

**PUBLIC ACCOUNTS COMMITTEE**  
**(1974-75)**

(FIFTH LOK SABHA)

**HUNDRED AND THIRTY-SEVENTH REPORT**

[Paragraph 43 of the Report of the Comptroller and Auditor General of India for the year 1972-73 Union Government (Civil) relating to the Department of Supply : Purchase of Blankets. ]



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\*Not printed. (One cyclostyled copy laid on the Table of the House and five copies placed in the Parliament Library).

# **PUBLIC ACCOUNTS COMMITTEE**

**(1974-75)**

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**Shri Jyotirmoy Bosu**

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## **SECRETARIAT**

1. Shri Avtar Singh Rikhy—*Additional Secretary.*
2. Shri B. K. Mukherjee—*Chief Legislative Committee Officer.*
3. Shri N. Sunder Rajan—*Senior Financial Committee Officer.*

## INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee do present on their behalf this Hundred and Thirty Seventh Report of the Committee (Fifth Lok Sabha) on Paragraph 43 of the Report of the Comptroller and Auditor General of India for the year 1972-73, Union Government (Civil) relating to the Department of Supply—Purchase of Blankets.

2. The Report of the Comptroller and Auditor General of India for the year 1972-73, Union Government (Civil), was laid on the Table of the House on the 30th April, 1974. The Committee examined the paragraph at their sitting held on the 25th September, 1973 (F.N.). This Report was considered and finalised by the Committee at their sitting held on the 24th February, 1975 (A.N.). Minutes of the sittings form Part II of the Report.

3. A statement showing the summary of the main conclusions/recommendations of the Committee is appended to the Report. For facility of reference, these have been printed in thick type in the body of the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the examination of this paragraph by the Comptroller and Auditor General of India.

5. The Committee would also like to express their thanks to the Officers of the Ministries of Supply and Rehabilitation (Department of Supply) and Defence for the cooperation extended by them in giving information to the Committee.

NEW DELHI;  
24th February, 1975.  

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5th Phalgun, 1896 (S).

JYOTIRMOY BOSU,  
Chairman,  
Public Accounts Committee.

**DEPARTMENT OF SUPPLY**  
**PURCHASE OF BLANKETS**

*Audit Paragraph*

1.1. Against orders for 19.23 lakh blankets placed during March 1969 and September, 1971 on 23 firms by the Director General, Supplies and Disposals, for supply to Defence department only 7.06 lakhs were supplied by October 1971, leaving 12.17 lakhs still to be supplied.

1.2. On 29th October 1971 the Defence department placed an indent for supply of 6 lakhs blankets by 30th September 1972 and another 6 lakhs by 30th September 1973. The blankets were on the following three prescribed specifications:

Type:

A—100 per cent indigenous wool of medium quality.

B—90 per cent indigenous wool of coarse 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 10 per cent nylon—total wool content not to be less than 80 per cent.

The Defence Department wanted 4 lakhs of these blankets during November-December, 1971. For getting emergent supply the period of delivery indicated in the indent mentioned above was advanced by the indenter 'by 6 months on the existing demands for first 6 months of financial year 1972-73.' As the blankets were required at short notice, the Defence Department agreed to relax the above specifications to the following extent:

- (1) The blankets could be made with imported shoddy wool.
- (2) The wool content was not to be less than 70 per cent.
- (3) The breaking strength could be less by 10 per cent.

In a meeting held in February 1972 in the office of the Director General, Supplies and Disposals, the representatives of the Defence department had mentioned that from actual experience it could be said that blankets of the relaxed specifications were to last for 3 winters instead of 6 winters for which blankets of prescribed specifications last.

1.3. Between November 1971 and February 1972, orders were placed by the Director General, Supplies and Disposals, for 5.24 lakh blankets and 70,000 razais (wanted by Defence department against requirement of blankets) as detailed below:

	<i>Number (in lakhs)</i>	<i>Delivery period</i>
<b>(i) Blankets</b>		
(a) according to specifications . . . . .	1.33	0.13 lakh by December 1971 and the rest by May 1972.
(b) of relaxed specifications . . . . .	3.91	3.01 lakhs by December 1971 and the rest by Feb., 1972.
Total blankets . . . . .	5.24	
<b>(ii) Razais . . . . .</b>	0.70	December 1971.

1.4. As 0.70 lakh razais were to offset demand for 1.40 lakh blankets, out of 12 lakh indented in October 1971 orders had been placed by February 1972 for supply of (the equivalent of) 6.64 lakh blankets. Of those ordered 3.91 lakh blankets were of the relaxed specifications.

1.5. In December 1971 the Defence department informed the Director General, Supplies and Disposals, that as blankets delivered after 15th January 1972 would not be of much use during that winter season, further contracts should be for blankets according to specifications.

1.6. In December 1971 the Director General, Supplies and Disposals, wrote a letter to the Defence department in which the assumption was made that for 12 lakh blankets indented in October 1971 the dates of delivery had been advanced and that 5.75 lakh blankets were required by March 1972 and the balance 6.25 lakhs by March 1973. The Defence department did not contest this. The requirements of blankets intimated by Defence department to the Director General, Supplies and Disposals, in different meetings and communications between February 1972 and April 1972 were as follows:

(i) Meeting held on 1st February, 1972:

About 2.50 lakh blankets per month would be required during the next few months and another indent for 6 lakh blankets would be placed shortly.



## (ii) Letter dated 25th February, 1972:

The requirement for 1972 was approximately 20 to 21 lakh blankets, of which 10.7 lakhs were already on order with traditional suppliers who did not have capacity to meet the orders and whose deliveries did not match the requirements of Defence department.

## (iii) Meeting held on 16th March 1972:

Requirement of 1972-73 winter season was 14.19 lakh blankets. By September 1972, 12 lakh blankets were needed and as not more than 7 lakh blankets according to specification were expected by then, the question of purchasing 5 lakh shoddy wool blankets should be considered

## (iv) Letter dated 3rd April 1972:

"The total requirement of blankets in 72|73 subject to clearance by Ministry of Finance (Defence) will be 8.91 lakh (new indent) plus 9.07 lakh against outstanding contracts, i.e., 17.98 lakh. Against this and taking into the availability of blankets with us we would require 12 lakh out of 17.98 lakh by September, 1972....old suppliers will not be able to deliver more than 6 to 6.5 lakh blankets by September 1972. New suppliers ..... should therefore, be tapped. 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.

1.7. In these discussions and communications the Defence department had not clearly indicated what was its total requirement up to March 1973. The Director General, Supplies and Disposals, understood from these discussions and communications that Defence department needed 12 lakh blankets by September 1972 and 6 lakhs more by March 1973. As mentioned earlier, so far as 12 lakh blankets intended in October 1971 are concerned the Director General, Supplies and Disposals, had already written to Defence department in December 1971 assuming that all these were needed by March 1973 and the latter did not contest this. Besides, in a new indent dated 14th April 1972 of Defence department for 6 lakh blankets, the period of delivery was shown as between September 1972 and November 1972. As mentioned earlier, the Director General, Supplies and Disposals, had already placed orders by February 1972 for supply of (the equivalent of) 6.64 lakh blankets by May 1972. In addition, he placed orders for 11.58 lakh more blankets between April 1972 and October 1972 for supply of 11.28 lakh blankets by March 1973 and the balance 0.30 lakh by April 1973 as mentioned subsequently. It is to be added that against the indent of October

1971 for 12 lakhs, provision of funds for 6 lakh blankets existed in 1973-74 and not in 1972-73. The Director General, Supplies and Disposals, did not also ask Defence department to provide funds for these in 1972-73 before placing the orders for supply of blankets by March 1973. When the position of funds was brought to his notice by Defence department in May 1972 (by that time orders had been placed for 15.74 lakh blankets against the two indents of October 1971 and April 1972), he pointed out in June 1972 that in late 1971 and in March-April 1972 Defence department had been pressing for delivery of 12 lakh blankets by September 1972 and another 6 lakhs by March 1973 and also stated that he did not anticipate payment by March 1973 to exceed the cost of 12 lakh blankets against the indents of October 1971 and April 1972. To this Defence department replied (June 1972) that it had no objection to the coverage made by the Director General, Supplies and Disposals, provided delivery of blankets by March 1973 did not exceed 12 lakhs.

1.8. In January 1972 the Director General Supplies and Disposals, invited tender for supply of blankets of prescribed specifications. On the basis of offers received in March 1972, he could place orders, between April 1972 and June 1972, on these firms for only 6.32 lakh blankets conforming to prescribed specifications. As Defence Department had agreed in April 1972 to accept shoddy wool blankets (i.e., of relaxed specifications) instead of inviting fresh tenders for specification blankets the Director General, Supplies and Disposals, placed orders, between April 1972 and October 1972, on three firms for 5.26 lakhs blankets of relaxed specifications. The relaxed specification of 4.46 lakhs of these blankets was to conform to type 'C' in every respect except that wool contents would be 75 per cent shoddy wool (minimum). The rate (including excise duty) allowed was Rs. 45.02 per blanket. For the remaining 0.80 lakh blankets specification was the same as per sample given by the firm and the wool was 80 per cent minimum; the rate for these blankets was Rs. 42.80 per blanket. The prices of the blankets of relaxed specifications were higher than that (Rs. 42.13 including excise duty) of specification blankets (45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with 10 per cent nylon total wool content not less than 80 per cent ordered during April 1972 and June 1972. Purchase of 5.26 lakh 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 Ministry stated (February 1974) that all suppliers of specification blankets were fully booked

and "more dependence on units supplying specification blankets might have to serious repercussions."

1.9. Out of 3.91 lakh blankets of relaxed specifications ordered between November 1971 and February 1972, orders for 1.13 lakh blankets were placed on firm 'A' at the same negotiated rate (Rs. 37 excluding ment had informed the Ministry of Supply that firm 'A' had offered to be inspected (at the firm's premises) by an inspector of the Defence inspectorate.

1.10. For further supply of shoddy wool blankets of relaxed standards mentioned above the Shoddy Mills Association demanded (April 1972) Rs. 40.50 per blanket (excluding excise duty) and import licence for shoddy worth Rs. 10 per blanket. Firm 'A' however, kept itself away from the demand of the Shoddy Mills Association and agreed to supply shoddy wool blankets of relaxed standards of 75 per cent shoddy wool content (minimum) at the rate of Rs. 40.50 per blanket (Rs. 45.02 including excise duty) without any condition about import assistance. Earlier in February 1972, Defence department had informed the Ministry of Supply that firm 'A' had offered to produce 0.50 lakh blankets per month and requested that the case of this firm might be considered in view of urgent need for large number of blankets and dearth of suppliers. Order for 3.86 lakhs more shoddy wool blankets of relaxed standards was, therefore, placed on this firm in April 1972 at the rate of Rs. 45.02 (including excise duty) for supply by December 1972. These blankets were also to be inspected (at the firm's premises) by an inspector of the Defence inspectorate.

