

**GOVERNMENT OF INDIA
DEFENCE
LOK SABHA**

UNSTARRED QUESTION NO:3323

ANSWERED ON:15.12.2005

TRANSACTION WITH M/ S.DENEL

Dhanaraju Dr. K.;Masood Shri Rasheed;Mehta Shri Alok Kumar;Rao Shri Sambasiva Rayapati

Will the Minister of DEFENCE be pleased to state:

- (a) whether the Government was in touch with the South African Government in the case involving arms manufacture M/s Denel;
- (b) if so, whether all transactions with M/s Denel had been suspended after it was learnt that the South African company had engaged an agent, breaking its contractual obligations;
- (c) whether South African Minister had visited Delhi to discuss this matter;
- (d) if so, the details in this regard; and
- (e) the action taken/proposed to be taken against the firm?

Answer

MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE)

(a)to(e): In the context of news reports about the alleged payment of agency commission by M/s Denel to secure contracts of Anti Material Rifles, besides sending notices to M/s Denel, the Ministry of External Affairs was requested to get in touch with the Government of South Africa and furnish the correct position. A decision was also taken to put on hold all contracts already signed and any other future purchases being negotiated with M/s Denel.

Based on the information received from the Government of South Africa, through the High Commissioner of India in South Africa, which revealed that M/s Denel had, prima-facie, violated the clauses on Agents/Agency Commission contained in the contracts on Anti-Material Rifles signed in March, 2002, a decision was taken in consultation with the Ministry of External Affairs to cancel the contract signed on 7-3-2005 for procurement of 400 Anti Material Rifles and also to initiate action to cancel all other contracts.

The matter was discussed by the Minister of Public Enterprises, Government of South Africa, with Raksha Mantri on 9.8.2005.

Taking cognizance of the media reports, the matter had promptly been referred to the CBI for investigation. The CBI has since filed an FIR in the matter against, inter alia, unknown public servants.