

**ESTIMATES COMMITTEE**  
**(1968-69)**

(FOURTH LOK SABHA)

**EIGHTY SIXTH REPORT**

**MINISTRY OF PETROLEUM AND CHEMICALS**

**Purchase of Oil Barrels by the Indian Oil  
Corporation Ltd., during 1966-67 against  
Tender No. OP/TEN-7/65.**



**LOK SABHA SECRETARIAT**  
**NEW DELHI**

*April, 1969/Chaitra, 1891 (S)*

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21.	W. Newman & Company Ltd., 3, Old Court House Street, Calcutta.	44	21.	Firma K. L. Mukhopadhyay, 6/1A, Banchharam Akkur Lane, Calcutta-12.	82

CORRIGENDA

To

86th Report of the Estimates Committee  
(Fourth Lok Sabha) on the Ministry of  
Petroleum and Chemicals.— Purchase of  
Oil barrels by I.O.C. during 1966-67  
against Tender No. OP/Ten-7/65.

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Page 2, Para 1.3, Line 16, Add "to" after  
"this subject also".

Page 2, Footnote, Last line, Add "(vii)" after  
"at page".

Page 4, Para 2.1, Line, 15, read "Department"  
for "Departmtt".

Page 10, Para 2.16, Line 10, read "brought" for  
"brcuhgt".

Page 12, Para 2.20, Line 1, read "the" for "their"

Page 12, Para 2.20, Line 3, read "May" for "April"

Page 16, Para 2.31, Line 17, read "recording" for  
"rcording".

Page 17, Heading-A, Line 1, read "on" for "No".

Page 21, Para 3.9, Line 4, read "Barrels made out  
cold-rolled steel sheets are generally"  
for "Barrels made out of cold-rolled and hot-  
rolled steel sheets".

Page 25, Para 3.18, Line 10, read "big" for "bog".

Page 27, Para 3.23, Line 2, Add "during" after  
"DGTD".

Page 33, Para 3.42, Line 13, read "Rs.55,840.95"  
for "Rs. 55,803.95".

Page 34, Para 3.45, Line 11, read "cold-rolled steel"  
for "old-rolled steel".

Page 36, Footnote, Line 1, read "verification" for  
"verifications."

Page 39, Para 3.58, Line 8, Add "in future" after  
"They would urge that".

Page 44, Para 4.4, Line 17, read "Banned List"  
for "Bauned List".

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# ESTIMATES COMMITTEE

(1968-69)

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**Shri P. Venkatasubbaiah**

## MEMBERS

2. Shri B. Anjanappa
3. Shri R. S. Arumugam
4. Shri Panna Lal Barupal
5. Shri Onkar Lal Berwa
6. Shri Tridib Chaudhuri
7. Shri Ganesh Ghosh
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30. Shri Tula Ram

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**Shri B. B. Tewari—*Deputy Secretary.***

**Shri G. D. Sharma—*Under Secretary.***



**SUB-COMMITTEE OF ESTIMATES COMMITTEE ON  
"WOOL, NYLON ETC., AND DRUMS & BARRELS".**

(1968-69)

**CHAIRMAN**

**Shri P. Venkatasubbaiah**

**MEMBERS**

2. Shri Tridib Chaudhuri
3. Shri Hardayal Devgun
4. Shri C. Janardhanan
5. Shri S. Kandappan
6. Shri J. M. Lobo Prabhu
7. Shri Inder J. Malhotra
8. Shri Bibhuti Mishra
9. Shri F. H. Mohsin
10. Shri Chintamani Panigrahi
11. Shri Shantilal Shah
12. Shri Arangil Sreedharan

**SECRETARIAT**

**Shri B. B. Tewari—*Deputy Secretary.***

**Shri G. D. Sharma—*Under Secretary.***

## INTRODUCTION

I, the Chairman, Estimates Committee having been authorised by the Committee to submit the Report on their behalf, present this Eighty-Sixth Report on the Ministry of Petroleum and Chemicals—Purchase of Oil barrels by the Indian Oil Corporation Limited during 1966-67 against Tender No. OP/TEN-7/65; which was referred to the Committee by the Speaker, Lok Sabha, under Rule 310 of the Rules of Procedure & Conduct of Business in Lok Sabha.

2. The Sub-Committee on "Wool, Nylon etc., Drums and Barrels" of Estimates Committee (1968-69) took the evidence of the representatives of the Ministry of Petroleum and Chemicals and the Indian Oil Corporation on two sittings on the 6th January, 1969. The Committee wish to express their thanks to the Secretary of the Ministry of Petroleum and Chemicals and the Chairman of the Indian Oil Corporation and other officers of the Ministry and the Corporation for placing before them the material and information they wanted in connection with the examination of this subject and for giving evidence before the Sub-Committee.

3. The Report was considered and adopted by the Sub-Committee at their sitting held on the 31st March, 1969 and finally approved by the whole Committee at their sitting held on the 5th April, 1969.

P. VENKATASUBBIAH,

*Chairman,*

*Estimates Committee.*

NEW DELHI;

April 16, 1969

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Chaitra 26, 1891 (Saka).

## CHAPTER I

### INTRODUCTORY

#### A. Questions in Lok Sabha

1.1. During Second session of the Fourth Lok Sabha, on the 22nd June, 1967, Shri Ram Dhan, M.P., and Shri N.K.P. Salve, M.P. tabled a question—Unstarred Question No. 3309 regarding purchase of oil barrels by the Indian Oil Corporation against Public Tender No. OP|TEN-7|65, which was opened on the 10th January, 1966. *Inter alia* the questioners desired to know:—

- (i) whether it was a fact that orders for the supply of barrels against Tender No. OP|TEN-7|65 were placed by the Indian Oil Corporation on M|s. Hind Galvanising and Engineering Co. (P) Ltd., and M|s. Standard Drum and Barrel Manufacturing Co., although the quotations of M|s. Bharat Barrel and Drum Manufacturing Co. (P) Ltd., were lower and thus sustained a loss, and
- (ii) whether the above two firms supplied to the Indian Oil Corporation against the above Tender barrels fabricated out of hot rolled sheets, but billed them as for barrels fabricated out of cold rolled sheets and thereby put the Corporation to a further loss.

1.2. In a written reply laid on the Table of Lok Sabha, the Minister of State in the Ministry of Petroleum and Chemicals (Shri K. Raghuramaiah) stated that the Indian Oil Corporation (I.O.C.) had invited through Tender No. OP|TEN 7|65 offers for their requirements for oil barrels for the year 1966-67 and had placed orders on M|s. Hind Galvanising and Engineering Co. (H.G.E.C.) for their Calcutta requirements for which they had tendered the lowest quotation and on M|s. Standard Drum and Barrel Manufacturing Co. (S.D.B.M.) for part of the Bombay requirements for which they had submitted the next lowest tender, the quotation of M|s. Bharat Barrel and Drum Manufacturing Co., (B.B.D.M.) being the lowest. He pointed out that after a careful consideration of all aspects of the bids, the Corporation had decided to place order for the Bombay requirements on M|s. Standard Drum and Barrel Manufacturing Co., and two other suppliers and added that the extra expenditure incurred as a result of this decision was Rs. 1.77 lakhs.

1.3. During subsequent sessions, namely the Third, Fourth & Fifth Sessions, a series of questions\* were asked in Lok Sabha by Shri Samar Guha, M.P. and some other members. None of these questions reached for oral answer on the floor of the House and hence all the replies were laid on the Table of Lok Sabha. However, on the 28th August, 1968, S.Q. No. 664 by Shri Samar Guha, M.P. and S.Q. No. 675 by Shri S. M. Banerjee, M. P., were taken up together and orally answered on the floor of Lok Sabha. As will be observed from the relevant proceedings of Lok Sabha (Appendix I) these two questions evoked a large number of supplementaries and a number of members participated in the discussion that ensued. A demand was made in the House that this matter might be referred to either the Public Undertakings or Estimates Committee for a probe. As the estimates Committee were already engaged in the examination of a related subject, namely, 'Licensing of additional capacity for the production of oil barrels and drums', the Speaker referred this subject also the same Committee under Rule 310 of the Rules of Procedure and Conduct of Business in Lok Sabha. The decision of the Speaker was published for the information of the members *vide* para 369 of Bulletin Part II, dated 15th October, 1968. The Chairman, Estimates Committee, in turn, referred the matter for detailed examination to the \*\*Sub-Committee of Estimates Committee already appointed to go into two other subjects, namely, "Import of wool" and "Licensing of additional capacity for the production of oil barrels and drums."

#### B. Points of issue

1.4. The following points at issue would seem to emerge from the replies given by Government to the various questions mentioned above and the discussions that took place in Lok Sabha on the 26th August, 1968:—

(i) whether the procedure followed by the I.O.C. in the floating

*Third Session	U.S.Q. No. 913 dated 16-11-67 by Sarvshri Sitaram Kesri, Samar Guha & George Fernandes. S.Q. No. 227 dated 23-11-67 by Sarvshri Samar Guha & George Fernandes U.S.Q. No. 5264 & 5265 dated 21-12-67 by Shri Samar Guha.
Fourth Session	U.S.Q. No. 1046 to 1049 dt. 19-2-68 by Shri Samar Guha.
Fifth Session	U.S.Q. Nos. 71 to 74, dated 22-2-68 and U.S.Q. No. 1371 dated 29-7-68 by Shri Samar Guha.

\*\*The composition of the Sub-Committee is given at page.....

of public Tender No. OP|TEN-7|65 was defective and, if so, in what respect;

- (ii) whether the lowest tender of B.B.D.M. was rejected in favour of H.G.E.C. for supply of barrels at Calcutta and in favour of S.D.B.M. for supply of barrels at Bombay and if so, the justification thereof;
- (iii) whether S.D.B.M. and H.G.E.C. supplied barrels fabricated out of cold-rolled sheets but billed the I.O.C. for barrels fabricated out of cold-rolled sheets. If so, the quantity of barrels involved and the resultant loss to the Corporation;
- (iv) whether the appointment of the General Manager, Marketing Division IOC as the Arbitrator for settlement of the dispute was valid;
- (v) whether the Indian Oil Corporation was justified in paying higher price for the barrels to M/s. Suppliers' Corporation, Calcutta to meet their urgent requirements and in not asking H.G.E.C. to pay the difference and make good the loss;
- (vi) was any special quota of 18 Gauge Steel sheets allotted to H.G.E.C. for supply of barrels to I.O.C. against the tender in question and, if so, how it was utilized by the fabricator?

#### C. Procedure followed by the Sub-Committee

1.5. The Sub-Committee of the Estimates Committee called for necessary information on the above issues from the Ministry of Petroleum and Chemicals on the 26th October, 1968. The required information was furnished by the Ministry in instalments. The Sub-Committee recorded the evidence of representatives of the Ministry of Petroleum and Chemicals and the Indian Oil Corporation at two sittings held on the 6th January, 1969. The findings of the Estimates Committee on the various issues and their conclusions are embodied in the subsequent chapters.

