of penalty clause in the contract was a calculated move which not only proved advantageous to the firm but on the other hand very adversely affected the financial interests of the Commission.

Reply of the Government

The entire matter has been referred to CBI for a thorough inquiry in accordance with the recommendations of the Committee. In addition, as stated earlier, the final order to supply 2400 MT was placed on M/s. Dai-Ichi Karkaria Ltd. and not on their distributor M/s. Chika Ltd. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s. Dai Ichi Karkaria Pvt. Ltd. and M/s. Chika Ltd. and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.1991]

Recommendation Sl. No. 9 (Paragraph No. 70)

The Committee regret to note that the Commission placed supply order in July, 1982 for 2000 MT in bulk of additional supply of PPD of desired specification on Shall International, UK on the basis of limited tenders. The supply to be shipped was expected to be used around 20 October, 1982. The stock of reliable PPD was expected to last only upto 18 September, 1982. To meet the gap between 19 September and 20 October, 1982, the Commission decided (i) to air freight 300 MT of PPD in packs through Air India; (ii) to convert 200 MT of PPD from bulk into pack for loading on India Flag vessel on 4th and 6th October, 1982. This resulted in an additional expenditure of Rs. 70.31 lakhs. The Committee strongly feel that had the Chika Ltd. supplied the material of the required quality and maintained the delivery schedule, the Commission would not have been forced to take report to imports and get the material airlifted at an additional avoidable expenditure of Rs. 70.31 lakhs. Therefore, in Committee's view the Commission's action of placing order for the entire requirement of PPD on one single firm against the recommendation of the Tender Committee on the more plea of indigenisation, is deplorable as the capability of this firm in effecting timely supplies and maintaining proper quality was not established.

Reply of the Government

The entire matter has been referred to CBI for a thorough enquiry in accordance with the recommendation of the Committee.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.91]

Recommendation Sl. No. 10 (Paragraph No. 71)

The Committee, therefore, recommend that, though belated, a thorough probe by C.B.I. should be made into the whole deal and the persons found responsible for deliberately misleading the Commission into awarding this

contract to this firm should be punished and the possibility of recovering the losses incurred by ONGC from M/s. Chika Ltd. should also be examined.

Reply of the Government

Government have accepted this recommendation and referred the entire matter for a thorough enquiry by CBI. In addition, as stated earlier, the final order to supply 2400 MT was placed on M/s. Dai-Ichi Karkaria Pvt. Ltd. and not on their distributor M/s. Chika Ltd. It is regretted that this fact was not brought out by ONGC earlier and in fact, throughout evidence before COPU also. The Chairman, ONGC has been asked to look into this lapse whereby the ONGC failed to inform COPU about distributorship arrangement between M/s. Dai Ichi Karkaria Pvt. Ltd. and M/s. Chika Ltd., and fix responsibility. The inconvenience caused to the Committee on this account is sincerely regretted.

[Ministry of Petroleum & Chemicals (Department of Petroleum & Natural Gas) O.M. No. O-27012/3/89-ONG/US(EO) dated 13.3.91]

CHAPTER III

**RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF GOVERNMENT'S REPLIES**

—NIL—

CHAPTER IV

RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

—NIL—

CHAPTER V

RECOMMENDATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

— NIL —

NEW DELHI;
March 29, 1993

Chaitra 8, 1915 (Saka)

A.R. ANTULAY,
Chairman,
Committee on Public Undertakings.

APPENDIX I

*Minutes of the 30th sitting of Committee on Public Undertakings held on
31 December, 1992.*

The Committee sat from 1100 hrs. to 1245 hrs.

PRESENT

Shri Basudeb Acharia—*in the Chair*

MEMBERS

2. Shri M.V. Chandrasekhar Murthy
3. Shri Rudrasen Choudhary
4. Shrimati Bibhu Kumari Devi
5. Shri Madan Lal Khurana
6. Dr. P. Vallal Peruman
7. Shri Peter G. Marbaniang
8. Shri Devendra Prasad Yadav
9. Shri Bhuvnesh Chaturvedi
10. Shri Dipen Ghosh
11. Shri V. Narayanasamy
12. Dr. Narreddy Thulasi Reddy
13. Shrimati Kamla Sinha

SECRETARIAT

1. Shri G.L. Batra — *Additional Secretary*
2. Smt. P.K. Sandhu — *Deputy Secretary*
3. Shri T.R. Sharma — *Under Secretary*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Shri C.G. Somiah — *C&AG of India*
2. Shri N. Shivasubramanian — *Dy. C&AG-cum-Chairman, Audit Board*

REPRESENTATIVES OF MINISTRY OF PETROLEUM & NATURAL GAS

1. Shri T.N.R. Rao — *Secretary (P&NG)*
2. Shri Naresh Dayal — *Joint Secretary (Exploration)*
3. Dr. A.N. Saxena — *Joint Secretary & Financial Adviser*

REPRESENTATIVES OF OIL & NATURAL GAS COMMISSION

1. Shri L.L. Bhandari	— <i>Acting Chairman</i>
2. Shri S.K. Manglik	— <i>Member (Operations)</i>
3. Shri B.L. Ahuja	— <i>CGM (F&A)</i>
4. Shri W.M. Mahajan	— <i>Regional Director, BRBC</i>

The Committee took evidence of the representatives of Ministry of Petroleum and Natural Gas and Oil and National Gas Commission in connection with action taken by Government on the recommendations contained in 59th Report of CPU (1989-90) on ONGC—Extra expenditure of Rs. 70.31 lakhs on the purchase of pour point depressant. The main points emerging out of the evidence are detailed in succeeding paragraphs.