1.11. Of the first lot of 1.13 lakh blankets ordered on firm 'A', 0.13 lakh blankets supplied in December 1971 were accepted for meeting urgent requirement although breaking strength of these blankets was 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.

1.12. For supplies made against these two contracts, Rs. 45.42 lakhs were paid to the firm upto April 1972. On 10th April, 1972 an anonymous complaint was received by the Ordnance Depot which received these blankets and also the Director General, Supplies and Disposals, alleging that one lakh sub-standard blankets had been supplied by the firm at Rs. 37 per piece (excluding excise duty) and that Government had been cheated. On receipt of this complaint,

the blankets supplied by the firm still in stock (51,315) were segregated in April 1972. Inspection of samples of the blankets in stock by the Chief Inspector of Textiles in June/July 1972 disclosed that the blankets had various defects, the more important of which were inadequate milling and raising, missing and broken ends/picks sub-standard finish and workmanship, flimsy open texture, warp/weft bars present, damaged and darned, deficiency in breaking strength, etc. and that the blankets were not of acceptable quality. The results of this inspection were intimated to the Director General, Supplies and Disposals, in July 1972.

1.13. Since firm-wise details of issues of blankets were not available, the Depot called for reports about defects in the blankets supplied by the firm from all the units to which blankets were issued after receipt of blankets from this firm. In response, 29 complaints about 10,552 blankets supplied by this firm were received by the depot till December, 1972.

1.14. The segregated blankets were again inspected in December 1972 by a team of officers in the presence of a representative of the firm. The results of this re-inspection of the blankets and also of further investigation of the case are awaited (February 1974).

1.15. Out of 3.86 lakhs ordered on firm 'A' in April 1972 it could supply only 1.59 lakh blankets before expiry of the delivery date (December 1972). Out of 99,260 blankets supplied by the firm upto 31st August 1972, the consignee rejected 83,415 blankets (value Rs. 37.55 lakhs) after inspection owing to defects like objectionable weaving flaws, damage, openness of texture and bare surface. The rejected blankets were subjected to a 100 per cent re-inspection (September 1972) and 6,942 of these blankets were accepted. Of the balance, 13,993 blankets (value: Rs. 6.30 lakhs), 11,602 blankets were accepted with 12½ per cent price reduction and 2,391 (Rs. 1.08 lakhs) were finally rejected.

[Paragraph 43 of the Report of C&AG for the year 1972-73, Union Government (Civil)]

1.16. The Committee wanted to know the number of blankets which were indented for by the Defence Department from March 1969 to March 1973. The Secretary, Department of Supply has stated in evidence that the total number would come to about 39 lakhs, out of which 19.23 lakhs related to the period from 1969 to September 1971 and about 20 lakhs from October 1971 to May 1972. The Secretary has further stated that the order for the full quantity of 39 lakhs was placed and the total quantity had been supplied. In a

written note, the Department of Supply has clarified the total quantity of blankets indented during the period March 1969 to May 1972 actually stood at 42,77,450 Nos. The figure of 39.20 lakhs represents quantity of 19,22,593 Nos. covered under 38 As/T placed during March 1969 to September 1971 (These As/T were still current as on 1.10.1971) and quantity 19,97,450 Nos. blankets indented during October 1971 to May 1972. It was stated that quantity 39.20 lakhs Nos. formed part of the total quantity 42,77,450 Nos. The As/T in respect of quantity 3,57,407 Nos. representing the difference between the two figures were fully complied with before October 1971. Details of quality of 39.20 lakhs Nos. blankets were as under:

	Quantity	Percentage
(i) Per specifications . . . . .	26.73 lakhs	68.2%
(ii) Relaxed specifications . . . . .	10.64 lakhs	27.2%
(iii) Per samples approved . . . . .	0.43 lakhs	1.1%
(iv) Razai 70,000 Nos. to offset Blankets . . . . .	1.40 lakhs	3.5%

1.17. The representative of the Department of Supply has stated during evidence that on the first of November, 1971, there was an outstanding indent of 12.17 lakhs to be supplied against an earlier coverage upto 19 lakhs. In addition to this, another three indents totalling 19.7 lakhs were received. All these deliveries were required except six lakhs by March 1973. Subsequently, the Defence authorities wanted this six lakhs to be advanced by six months. So, all these requirements were to be supplied by March 1973.

1.18. Asked to state when the balance of 12.17 lakh blankets was actually supplied, the representative of the Department has given during evidence the following monthly figures of deliveries;

November 1971 . . . . .	1,54,000
December 1971 . . . . .	1,39,000
January 1972 . . . . .	1,02,000
February 1972 . . . . .	78,000
March 1972 . . . . .	1,66,000
April 1972 . . . . .	99,000
May 1972 . . . . .	Nil
June 1972 . . . . .	54,000
July 1972 . . . . .	47,000
August 1972 . . . . .	72,000
September 1972 . . . . .	64,000

He has added that supply of a balance of 1.17 lakhs out of the total quantity of 12.17 lakhs did not materialise and had to be cancelled at the risk and cost of the firm and repurchased. The delivery came through subsequently between April 1973 and December 1973.

1.19. In a written note furnished to the Committee, the Ministry of Defence have stated that the normal annual requirement due to wastage is approximately 7 lakhs. If, however, there is a shortfall in supplies in the previous year, the demand for the subsequent year would go up approximately to the extent of the shortfall. Similarly, if there is any change in the reserves to be held, there will be a change in the annual requirements.

1.20. The quantity concurred in by Finance year-wise is given below:

1969-70	1970-71	1971-72	1972-73	1973-74	1974-75
5 lakhs (Based on review carried out on 1-11-68)	5 lakhs (Based on review carried out on 1-11-68)	12.80 lakhs (Based on review carried out on 1-11-69) 4.00 lakhs (advanced from 72-73 to 71-72) 1.87 lakhs (For Prisoners of War).	6 lakhs (Based on review carried out on 1-11-70 Of this four lakh advanced to 1971-72) 6 lakhs (Based on review of 1-11-71)	6 lakhs (Based on review carried out on 1-11-70)	7 lakhs (Based on review carried out on 1-11-72) 2.25 lakh (Based on review carried out on 1-11-73).

1.21. Asked to state the justification for placing an order for 19.23 lakh blankets when the normal requirement of blankets for the Defence requirements were stated to be only seven and eight lakhs a year, the Ministry of Defence have, in a written note, stated that taking the normal annual requirements of seven to eight lakhs, the figure for 2-1/2 years, i.e., from 1.3.69 to 30.9.71 work out to 17.5 to 20 lakhs. Out of 22.55 lakh blankets for which A/Ts were placed by DGS&D from 1.3.69 to 30.9.71, 20.20 lakhs were supplied either within the original or within the extended delivery period. The order for the balance quantity of 2.35 lakhs, which was not supplied, was cancelled.

1.22. Asked to state whether before placing an order the Department made enquiries as to capacity of the firm to execute the orders, the representative of the Department of Supply has stated:

"We have a regular system of assessing the past performance. We have proceeded on the report, as far as these blankets

are concerned, duly assessed by the Defence Inspectorate and by and large, the capacity production envisage is coordinated. But, there have been various other factors which have retarded the progress of the contract. For example, even water was not available in some areas for washing the blankets. There have been other factors like power cuts, and things like that. This is how the contract got delayed. We have examined the reasonableness in consultation with the indenter. We have extended these orders.'

1.23. Asked to state the procedure that is followed by the Defence Department for the inspection of goods supplied against the A/Ts, the Ministry of Defence in a written note has stated that the procedure to be followed by the Defence Inspectorates for the inspection of goods supplied by the trade against A/Ts placed by DGS&D is as per DGI Standing Orders.

1.24. Further instructions supplementing/qualifying the process of inspection in the case of certain stores is laid down in Inspection Process Schedules for guidance of Inspection Staff. This existed in the case of blankets in the form of IPS No. B-I. Certain departures on points of details from the general inspection drill are called for in some cases and are made on merits of the case.

1.25. It has been stated in the audit paragraph that on the 29th October 1971 the Defence Department (Director of Ordnance Services, New Delhi) placed an indent for supply of 6 lakh blankets by 30th September 1972, and another 6 lakhs by 30th September 1973. The blankets were of the following three prescribed specifications:

- (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—not to be less than 80 per cent).

1.26. It has further been stated in the Audit Para that the Defence Department wanted 4 lakhs of these blankets during November-December 1971. For getting emergent supply the period of delivery indicated in the indent mentioned above was advanced by the indenter "by 6 months on the existing demands for first

6 months of financial year 1972-73. As the blankets were required at short notice, the Defence Department agreed to relax the above specifications to the following extent:

- (1) The blankets could be made with imported shoddy wool.
- (2) The wool content was not to be less than 70 per cent.
- (3) The breaking strength could be less by 10 per cent.

1.27. It has been stated by the Ministry of Defence in a written note that "the specifications for the blankets were relaxed in consultation with the General Staff and the R&D Organisation." Asked to state the rationale behind the relaxation of specification blankets, it has been stated by the Ministry of Defence in a written note that "the supply of blankets to the Defence Department by the DGS&D was not keeping pace with the requirements of Defence Department."

1.28. The Committee wanted to know if the specifications (a), (b) and (c) laid down for the supply of blankets for the Defence requirements were relaxed and, if so, the reasons therefor. In a written note furnished to the Committee, the Department of Supply has stated as under:—

"In the meeting held in the Department of Supply on 29th October 1971, Ministry of Defence intimated that they wanted supply of 4 lakh blankets on super emergent basis by November, 1971. It was forecast by DGS&D that about 1.5 lakh blankets would be supplied during November, 1971, thus leaving a shortfall of 2 to 2.5 lakhs required by Defence Services. These requirements could be met if the firms like OCM, Simplex, etc. could be persuaded to divert a part of their capacity for production of barrick blankets. It was decided that DGS&D would explore the possibilities by persuading the big mills with the help of Textile Commissioner to give as large a number of blankets as possible. This issue was further discussed in the Department of Supply on 1st November, 1971, along with the representatives of Army Headquarters. It was decided that a Board of Officers consisting of the following officers should be constituted for effecting the purchase of non-standard blankets against the emergent Defence requirements:—

- (i) Deputy Director General, DGS&D.
- (ii) Representative of Textile Commissioner, Bombay.
- (iii) Representative of DIGS, Ministry of Defence.