## CHAPTER II

### FLOATING OF TENDER AND SELECTION OF PARTIES

#### A. Procedure of purchase of oil barrels in the Indian Oil Corporation.

2.1. In a written note submitted to the Committee, the Ministry of Petroleum and Chemicals have stated that the normal procedure followed for the purchase of oil barrels by the Indian Oil Corporation is as under:—

- (a) Notices for public tender are floated on the basis of yearly requirements, assessed on the basis of the sales forecast for the coming years. These tender notices are advertised in all leading newspapers of the place|places where the barrels are required.
- (b) The date of the opening of tenders is specified in the aforesaid press advertisement. On the fixed date and time, as advertised, the tenders are opened in the presence of the tendering parties present at the time of opening. At the time of the opening of tenders, officers, from the Operations Department, Accounts Department, and one other Department are present; and one Officer from each Department signs on the quotations received and opened.
- (c) After the opening of the tenders, a comparative statement is prepared and reviewed by the Operations Department. In case it is found that there is scope for negotiations with the party|parties in order to get the best possible rates, the tenders are discussed by the Tender Committee consisting of the Operations Manager, Engineering Manager and Financial Controller or their authorised representatives. Then a note is prepared by the Operations Department and submitted to the management. Thereafter, the parties are called for negotiations by the Tender Committee. After the negotiations, the Tender Committee submits its recommendations to the management for approval. In cases where negotiations are not considered necessary and the Tender Committee is satisfied with the rates, then a note is submitted to the management with appropriate recommendations for the requisite approval.

(d) After obtaining the appropriate approval, Purchase Orders are placed on the party|parties. In the Purchase Order the terms and conditions already given to the tenderers at the time of their purchasing the tender form are normally repeated. Sometimes additional conditions are incorporated in the purchase order depending on the circumstances. Such new conditions are, however, explained to the tenderers at the time of negotiations and their acceptance is obtained.

2.2. During evidence the Committee desired to know as to how it was found that there was scope for negotiations with the party|parties in order to get the best possible rates. In reply the Managing Director of the Indian Oil Corporation stated as follows:—

“I shall quote some reasons to show how and why the need for negotiations arises. Firstly, according to the tender procedure, the question of placing orders with the lowest tenderer is inescapable. It sometimes happens that the management feels that it may not be commercially advisable to place our entire business with a single tenderer where he says he would give a favourable rate if he gets the entire business. In such a case, we feel that there is need for negotiation. We would like to diversify the placement of our business and therefore, we might like to bring some of the other tenderers also to quote equal rates.

Secondly, there may be an apprehension that two or three parties have come together and rigged the prices. This has actually happened in my experience in IOC. In that case, the management may decide to renegotiate.

Thirdly, there are occasions when a party offers certain conditions in support of their price. They may say, ‘I would not charge you delivery charge or I will absorb the sales-tax etc. If one party makes such a condition, we use that to improve the rates of other parties also, so that the Corporation gets the most favourable terms and conditions. These are some examples where renegotiations may become necessary.”

In reply to a question whether the system of negotiations was a recognised procedure and followed by other Public Undertakings, the witness said:—

“To the best of our knowledge, this is the recognised procedure. The DGS&D had re-negotiations, for instance, after the tenders have been opened. Last time the Shipping Corporation did

it when they invited tenders for supplying fuel. . . . It is very difficult to eradicate the procedure of negotiations. I do not think we can dispense with it altogether. It depends on the factors involved from time to time."

2.3. The Committee understand that the above procedure is adopted for normal purchases. It takes two to three months to finalise tenders, as sending of the advertisement to the Press, allowing reasonable time to the tenderers for quoting their rates, holding negotiations and finally placing orders after obtaining the necessary approvals is a time-consuming process. In the case of emergency purchases, this procedure is not practical so that either limited tenders are invited or purchases are made on a single tender basis. In the case of limited tenders, the tender forms are sent to selected well-known parties. Asked about the basis for the selection of well-known parties, it has been explained that these are:—

- (i) parties whose performance in past dealings with the Corporation has been satisfactory;
- (ii) other parties in the market with good reputation;
- (iii) in the absence of (i) and (ii) any party with available material to offer.

2.4. The selection is stated to be made and approved by the Head of the concerned Department with the Finance Department's concurrence. In the case of Branches, approval is given by Branch Managers with the Finance concurrence.

2.5. Single tender purchases are stated to be made on rare occasions, such as (i) when the value is nominal, (ii) if proprietary items are to be purchased like Audco Valves which are Standardized Items and are manufactured by one party only viz. M/s. Larsen & Toubro, (iii) when purchase is to be made in emergent situations.

2.6. During evidence the representative of the Indian Oil Corporation stated that—

"the Corporation invites public tenders for any purchases, the value of which exceeds Rs. 25,000 except for proprietary items which may be manufactured by a single supplier or for purchases of an emergent nature for which there may not be sufficient time to invite public tenders, because finalisation



of public tenders normally takes anything from one to three months. But by doing so, the Corporation has been able to obtain the best possible rates from the market."

2.7. Asked whether the procedure of purchase of stores adopted by the I.O.C. is similar to that adopted by other public sector undertakings and oil Companies in the private sector, the Managing Director stated that similar procedures were followed by other Public Sector Undertakings also. In regard to the procedure followed by oil Companies in the private sector he add that—

"there are two basic points of difference. The private oil companies do not have any public tender system; and secondly, they regard barrels as an item of merchandise, the price of which is recoverable in the cost of the lubricating oil. The usual procedure with them is for the Purchasing and Materials Manager to telephone the suppliers to quote or to give a proforma to be filled up. The suppliers fill up the proforma or give their quotation in writing. The Materials Manager gets administrative approval at the level of the Operations Manager or thereabout. It does not have to go to the Board or even at the level of the General Manager. The private oil companies procedure is more simple and straightforward *vis-a-vis* the public tender system which is time-consuming. The detailed procedure which has helped the Corporation to get good rates in the market, is not followed in private oil companies, which do not bother much if a barrel is Rs. 5 this way or that."

#### D. Financial Powers Regarding Purchases

2.8. It has been stated that the Board of Directors has practically full powers on all matters concerning purchases for the Corporation. A copy of the powers pertaining to purchases, delegated to the Managing Director by the Board of Directors, is at Appendix II. All cases which are within the Managing Director's powers, as per delegation, are put up to him and decisions taken in consultation with the Finance. The Managing Director has the power to give approval except that if the value of the tender exceeds Rs. 5 lakhs, a report is made to the Board of Directors. If a tender other than the lowest is proposed to be accepted, the approval of the Board of Directors is obtained if the value of the order is over Rs. 10 lakhs; if the value is less than Rs. 10 lakhs, the Managing Director has the power to give approval and a report is made to the Board of Directors.

2.9. In the case of limited tenders, purchases are approved by the Managing Director up to Rs. 5 lakhs with a report to the Board of Directors and if the amount is more than this, the proposal is referred to the Board of Directors for approval.

2.10. In the case of single tender purchases, the Managing Director has power up to Rs. 1 lakh provided the reasons for calling such tender is recorded in writing and reference is made to the Board of Directors at a later date.

2.11. During evidence, the Chairman of the I.O.C. informed the Committee that their rules regarding delegation of powers provided for checks and counter checks and that guidelines had been laid down by the Board of Directors for acceptance of tenders by the Managing Director. Asked to furnish a copy of the guidelines, the Ministry have submitted a note to the following effect—

“The Indian Oil Corporation has a set purchase procedure. This procedure, which is more or less similar to that followed by other large Public Sector Undertakings, provided for the invitation of public tenders, examination of such tenders by a Tender Sub-Committee etc.

The Board has, from time to time, been providing guidelines while considering different purchase proposals. These guidelines are in the form of observations by the Board. The more important ones are summarised below:—

- (i) It is in the interest of I.O.C., not to depend on one supplier for the supply of sophisticated items and as far as possible, orders should be split among different suppliers, on competitive basis.
- (ii) The detailed reasons for which a party or parties are considered unsuitable for placing orders should be submitted before a final decision is taken. The names and quotations of other unacceptable party or parties whose quotations are higher should always be annexed to such proposals;
- (iii) Open market deals should be avoided as far as possible, as such deals are normally not above board;
- (iv) Wherever the requirement of a particular item is large, I.O.C. must develop other parties and create more competition in the Corporation's interest and also, if possible, spread the orders over a large number of years;

- (v) Before inviting tenders, negotiations may also be had with the Public Sector Undertakings so as to find out if any of them has the required equipment/materials and can be supplied to I.O.C. on mutually agreed terms."

2.12. The Committee are given to understand that the public tender system followed by the I.O.C. for purchase of stores is generally similar to the procedure obtaining in other public undertakings. They further note that a Tender Committee consisting of Operations Manager, Engineering Manager and the Financial Controller is constituted for scrutinising the tenders, undertaking negotiations with the tenderers and making recommendations to the appropriate authority for approval. The Committee consider that the system of negotiations after calling for tenders should be discouraged as far as possible unless it becomes absolutely necessary in the Commercial interests of I.O.C.

#### C. Floating of Tender No. OP/Ten-7/65.

2.13. Tender No. OP/Ten-7/65 (Appendix III) for the supply of 18 Gauge Steel Sheets oil barrels at Bombay and Calcutta during 1966-67 was floated by the Indian Oil Corporation in December, 1965. The tender appeared in the Bombay Press on the 21st, 22nd and 24th December, 1965 and in the Calcutta Press on the 21st and 22nd December, 1965. The tender was opened on the 10th January, 1966 and finalised on the 14th May, 1966.

2.14. The following parties submitted their quotations in response to the tender enquiry:—

#### For supplies at Bombay

- (i) M/s. Bharat Barrel & Drum Mfg. Co.
- (ii) M/s. Standard Drum & Barrel Mfg. Co.
- (iii) M/s. Steel Containers.
- (iv) M/s. Petroleum Barrels.
- (v) M/s. Hind Galvanising & Engineering Co.

#### For supplies at Calcutta

- (i) M/s. Bharat Barrel & Drum Mfg. Co.
- (ii) M/s. Hind Galvanising and Engineering Co.
- (iii) M/s. Industrial Containers.

2.15. The Committee are given to understand that after receipt of quotations from the various parties, negotiations were started with them by the Corporation to obtain the best possible rates. After making an analysis of the first round of negotiations it was decided by the Corporation that the quotations should be re-negotiated with the parties concerned. Accordingly, re-negotiations were conducted with the following five parties namely:—

- (i) M/s. Bharat Barrel and Drum Mfg. Co. Ltd., Bombay.
- (ii) M/s. Standard Drum and Barrel Mfg. Co., Bombay.
- (iii) M/s. Hind Galvanising and Engineering Co., Calcutta.
- (iv) M/s. Industrial Containers Limited, Calcutta.
- (v) M/s. Steel Containers Limited, Bombay.