Placement of Order on M/s. Dai Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd.

The Committee pointed out that the fact that actual order for supply of 2400 MT of PPD was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd. was not brought to the notice of the Audit. The Committee (1989-90) were also not informed about it at any stage. It was only on receipt of representation from M/s. Chika Limited on 31.7.1989 that the matter came to the notice of the Committee for the first time. Asked about the reasons for not placing the true facts before the Committee the Secretary, Petroleum and Natural Gas stated as follows:

“I have gone through the records of both the ONGC as also the Ministry. I find that these two companies name have been used in an inter-changing fashion. The focus being on placement of orders for PPD, deviation from the tender norms etc. had dominated the entire discussion. This aspect has been submitted to this Committee a number of times, both in oral and written submissions. This particular fact was not specifically pointed out that the actual order was placed on the main manufacturer, viz. Dail Ichi and not on M/s. Chika Limited.”

On being pointed out by the Committee that the order for pour point depressant was placed as far back as in April, 1982 and the fact that this was placed on M/s. Dai Ichi Karkaria Pvt. Ltd. and not on M/s. Chika Ltd. had come to the notice only after presentation of the Committee's Report in July, 1989 the Petroleum Secretary stated:

“Yes, that is admitted.”

The Committee wanted to know whether any enquiry was made to fix the responsibility of the persons responsible for not placing true facts before the Committee. The Petroleum Secretary stated:

"The Chairman, ONGC was asked to enquire into this and fix the responsibility and to report the results of that. So, the Departmental enquiry has been conducted; responsibility was fixed on three people and warnings have been given. Those warnings have been placed on the ACRs of the officers. That is the report that we have also got."

In this connection, the Chairman ONGC also stated:

"The enquiry say that there was no deliberate attempt to conceal anything. The enquiry Committee was comprising of Group General Manager Production—Shri P.V. Rao, and Deputy General Manager Finance—Shri Chatterjee. On the basis of the departmental enquiry three officers of the ONGC were warned to be careful in future."

When asked by the Committee whether the punishment awarded was commensurate with the negligence of the concerned employees, the Petroleum Secretary stated:

"This (warning has been placed in the character roll. In the scheme of things, they are all below Board level officers and the ONGC is quite competent to take action against them. The Ministry had asked them to take action and this had been done."

He added:

"If the Ministry has to look into this, then the entire records have to be gone through not merely the enquiry report. Then only the Ministry can form its own independent conclusion. This has not been done."

Award of Contract

In the context of several irregularities in awarding the contract by ONGC for four point depressant and extra expenditure incurred thereon the Committee on Public Undertakings (1989-90) had recommended a thorough probe by CBI into the whole deal. The Government in their reply furnished in March 1991 informed the Committee that Government had accepted this recommendation and referred the entire matter for a thorough enquiry by CBI. The Committee wanted to know whether the CBI had submitted their report. The Petroleum Secretary stated that CBI Report was received during the last week of September, 1992.

As regards the action taken on CBI's findings, the witness stated:

"According to the instructions in the Vigilance Manual, the CBI findings have to be examined by the Central Vigilance Commissioner. We find that out of five Officers, one Officer was at the Board level and therefore, the Ministry had to do that."

In respect of that one officer the Ministry had consulted the CVC. His opinion has just now been received. That has been examined in the Ministry and it was submitted to the Minister. The Minister's orders are awaited. And in respect of four other officers we had advised ONGC to take similar action, that is to consult the CVC and ONGC has to be the disciplinary authority to take action on that."

The Committee enquired about the promotion procedure in respect of employees against whom the CBI enquiries were in progress. Chairman ONGC stated as follows:

"It depends upon what is the finding of the enquiry. Normally, if there is an enquiry against an officer going on specifically to find out about any malafide intention in any purchase order or if irregularities have been committed by any one, then the Departmental Promotion Committee goes through the ACRs. If they find something, they record their decision and keep that in a sealed cover till it is finalised."

Liquidated/penalty clause in the contract and refunds made to supplier

The Committee in their 59th Report had recommended that possibilities of recovering the extra expenditure incurred in air lifting the material due to non-supply by the indigenous supplier to the tune of Rs. 70.31 lakhs should be examined. Explaining the action taken on the recommendation of the Committee, Chairman ONGC stated:

"Sir, we obtained the legal opinion on whether this extra amount can be recovered from the supplier. The legal opinion is that as the total expenditure incurred by ONGC on imported material was less than the amount that would have been spent for procuring the same from M/s. Dai Ichi Karkaria Private Limited, the Commission has no case for claiming any damages, having in fact suffered no loss. Further, as per legal opinion, ONGC has no surviving right to recover the extra amount of import and air freight the material from M/s. Dai Ichi Karkaria Private Limited."