- (iv) Representative of DOS, Ministry of Defence.
- (v) Deputy Secretary (Internal Finance) Department of Supply.
- (vi) Director of Supplies (Tex), DGS&D, Bombay (subsequently dropped).

1.29. On 2nd November, 1971, Textile Commissioner informed that the shoddy industry would be able to supply 4 lakhs blankets during November and December, conforming to Defence Specifications subject to the following relaxation:—

- (a) Firm order should be placed within 3 days.
- (b) Specifications should be relaxed and 70 per cent wool content accepted.
- (c) Breaking strength reduced by 10 per cent.

1.30. Accordingly, a reference was made to Ministry of Defence on 3rd November, 1971, (Appendix I) for advice whether the relaxation in specifications as suggested by the shoddy industry and conveyed by the Textile Commissioner, would be acceptable to them. D.O.S., Ministry of Defence in his letter dated 3rd November, 1971 (Appendix II) confirmed that the description and specifications of the blankets were broadly acceptable to them. It was also stated in the letter that it would not be advisable to bind themselves to the specification in advance. It was, therefore, suggested that the matter may be left to be decided by the Board of Officers constituted by the DGS&D for this purpose. DOS also stated that the procurement of 4 lakhs blankets should be made by advancing the delivery schedule of 12 lakh blankets against the indent dated 29th October, 1971. With a view to meet this super-emergent requirement of 4 lakh blankets, a meeting of blanket manufacturers was held on 4th November, 1971 in the office of the Textile Commissioner, wherein it was decided that the blankets to the following relaxations should be purchased:—

- (1) That the blankets would be manufactured with imported shoddy wool.
- (2) That the total wool contents in the finished blankets should not be less than 70 per cent.
- (3) That the shade of the blankets would be variation of mixed colours such as mixed grey, mixed air-force, mixed brown and mixed blue.

- (4) Breaking strength would be less by 10 per cent than specified.
- (5) That the size of the blankets would be 90" in length and 60" in width. Such of the mills who did not have the required type of looms would be supplying the blankets in the size 90" by 54".
- (6) However, in case of shorter blankets a proportionate reduction in prices in co-relation with the weight would be allowed.
- (7) In addition to other concessions, the normal deviation as allowed according to the specifications would be given."

1.31. On the basis of decision taken in the meeting of the Board of Officers held in the office of the Textile Commissioner, Bombay on 4th November, 1971, wherein among others the representative of Shree Krishna Woollen Mills, Bombay, was present, the Director General of Supplies and Disposals placed a contract with Shree Krishna Woollen Mills, Bombay on 9th November, 1971 for 50,000 blankets to relaxed specifications. The quantity on order on Shree Krishna Woollen Mills, Bombay was increased on 1st January, 1972 from 50,000 to 1,00,000. Asked to state the reasons for increasing the quantity on order with Shree Krishna Woollen Mills, Bombay when the firm had supplied only 37,000 blankets out of 50,000 blankets by December 1971, particularly when the Defence requirement was super-emergent, the Department of Supply has in a written note stated as under:

"The initial requirement of DOS was for 4 lakhs shoddy blankets for delivery by 31-12-1971. Accordingly order was placed for 3,95,200 Nos. pursuant to the allocation made in the meeting held in the Office of the Textile Commissioner on 4-11-71. Out of the total quantity, 77,200 nos. were defaulted and cancelled. On 8-12-71 DOS had further asked DGS&D to procure 75,000 shoddy blankets for POWs on operational basis and adjust this against their indent dated 29-10-1971. They had agreed to accept shoddy blankets of the type ordered in November 1971. Subsequently DOS raised a fresh indent for 1,87,500 nos. on 7-1-1972 requiring delivery by end of January 1972 itself. The quantity of 75,000 blankets was included in the fresh indent for 1,87,500 nos. Thus the DGS&D had to

arrange purchase for 2,64,700 blankets for delivery by 31-1-1972 as under:—

- (i) 77,200 nos.—defaulted and cancelled in respect of orders already placed.
- (ii) 1,87,500 nos.—against fresh indent dated 7-1-1972.

Shree Krishna Woollen Mills had made a request to DOS for placement of additional order for 55,000 blankets. This was forwarded by DOS with his letter dated 23-12-1971 recommending acceptance of such offers. The firm in their letter dated 21-12-1971, addressed to DGS&D had also stated that their production was 2000 blankets per day and in January 1972 they would be in a position to complete the supplies of additional 60,000 blankets to the relaxed specification. They, therefore, requested for placement of order for a further quantity of 50,000 blankets for delivery by January 1972. Since Shree Krishna Woollen Mills had already supplied 37,000 blankets out of the initial order of 50,000 blankets by 31-12-1971 and another 50,000 nos. were under inspection, an order for another 50,000 nos. was placed at the same rate and terms and conditions, as given in the original contract for 50,000. Since the supply of specification blankets was not possible, the DGS&D had to place orders not only on Shree Krishna Woollen Mills but on the following parties:—

- (i) Simplex
- (ii) Dani Wooltex.
- (iii) Amritsar Swadeshi.
- (iv) C. Raman.
- (v) Model Woollen.
- (vi) Kanshi Ram Amarnath.
- (vii) Oswal Spg. & Weaving Mills.
- (viii) Bharat Woollen.
- (ix) Simplex Woollen.
- (x) Oswal Spg.
- (xi) Bharat Woollen."

1.32. A meeting was held in the room of Dy. M.G.O, on 18-11-1971 at which the representative of DGS&D was present. The record note of discussion held at this meeting reads as under:

"DDG(N) stated that M[s. Shree Krishna Woollen Mills had about 13,000 blankets of the description as per samples

shown to the officers present in the meeting lying in their stock which could be immediately procured. He stated that if these blankets could be accepted on spot inspection basis by checking the dimensions, feel and weight as was decided in the high level meeting, we could lift these blankets immediately, just as any other buyer does without undergoing the laboratory tests for BS and the like.

DI(GS) stated that test results of these samples had since been received and we find that they vary in BS considerably. Some of these blankets were very much low in BS and as such it was not desirable to recommend their acceptance. DI(GS) further stated that the reasons for low BS are due to the non-admixture of nylon content in these blankets since these are meant for civilian use. DI(GS) also stated that the low BS could be somewhat counteracted by stitching of border on all the four sides. DMGO and DWE stated that the stitching of a border might take more time, which we could ill afford. The two samples were examined by them alongwith Dy. DOS and they found them to be strong enough and decided to immediately procure these on the basis of two samples. One sample was found sub-standard and was rejected. DDG(N) stated that if these two blankets are accepted and sealed, he would freeze the stock lying with this firm for procurement possibly with some lesser price than the recent procurement made."

It was decided in this meeting that in view of the critical supply position of blankets, 13,000 blankets offered by Shree Krishna Woollen Mills their samples may be accepted. The inspections were to be done visually for dimension, feel and weight only.

1.33. In a written note furnished to the Committee, the Department of Supply has stated as under:—

"In the meeting on 4th November, 1971, the Board of Officers had also given a list of 12 firms who were having non-standard blankets ex-stock. This included 13,000 blankets lying ready with M/s. Shree Krishna Woollen Mills. The samples submitted by M/s. Shree Krishna Woollen Mills were examined and discussed in the room of Dy. M.G.O. on 18th November, 1971 and it was decided to procure these blankets on the basis of the two samples. Pursuant to the above, DOS in their letter dated 23rd November,

1971 stated that DGS&D should place order on M/s. Shree Krishna Woollen Mills as per decision taken in the meeting held on 18th November, 1971. This was also repeated in their subsequent D.O. letter dated 26th November, 1971. They also suggested that DGS&D should place order on the above mentioned firm immediately and forward copies to them by hand. Negotiations were conducted with M/s. Shree Krishna Woollen Mills on 26th November, 1971, pursuant to which the firm reduced the price by Rs. 1/- from the quoted price of Rs. 37/- and order was placed with the approval of Associated Finance, for delivery by 10th December, 1971."

1.34. The Committee wanted to know the reasons why shoddy wool blankets of relaxed specifications (the total wool content in the finished blanket shall not be less than 70 per cent) were accepted. The Secretary, Department of Supply has stated in evidence that a meeting was held in the office of the Textile Commissioner on 4th November, 1971 wherein it was impressed on the industry that they must ensure that 4 lakhs blankets conforming to the specifications were supplied before 31st December 1971. The firms stated that unless and until relaxations were given to them they would not be able to meet the requirements inasmuch as the period of delivery was extremely short. Asked to state why it was not possible for the Department to place orders on the traditional firms when the normal requirements were to the extent of 8 lakhs blankets only and why it was necessary to lower down the specifications, the Secretary, Department of Supply has stated, "The Textile Commissioner had called a meeting of all the units in the industry and I have read out the minutes (Appendix III) of the meeting. We have no control. The trade said this, 'If you want to buy on the relaxed ones, we can supply. Otherwise, we cannot.'"

1.35. The representative of the Department of Supply has also stated in evidence, "These blankets are traditionally manufactured out of indigenous wool with some admixture of man-made fibre... In the wake of the situation in October, 1971, we had to cover as much as 12 lakh blankets on hand. As already explained, we were carrying with the traditional source of supply of 12 lakh outstanding. Defence also wanted 4 lakh blankets to be delivered in December." The Secretary, Department of Supply has further stated: "We are simply guided by the demand placed on us. It is not the function of the DGS&D to say that the demand which you are placing should not be placed. But if within the delivery period asked for by any indenter not only in respect of this but of any material, we

cannot deliver, we advise him: 'Looking to the availability, you cannot get it'. But in this case, as you have seen, there was a pressing demand on the DGS&D who, taking into consideration the emergency situation, sought the good offices of the Textile Commissioner. But whether those demands should have been placed, it is very difficult for me to say."

1.36. The Committee wanted to know if the indents placed for the blankets during the period 1971—73 were placed due to emergency in the wake of Indo-Pak War of 1971. In a written note the Ministry of Defence have stated: "Except for an indent for 1.87 lakh blankets, placed on 7th January, 1972, which were required for the Prisoners of War, no indent was placed on account of the emergency in the years 1971-72 and 1972-73. The urgent demands were placed due to the critical supply position of blankets."