2.16. For the purpose of these re-negotiations the five parties were called together on 20th April, 1966 by a Committee consisting of the General Sales Manager, Financial Controller and Operations Manager. A detailed proforma was given to the parties for being filled up with their best final quotations by 30th April, 1966 when it was indicated to the fabricators that individual negotiations would be held. Among other things, the fabricators were also asked to make offers in the form of undertaking to absorb the price of differential on imported steel (Rs. 5,10,541.35) which the Corporation had imported from Czechoslovakia. The five parties brought their quotations on 30th April 1966, when the said Committee, after coopting the Engineering Manager took up detailed renegotiations to obtain the best quotations from the parties. These quotations were examined by the Tender Committee. Different alternatives were worked out by the Tender Committee with their financial implications *vide* statement at Appendix IV.

2.17. After examining all aspects of the quotations, the Tender Committee submitted a detailed note on 7th May 1966 to the Board of Directors with the following recommendations:—

“Recommended that orders may be placed as shown in Alternative E. i.e.

At Bombay	{ Standard Drums 2,50,000 barrels @ Rs. 41.33 per barrel plus Sales Tax as applicable. Bharat Barrels 1,00,000 barrels @ Rs. 42.29 per barrel inclusive of Sales Tax.
At Calcutta	{ Hind Galvanizing and Engineering Co. Pvt. Ltd., 2,50,000 barrels @ Rs. 37.33 per barrel plus Sales Tax as applicable.

This requires the approval of the Board of Directors."

2.18. It has been stated that in making these recommendations the Tender Committee took the following factors into consideration:—

- (i) That Bharat Barrels had offered the most attractive terms. But in order to get the benefit of this party's attractive offer (which included the offer to absorb the price differential on imported steel), the Corporation would have to give to the party monopoly rights of supply upto 31st March 1967. But this was not recommended by the Tender Committee on administrative grounds because:—

"Such a course is likely to serve as a disincentive to other fabricators against quoting competitive prices at a time of future tenders inasmuch as (a) they would have accumulated overheads; (b) their allocation of steel quota may have gone down as a result of reduced supply orders on them. All this may help Bharat Barrels at a future date to quote uncompetitive rates."

Moreover, the Tender Committee did not consider it safe to entrust the responsibility of meeting the entire requirements of the Corporation on a single supplier. They felt that by splitting the order amongst two or three fabricators, the Corporation could keep their competing interest alive for future advantage.

- (ii) The question of Bharat Barrels having been blacklisted, was also there which had been referred to the Ministry of Steel and Mines, whose reply was awaited.
- (iii) Ruling out the grant of monopoly purchase right to Bharat Barrels, the quotation of Standard Drums for supplies at Bombay was considered the next best.
- (iv) The offer of Hind Galvanising and Engineering Co., was found to be the best quotation for supplies of oil barrels at Calcutta.

2.19. The Tender Committee had indicated that the additional cost in adopting alternative 'E' rather than alternative A(1) (*Vide* Appendix (IV) recommended by them would amount to about Rs. 1.77 lakhs. The extra cost involved was @ of 72 paise per barrel in Bombay (based on 3.5 lakh barrels at Bombay) while the cost in Calcutta was lower by 36 paise per barrel.

2.20. After considering their recommendations of the Tender Committee, the Board of Directors decided at their 15th Meeting held on 14th April 1966 that:—

“for the present orders should be placed on M/s Standard Drums at Bombay and HGEC at Calcutta for 2,50,000 barrels each on the terms renegotiated by the Tender Committee. No order for the present be placed with M/s. Bharat Barrels as their name has not yet been removed from the blacklist. If the Ministry of Iron and Steel gives a clearance in respect of Bharat Barrels, the balance order for one lakh barrels at Bombay should be placed on them. In the absence of this clearance this order should be placed on some one whose tender is the lowest.”

2.21. As M/s. Bharat Barrel and Drum Mfg., Company was found to be a blacklisted party at that time (*vide* Ministry of Iron and Steel Letter No. SC (II)-18 (71) /63, dated 27th May 1966) an order was instead placed on M/s. Steel Containers for 40,000 barrels because they offered to supply only this much quantity. M/s. Steel Containers accepted for this quantity, the same price which would have been payable to M/s. Bharat Barrel and Drum Mfg., Co., if an order for one lakh barrels had been placed on the latter.

2.22. During evidence the Committee enquired as to why it was decided to go in for 3,50,000 barrels in Bombay instead of 2,50,000 and why, when the actual consumption of both the places was about 3 lakh barrels, over-provisioning had been resorted to. The representative of the IOC explained that:—

“We were concerned with efficiency and profitability: We wanted to effect the maximum possible savings for the Corporation. That is why we tried to take advantage of a lower rate which was linked to a larger order, not necessarily for a particular period. . . . Even though we placed an order for a larger quantity, we got just 60 per cent of what we indented.”

2.23. The Committee note that the Indian Oil Corporation observed the prescribed procedure in regard to selection of parties for making supplies of Oil barrels in respect of Tender No. OP/TEN-7/65. In the opinion of the Committee, the decision of the Board of Directors to split the order and place the same on M/s. Standard Drum and Barrel Manufacturing Company and other parties at Bombay and M/s. Hind Galvanising and Engineering Co. at Calcutta, (whose tender was the lowest there) appear to be justified. They note that the tender of M/s. Bharat Barrel

and Drum Manufacturing Co. which was the lowest at Bombay, was given due consideration. No order could, however, be placed on them at Bombay as they were found to be a blacklisted party at that time. Apart from this, purchasing of oil barrels from M/s. Bharat Barrels both at Calcutta and at Bombay would have amounted to the grant of monopoly purchase rights to this company during that year which the Corporation considered administratively inadvisable and against their future commercial interests.

#### D. Blacklisting of M/s. Bharat Barrel and Drum Manufacturing Company.

2.24. The Committee have been informed that M/s. Bharat Barrel and Drum Manufacturing Co., had been blacklisted by the Government of India in the Ministry of Steel, Mines and Heavy Engineering in January, 1964. The reciprocal arrangements between the Government of India and the Public Sector Undertakings under which the blacklisting of individuals and firms made by anyone of the two was to be adopted by both, was only intimated to the Corporation in February, 1966 (Appendix V). It has been stated that this letter was not received by the Corporation. Prior to the introduction of the reciprocal arrangements, the Government of India merely intimated the list of black listed parties to the public undertakings without any obligation on the part of the latter to suspend dealings with such firms. After the introduction of the reciprocal arrangement in February, 1966 the Government and the Public Undertakings agreed not to deal with the parties black listed by each other.

2.25. During negotiations with the parties who had offered their tenders against Tender No. OP/TEN-7/65, when it was pointed out to M/s. Bharat Barrel and Drum Mfg., Co., that they had been blacklisted in January, 1964, the latter stated that since then they had been acquitted of the offence by the Bombay High Court and had been receiving their steel quota from the Controller of Iron and Steel without interruption. On a reference having been made by the Corporation to the Ministry of Steel and Mines on the 4th May, 1966, the Ministry informed the Indian Oil Corporation—*vide* their letter No. SC (II)-18 (71)/63, dated 27th May 1966 that:—

“M/s. Bharat Barrels and certain other persons were convicted in 1963 u/s. 120B/I.P.C. and Section 7, read with section 10 of the Essential Commodities Act. The firm was blacklisted in 1964, as a result of this conviction. M/s. Bharat Barrels (and certain other persons) have been acquitted by the Bombay High Court but the State of Maharashtra has preferred an appeal against this judgment to the Supreme Court and the appeal has been admitted. The case is pending with the Supreme Court. In view of this, it is not considered desirable

at the present stage to rescind the blacklisting orders passed by the then Ministry of Steel, Mines and Heavy Engineering in the Department of Iron and Steel, on the 25th January, 1964, until the decision of the Supreme Court is known, as regards the statement of the firm about their getting raw materials, it may be mentioned that supply of raw materials for the existence of the Industry cannot be denied even though a firm is blacklisted. However, the fact that they are not getting any contracts from Government has to be borne in mind in allocating any quota, etc."

2.26. In a written note, the Committee have further been informed that:--

"M/s. Bharat Barrel and Drum Manufacturing Co., (P) Ltd., were blacklisted by the Ministry of Iron and Steel on 25th January 1964 consequent on their conviction by Special Judge, Bombay under Section 120B IPC and Section 7 and 10 of the Essential Commodities Act, 1955. On appeal, the Bombay High Court set aside the order of conviction and sentence passed by the court of the Special Judge and acquitted the firm. The State Government have filed an appeal with the Supreme Court against the order of acquittal and this appeal is still pending with the Supreme Court. The Order of blacklisting was not revoked on the setting aside of the conviction of this firm by the Bombay High Court. The firm filed a writ petition in the Punjab High Court praying *inter alia* for the quashing of the blacklisting order. As an interim relief, the Punjab High Court on 17th June 1966 quashed the operation of the blacklisting order in the first instance for a few weeks *i.e.*, upto 19th July 1966. Subsequently, on 18th July 1966 the High Court, Punjab ordered suspension of the blacklisting order till further orders. The main writ has however not yet been disposed of by the Punjab High Court and is being contested by the Ministry of Steel, Mines and Metals (Deptt. of Iron and Steel). The case is, therefore, still *sub judice*. The Ministry of Steel, Mines and Metals *vide* their Circular of 18th July 1966 brought it to the notice of the other Ministries that the Punjab High Court has directed the suspension of the operation of the blacklisting order until further orders. This fact was in turn brought to the notice of the public sector undertakings under the control of the Ministry of Petroleum and Chemicals."

2.27. The Committee note that although the Ministry of Petroleum and Chemicals, following the agreements with the various undertakings, had passed orders in February 1966 (Appendix V) that all the undertakings should follow the standardised Code of Procedure for blacklisting, IOC continued to place orders on M/s. Bharat Barrel and Drum Manu-



facturing Co. till the 5th May, 1966. It has been stated that orders for 42,000 barrels were placed on this firm in March-April, 1966, while the orders for 6000 barrels were placed on 5th May, 1966. The above supplies are stated to have been made by the firm promptly. The Committee have been informed that the letter dated 21st February 1966 was not received by the IOC.