The Committee also wanted to know whether there was any penalty clause in the contract entered with the suppliers and whether any payment was recovered from supplier for not adhering to delivery schedules, the Chairman ONGC stated as follows:

"There is liquidated Damages Clause in the supply order. On that basis certain amount of money was recovered from the supplier or withheld from his payments. However, it was later reimbursed when it was found that there were extraneous reasons for the delay in supply of the material and the party cannot be entirely held responsible for the delay."

He added:

"Only the Liquidated Damages Clause was there in the supply order. According to that we could buy the material at the expense of the supplier who has defaulted. Since we have paid a much lower cost than what we would have paid to the supplier if we had bought the material from him, there was no penalty imposed on him."

It also came out during evidence that ONGC had withheld payment of Rs. 17.52 lakhs payable to supplier for delay in supply of material. However, this was later refunded to supplier. Asked about the reasons for making refund, Chairman, ONGC stated:

"Rs. 17,51,829.85 was withheld from the bills of the party. This was later refunded. The reasons given were: (a) One of the essential ingredients for manufacture of PPD is orthoxylene. This is being manufactured by M/s. IPCL. This is an important ingredient which is not only required for polymerization but also as a solvent to ensure the physical properties of PPD, that is to remain in the liquid form. (b) This material was in short supply at that time and the supplier had represented a number of times that they could not get timely supply of this ingredient and also had approached ONGC and the Ministry of Petroleum and Natural Gas to help in this matter. (c) It was also a fact that because of the difference in quality of the material the supplier was asked to improve the quality and then offer the material. One of the reasons for reschedule of the delivery was with a view not to discourage the genuine indegenisation efforts of the suppliers.

These are the basic reasons why it was decided to extend the delivery period and not charge the Liquidated Damages."

The Committee then Adjourned.

APPENDIX II

*Minutes of the 49th sitting of the Committee on Public Undertakings held on
24th March, 1993.*

The Committee sat from 15.15 hrs. to 16.00 hrs.

PRESENT

Shri Basudeb Acharia—*in the Chair*

MEMBERS

2. Shri Chandulal Chandrakar
3. Shri Madan Lal Khurana
4. Shri Peter G. Marbaniang
5. Shri V. S. Vijayaraghavan
6. Shri Devendra Prasad Yadav
7. Shri. V. Narayanasamy

SECRETARIAT

Shri T. R. Sharma—*Under Secretary*

OFFICE OF THE COMPTROLLER & AUDITOR GENERAL OF INDIA

1. Shri N. Sivasubramanian—*Dy C&AG (Commercial)—cum-Chairman, Audit Board.*
2. Shri K. S. Menon—*Principal Director (Commercial) and Member Secretary, Audit Board.*

In the absence of Chairman, the Committee chose Shri Basudeb Acharia to act as Chairman for the sitting under Rule 258 (3) of the Rules of Procedure and Conduct of Business in Lok Sabha.

2. The Committee first considered the audit based Draft Report on Action Taken by Government on the recommendations contained in the 59th report of Committee on Public Undertakings (1989-90) on ONGC—Extra expenditure of Rs. 70.31 lakhs on the purchase of pour point depressent, as approved by Action Taken Sub-Committee. The Report was adopted with the modifications shown in annexure-I.

3. The Committee authorised the Chairman to finalise the Reports on the basis of factual verification by the Ministry/Undertaking concerned and audit (in respect of report mentioned in Para 2) and to present the same to Parliament.

The Committee then adjourned.

**MODIFICATIONS MADE IN DRAFT ACTION TAKEN REPORT ON
ACTION TAKEN BY GOVERNMENT ON THE
RECOMMENDATIONS CONTAINED IN 59th REPORT OF CPU
(1989-90) ON ONGC—EXTRA EXPENDITURE OF RS. 70.31 LAKHS
ON THE PURCHASE OF POUR POINT DEPRESSANT.**

Page No.	Para No.	Lines	For	Read
9	16	2-3	over the mis-statement —against guilty.	over the deliberate mis-statement —against the officers guilty of giving promotions.
12	26	6		

APPENDIX III

(Vide Para 3 of the Introduction)

Analysis of the Action Taken by Government on the recommendations contained in the 59th Report of the Committee on Public Undertakings (Eight Lok Sabha) on ONGC—Extra expenditure of Rs. 70.31 lakhs on the purchase of pour point depressant.

I. Total number of recommendations	10
II. Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at Sl. No. 1 to 10). Percentage to Total	10 100%
III. Recommendations which the Committee do not desire to pursue in view of the Government's replies	NIL
IV. Recommendations in respect of which replies of Government have not been accepted by the Committee	NIL
V. Recommendations in respect of which final replies of Government are still awaited	NIL