1.37. Asked to state what was meant by the term 'critical supply position', the Ministry of Defence have stated in a written note that "at the end of September, 1971, over 13 lakh blankets were outstanding against indents placed by the Defence Department. On 1st November, 1971, the stock available with the Ordnance Services were only 73,206 blankets. Under the circumstances, the obligation to supply blankets to the troops could not be met. The term 'critical supply situation' was used in this context."

1.38. Asked to state what was meant by emergency demand, the representative of the Department of Defence has stated in evidence, "There were about 12 lakh blankets already outstanding for supply between 1969 and 1971.....These were not being supplied according 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. There was a demand of 6 lakhs during 1973-74. But when we found that these sources, which one might call as traditional, because orders had been placed between 1969 and 1971 on those sources of supply, were not forthcoming with their supply, there was no other option at that stage but to advance the delivery of the other two indents which I just mentioned of 6 lakhs in 1972-73."

1.39. The representatives of the Department of Defence has further stated that the demand would obviously be in a relation to troops having gone in greater numbers during the 1971 war and also the prisoners of war requirements that came into being. That might have been a good consideration for enhanced requirement.

He had clarified 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."

1.40. The Committee wanted to know whether it would not have been better if the Department had asked the traditional suppliers to expedite the delivery of the pending orders and the unfulfilled contracts, instead of putting an emergency order at considerable financial loss to the Government and compromising the quality to the detriment of the users in the forward areas. The Secretary, Department of Supply has stated, "May be that if certain pressures were exercised, another lakh and odd may have come but a larger quantity which they wanted within that period could not have been made available because the trade had already delivered about six to seven lakhs blankets. They said, If you want this material within this period, you must buy it at a relaxed specification."

1.41. Subsequently, in a written note furnished to the Committee, the Department of Supply has stated as under:

"It may be added that all efforts were being continuously made by DGS&D|DOS|Inspecting Officers to expedite supplies. Supply position was being obtained regularly by the Inspecting Officers formally and informally. The inspecting Officers were authorised to accept stores with minor deviation calling for price reduction upto a maximum of 5 per cent and also they were authorised to pass stores on the basis of a letter of guarantee furnished by the suppliers instead of waiting for test results on samples which were time-consuming. In short, both the suppliers and the Inspecting Officers were alert throughout and they did their best in the matter."

1.42. The Committee enquired whether the Department of Supply were aware of the fact that one of the defaulters in the supply of blankets was Arthur Import and Export Company whose proprietor also happened to be one of the owners of Shree Krishna Woollen Mills. The Committee further enquired whether it was not a fact that while Arthur Import and Export Co. by defaulting in the supply of blankets for defence requirements had created conditions whereunder the Defence Department was obliged to enter into contractual obligations with Shri Krishna Woollen Mills for supply of blankets at a higher price and that too of sub-standard quality. The Secretary, Department of Supply has

stated: "I would like to submit that in respect of this company, the order was for 62,500 blankets out of about 19 lakhs. Out of 62,500, the order for 28,000 was cancelled. So, I would humbly submit that the remaining 30,000 to 40,000 blankets would not be a cause for the emergency push-up."

1.43. In the Audit Para it has been stated that "in the discussions and communications the Defence department had not clearly indicated what was its total requirement up to March, 1973. The Director General, Supplies and Disposals, understood from these discussions and communications that Defence department needed 12 lakh blankets by September, 1972 and 6 lakhs more by March, 1973."

1.44. In reply to the draft Audit paragraph, the Department of Supply had stated in February, 1974:

"It is necessary to emphasis in this connection that the requirements of DOS were being intimated under quickly changing circumstances regarding (i) the post-war situation and (ii) regarding the likely period for which POWs were to be retained in India (especially whether this would fall during winter period when adequate protection would have to be given under Geneva Convention to such POWs). It is, therefore, natural that the DOS made frequent reassessments and on the basis of such assessments the requirement of 18 lakh blankets for delivery during 1972-73 does not seem exaggerated. At any rate the DGS&D in arranging procurement had to and did bear these very important factors in mind."

1.45. According to Audit para, in January, 1972 the Director General, Supplies and Disposals, invited tenders for supply of blankets of prescribed specifications. On the basis of offers received in March, 1972, he could place orders, between April, 1972 and June, 1972, for only 6.32 lakh blankets conforming to prescribed specifications. As Defence Department had agreed *vide* letter dated 3rd April, 1972 from D.O.S. (Lt. Genl. Sandhu) to DGS&D (Appendix IV) to accept shoddy wool blankets (i.e. of relaxed specifications), viz. 'Any deficiency which cannot be met by specification blanket should be covered by shoddy blanket of 75 per cent wool content and normal breaking strength.' instead of inviting fresh tenders for specification blankets the Director General, Supplies and Disposals, placed orders, between April, 1972 and October, 1972, on three firms for 5.26 lakh blankets of relaxed specifications. The relaxed specification of 4.46 lakhs of these blankets was to conform to type



'C' in every respect except that wool contents would be 75 per cent shoddy wool (minimum).

Details of orders placed for 5,26 lakh blankets of relaxed specifications are as follows:—

Sr. No.	A/T No. & Date	Name of firm	Shoddy-blankets	Rate per blanket
1.	794 dt. 21-4-72	Shree Krishna Woollen Mills Bombay.	3,86,000	Type 'C' in every respect except that wool contents would be 75 per cent shoddy wool (Minimum) Rs. P. 45·02
2.	831 dt. 11-7-72	The British India Corpn. Ltd. Kanpur.	80,000	As per sample given by the firm (wool 80 per cent minimum) 42·80
3.	855 dt. 18-10-72	Dani Wooltex Corporation, Bombay	60,000	As against Sl. No. 1 above 45·02
			5,26,000	

1.46. The circumstances leading to the placement of the orders have been stated as under in a written note furnished to the Committee by the Department of Supply:

"On 24.1.1972, a telegram was received from Indian Shoddy Mills Association intimating that Shoddy Industry would be completing their orders for shoddy blankets against Defence requirements by the end of January, 1972 and that they are fully geared for production to meet defence requirements. To enable them to continue the production they wanted clear indication of further orders within a week, otherwise it was stated, continuous supply would be disrupted. Accordingly, a meeting was held with the shoddy industry on 1.2.1972 in the DGS&D to explore the possibility of getting further supplies. This meeting was attended by DOS, who stated that further supplies should be made to the specifications. The Chairman of the Shoddy Mills Association however suggested acceptance of shoddy blankets to the relaxed specifications, as agreed to in the meeting held on 4.11.1971, for further supplies also. He however, agreed to reconsider the matter. Another meeting was held with the shoddy industry in the office of the Textile Commissioner on 11.2.1972 when they agreed to

supply blankets with 75 per cent wool content in lieu of 80 per cent, as required under the specification. As defence had not decided at that time in regard to the continuation of supplies to the relaxed specifications, it was recorded that DOS representative would take up this question and advise within a week or so whether they accepted the suggestions made by the shoddy industry. On 3.3.1972, the question of acceptance of shoddy blankets with 75 per cent wool content and normal breaking strength was discussed in the Department of Supply when DOS was also present. Pursuant to the above, DOS in their letter dated 4.3.1972 confirmed that blankets made of shoddy having 75 per cent wool content and normal breaking strength would be acceptable. In their letter dated 3.4.1972, it was intimated by D.O.S. that their requirement of blankets in 1972-73, subject to clearance by Ministry of Finance (Defence), would be about 18 lakhs blankets, out of which 12 lakhs were required by September, 1972. They also suggested that new supplies should be tapped as the availability from the orders already placed would be to the extent of 6 to 6.5 lakhs blankets. It was also recorded that any deficiencies which could not be met by specification blankets, should be covered by shoddy blankets of 75 per cent wool content and normal breaking strength. On the basis of the assessment made by DGS&D, it was felt that there would be a shortage of 2 to 2.5 lakhs blankets for delivery by September, 1972 and as such the purchase of shoddy blankets was inescapable. On receipt of a further indent from DOS for 6 lakhs blankets on 14.1.72, the position became very serious. Keeping in view the requirements of 12 lakhs by September, 1972 and 18 lakhs by March 1973, DGS&D had to place order for a quantity of 4,46,000 shoddy blankets on two firms with 75 per cent wool content (minimum). Further, DGS&D had also to place orders on BIC for 80,000 blankets as their rates were very attractive and their blankets very nearly conformed to type C of the Defence specification after DOS had agreed to accept the samples submitted by BIC."

1.47. In this connection the D.O. letter dated 3.4.1972 from Director of Ordnance Services to Director General Supplies and Disposals is reproduced below:

"I was hoping to send you the indent for additional blankets required during 72/73 but this has not been possible so far. We have projected to the Government a requirement

of 8.91 lakh blankets in addition to those for which A/Ts have already been finalised by you. This indent is with Ministry of Finance (Defence). We are at them for early clearance and will forward the indent to you as soon as it is cleared.

The total requirement of blankets in 1972/73 subject to clearance by Ministry of Finance (Defence) will be 8.91 lakh (new indent) plus 9.07 lakh against outstanding contract, i.e. 17.98 lakh. 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, 72. New suppliers who can supply A, B and C grade of blankets should, therefore, be tapped. 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.

You must have received the capacity report of Shri 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 of meeting the requirement of 12 lakh blankets by September, 1972 can be given."

1.48. It has been pointed out by the audit that the prices of the blankets of relaxed specifications were higher than that (Rs. 42.13 including excise duty) of specification blankets (45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with 10 per cent nylon—total wool content not less than 80 per cent) ordered during April, 1972 and June, 1972. Purchase of 5.26 lakh 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).

1.49. The Committee wanted clarification on the remarks of the audit that the prices of the blankets of relaxed specifications were higher than those of prescribed specifications and also the justification for giving orders without calling for fresh tenders. The representative of the Department of Supply has stated:

"There were about 12 lakh and odd blankets with standard specifications pending for supply as on 1st November. These had booked certain capacities as fully. After meet-

ing the urgent needs of their requirement of 4 lakhs during November, December and January, on the 25th January, we went out for a tender for the uncovered quantity of 5.59 lakhs as against a new indent of 12 lakhs. The tender was opened on 7th March. Initially, we covered to the tune of 3.15 lakhs of standard blankets followed by another 1.56 lakhs. That covered about 6 lakhs of standard blankets. . . . . Each unit was carrying certain allocation. Their capacity, to the extent available to us, we covered upto 6.32 lakhs. The outstanding on that date, uncovered, was 6.71 lakhs deliveries required by March, 1973. We went over this and bought about 5.26 lakhs of shoddy blankets of relaxed specifications. I would like to enlighten the members here on 'relaxed specifications'. This is not to be confused with what we bought in December with all those conditions. This was Standard 'C' blanket except that the wool content, instead of 80 per cent specified there, was a minimum of 75 per cent in other respects, it was entirely according to specifications."