2.28. When this matter was discussed, the Secretary of the Ministry stated during evidence that:—

“On the 21st February, 1966 a letter No. G.4(102)/64 (Appendix V) was issued by the Ministry of Petroleum and Chemicals to all the Undertakings referring them to the Ministry's earlier letter of 25th January 1965 and asking them to report to the Ministry all cases of firms blacklisted by the undertakings for further processing as required under the Code of Blacklisting order. . . . . In May, 1964 the Ministry of Petroleum and Chemicals had transmitted to the IOC a list of firms which had been blacklisted and which included the name of Bharat Barrels. This is purely a reciprocal arrangement and the Ministry of Petroleum and Chemicals had transmitted in May, 1964 a statement of 30 or 40 pages of blacklisted firms for their information. There is evidence that this was received in the IOC office in May, 1964 itself. Thereafter the paper does not seem to have been brought on the record. It was marked from the Chairman's Office to the Co-ordination Manager's Office and from there onwards to another official. His acknowledgement of this letter is on record. The letter seems to have disappeared from the IOC's records in May-June, 1964. Therefore it is inferred that when in February, 1966 we communicated\* to the IOC the establishment of this reciprocal procedure, they could not connect it with the Bharat Barrels, because that letter itself was not traceable.”

The Secretary of the Ministry of Petroleum and Chemicals added that:—

“we have evidence to show that it was received and seen by a number of officials and finally marked and acknowledged by an individual who is no longer in the service of the IOC.”

\*At the factual verification stage the Ministry of Petroleum and Chemicals have informed that “The Indian Oil Corporation received the Ministry's letter No. G. 4 (74)64, dated 21st May 1964, with which a list of black-listed firms was sent. Subsequently, this letter could not be traced in the Indian Oil Corporation's office. There is, however, no record of the receipt by the I.O.C. of the Ministry's letter dated 21st February 1966 regarding reciprocal arrangements for following the Standardised Code of Procedure.

2.29. Asked about the measures taken by the Corporation to ensure that important documents are not mislaid or lost in future, it was stated during evidence that:—

“at that time IOC had a system of sending papers by slip system. Slips for some of the periods are not available. So it is difficult to connect papers relating to that period. When IOC discovered that this system is not working satisfactorily, they had discontinued this system. Now movement is recorded in registers.”

2.30. The Committee are constrained to observe that I.O.C. continued to place orders for supplies of barrels on M/s. Bharat Barrel and Drum Mfg. Co. till 5th May, 1966 although this Company stood blacklisted at that time and the Standardized Code of Procedure for blacklisting had been made applicable to the Public Undertaking in February, 1966.

2.31. The Committee regret to note that important communications from Government containing confidential instructions relating to blacklisting of firms, received in the office of the Indian Oil Corporation, could not subsequently be traced. They are concerned to note that the letter of May, 1964 which was finally marked and acknowledged by an officer, who is no longer in the service of the Corporation was found lost. They are amazed that the letter of February, 1966 Communicating the reciprocal arrangement for following the Standardised Code of Procedure was not received by the Indian Oil Corporation although the same was sent by the Ministry. The Committee are not sure whether other important and confidential documents might not have been lost in the Corporation in similar circumstances. The leaving of service of the Corporation by the concerned officer in this case appears to be significant and should be taken serious note of. This clearly indicates that the system of recording and custody of documents in the I.O.C. is far from satisfactory. The Committee need hardly stress the urgent need to review the procedure of recording and custody of confidential and secret documents in the Corporation in order to ensure that such important documents are not lost in future.

2.32. The Committee also note that at the time of finalisation of the tender in May, 1966, the Government order of blacklisting was in operation against M/s. Bharat Barrel and Drum Manufacturing Company. It was only on 17th June, 1966 that the Punjab High Court, as an interim relief, quashed the operation of the blacklisting order initially for a few weeks and on 18th July, 1966 till further orders. Hence it would appear that on the crucial date i.e. on 14th May, 1966, the tender of M/s. Bharat Barrel and Drum Manufacturing Company could not be accepted by I.O.C. under the rules then existing on the subject.

## CHAPTER III

### MATERIALISATION OF SUPPLIES AGAINST TENDER NO. OP|TEN-7|65.

#### A. Placing of Purchase order No. M|s. Standard Drum and Barrel Manufacturing Company, Bombay and M|s. Hind Galvanising and Engineering Company, Calcutta—difference in specifications.

3.1. In accordance with the decision of the Board of Directors, referred to earlier, the Indian Oil Corporation (Marketing Division) placed purchase orders on (i) M|s. Standard Drum and Barrel Manufacturing Company, Bombay and (ii) M|s. Hind Galvanising and Engineering Company, Calcutta for the supply of 2,50,000 barrels at each of the places, respectively. Copies of the purchase Orders are given at Appendices VI and VII. It will be noticed from the specifications given in the Purchase Orders that while M|s. Standard Drum and Barrel Manufacturing Company, Bombay were asked "to supply drums of standard size 200/210 litre capacity manufactured out of 10 gauge cold rolled, cold anealed sheets," M|s. Hind Galvanising and Engineering Company, Calcutta were asked to supply "drums of standard size 200|210 litres capacity manufactured out of 18 gauge cold rolled, cold anealed sheets (or of hot rolled steel if cold rolled steel is not made available by the steel mills)." Asked about the reasons for the difference in the specifications of the two suppliers, the Managing Director of the Corporation stated during evidence that:—

"M|s. Hind Galvanising and Engineering Company told us that they were expecting supply of hot rolled steel and they asked us to include hot rolled steel in our Purchase Order, whereas M|s. Standard Drum and Barrel Manufacturing Company were not expecting, at that stage, supplies of hot rolled steel and they were expecting to meet requirements out of cold-rolled steel only. Since M|s. Hind Galvanising and Engineering Company expressed their ability to supply barrels out of hot-rolled steel also, we included this."

3.2. The Committee enquired why quotations for supply of barrels made out of cold rolled and hot rolled steel sheets which are further categorised into tested and untested variety, were not called for separately

in Tender No. OP/TEN-7/65, the Managing Director of the Corporation stated that:—

“The price of barrels consisted of the value of the steel content of the barrel and the fabrication charges. In this particular Tender the Corporation had invited quotations for the cost of steel per tonne and per barrel. Since Steel was going to be paid for after verifying the invoices of different types of steel that the barrel fabricators had received, it was not felt necessary to invite separate tenders for the four different types of steel because they would have shown the Corporation their invoices of hot rolled steel, cold rolled steel, tested and untested steel and the Corporation would have made payments after verifying the invoices.”

“The witness added that “the Corporation had invited quotations in this case for cold rolled tested steel only. Later on this tender became a subject matter of re-negotiations. When the parties were called for re-negotiations, they were given a proforma, where it was unmistakably stated that their price should be for cold rolled tested steel.” Asked what then were the reasons for dispute when the specifications had been clearly indicated, the representative of the Corporation stated that “the parties quoted one price for cold rolled and hot rolled steel and they felt that this was the average price that they quoted for both. When we asked them to produce vouchers for verification, they said that this was the average price applicable to barrels both for cold and for hot rolled steel. We said that this contention was not acceptable to us because our tender invited quotations for barrels made out of cold rolled tested steel. They did not accept this and a dispute arose.”

3.3. The Committee are unable to appreciate the reasons advanced by the Indian Oil Corporation for laying down different specifications of steel sheets for the manufacture of oil barrels by the two suppliers. They feel that Indian Oil Corporation should have called for separate quotations for each category of barrels so as to be able to give a clear description of items, specifications and prices in the Purchase Order subsequently. While in the purchase order placed on M/s. Hind Galvanising and Engineering Company Private Ltd. by the IOC, the specification clause mentions drums manufactured out of 18 gauge cold rolled cold annealed sheets (or of hot rolled sheet if cold rolled sheet is not made available) the price clause quotes the price for tested and untested quality of cold rolled steel only. There is no mention whatsoever about the cost of hot rolled

sheet. This seems to have provided a loophole to M/s. Hind Galvanising and Engineering Company to claim that this was a flat price for barrels made out of hot rolled or cold rolled sheet, to raise a dispute and go in for arbitration. The Committee urge that IOC should spell out clearly the conditions to be included in the Tender, Purchase Order and Agreement for all types of important stores so as to leave no room for any ambiguity in their description, specifications and prices. The Committee would also recommend that the lapse in this case should be investigated and responsibility therefor fixed.

**B. Actual supplies of barrels made by M/s. Hind Galvanising and Engineering Company, Calcutta and M/s. Standard Drum and Barrel Manufacturing Company, Bombay—non-compliance of the Delivery Schedule.**

3.4. As already stated, the order for the supply of 2,50,000 barrels was placed by the Corporation on each of the suppliers viz., M/s. Hind Galvanising and Engineering Company, Calcutta on 24th October, 1966 and M/s. Standard Drum and Barrel Manufacturing Company, Bombay on 22nd June, 1966. According to the delivery schedule, the delivery of barrels by each of the two suppliers was to be between 15,000 and 30,000 per month. The relevant clause regarding the delivery schedule in each of the two supply orders is reproduced below:—

*M/s. Standard Drum and Barrel Manufacturing Company, Bombay.*

*"Delivery Schedule:* The barrels will have to be supplied to us as per our requirements advised to you by our Head Office or BOM, Western Branch or Plant Superintendent, IOBL Plant, Trombay with whom it will be necessary for you to get in touch for co-ordinating the supplies. You should be in a position to supply a minimum of 500 to 1200 barrels per day."

*M/s. Hind Galvanising and Engineering Company, Calcutta.*

*"Delivery Schedule:* The Barrels will have to be supplied to us as per our requirements advised to you by our H.O. or BOM, Eastern Branch or Plant Manager, IOBL, Plant, Paharpur with whom it would be necessary for you to get in touch for co-ordinating the supplies. You should be in a position to deliver a minimum of 500 barrels to a maximum of 1000 barrels per day. You have agreed to a delivery of 25,000 barrels per month."

3.5. It has been stated that SDBM and HGEC started supply of barrels from the month of June, 1966. SDBM completed the supply

order in January, 1968 but HGEC have supplied 2,28,830 barrels upto December, 1968 as per the following statement indicating the number of barrels supplied:—

Month	No. of barrels supplied	Month	No. of barrels supplied
6/66	3806	4/68	1094
7/66	3055	5/68	17674
8/66	2488	6/68	16801
9/66	8166	7/68	14818
10/66	7882	8/68	12139
11/66	20319	9/68	13281
12/66	18375	10/68	11259
1/67	17778	11/68	1104
2/67	12454	12/68	1927
3/67	19335		
4/57	10073	TOTAL	228830
5/67	10360		
6/67	4641		

3.6. It is observed that the purchase order placed on the firms provided for escalation in the price of barrels under which price escalations have been given to these firms. The prices as per orders placed on each firm and subsequent escalations are as under:—

Name of the Party	Rate as per order	Price escalation effective 1-7-66	Price escalation effective 16-2-67	Price escalation effective 2-5-67
1. M/s. Standard Drum & Barrel Manufacturing Company	Rs. 41.33	41 paise	Nil	Rs. 3.86
2. M/s. Hind Galvanising & Engineering Company	Rs. 37.33	41 paise	21 paise	Rs. 3.65

3.7. It has been stated that after May, 1967, there have been two price escalations—one of 7 paise effective from the 1st February, 1968 and the other of Rs. 5.66 effective from the 1st August, 1968. All these price escalations were the result of revision in steel prices, except the escalation of 41 paise which was due to increase in the cost of steel as well as in Central Sales Tax from 2 per cent to 3 per cent.