1.50. The representative of the Department of Supply has admitted that orders for 5.26 lakh blankets at Rs. 45.02 was placed because "our capacities were full." As to the point whether the blankets were inferior or not, it was for the Defence Inspection to comment.

1.51. The representative of the Department of Defence has, however, stated in evidence that "75 per cent wool if it is shoddy does, as per our technical knowledge, make it inferior to quality 'A' and 'B'."

1.52. The Committee enquired whether the stipulation "shoddy blankets of 75 per cent wool content" did not favour the suppliers and whether it did not connote that 75 per cent of the contents of the blankets would not have pure wool because shoddy may have an admixture of fibre, cotton, nylon, etc. In a written note the Ministry of Defence has stated:

"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 a considerable admixture of non-wool fibres and any blankets 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 wool and the remainder may be any other admixtures.

In the trade the terms 'shoddy blankets' and 'Shoddy Wool' are used quite loosely without having a standard meaning, composition and specification."

1.53. Asked to state what prevented the Directorate General to call for fresh tenders for this item when for other items tenders were called and particularly, when a higher rate was going to be offered, the Secretary, Department of Supply has stated in evidence.

"There is nothing on record to show that this matter was negotiated with the Shoddy Mills Association only at the point where there should have been no reason to negotiate with them if the demand was not pressed on DGS&D. As I see from the file, it appears that the DGS&D were pressed hard at that time to cater to the requirements and taking this into consideration, because the Indian Shoddy Mills Association came forward, they negotiated with them. So, there is no reason to think that by tender inquiry something better would have developed."

He has further stated:

"As I can see from the noting, the Indian Shoddy Mills Association was the only agency that could fill up. So they negotiated with them in order to avoid Rs. 10 foreign exchange commitment. They gave Rs. 2 extra and got out of the foreign exchange commitment. Whether floating a tender would have resulted in a lower price at that time, I cannot say."

1.54. In a written note furnished to the Committee, the Deptt. of Supply have stated as under:

"It may be explained that as on January, 1972 a residual quantity of approximately 5.5 lakhs nos. of blankets against indent dated 29.10.1971 was still to be covered. Enquiry for this quantity was advertised for Types A, B and C covered under the regular specifications. These tenders were opened on 7-3-1972. In response to the wide advertisement, 49 offers were received, including 14 offers from different shoddy units located in the country. In the meantime, DGS&D were informed during discussions that a further indent for 6 lakhs nos. blankets was expected from DOS (which was actually received in April, 1972) for delivery by September/October/November 1972 (50/25/25 per cent resp).

After the offers of the tenders of specification blankets were analysed with particular reference to their capacity, and delivery it was considered that for meeting the immediate monthly requirement of 2 lakhs 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 specifications 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 1972 and finally 6.24 lakhs), it became clear that there was no other alternative, but to purchase shoddy blankets, if delivery as required by the indenter was to be maintained.

No purpose would have been served by issuing a separate tender enquiry in respect of the quantity of 6 lakhs nos. blankets indented in April 1972 when sufficient number of offers had been received both for specification and shoddy blankets against the tenders opened in March 1972. As a matter of fact, at that stage, it was felt that the industry was taking advantage of the critical position and was raising their rates. If a further enquiry was floated, it was almost certain that the rates would have been higher.

Since the capacity of all the units engaged in specification blankets had been fully utilised, it was decided to conduct negotiation with the shoddy units, whose offers were otherwise acceptable. These units were invited to attend a meeting on 10-4-1972, where not only the representatives of 8 shoddy units were present, but also the President of the Indian Shoddy Mills' Association. It could therefore, be taken that the entire industry was represented. There was, therefore, no purpose in issuing against a separate enquiry for shoddy blankets to relaxed specification.

Ultimately, it was found that the offer of the members of Indian Shoddy Mills' Association was not attractive as they wanted shoddy assistance @ Rs. 10/- per blanket and order had to be placed with Shree Krishna Woollen Mills, who did not insist on such assistance. It may be mentioned that Shree Krishna Woollen Mills and their associated concern Arthur Import & Export did not participate in the meeting held on 10-4-1972.

Against the tender enquiry for 5.5 lakhs blankets opened in the month of March 1972, shoddy industry quoted a ring rate of Rs. 47.25 with raw material assistance @ Rs. 10 per blanket. After great persuasion they reduced their rates to Rs. 40.80 raw material assistance @ Rs. 10. Since DGS&D had no quota of foreign exchange, the offer of the shoddy industry could not be accepted. The only offer left was from Shree Krishna Woollen Mills who had quoted the same rate of Rs. 40.50 as finally settled with shoddy industry but without any foreign exchange assistance. This was the best possible offer available for shoddy blankets and the same was accepted. Later on, order was placed on Dani Wooltex for a quantity of 60,000 blankets. The order placed on BIC for 80,000 Nos. was more or less for type C. So far as Shree Krishna and Dani Wooltex are concerned, in terms of percentage, the extra cost is only 7 per cent over the basic rate of type 'C' blankets. BIC rate was higher only by 1.5 per cent. It may also be mentioned that the total value of purchases made during the critical period stood at Rs. 4.6 crores.'

1.55. In his letter dated the 25th February, 1972, addressed to Secretary, Ministry of Supply, DOS (Army Headquarters) *inter-alia* stated:

"M/s. Shree Krishna Woollen Mills have offered to produce 50,000 blankets per month with 80 percent 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 Shree Krishna Woollen Mills in the above context."

1.56. According to the information supplied by the Department of Supply to the audit in February 1974, "Shree Krishna Woollen Mills had given a representation addressed to Minister on 5th April, 1972 (Appendix V) 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. They agreed to reduce the price, in case shoddy mills or any of the major suppliers, agreed to supply the blankets lower than the rate quoted by them. The representation was discussed in the room of the Minister of Supply on 7th April, 1972. Since the offer of Shree

Krishna Mills was without assistance, it was proposed to place the order on them for 2.5 lakh numbers blankets to cover the shortfall upto September, 1972.

1.57. When the proposal was under consideration, another indent for 6 lakh numbers blankets from DOS was received. It was anticipated that from October 1972 to March 1973, the approximate materialisation could be about 3 lakhs blankets, if deliveries continued, but that too was uncertain, as some of the contracts had to be cancelled. The spare capacity for specification blankets for delivery during this period was estimated to be 1,76,000 Nos. Since it was inescapable, the question of purchase of shoddy blankets was considered. Orders for additional quantity of 1.36 lakh was placed on Shree Krishna Woollen Mills @ Rs. 40.50 each, which they were required to deliver by the end of December 1972, and option was also retained, for placement of order to the extent of 1.64 lakh blankets within the currency of the contract. Order was placed after I.G.S. Bombay had certified their capacity @ 50,000 number per month."

1.58. It has been stated in the audit paragraph that of the first lot of 1.13 lakh blankets ordered on Shree Krishna Woollen Mills, Bombay (see para-ante) 0.13 lakh blankets supplied in December 1971 were accepted for meeting urgent requirement although breaking strength of these blankets was 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.

*Supplies tendered by Shree Krishna Woollen Mills*

1.59. It has been stated in the audit para that following the receipt of an anonymous complaint by the Central Ordnance Depot, Kanpur, and also the Director General, Supplies & Disposals, alleging that one lakh sub-standard blankets had been supplied by the firm Shree Krishna Woollen Mills at Rs. 37 per piece excluding excise duty, the blankets supplied by the firm still in stock (51,315) were segregated in April 1972. Samples of the blankets were inspected by the Chief Inspector of Textiles in June/July 1972. This inspection disclosed that the blankets were not of acceptable quality. The results of this inspection were intimated to the Director General, Supplies and Disposals, in July 1972. 29 complaints concerning about 10,552 blankets supplied by the firm were received by the Ordnance Depot till December, 1972.



1.60. It has been stated in the Audit para that out of 3.86 lakhs blankets ordered on Shree Krishna Woollen Mills in April 1972, the firm could supply only 1.59 lakh blankets before expiry of the delivery date (December 1972). Out of 99,260 blankets supplied by the firm upto 31st August 1972, the consignee rejected 83,415 blankets (value Rs. 37.55 lakhs) after inspection owing to defects like objectionable weaving flaws, damage, openness of texture and bare surface. The rejected blankets were subjected to a 100 per cent reinspection (September 1972) and 69,422 of these blankets were accepted. Of the balance 13,993 blankets (value Rs. 6.30 lakhs), 11602 blankets were accepted with 12½ per cent price reduction and 2,391 (Rs. 1.08 lakhs) were finally rejected.

As regards the supply of sub-standard blankets by Shree Krishna Woollen Mills the Committee wanted to know why it was not possible for the Department to conduct investigations departmentally without waiting for the anonymous complaint to come through on 10th April 1972. The representative of the Deptt. of Supply has stated that these orders were placed sometime in November-December and these were inspected by the Defence Inspectorate. After the supplies were completed, this complaint came to light. As soon as the complaint came to them, it was referred to the DOS as well as the inspecting authorities for investigation. The Secretary, Department of Supply has clarified, "The DGS&D placed the contract while inspection is done by the Defence. So, there was no reason to doubt that some inspection notes were given in collusion with the parties. It was only when the complaint came to us that we investigated the thing and pointed out to them that it was the duty of the consignee to see after inspection whether the material were or were not according to specification."

1.61. In a written note furnished by the Department of Supply to the Audit, it has been stated that "with regard to the complaints about quality of blankets supplied by M/s. Shree Krishna it may be recapitulated that during 1971-72 and 1972-73 the following orders were placed on the mill:

A/TNo. & Date	Qty. on order (Nos.)	Basic rate (Rs.)	Delivery	Type
664 Dt. 9-11-71	1,00,000	37.00	31-12-71	Shoddy blankets to relaxed specification i.e., 70% wool contents.
691 dt. 27-11-71	13,000	36.00	27-11-71	As per sample.
858 dt. 29-10-72	35,000	—	30-11-72	As per sample.
794 dt. 21-4-72	3,86,000	40.50	From 1-5-72 to 31-12-72 @ 50 to 60 thousand Nos p.m.	Shoddy blankets with shoddy wool contents of 75% minimum.