3.8. The Committee are concerned to note that while M/s. Standard Drum and Barrel Manufacturing Company completed their supplies of barrels in January, 1968, M/s. Hind Galvanising and Engineering Company have not completed the order and even after a period of 31 months of starting supplies, over 20,000 barrels remained to be supplied by them as on the 31st December, 1968. Even if the supplies had been maintained at the minimum rate i.e. 15,000 barrels instead of 25,000 barrels per month as agreed to by the firm, the entire supplies should have been completed latest by March, 1968. The delay in supplies has also resulted in giving price escalations to the firm—the latest one of Rs. 5.66 per barrel being effective from 1st August, 1968. From the monthly statement of supplies made by the firm it is noticed that the firm withheld supplies for about a year i.e. from June, 1967 to May, 1968. The Committee feel that there was no justification for them to stop supplies even if there was a dispute between the supplier and the Corporation, as the same was under arbitration. It is all the more surprising that although the arbitration award was given in September, 1967 the firm took another 7 months to resume the supplies. The Committee consider that the Indian Oil Corporation should have taken steps to force the supplier to continue regular supply in terms of the Purchase Order and in case of default should have taken appropriate steps to claim damages for the delay in the suspension of supplies. The Committee would like the Corporation now to examine in consultation with their legal advisers whether the delay in making supplies and withholding of supplies by the firm was justified and whether necessary compensation could be claimed from the firm in terms of Clause 11 or any other clause regarding liquidated damages. It may also be examined whether price escalation given to this firm for supplies of barrels after March, 1968 was justified as the delay in making supplies was on account of the default of the supplier.

C. Supply of barrels made from cold rolled and hot rolled steel sheets by M/s. Hind Galvanising and Engineering Company, Calcutta and M/s. Standard Drum and Barrel Manufacturing Company, Bombay.

3.9. The Committee have been informed that cold-rolled steel is superior than hot-rolled steel and is also more costly. The difference in the cost of barrels manufactured out of cold-rolled and hot-rolled steel sheets is about Rs. 2½. Barrels made out of cold-rolled and hot-rolled steel sheets believed to be more durable in the long run than barrels made out of hot-rolled steel sheets. Once a barrel has been delivered after the painting

of its exterior and the treatment of its interior, it is not possible to distinguish one from the other by visible inspection. Barrels made from the two types of steel are used for the same purpose.

3.10. The Committee enquired whether the firms viz., M/s. Hind Galvanising and Engineering Company, Calcutta and M/s. Standard Drum and Barrel Manufacturing Company, Bombay supplied barrels fabricated out of hot-rolled sheets but billed the IOC for the supply of barrels fabricated out of cold-rolled sheets. In a written note furnished to the Committee it has been stated that—

“the firms who supplied a portion of the barrels out of hot-rolled steel and billed the Corporation on the basis of the price of cold-rolled steel were M/s. Standard Drum and Barrel Manufacturing Company and M/s. Hind Galvanising and Engineering Company. The number of barrels so supplied was 6588 and 49266, respectively. As the cost of steel utilised for fabricating barrels is payable only on actuals, there is a provision in the Purchase Order stipulating that the invoices of steel will be presented and examined in order to determine the number of barrels supplied from the different types of steel and to effect payment accordingly. While the former firm accepted the deductions made on the basis of afore-said verification, the latter firm refused to furnish the invoices of steel and on payment being stopped, raised a dispute, suspended further supplies of barrels and asked for arbitration”.

3.11. Provision regarding the price to be paid for the supply of barrels by each of the two firms namely M/s. Standard Drum & Barrel Manufacturing Company and M/s. Hind Galvanising and Engineering Company is made in Clause 2 of the Purchase Order (Appendices—VI & VII).

3.12. Asked when the supply of oil barrels manufactured out of hot rolled steel sheets by each of the firms was first made and when the fact of such a supply came to the notice of the Corporation, the following note has been furnished to the Committee:—

“The Purchase Order on HGEC stipulated that the drums will be manufactured out of 18 gauge cold rolled annealed sheets (or of hot rolled steel if cold rolled steel is not made available to you by the Steel Mills). The Purchase Order also provided for the verification of the steel invoices. It seems that this firm supplied barrels from both qualities of steel but billed for all such supplies on the basis of cold-rolled steel price. The Cal-



Calcutta Branch of the Corporation assuming that the firm had billed correctly did not insist on the production of steel invoices till the matter was taken up by the Manager Procurement (Containers) from the Head Office during his visit to Calcutta on the 1st May, 1967. On noticing that the payment of bills was being made to HGECC without verification of steel invoices, he discussed the matter with the Assistant Operations Manager and Assistant Financial Controller of the Eastern Branch and explained to them the procedure to be followed. Referring to this discussion in Calcutta on the 1st May, 1967, the Eastern Branch sought for the clarification vide their letter No. EBA/NVR/67-68/14 dated 16th May 1967 (Appendix-VIII). Clarification was given—*Vide* Head Office letters of 2nd June and 8th June, 1967. (Appendices—IX & X). Soon thereafter the Eastern Branch asked for steel invoices and pending verification stopped further payment. The amount of the bills payment in respect of which was withheld was Rs. 2,37,000/- apart from Rs. 60,000/- held as security deposit.

**M/s. Standard Drum & Barrel Manufacturing Company at Bombay** started supplying barrels from hot rolled steel from the month of December, 1966. During December they supplied 4,368 such barrels, from January to March, 1967, 844 such barrels, and from April to June, 1967, 1,376 such barrels. Thus they supplied a total of 6,588 barrels from hot rolled steel. They submitted the bills for these barrels on the basis of cold rolled steel instead. Deductions against the supply of these barrels were made in their subsequent bills after verifying the invoices from the Steel Mills."

3.13. On being asked whether it was not the main responsibility of the Accounts and Finance Branches to ensure compliance with the provisions of the supply orders before making payments, it has been stated that "It is ultimately the responsibility of the accounts to ensure compliance with the provisions of the supply order, although checking is also to be done by the executive Department concerned before giving certificate for payment. It was on this basis that we submitted our earlier reply to the Estimates Committee. We have since studied the matter in depth and would request the Committee to keep these points in view:

- (i) The Eastern Branch in general and its Accounts Department in particular have been working under unprecedented pressures.

necessitating the posting of a 2nd Branch Financial Controller and for a short duration even a 2nd Branch Manager. The position had in fact become so acute that even the basic function of billing the customers for supplies made had gone into arrears.

- (ii) There were chronic trade union problems resulting in absenteeism, adoption of obstructive and go slow tactics etc. The discipline was at a low ebb. Here again the Accounts Department had suffered most on this score.
- (iii) The Accounts Officers had wisely taken the basic precaution of *not finalising* all the bills, pending the clearing of all doubts during one of the visits of the concerned officers from Head Office."

3.14. Explaining the position further the Managing Director of the Corporation stated during evidence that—

"We have unprecedented—I repeat the word unprecedented—difficulties in the Calcutta Branch for the last year or 18 months and this has been felt particularly in the Accounts Department so much so that we had to send a 2nd Branch Financial Controller to Calcutta and for a short period we had to send a Second Branch Manager to Calcutta. It was a period of time when we could not even fulfil the basic task of billing the customers because of the pen-down strike of the staff. Since then we had an opportunity to look into this matter in more detail. They made certain payments because the fabricator was telling our Calcutta Branch that the rate he quoted was average rate applicable to barrels made of cold rolled or hot rolled steel. The Calcutta Branch had its own reservations. They kept back this Rs. 3 lakhs because they wanted certain clarification before finalising the payment."

3.15. Asked about the total number of barrels which had been supplied at each of the two Branches as by the two suppliers upto May, 1967 when the mistake of making payments without verification of invoices was detected, the Committee have been informed that at Bombay SDBM had supplied 1,80,211 barrels and at Calcutta HGEC had supplied 1,34,092 barrels till May, 1967. The payments made to the firms upto May/June, 1967 amounted to Rs. 23,07,689.44 in the case of M/s. S.D.B.M. and Rs. 51,08,954.60 in the case of M/s. H.G.E.C.

3.16. The Committee enquired whether any investigation into this matter was made and responsibility fixed for not following the correct procedure and what punishment if any was awarded to the persons concerned. It has been stated that—

“the matter was looked into by the Financial Controller and it was found that this was a case of over-sight in the context of the circumstances mentioned above. In view of this and also the fact that all the bills were not finalised thereby safeguarding the interest of the Corporation, no punishment was considered necessary. All concerned were, however duly cautioned against such lapse in future.”

3.17. The Committee enquired whether it was possible that the Corporation had been supplied barrels out of hot rolled and untested steel during the previous years also and if not, what were the reasons for assuming that barrels of correct specification only were supplied in previous years. In reply it has been stated that in previous years i.e. up to 1965 supplies in Calcutta were obtained only against imported steel. Payment for this steel was made on the basis of its actual cost. In Bombay also supplies were obtained mostly against imported steel, except to a limited extent in the later part of 1965 when indigenous steel obtained from M/s. Hindustan Steel Limited was used which produced only cold rolled steel, the price of which was known. The system of verification of invoices was, however, introduced for the first time in 1966 on the basis of the tender under reference. It is important to mention here that this system had to be given up due to the united stand taken by all the fabricators to the effect that they will not enter into any commitment for the supply of barrels on this basis.

3.18. The Committee are constrained to observe that the making of payments to the suppliers of barrels both at Calcutta and Bombay without verification of invoices as stipulated in the Purchase Orders, was a serious omission. The seriousness is aggravated by the fact that this mistake was detected after more than half the supplies had been made by each of the two firms for which payments amounting to about Rs. 75 lakhs had been made to them. The Committee are not convinced by the argument that the Eastern Branch was making only provisional payments to HSEC and had withheld about Rs. 3 lakhs. They understand that making of provisional payments in the case of bog contracts running over long periods, is a normal practice and hence they feel that this was not resorted to as a special precaution in this case. The Committee are not satisfied with the findings of the Financial Controller that this was a case of

oversight in the context of the circumstances and that no punishment was necessary therefor. Having regard to the fact that a copy of the Purchase Order was duly sent to the Branches, it was clearly the duty of the Accounts, Finance, as well as the Executive Branches to ensure that the provisions of the Purchase Order were fully complied with before making any payments to the suppliers. The Committee consider this a case of dereliction of duty and recommend that the whole matter may be enquired into afresh with a view to fix responsibility and to take disciplinary and other remedial action as may be considered necessary.

#### D. Inspection

3.19. One of the conditions prescribed in the Purchase Orders of the two suppliers relates to inspection and reads as under:—

*“Inspection:—With your knowledge we may at any time arrange for the inspection of the barrels during manufacture at your works, so long as such inspection does not interfere with your programme of manufacture. We also reserve the right to inspect stock of steel which will be held by you and used exclusively for our needs. As already agreed by you, any barrels rejected either by us or by Defence for any reasons whatsoever it may be will be taken back by you at your cost.”*

The Committee enquired whether the right of inspection of barrels during manufacture and steel stocks held by the manufacturers was exercised by the Corporation in these cases. It has been stated during evidence that “this inspection pertains only to the physical condition of the barrels. Whether the barrel is properly painted, whether the barrel has been pressure tested, whether the welding is all right or deficient, it is purely for inspection of physical condition of the barrel and that it is physically not possible to check the quality of steel used.” The Secretary of the Ministry added that it was possible provided a constant inspection from steel plants upto the barrel fabrication was made. When asked to state specifically whether any inspection was done by the IOC as specified in the Purchase Orders, the Managing Director of the Corporation stated that “We have not done that.” From the copies of letters written to Barrel fabricators pointing out the defects noticed by the inspecting officers from time to time, as furnished to the Committee, it appears that the defects were noticed after the receipt of the barrels and not during their manufacture.

3.20. The Committee regret to observe that the Corporation failed to perform its duty in the matter of inspection of barrels during manufacture and of steel stocks with the fabricators which was a condition incorporated in the Purchase Orders. Had even sample inspections of the stock of steel sheets and barrels during manufacture been done, it was likely that the supply of barrels made out of hot-rolled steel sheets by the two suppliers could have been detected in time.

**E. Allotment of Special quota of 18 Gauge Steel Sheets to M/s. Hind Galvanising and Engineering Company**

3.21. The Committee enquired whether any quotations offered by the tenderers for supply of oil barrels to the IOC during 1966-67, was conditional on the allocation of special quota of steel to them. It has been stated in a written note that the quotations of M/s. Industrial Containers Limited, M/s. Steel Containers Limited, M/s. Standard Drum and Barrel Manufacturing Company and M/s. Bharat Barrel and Drum Manufacturing Company were not conditional on the allocation of special quota of steel sheets to them. The quotation of M/s. Petroleum Barrels was conditional on IOC meeting their requirements of steel. M/s. HGEC stated in their quotation that they might need IOC's assistance in case of any shortage of steel.

3.22. Asked whether any special steel quota was allotted to the fabricators by the Corporation, it has been stated that the D.G.T.D. allotted steel to the various fabricators based on the orders pending with them from various oil companies. Indian Oil Corporation did not make any allocation of steel quota to these fabricators; it only distributed steel received by it, among the various fabricators. This was done by IOC to augment their supplies of barrels since the fabricators were not getting enough steel against their own quotas.

3.23. Explaining the position it has been stated by the IOC that the normal SPI quota allocation by DGTD 1966-67 of 18 gauge steel sheets to the various barrel fabricators was only 11,618 tonnes. This was inadequate to meet the requirements of oil barrels by the oil companies. To meet the situation, the Iron & Steel Controller made a special allotment of 25,000 tonnes of 18 gauge steel sheets out of his reserves to the DGTD to be allocated to the different barrel fabricators in consultation with the Ministry of Petroleum and Chemicals. The Ministry of Petroleum and Chemicals recommended that the allotment should be made in proportion to the orders already in hand with the different barrel fabricators from the oil companies.

In reply to a question it has been stated that no special quota of steel sheets was released by the Iron and Steel Controller during 1965-66 and 1967-68 for meeting the special requirements of Oil Companies.

3.24. Details of the allocations of special quota based on the orders placed by the oil companies on barrel manufacturers, subject to future adjustments as well as the normal S.P.I. quota allocated to the barrel fabricators during 1966-67, are shown in the statement at Appendix XI.

3.25. The Committee enquired whether the DGTD allotted additional quantity of 18 gauge steel sheets to HGEC to comply with order relating to Tender No. OP/TEN-7/65 and if so, what was the additional quantity of steel sheets actually received by them from the DGTD, the number of oil barrels they supplied to IOC out of this quota; and the number of barrels still to be supplied by them to IOC. The IOC have informed the Committee that the DGTD allotted an additional quantity of 5,186 tonnes of 18 gauge steel sheets to M/s HGEC during 1966-67 for specifically meeting the needs of the order placed by the Oil Companies on them for manufacture and supply of lube barrels as will be seen from DGTD letter No. SQ/SPI/I-38/446/D dated 13-10-1968. It was mentioned in the letter of DGTD that supply of barrels from this quota should be made to IOC and the three other Oil Companies in the proportion of 5:1. On this basis the proportionate quantity of special allocation to HGEC for the meeting the requirements of barrels for IOC works out to 4321.66 tonnes. Till October, 1968, HGEC supplied a total of 2,25,645 barrels to IOC including 75,000 barrels made from the steel imported by IOC and supplied to HGEC. The number of barrels supplied by HGEC to IOC from the special allocation of steel works out to 1,50,645. HGEC have yet to deliver 13,578 barrels against this allocation, which they are supplying.

3.26. The Committee enquired what proportion of the additional allocation of steel sheets made to HGEC was hot rolled and what was cold rolled. It has been stated that the whole special quota of steel sheets, allotted to HGEC, was planned as hot rolled sheets on the Indian Iron and Steel Company Limited.

3.27. The Committee further enquired why deduction on account of supply of barrels from hot rolled sheets was made from HGEC in respect of 49,226 barrels only when 1,64,223 barrels could be made from 4321.66 tonnes of hot rolled sheets specially allotted to them.

3.28. In a written note it has been stated that even though the special allocation of 4321.68 tonnes of steel was made on IOC account, pending the supply of this steel, HGEC were supplying barrels out of their own stocks. On the basis of the verification of their steel invoices, only 49,266 barrels made out of hot rolled Steel, were billed for on the basis of cold-rolled Steel. Payments have been made after verifying the invoices.

3.29. It has been further stated that the party had their own allocation and orders pending on M/s. Hindustan Steel Ltd. for supply of cold rolled steel from Rourkela and they supplied barrels from this steel also. In addition, at the commencement of our order they had cold rolled steel in stock.

3.30. When asked to indicate the stock of cold rolled steel sheets with the HGEC when they accepted the offer to supply barrels to IOC in June, 1966 and also to state whether that stock was taken note of by the IOC when they recommended allotment of special quota of steel to HGEC, the Committee have been informed through a written note that the HGEC had given an affidavit certifying that they were holding a stock of 753 MTS of cold rolled steel as on 1-3-1966. The party also indicated in their offer that they had sufficient steel stock with them for manufacturing barrels for IOC. The special allotment against Oil Companies' requirements was made to HGEC only in September, 1966 and the supply against this allocation should have been received by HGEC during 1967 only by which time their old stocks would have been consumed.

3.31. It has further been stated that according to the S.P. returns submitted by HGEC for the month of June, 1966, they had a stock of 777 metric tonnes of sheets on 1-6-1966. Whether it was cold rolled or hot rolled was not indicated in the returns submitted by this firm.

3.32. The Committee desired to be furnished with a statement indicating the quantities of hot rolled sheets received by HGEC every month out of the additional quota of 5186 tonnes of sheets. The information was not made available to the Committee. In this connection it has been stated that:—

“The DGTD have intimated that in the returns submitted by the firm, they have shown each month the total quantity of

steel received by them. Break-up of quantities of hot rolled and cold rolled sheets received by them have not been shown in the returns as in the form itself there is no provision for showing such break-up."

3.33. The Committee note that during 1966-67, in addition to the regular allocation of 780 M. Tonnes of steel sheets, HGEC were given a special additional quota of 5,186 M. Tonnes of steel sheets. This special allocation was made to them out of a total special quota of 25,000 M. Tonnes which was allocated to various barrel manufacturers on pro-rata basis for meeting the needs of orders placed by oil companies for supply of lube barrels. It would, therefore, appear that HGEC were given special quota of steel sheets during 1966-67 along with all other barrel manufacturers.

3.34. The Committee note that in June, 1966, HGEC had a stock of 777 M. Tonnes of 18 gauge steel sheets which according to their affidavit was cold rolled. The special quota of 5,186 M. Tonnes of steel sheets given to them, was however hot-rolled. Out of this special quota the share of IOC was 4321,66 M. Tonnes, sufficient to manufacture, 1,64,223 barrels. Against this number, only 49,226 barrels made out of hot rolled sheets, are stated to have been supplied to the IOC. The Committee are unable to appreciate this. Even if it is admitted that the stock of steel sheets of 777 M. Tonnes held by M/s. HGEC in June, 1966 and the regular allocation of 780 M. Tonnes during 1966-67 was cold rolled, the same would have been sufficient to manufacture about 60,000 barrels, all of which may not have been supplied to the Indian Oil Corporation as HGEC were supplying barrels to other companies also. The Committee are, therefore, not convinced by the statement of the Corporation that 49,226 barrels only made out of hot rolled steel sheets were supplied to them by HGEC for which a deduction of Rs. 70,497.88 was made from them. Further since the information regarding the monthly supply of hot rolled sheets to HGEC against their special quota, has not been made available to the Committee, they are unable to say whether or not all the barrels viz. 1,64,223 which could be manufactured from the special quota of hot rolled sheets were made available to the Corporation. The Committee are also unable to understand why the Indian Oil Corporation did not insist on the supply of barrels from out of the special quota when the same were cheaper and the DGTD had specifically instructed HGEC to do so. The Com-



mittee recommend that the whole matter may be specially got investigated by the Comptroller and Auditor General to find out the number of barrels made out of hot-rolled sheets supplied by HGEC to the Indian Oil Corporation and the correctness of the payments made therefor. If need be, the assistance of D.G.T.D. may be obtained for this investigation.

### F. Arbitration

3.35. The purchase order placed by the Corporation on M/s Hind Galvanising & Engineering Co., Calcutta contained the following clause regarding arbitration on disputes:—

- (i) Arbitration—“In case of any dispute or difference arising out of this contract, the matter shall be referred to the sole arbitration of the Engineering Manager, Indian Oil Corporation Bombay whose decision shall be final and binding on the contractor[s]. The contractor[s] has|have agreed to this reference knowing fully well that the arbitrator so agreed, is the Engineering Manager of the Corporation and it shall not be open to him to challenge the reference and award on this ground.”