1.62. Out of four contracts mentioned above, there was no rejection in respect of supplies made against No. 858, which was placed after the sample submitted by the firm was approved by DIGS/DOS. In respect of other three contracts, there was rejection at the consignee's end as follows:

<i>A/TNo.</i>	<i>No. rejected by consignee</i>
664	41,501
891	9,814
794	83,415

1.63. With regard to rejections in respect of A/T Nos. 664 and 691, it was decided that the rejected stores would be reinspected in the presence of representatives of CBI, D.I.G.S., C.O.D. Kanpur and the firm. It was repeated by D.I.G.S. in their letter dated 11-10-73 that the rejected blankets had been reinspected at consignee's end, in the presence of CBI but the results of reinspection were awaited.

1.64. As regards A/T No. 794, in a written note furnished to the Committee the Department of Supply has stated:

**A/T. No. 794**

"The rejected blankets in this case were reinspected in the presence of Defence Inspection/COD, Kanpur etc. In the reinspection, representative of CBI was not present, probably because this case was not registered with them at that time. DIGS vide letter No. 21311/15/TD-20 dated 23-9-72 had informed that 100 per cent reinspection of the consignment of blankets lying with COD Kanpur against the subject A/T had been completed and the total quantity segregated was as under:

Acceptable on visual inspection	.	.	69,442 Nos.
Not acceptable due to open Texture	.	.	11,602 Nos.
Not acceptable due to damage	.	.	2,391 Nos.
Total			83,415 Nos.

1.65. Asked to state if the blankets supplied by Shree Krishna Woollen Mills had been inspected before despatch, the Ministry of Defence in a written note has stated:

"All consignments of blankets barrack from Shree Krishna Woollen Mills were inspected before issue of Inspection Notes accepting them. However, in the departmental investigation, the inspection staff took a plea that their load of work had considerably increased and they were not in a position to devote as much attention to

detailed inspection as was normally called for. This plea has been given due consideration by the Commissioner of Departmental Inquiries."

1.66. Asked to state the results of re-inspection of the rejected blankets supplied against A/T No. 664 and 691, the Department of Supply has in a written note stated as under:

"Results of Inspection in respect of A/T No. 664 and 691 were as under:—

A/T No. 664— Category	Quantity	Ad hoc Price Reduction
A	8189 Nos.*	5%
B	14967 Nos.	14%
C	13149 Nos.	30%
CI	3618 Nos.	50%
	<u>39923 Nos.</u>	

A quantity of 1452 nos. stood finally rejected and is not acceptable even under price reduction.

A/T No. 691 :—		
A	6918 Nos.	found conforming to reinstituted sample.
B	2881 Nos.	found not conforming to sample.
C	17 Nos.	found not having acceptance mark of the Inspecting Officer."

1.67. It has been stated by the Department of Supply in a written note in respect of A/T No. 664:

"Based on the above ad hoc price reduction, a demand notice was served on the firm for payment of Rs. 3,05,566/-. The firm have obtained a Stay Order from the Delhi High Court. As regards finally rejected 1452 Nos. blankets, it has been opined by the Ministry of Law that since the right of rejection has not been exercised by the consignee within the permissible time limit, the rejection at this stage is not legally enforceable. The Government can, however, claim compensation from the firm towards breach of warranty. For this purpose the Inspectorate has to indicate the value of the sub-standard goods at the time of delivery for the purpose of recovery. The Defence Inspectorate have not so far indicated the salvage value of the sub-standard blankets at the time of delivery to enable DGS&D to formulate claim towards breach of warranty."

\*C.B.I Report refers to 5449 Nos.

As regards, A/T No. 691:

"The Inspectorate have not indicated the quantum of price reduction in respect of finally rejected 2898 blankets which did not conform to the reinstituted sample including 17 blankets having no marks of inspection. It has been held by the Ministry of Law that DGS&D cannot ask the firm to take back the rejected blankets, since the rejection had not been intimated to the firm by the consignee in time. The Government is therefore making a claim towards breach of warranty only. A reference has been made to Defence Inspectorate to intimate the value of the finally rejected blankets so as to formulate the claim for breach of warranty."

1.68. It has further been stated by the Department of Supply that in respect of A/T No. 794 pursuant to the reinspection, a quantity of 11,602 Nos. not originally found acceptable due to open texture, was later considered acceptable with 12½ per cent price reduction by the Defence Inspectorate. Necessary amendments were issued after the firm's consent had been obtained. A quantity of 2391 Nos. was not found acceptable even with price reduction. The firm had agreed to take back the rejected blankets and replace the same with the fresh acceptable stores. This has been done *vide* Inspectorate Note last No. 78 dated 18-9-73. The replacement (Stores) were despatched by the firm on 25-8-73".

1.69. The Committee wanted to know the gain to M/s. Shree Krishna Woollen Mills due to the supply of sub-standard blankets which were subsequently accepted after price reduction. The Department of Supply has in a written note stated as under:

"Price reductions on account of supply of sub-standard woollen Blankets were imposed as follows:

(a) A/T No. 664 :

(i) Ad hoc price reduction demanded ranging from 5 to 50% on quantity of 39,923 Nos.	3,05,566.00
(ii) Quantity 1454 Nos. not acceptable even under price reduction @ Rs. 37/- + 11% CED + 7 paise cess per blanket. (Demand notice yet to be issued).	**59,735.28
	<hr/> 3,65,301.28

(b) A/T No. 794 :

Quantity not acceptable under price reduction 2898 Nos. & Rs. 36/- + 11% CED + 7 paise cess per blanket.	1,16,006.94
Total	<hr/> 4,81,308.22

(c) A/T No. 794 I

(CB did not inquire into this case). Since the supplier has accepted the price reduction of 12½% imposed by the CIT & Con 11602 Nos. blankets and have also replaced the rejected quantity of 2391 Nos. there is no further claim.

\*\*This has been assessed by CBI at Rs. 53,724 on the basis of basic rate of Rs. 37/- only.

DGS&D have already issued notice for a sum of Rs. 3,05,566/- against A/T No. 664 covering the price reduction at a(i).

The claims covering blankets not acceptable under price reduction at a(ii) and (b) above are yet to be finally determined after DOS/DIGS indicate the salvage value of the sub-standard blankets at the time of delivery. The claim will be reduced to the extent of such value.

As against the above claims the payment of Rs. 3,19,055/- due to the firm has been withheld as detailed below:

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A/T No. 664 dated 9-11-71	Rs. 73,455.00	towards balance 5 per cent.
A/T No. 691 dated 27-11-71	Rs. 12,600.00	towards balance 5 per cent amount.
A/T No. 794 dated 22-4-72	Rs. 233,000.00	withheld.
	Rs. 3,19,055.00.	

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"It may be taken that price reductions have been imposed by CIT&C (Inspection Authority) after taking into account the extent to which blankets are deficient. Recoveries if and when finally realised will offset the cost of deficiency. This apart the supplier might have gained on interest charges on payments obtained on a sum of Rs. 1,62,253/- approximately representing the difference between the approximate claim of Rs. 4,81,308/- (this is likely to be reduced when salvage value of unacceptable blankets is determined) and Rs. 3,19,055/- already withheld."

The Department of Supply have further stated;

"Action was initiated by DGS&D to effect recovery from the firm on account of the supply of sub-standard/below specification blankets. They were served with a Demand Notice for a sum of Rs. 3,05,566/- with rights reserved for enhancing this claim in the light of the report awaited from CIT&C, Kanpur on a further quantity of blankets under test. M/s. Shree Krishna Woollen Mills moved the High Court, Delhi praying for stay of this recovery. The stay has been granted to the firm. Pending consideration of the case by the Court on merits, no action is also to be taken to adjust the amount of Rs. 3,19,055/- already withheld as the firm has also obtained a stay order in this regard. Meanwhile, action has been taken to contest the case."

"Regarding the banning on business dealings with the firm recommended in CBI's Report, action to be taken is under examination in consultation with the Ministry of Law in the light of recent ruling of the Supreme Court."

### *C. B. I. Investigation*

1.70. The Central Bureau of Investigation (Special Police Establishment), which enquired into the matter, submitted their report on 6-11-1973. The C.B.I. have held that one Lt. Col. (Ordnance Sample Room, Bombay), one Scientific Officer (Office of the I.G.S. Bombay), three officiating Chargemen, Grade I (Office of the I.G.S. Bombay), one Chargeman, Grade II (Office of the I.G.S., Bombay), one officiating Assistant Foreman (Office of the IGS, Bombay) did not maintain absolute integrity and devotion to duty in the matter of inspecting and accepting the blankets and, as a result, the firm Shree Krishna Woollen Mills supplied a large number of sub-standard and below specification blankets. This resulted in pecuniary advantage to the tune of more than 3 lakhs to the firm and corresponding loss to the Government. The C.B.I. have also held that the firm has been found to have indulged in malpractice, substitution and other irregularities. They recommended banning of business dealings with the firm. They also suggested that the Department may press the supplier to make good the loss of over Rs. 3 lakhs suffered by the Government on account of supply of sub-standard/below specifications blankets.

1.71. In a written note furnished to the Committee, the Ministry of Defence has stated as under:

"A tentative decision was taken in consultation with the Central Vigilance Commission to impose a major penalty on one Senior Scientific Officer Grade II, Four Chargemen and one Assistant Foreman. One Lt. Col. who was involved in the inspection of 13,000 barrack blankets was, at the relevant time, on re-employment. He was released from re-employment in the army with effect from 15th June, 1973 and could not be tried by a court martial under the Army Act. The C.B.I. was, therefore, requested to consider the feasibility of prosecuting the ex-Lt. Col. in a civil court along with the six civilians referred to above. The CBI has expressed the view that the material available in this case does not merit prosecution either of the ex-Lt. Col. or of the other six officers. In view of this, Army Hqrs. have been asked to consider the question of effecting a cut in the pension of the ex-Lt. Col. under the

Pension Regulations, as the misconduct attributed to the officer was committed by him while he was on re-employment during November-December 1971. As regards the six civilian officers, it is proposed to initiate departmental disciplinary proceedings for major penalties in common proceedings."

1.72. M.G.O. Branch (Directorate of Ordnance Services) Defence Department placed an indent on D.G.S.&D. for supply of 6 lakh blankets by 30th September, 1972 and another 6 lakhs 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 coarse 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 not to be less than 80 per cent].

1.73. 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 specifications. 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) the breaking strength could be less by 10 per cent.

1.74. 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 D.G.S.&D. was not keeping pace with the requirements of the Defence Department.

1.75. 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 D.G.S.&D. The D.G.S.&D. places Acceptance 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 indenter. Inspection of goods supplied against the Acceptance of Tenders is the responsibility of the N.G.O. 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 D.G.S.&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.

1.76. The Secretary of the Department of Supply has stated during evidence that it is not the function of the D.G.S.&D. to scrutinise the demand that is placed on them. There was a pressing demand for the supply of blankets on the D.G.S.&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.

1.77. 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 D.G.S.&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/Ts 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 blankets, the D.G.S.&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 'his 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 D.G.S.&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.

1.78. 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)".

1.79. On the 3rd November, 1971 the Deputy Director General (N)(D.G.S.&D.) wrote to the Defence Department that blanket 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)(D.G.S.&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 D.D.G.(N), D.G.S.&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."

1.80. Shree Krishna Woollen Mills whose name was recommended by the Defence Department, received an order for supply of 13000 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 M.G.O. 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 negotiation 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 13000 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."

1.81. One of the associates of Shree Krishna Woollen Mills viz., Arther Import and 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 Arthur Import and Export Co. (Shri S. N. Puri and Shri R. N. Khanna) are also Directors of Shree Krishna Woollen Mills (P) Ltd., Bombay.

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

1.83. On the 25th February, 1972, the DOS, Army H. Qrs. 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 lakh 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 Shree Krishna Woollen Mills in the above context."

1.84. 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 lakh (new indent) plus 9.07 lakh 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."

1.85. He even goes to the extend of putting in, 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."

1.86. 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 lakh blankets of 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 contracts of blankets supplied were applied in any case.

1.87. 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 D.O.S., Army Headquarters (Lt. Genl. Sandhu).

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.

1.89. 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.

1.90. 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 issued 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.

1.91. 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.

1.92. 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 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 1452 blankets against A/T No. 664 and 2898 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.

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. Genl. 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.

1.94. The Committee are surprised by the statement made by the Ministry of Defence that "All consignments of barrack blankets from 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 DGF'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.

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.

1.96. 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.

1.97. The Committee are most distressed to see that the officials mentioned above who were entrusted with safeguarding the financial interests of the Govt. 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.

NEW DELHI;

24th February, 1975.

5th Phalgun, 1896 (Saka).

JYOTIRMOY BOSU,

Chairman,

Public Accounts Committee.

## APPENDIX I

(Vide Paragraph No. 1.30)

P. NATH  
Dy. Director General (N)

IMMEDIATE BY HAND  
D. O. No. TWL-5/Blankets/DOS  
D.G.S.&D.  
New Delhi, 3rd November 1971

Dear Col. Rikhi,

Supply of 4 lakh Nos. Barrack Blankets

Pursuant to the discussion held in Bombay on 30th October 1971, Blanket manufacturers have informed Textile Commissioner (Shri D. N. Dikshit) that they can meet the additional defence requirements of 4 lakh Nos. during the months of Nov. and Dec. 71 subject to the following conditions and relaxation:

- (a) Decision must be communicated to them within 3 days i.e. by 5-11-1971.
- (b) The specifications of barrack blankets should be relaxed so as to provide wool contents upto 70% in lieu of 80%.
- (c) Breaking strength should be relaxed by 10%.
- (d) Bulk supplies would be in plain dark grey shade with normal shade variations.

Price: Rs. 37.10 per blanket, Sales-tax/excise duty extra, with assistance Rs. 10/- per blanket. This is by way of release of shoddy.

Without assistance, the price would be Rs. 42/- per blanket with sales tax/excise duty extra.

These prices are F.O.R. station of despatch.

It is stated that in all other terms and conditions the specifications for barrack blankets will be adhered to with normal tolerances. The blankets would be manufactured entirely of Shoddy and 70% wool contents will be assured. The rest will comprise of viscose, rayon or nylon synthetic fibre excluding cotton specifically.

Yours sincerely,

Sd/ .

(P. Nath)

Col. P. N. Rikhi  
DDOS(P)  
Ordnance Dte,  
Army H.Qrs., New Delhi.



**APPENDIX II**  
(Vide paragraph No. 1.30)

**Lt. Gen. M.S. Sandhu**  
**DOS**

No. 86800|C|KC|OS-PII  
Army Headquarters  
MGO's Branch, C.P. Section  
NEW DELHI, 3rd November 1971.

My dear Shri Ram,

In pursuance of the decisions taken in the meetings held in your office on 29th October 1971, I have received D.O. letter No. TWL-5|Blankets|DOs dated 3rd November 1971 from Shri P. Nath DDG (N) offering procurement of 4 lakhs blankets from the mills in Bombay during November and December 1971. A copy of the D.O. letter is enclosed for your ready reference.

The description and the specifications of the blankets as mentioned in the aforesaid D.O. letter are broadly acceptable to us. However, it is 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. It is, therefore 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 my representative and the representative of DI(GS) will also serve as members. The board will seal suitable samples offered by the firms and the Inspectors concerned will accept the blankets against the sealed samples.

You are requested to issue instructions for the procurement of 4 lakh blankets by advancing the delivery schedule of 12 lakh blankets against our demand No. IND|OS|KC|1|72-74 dated 29 Oct. 71.

With kind regards.

Yours sincerely,  
Sd/- M. S. SANDHU, (Lt. General)

**Shri K. Ram**  
Secretary, Ministry of Supply  
New Delhi

Copy to:—

**Shri V. B. ESWARAN**  
Director General, DGS&D

### APPENDIX III

(Vide paragraph No. 1.34)

With a view to meet the super emergent requirement for 4 lakhs blankets for Army a meeting of blanket manufactures available in Bombay was held on 4th Nov., 1971 in the office of the Textile Commissioner, Bombay with Shri R. C. Saksena, Jt. Textile Commissioner in the Chair. The following were present:

#### OFFICIALS

1. Shri P. Nath, Dy. DGS&D, New Delhi.
2. Shri C. B. Gulati, Financial Adviser, DGS&D, New Delhi.
3. Shri D. N. Dikshit, Director, Textile Commissioner's Office, Bombay.
4. Cl. P. N. Rekhy, Re. D.O.S., New Delhi.
5. Lt. Col. Thakur, Re. D.O.S., New Delhi.
6. Lt. Col. Sodhi, Re. I.G.S.; Bombay.
7. Shri Rao. Re. I.G.S., Bombay.

#### INDUSTRIES REPRESENTATIVES

1. Shri Shivaprakash Seth, Chairman, Indian Shoddy Mills Association, Bombay, Rep. Simplex Woollen Mills, Bombay.
2. Shri T. J. Katakia, M/s. Madhu Wool Spg. & Wvg. Mills. Bombay.
3. Shri H. Dani, M/s. Dani Wooltex Corpn., Bombay.
4. Shri R. N. Khanna, Model Woollen Mills, Bombay.
5. Shri S. N. Puri, Shree Krishna Woollen Mills, Bombay.
6. Shri R. K. Khanna, Amritsar Swadeshi Mills, Amritsar.
7. Shri M. L. Kapur, Arun Spg. Mills, Amritsar.

The following decisions were taken.

1. It was impressed on the industry that they must ensure that 4 lakh blankets conforming to the specification are supplied before 31st

of December, 1971. Out of this about 1 lakh blankets have to be supplied in any case before November, 1971 end. The representatives of the Industry mentioned that barring one of them they had not been in the line of manufacture of barack blankets hence most of them would have to start the required production denove and they would have to realign their equipment for such production. And it was not possible for them to make required supplies by December end or in any case what was required by November 1971. They further said that during the short period of time at their disposal it was impossible for them to arrange purchase of indigenous wools hence there is no alternative but to supply blankets out of imported shoddy raw material which was presently available with them, but the same should be replenished so that they could fulfil their other sale obligations after the supplies to defence have been completed. They also mentioned that while importing this raw material they were not aware about the defence requirement and hence they had imported th same in various shades and colours. They mentioned that because of the above it would not be possible for them to specifically adhere to the specified colours. They also mentioned that as the imported shoddy rags contain non woollen fibres as well hence it would not be possible for them to supply blankets with 80 per cent wool content as specified. They also mentioned that many of them do not have looms of adequate width hence it would be impossible for them to supply all the blankets in the required width of 60". It was therefore urged by them that with the existing raw material and tools available with them they can meet the defence requirements provided the following deviation from the existing specifications were granted:

1. That the blankets will be made with imported shoddy wool
2. That the total wool contents in the finished blankets shall not be less than 70 per cent.
3. That the shade of the blankets will be variation of mixed colours such as mixed grey, mixed air force, mixed brown and mixed blue.
4. Breaking strength would be less by 10 per cent than specified.
5. That the size of the blankets will be 90" in length and 60" in width, such mills do not have the required type of looms would be supplying the blankets in the size of 90" by 54".
6. However in case of shorter blankets a proporationate deduction of prices in co-relation with the weight would be allowed.

7. In addition to other concessions, the normal deviation as allowed according to the specifications will be given.

The mills agreed to supply the blankets as per the list enclosed as annexure 'A'.

The mills listed at Annexure 2 offered to supply ready blankets and it was decided that the defence inspectors should examine them and wherever they found that blankets are suitable to their requirements the same could be purchased at a price to be mutually settled between the suppliers and the DGS&D.

There was lot of discussion about the price at which blankets were to be supplied. The industry insisted that the price should be Rs. 45 on without assistance basis and 37.10 per blanket on with assistance basis. It was in the organised sector have quoted as late as in June, 1971 @ Rs. 31 to Rs. 33 per blanket and industry should supply these blankets on this price only more so in view of the national emergency. It was stressed by Shri Nath that this was not the time for the industry to profit instead they should supply the blankets without any profit basis.

Shri Puri mentioned that he had quoted Rs. 33 per blanket only as a trial for securing an experimental order. He said that in future he would have to quote higher price as he found it difficult to meet the supplies at the old rate. Shri Sivaprakash Seth stated that the very fact that mills who have quoted that low price have not delivered supplies shows that these prices were unrealistic even for the mills who on their own volition offered to supply the same. And as most of them are used to making sophisticated blankets, any supply below Rs. 42 per blanket or Rs. 37.10 on with imported raw material assistance basis would be unreasonable. Shri Seth desired an additional import licence of Rs. 10 per blanket. He mentioned that it was only in the light of the emergency that they have offered to meet bulk order at the rate indicated above.