3.36. On being asked why and at whose instance the matter regarding the supplies of barrels out of hot rolled sheets was referred to arbitration, the Indian Oil Corporation have in a written note stated that when in June, 1967, M/s Hind Galvanising & Engineering Co. were asked to produce steel invoices, they resisted and stopped the supply of barrels. The Indian Oil Corporation insisted on verifying the invoices before any further payment could be released to the firm. The firm then requested for referring the dispute to arbitration. In terms of the Purchase Order placed by the Corporation on the party, all disputes arising out of the agreement, were to be referred to the Engineering Manager of the Corporation. The firm instead asked for arbitration by the General Manager. This was agreed to by the Corporation in view of the seniority of the officer and his judicial background.

In this connection the Committee note that the Tender Committee constituted by the IOC to renegotiate the terms with the tenderers on 20.4.1966 consisted of the General Sales Manager (now General Manager), Finance Controller and Operations Manager. The Engineering Manager was coopted on 30.4.66 when the Tender Committee took up detailed renegotiations to obtain best quotations from the parties.

3.37. The specific issue which was referred to arbitration related to the determination of price chargeable or payable for the supply of

barrels being supplied to be supplied by the M/s. Hind Galvanising and Engineering Co., Calcutta. A copy of the reference to Arbitration dated 12.8.67 filed by the authorised representatives of the parties is given at Appendix XIII.

3.38. The following issues were formed by the Arbitrator on the 21st September, 1967, in the presence of the representatives of the parties, to identify the points of dispute between the parties:

- (1) Whether the price quoted by HGEC and accepted by IOC, expressly or otherwise, for supply of 18-gauge barrels against IOC's Tender No. OP/TEN-7/65 is in respect of barrels made from cold rolled steel or is a flat price for barrels made from either cold-rolled or hot-rolled steel.
- (2) Whether HGEC is entitled to a price increase to the extent of the price increase in steel, if so, on what basis.
- (3) whether in view of the fact that allocation of steel to HGEC is no longer being made on the basis of their supply commitments with IOC and whether in view of any inadequacy in availability of steel with HGEC, HGEC should be relieved of obligation to supply the balance quantity of barrels on the existing price basis.
- (4) whether in view of increased cost—if any—of HGEC resulting from any increased labour charges and reduced productivity, HGEC should be relieved of the obligation to supply the balance quantity of barrels on the existing price basis.

3.39. The following award was made by the Arbitrator on 29th September, 1967, on each of the issues referred to him:

*Issue No. 1.*—The price quoted by HGEC and accepted by IOC for the supply of 18-gauge barrels cannot be regarded as a flat price for barrels whether made from cold rolled or hot rolled steel. The price of Rs. 37.53 per barrel quoted by HGEC on 30-4-66 is applicable only to barrels made from cold-rolled steel (tested quality), the price of which steel as specified by HGEC on 30-4-66 was Rs. 1186 per tonne. Thus, the quality of cold-rolled and hot-rolled steels and their respective prices being different, the price applicable to the barrels supplied from hot-rolled steel has to be different, to the extent shown in the award on issue No. 2 below.

*Issue No. 2.*—The price of Rs. 37.33 per barrel being related to the base price of Rs. 1186 per tonne of steel as on 30-4-66, HGEC is entitled/liable to a price escalation (upwards or downwards) to the extent to which the cost incurred by them on steel, actually used by them to fabricate barrels for IOC, has varied or will vary from Rs. 1186 per tonne irrespective of the quality of steel used by them .

*Issue No. 3.*—HGEC cannot be relieved of their obligation to supply the balance quantity of barrels on the existing pricing basis on the ground that allocation of steel in their favour is now on a basis different from the basis in the past or that their present availability is inadequate.

*Issue No. 4.*—HGEC cannot be relieved of their obligation to supply the balance quantity of barrels on the existing pricing basis on the ground that their labour charges have gone up or their productivity has gone down.

3.40. The Committee are given to understand that as a result of the award, the following recoveries were made:

- (a) For 49266 barrels made from hot rolled tested sheets but billed for cold rolled tested sheets—Rs. 70497.88.
- (b) For 38,480 barrels made from cold rolled untested sheets, but billed for cold rolled tested sheets—Rs. 46176.00

Total: Rs. 1,16673.88

3.41. During evidence, it has been stated that according to the terms of the contract, certain price escalations were allowed to M/s. Hind Galvanising and Engineering Co. for the increase in the price of steel which amounted to Rs.19,580.30. The net deduction made from them amounted to about Rs. 97000.

3.42. In a note furnished to the Committee, the amount of Rs. 70,497.88 or Rs. 70498 has been worked out. It has been stated that "As per the price of cold-rolled tested and hot rolled tested qualities of steel prevailing between the time HGEC started supplying barrels against tender No. OP/TEN-7/65 and June 1967, and as per the number of barrels supplied by TGEC from hot-rolled steel, the amount of recovery was calculated as follows:

7,63	H.R. barrels per barrel	@ Rs.	1.47	
				Rs. 11,229.33
3,116	H.R. barrels per barrel	@ Rs.	1.10	
				Rs. 3,427.60
38,511	H.R. barrels per barrel	@ Rs.	1.45	
				Rs. 55,873.95
<u>49,266</u>				<u>Rs. 70,497.88</u>
				SAY Rs. 70,498.00"

3.43. The Committee consider that correct procedure has been followed in referring the dispute between M|s Hind Galvanising and Engineering Co. and Indian Oil Corporation to Arbitration. The appointment of the General Manager as Arbitrator on the specific request of M|s Hind Galvanising and Engineering Company instead of the Engineering Manager, as stipulated in the Purchase Order, would appear to be quite in order and has not, in any way, adversely affected the interests of the Corporation. The Arbitrator has given the award on principles leaving the calculation of monetary effect to be settled on the agreed basis. A sum of Rs. 116,673.88 was recovered from the firm as a result of the arbitration award.

**G. Supplies of barrels by M|s Suppliers Corporation, Calcutta during June—Aug. 1967.**

3.44. The Committee have been informed in a written note that M|s Hind Galvanising and Engineering Company stopped further supplies of barrels in June, 1967. As the issue of a public tender is a time-consuming process and as day-to-day requirements of Railways, Steel Plants, Defence etc. in the eastern region had to be met and as room had to be made in the storage tanks at Calcutta to receive three tankers incoming in quick succession the Calcutta Branch immediately made oral inquiries from all the three barrel fabricators in Calcutta. This brought out a negative response; consequently the Branch had no recourse left but to place orders for 11,000 barrels on the only party, namely, M|s Suppliers Corporation which contacted the Branch and offered to meet the immediate requirements.

3.45. For the reasons stated above, a public tender for meeting the immediate requirements could not be floated. However, soon after arrangements had been made to meet the immediate requirements, a public tender enquiry was floated. The result was the same as the one obtained when verbal enquiries had been made earlier: none of the three fabricators at Calcutta quoted. Only M|s. Suppliers Corporation quoted, their quotation for 10,000 barrels being Rs. 49.00 plus Re. 1/- for delivery charges per barrel which was reduced to Rs. 48/- per barrel (all inclusive) on negotiation—this negotiated price being the same at which the earlier purchase of 11,000 barrels was made. The entire supply was given out of old-rolled steel as per the certificate of the firm.

3.46. The Committee have further been informed that the difference between the price paid to M|s Suppliers Corporation and the price

which would have been payable at that time to M/s Hind Galvanising and Engineering Company is Rs. 6.40 per barrel. However, the following two facts are stated to be pertinent in this connection:—

- (a) The orders placed on the new firm did not relieve the earlier firm of its liability to supply the full balance quantity as per the Purchase Order, and
- (b) the price paid to the new firm was the best that could be obtained at that time, as also determined by public tenders.

3.47. The table below shows the dates of the two purchase orders and the period during which the supplies have been made:

Order No.	Date	Quantity	Period of supply
EB/322/67-68	22 6.67	11,000	June 1967
EB/433/67-68	21 7.67	10,000	July & Aug , '67.
Total :		21,000 barrels	

3.48. The cost of 21,000 barrels @ Rs. 48/- per barrel paid to M/s Suppliers Corporation comes to Rs. 10,08,000/-. The additional payment at the rate of Rs. 6.40 per barrel on 31,000 barrel amounts to Rs. 1,34,400/- which the IOC had to pay to M/s Suppliers Corporation as a result of stoppage of supplies of barrels by M/s Hind Galvanising and Engineering Company.

3.49. The Committee enquired at what level in the Corporation, the rate of Rs. 48 per barrel paid to M/s Suppliers Corporation was negotiated. It has been stated that this rate was negotiated in the Eastern branch at the level of the Branch Manager and the Branch Financial Controller. It was accepted in the Head Office by the Managing Director with the concurrence of Finance and *Ex-post-facto* approval of the Board of Directors was obtained later.

3.50. Asked whether the firm is a licensed or registered barrel manufacturer, it has been stated that the firm is not a registered barrel fabricator. From May, 1967, after the decontrol of steel, any party is free to buy steel and get barrels fabricated by any of the fabricators. In reply to a further question, whether this firm is still in business it has been stated that the Corporation is not aware if the firm is still in business. The Committee enquired whether the antecedents or business connections or standing in business of M/s Suppliers Corporation were known to the IOC. It has been stated that the IOC did not have any previous transactions with M/s Suppliers Corporation. Since, however, the barrels

were required on an emergent basis to avoid demurrage to foreign lube oil tankers and ensure continuity of supplies to the essential consumers in the strategically and industrially vital Eastern Region, there was hardly any time for IOC to find out these details, nor was it necessary as steel had been decontrolled. This was the only party to come forward. The other fabricators in Calcutta neither quoted against our verbal enquiries nor against the public tender. Hence, IOC had no alternative but to place orders with this party.

3.51. On being asked whether M|s. Suppliers Corporation were another wing of M|s Hind Galvanising and Engineering Company, the representative of the Corporation stated, during evidence, that "this came to light subsequently. When we placed the orders with them, we did not know that it was a *benami* organisation. Later on, I think it was in November, 1967, we came to know that this was a wholly-owned subsidiary of Hind, Galvanising\*." When pointedly asked whether at that time the IOC did not know that the barrels which had been refused by HGEC to the IOC had found their way through M|s. Suppliers Corporation, the representative of the Corporation stated "No, we had no knowledge of that."

3.52. Explaining the circumstances under which these purchases were made, the Managing Director of the Corporation stated during evidence that.

"The Industrial Containers, one of the biggest manufacturers in Calcutta, had a complete lock-out and were closed for several months. About Hind Galvanising there was a dispute. We could not bank on Bharat Barrels because of the reasons that we have already discussed. There was nobody in Calcutta to meet our requirements; so we went to the market and this was the only party which came forward to supply us a limited number of barrels. We had a tanker standing midstream and we had to make room for the oil in our storage tanks in Calcutta. We could not do that until we received barrels and packaged what was already lying in our tanks."