## APPENDIX IV

(Vide paragraph No. 1.45)

Lt. Gen. M. S. Sandhu

Director of Ordnance Services

D. O. No. 86800/C/KC/OS-PH

Army Headquarters

Master General of the Ordnance

Branch

DHQ PO New Delhi-11 3 Apr. 72.

Please refer to your D.O. letter No. TWL-5/101/65/571/664 dated 6th March 1972 regarding barrack blankets.

2. I was hoping to send you the indent for additional blankets required during 72/73 but this has not been possible so far. We have projected to the Government a requirement of 8.91 lakh blankets in addition to those for which A/Ts have already been finalised by you. This indent is with Ministry of Finance (Defence). We are at them for early clearance and will forward the indent to you as soon as it is cleared.

3. The total requirement of blankets in 1972/73 subject to clearance by Ministry of Finance (Defence) will be 8.91 lakh (new indent) plus 9.07 lakh against outstanding contracts, i.e. 17.98 lakh. 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.

4. You must have received the capacity report of Shri 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 of meeting the requirement of 12 lakh blankets by September 1972 can be given.

Sd/-

SHRI V. B. ESWARAN

Director General (S&D)

Dte General of Supplies & Disposals,

Parliament Street, NEW DELHI

cc CLO(DSLC)

DGS&D, Parliament Street,

NEW DELHI-1

## APPENDIX V

(Vide paragraph No. 1.56)

*Copy of letter No. SKWM/72/5.4.72 Dt. 5th April, 1972 from M/s. Shree Krishna Woollen Mills Private Ltd., Bombay addressed to Shri D.R. Chavan, Honourable Minister for Supply, Ministry of Supply, New Delhi.*

**SUB:—Supply of Barrack Blankets on longterm basis.**

Dear Sir,

We beg to place the following facts for your kind consideration and request your immediate intervention in the matter.

During the Indo-Pakistan War in December '71 our firm was asked to supply a quantity of about 1.13 lac Barrack Blankets on "Super Emergent" basis alongwith some other Shoddy Mills and these orders have been fully executed by us. As we were told that this item was in substantial arrears of supply and the other sectors from Panipat and Mirzapur etc. were not delivering quantities as stipulated, the capacity of these Mills in the Shoddy sector who could supply Blankets regularly, would be fully utilized. As a result of these assurances, we have now increased our capacity to produce 50/60,000 Bankets per month at an additional investment of over Rs. 5 lacs and necessary capacity report is already available both with the D.G.S.&D. as well as the Indentor (Viz. D.Os. Ministry of Defence).

The D.G.S.&D. office have been holding necessary negotiations with us for covering the requirements from us on a long term basis since 6th March '72. We have had several discussions and have extended out offer, as required from time to time. As against a price of Rs. 47.25 with import assistance quoted by all other Shoddy Mills in the tender opened on 7th March, 1972, we had initially quoted a price of Rs. 42.50 per Blanket and as suggested by Shri Nath in discussions on the 6th March '72 brought it down to Rs. 41.90 and after further discussions with both Shri Nath and Shri Eswaran to Rs. 41.0. Thus your goodself will appreciate that it has been our endeavour to co-operate with the deptt. and arrive at an amicable price settlement when all other Mills had quoted a very high price of Rs. 47.25 representing nearly an increase of 15 per cent over our price.

Some Mills in Panipat, Mirzapur & Ludhiana have quoted lower prices for quality A, B and C Blankets. These firms have already large unfulfilled orders in hand and a detailed statement of the present position is enclosed herewith. However, we give below names of some of the important defaulter firms, quantities approximately due from the and their estimated capacity.

Name of the firm	Unfulfilled order in hand for which A/Ts have expired	Estimated capacity
1. E. Sefton & Co., Mirzapur	1,00,000 (delivered 1.5 lac in 1 year out of 2.5 lakhs)	20,000 per month
2. Oswal Woollen, Ludhiana	25,000 (delivered 17,000 out of 42,000 in 5 months)	50 to 6,000 per month
3. Everest, Ludhiana	90,000	8 to 10,000 per month
4. Arvan Mills, Panipat	20,000	4 to 5,000 per month
5. Khadi & Village Ind. Commis- sion	36,000	7 to 8,000 per month

The above figures of arrears are as shown in the trade and may be verified from DGS&D as well as the Indentor to check up their authenticity.

We have apprehension that while the capacity of 50/60,000 Blankets that we have created at an expense of over Rs. 5 lakhs in machinery and equipment is not being utilized and our firm is absolutely without an orders whatsoever, orders likely to be placed on firms mentioned above alongwith some others who have still to supply large quantities against orders already pending against them and which orders they will not be able to fulfill during the next six months. In most of the cases, the previous orders are at lower prices than what are now likely to be paid to them against the new tender. This would mean that the firms who would get orders at higher rates, would never complete supplies against orders placed at lower rates and will continue to seek extensions for an indefinite period. This we feel would be rather unfair to those manufacturers who have the capacity to fulfill the Government requirements and who have established substantial capacity at heavy expense.

We also understand that the Shoddy Mills Association most of whose members have quoted a price of Rs. 47.25 with import assistance were also contacted over the telephone by the D.G.S.&D.

and have confirmed categorically that their members are not interested in any orders "without raw material assistance" which the deptt. cannot guarantee at the moment. Still another meeting has been fixed with members of the Shoddy Mills Association on the 10th of this month, for reasons not known to us.

We are approaching your goodself for your kind intervention in the matter on the following points:

1. No orders should be placed on such firms as have yet to supply blankets against old orders and for quantities in excess of their verified capacity by the D.O.S., authorities.

2. The capacity of 50|60,000 established by us at heavy expense and which we were assured would be fully utilized, should first taken up as our firm is without any orders and we have kept the same idle even at the cost of rejecting civilian orders.

3. The negotiations started with us on the 6th March '72 should first be concluded before opening any new dialogue with other members of the Shoddy Mills Assn., who have already given their mind over the telephone that they are not interested in any orders "without assistance".

4. We hereby undertake to reduce the price from our present offer of Rs. 41 in case the Shoddy Mills Assn. or any of its major supplier member agrees to a lower price than ours, other terms and conditions being the same as may be agreed between the deptt. and the members of the said association.

Since the total requirements of Blankets for the next 12 months would be of the order of 21|22 lacs Blankets (including the arrears for defence besides the requirements of other sectors for whom D.G.S.&D. makes purchases). We are prepared to accept an order for the total 12 months period 6 to 7 Blankets per month, which capacity is already on record with the DGS&D as well as the D.O.S.

We are confident that we shall get justice at the hands of your goodself and the capacity that we have created at heavy expense and under assurances of responsible officers of the DGS&D would be kept fully utilized both in the interest of the buyer as well as the industry.



We hope your goodself will also give us a personal hearing in the matter.

Thanking you,

Yours faithfully,  
for Shree Krishna Woollen Mills Pvt. Ltd.  
Sd/- Director

## APPENDIX IV

### SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

S. No.	Para No.	Ministry/ Department concerned	Summary of Main Conclusions/Recommendations
1	2	3	4
1	1.72	Defence	<p>M.G.O. Branch (Directorate of Ordnance Services) Defence Department placed an indent on D.G.S.&amp;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.</p> <ul style="list-style-type: none"> <li>(a) 100 per cent indigenous wool of medium quality.</li> <li>(b) 90 per cent indigenous wool of coarser quality admixed with 10 per cent viscose rayon or nylon.</li> <li>(c) 45 per cent indigenous wool of medium quality and 45 per cent shoddy wool admixed with minimum 10 per cent</li> </ul>

nylon total wool content blankets shall not to be less than 80 per cent.

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 specifications. 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) the breaking strength could be less by 10 per cent.

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.

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 indenter. Inspection of goods supplied against the Acceptance of Tenders is the responsibility of the M.G.O. 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.

5.

1.76

Supply

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 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.

6.

1.77

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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/Ts 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 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.

1.78

Supply/Defence

7.

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 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 will 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 considered a 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 minimum wool 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 has made "75 per cent shoddy wool (minimum)" instead of shoddy blankets of "75 per cent wool (minimum)".

179

-do-

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

1	2	3	4
9.	I.80	Defence	<p>of the blankets as mentioned in D.D.G. (N) (DGS&amp;D) D.G. 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&amp;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."</p> <p>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 M.G.O. 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&amp;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</p>

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."

10. i.81

Supply

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.

11. 1.82

Defence

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 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 associate of the same firm (common ownership) comes through another door, black-mails the Government and extracts a much higher price.

On the 25th February, 1972 the DOS, Army H.Qrs. 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 lakh 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

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|---|---|---|---|
| 1 | 2 | 3 | 4 |
|---|---|---|---|
- expenditure. You might like to look into the case of M/s. Shree Krishna Woollen Mills in the above context."
13. 1.84 Defence Again on the 3rd April, 1972, DOS (Lt. Genl. Sandhu), Army Headquarters sends a letter DGS&D stating that:—
- "The total requirement of blankets in 1972-73 subject to clearance by Ministry of Finance (Defence) will be 8.91 lakh (new indent) plus 9.07 lakh 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."
14. 1.85 Defence He even goes to the extend of putting in, 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."

- |     |      |        |   |
|-----|------|--------|---|
| 15. | 1.86 | Supply | <p>Instead of inviting fresh tenders for specification blankets, the DGS&amp;D placed orders, between April 1972 and October 1972, on three firms for 5.26 lakh blankets of 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 contractors had no meaning because no scientific tests of wool contents of blankets supplied were applied in any case.</p> |
| 16. | 1.87 | Supply | <p>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. Genl. Sandhu)</p>  |
| 17. | 1.88 | Supply | <p>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 supply-</p>   |

ing 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 to Shoddy blanket. 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.

18.

1.89

Supply

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.

19.

1.90

Supply

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.

20. I. 91 Supply
- 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 0.55 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.

21. I. 92 Supply
- 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 Shree Krishna Woollen Mills against three A/Ts Nos. 664, 691 and 794, it is clear that the DOS, Army Headquarter 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 No. 664 and 2898 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. 3,06,566 and the claims covering blankets not acceptable under price reduction are still to be worked out.

Supply

1.93

22.

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. Genl. 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.

Defence

1.94

23.

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.

24.

1.95

Defence

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 Charge-man (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. have 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 Committee would also like to know the decision taken by the Government on the recommendation that of 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 the case by various officers in particular the Director of Ordnance Services. The Committee would suggest that this inquiry should be entrusted either to the Central Vigilance Commission into a Judicial Commission presided over by a High Court Judge.

25.

1.96

## Supply

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.

26.

1.97

## Defence Supply

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.