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\*At the time of factual verifications, it has been stated by the Ministry of Petroleum and Chemicals that the exact meaning which was intended to be conveyed by the Managing Director while stating the above mentioned words was not what the above words purport to convey technically and literally and that the same may be substituted by "when we placed the orders with them we did not know that the organisation had any arrangements or connections with Hind Galvanising. Later on, I think it was in November, 1967, it was reported to us that there was some relationship or Community of interest between the two firms."

To another question as to whether it was verified that the supply of barrels made by M/s. Suppliers Corporation was from cold rolled steel sheets, the representative of the Corporation stated during evidence that it was not linked up with cold rolled or hot rolled steel. It was a question of being able to get barrels. The Corporation was not in a position to verify the invoices and other records of M/s. Suppliers Corporation.

3.53. The Committee enquired why these supplies were not procured at the risk and expense of HGEC, the representative of the Corporation stated during evidence that:—

“By imposing the risk purchase clause we would have absolved M/s. Hind Galvanising of supplying us 21,000 barrels and their rate was a very favourable one—Rs. 37 as compared to Rs. 40 to 42 in other parts of India. We did not want to absolve them of this responsibility. So, we obtained the maximum quantity of barrels from Hind Galvanising so that we can get the benefit of the lower rate. Otherwise, we would have had to go outside and pay more to the tune of about Rs. 5 per barrel. In point of fact, Mr. Khaitan of Hind Galvanising came to see us on this point. At that time he was very keen to wriggle out of this contract because he thought he would get the average price, which I tried to explain this morning, for hot rolled steel. When he found he could not do it, he asked us to invoke the risk purchase clause of Rs. 2 per barrel, deduct Rs. 1 lakh for the barrels and absolve them of the contract. We said “nothing doing; you will have to fulfil the contract.”

3.54. The Committee note that the emergent purchase of 21,000 barrels by the Indian Oil Corporation from M/s. Suppliers Corporation, consequent upon the stoppage of supplies by M/s Hind Galvanising and Engineering Co., resulted in an extra expenditure of Rs. 1,34,400 to them. The fact that M/s. Suppliers Corporation were a wholly owned subsidiary of HGEC and were “benami” organisation, would appear to indicate that HGEC supplied these barrels to the IOC through the Suppliers Corporation at a much higher price than they could do under the Purchase Order. It is regrettable that no other firm came forward to make supplies in response to the public tender which was floated by the Corporation for a part of the supplies. The most disquieting aspect of this transaction is that this extra expenditure could not be recovered from HGEC—the suppliers, as the amount stipulated in their risk purchase clause was very low. Thus in this transaction, the Corporation suffered on two accounts: (i) they had to purchase barrels from a benami of their regular supplier; (ii) they had to pay much higher

prices for the barrels resulting in an extra expenditure of Rs. 1,34,400|. The Committee are surprised that an organisation of the stature and experience of the Indian Oil Corporation which has to make large purchases, found itself helpless to secure compliance with the terms of the Purchase Order and recover adequate compensation from their regular suppliers for breach of contract. The Committee would like the Corporation to take lesson from this case and to guard against such tight situations in future. They further suggest that the IOC should bear in mind, the dealings of HGEC in this transaction while considering the question of placing orders on them in future.

#### H. Risk purchase

3.55. An important condition included in the Purchase Orders placed by the Corporation with M/s. Standard Drum and Barrel Manufacturing Co., Bombay and M/s. Hind Galvanising and Engineering Co., Calcutta, relates to risk purchase and reads as under:—

*M/s. Standard Drum and Barrel Mfg. Co., Bombay*

"9. *Risk Purchase:* If you are not able to supply the barrels as per our requirements from time to time we shall have the right to procure barrels from any other source and recover the additional expenses so incurred to a maximum of Rs. 2/- per barrel, as per undertaking given by you, in the attachment of your letter No. SDB|194|66 of 30th April, 1966. In the cases of failures of supply of barrels, clause No. 11 of the agreement will also be applicable."

*Hind Galvanising and Engg., Co., Calcutta*

"10. *Risk Purchase:* If you are unable to supply the barrels as per our requirements from time to time. we shall have the right to procure the steel barrels from any other source and recover the additional expenses so incurred to a maximum of Rs. 2|- per barrel from you."

3.56. Explaining the background of including Rs. 2|- as the amount of risk purchase in the Purchase Order the representative of the Corporation stated during evidence that the penalty risk of Rs. 2|- was incorporated in the terms and conditions after a great deal of difficulty. The fabricators were not prepared to accept any penalty clause in the contract. This was negotiated. When it was pointed out that the difference in the price paid by the Corporation to M/s. Suppliers Corporation as a result of the default in supplies made by M/s. Hind Galvanising and Engineering Co., Calcutta was about Rs. 6.40 per barrel as against the risk purchase amount of Rs. 2|- the representative of the Corporation stated during evidence that the parties were not agreeable to pay anything more than Rs. 2|- per barrel.



3.57. In the earlier section it has already been stated that the IOC did not want to invoke the risk purchase clause because that would have meant absolving HGEC of supplying 21,000 barrels at a much cheaper rate than were then available in the open market. The Corporation would have to pay more to the tune of Rs. 5/- per barrel. In reply to a question whether stoppage of supply of oil barrels by HGEC during the period June, 1967 to March, 1968 did not involve a breach of contract and if so, whether any legal redress was possible, the Ministry have stated as under:—

“Messrs. Hind Galvanising and Engineering Co., who were agreement bound to supply to us 25,000 barrels per month, stopped the supply around June, 1967, there having arisen a dispute in regard to the price payable for the barrels manufactured and supplied out of hot rolled steel. As per agreement with M/s. Hind Galvanising and Engineering Co., the Corporation was entitled to procure the barrels short supplied or the supply of which was stopped by M/s. Hind Galvanising and Engineering Co., from alternative sources. Since there was risk purchase clause specifying a penalty of Rs. 2/- per barrel, IOC was legally entitled to recover the amount involved at the rate mentioned above.”

3.58. The Committee consider that the amount of Rs. 2/- per barrel included in the risk purchase clause in the Purchase Orders of the suppliers was unrealistic and not related to the prevailing market conditions. The intention behind the risk purchase clause is to prevent the supplier from making default in supplies. In this case, it has proved to be otherwise. The Committee consider the inclusion of this provision in the existing form to be totally ineffective in subserving the purpose for which it is intended. They would urge that a suitable and effective clause should be included in the Purchase Orders and Agreements of the Indian Oil Corporation so as to deter the defaulting parties from withholding supplies.

#### I. Agreement

3.59. The Purchase Orders placed by the Corporation with M/s. Standard Drum and Barrel Manufacturing Company, Bombay and M/s. Hind Galvanising and Engineering Company, Calcutta stipulated that the suppliers would enter into a formal agreement with the Corporation within 15 days of the placing of the purchase order. The relevant clause in both the purchase orders reads as under:—

“You will have to enter into a formal agreement with us within fifteen days of this order.”

3.60. Asked whether formal agreements were entered into with the suppliers, the representative of the Corporation stated that:—

“Standard Drums accepted our formal agreement but Hind Galvanising evading formal agreement due to one reason or another. But they accepted purchase order and started making supplies. So the conditions incorporated in the purchase order were binding on them.”

3.61. The Ministry of Petroleum and Chemicals were asked to furnish a copy of the formal agreement entered into by the IOC with M/s. Standard Drum and Barrel Manufacturing Co., Bombay which they have done (Appendix—XV). A scrutiny of the agreement reveals that this a comprehensive legal document in which ample safeguards have been provided for recovery of damages for delay in the delivery of the barrels and for claiming compensation from the suppliers for non-fulfilment of the contract in time or for a breach of any of the conditions, a terms and provisions of the contract. Attention is particularly invited to clauses 5 and 11 of the agreement which are reproduced below:—

*Clause 5 of the agreement*

“The Contractor/s argees/agree and undertakes/undertake to duly perform and complete the said works set out hereinabove within a reasonable time, after instructions to that effect are issued by the Corporation. The said works shall throughout the stipulated period of the contract be proceeded with all due diligence, promptness, care and accuracy and in a workmanlike manner to the satisfaction of the Corporation and shall be completed in accordance with the specifications, designs, drawings and instructions on or before the aforesaid due date time being of the essence of the contract on the part of the Contractor|s. The requirements will be intimated from time to time and the Contractor|s must meet the same. If delivery is delayed Corporation shall have the right to recover by way of ascertained and liquidated damages a sum equivalent to one half of one percent of the contract value of delayed supplies for each week or part of the week, the Contractor is in default, it being understood that liquidated damages will not apply if delivery is delayed on account of the usual force majeure clause. This would be without prejudice to any other right to remedy available in that behalf to appropriate the Contractor|s' security deposit and take any other measures under other clauses of this contract, whether or not actual damage is caused by such default.”

*Clause 11 of the agreement*

"In the event of the Contractor|s not fulfilling the contract in time or committing a breach of any of the conditions, terms and provisions of this contract the Contractor|s shall render him-  
self|themselves liable to pay compensation that may be fixed by the Corporation including forfeiture of the Security Deposit paid hereunder and the Corporation shall have the additional power to adopt any or several of the following courses which the Corporation may deem best suited to its own interest:—

- (a) To rescind the contract and forfeit the Security Deposit of the Contractor|s which shall stand for the time being and shall be absolutely at the disposal of the Corporation.
- (b) To employ labour and supply materials to carry out the works or any part of the works debiting the Contractor|s with the costs of labour and price of the materials and the costs of other services in respect thereof as to the correctness of which costs and price the certificate of the Corporation shall be final and conclusive against the Contractor|s and crediting the Contractor/s with the value of the work done in all respects and in the manner and at the same rates as if it had been carried out by the Contractor|s under the terms of this contract and in that case the certificate of the Corporation as to the value of the work done shall be final and conclusive against the Contractor|s.
- (c) To order that the work done by the Contractor|s upto the period be taken and to that such part thereof as shall be unexecuted out of their hands and to give it to another Contractor|s to complete in which case any expenses which may be incurred in excess of the sum which would have been paid to the original Contractor/s if the whole work had been executed by him|them and as to the amount of which excess a certificate in writing of the Corporation shall be final and conclusive shall be payable by the original Contractor/s and shall be deducted from any moneys due to him/ them by the Corporation under the contract or otherwise or from the Security Deposit or proceeds of the sale thereof or sufficient part thereof."

3.62. Clause 3 of the Agreement and the Schedule of rates appended thereto spell out clearly and in minute details the break-up of the price per barrel to be paid to the supplier. It is also significant that the risk purchase clause included in the Purchase Order which limits the recovery of additional expenses to a maximum of Rs. 2/- only per barrel

is not there in the agreement which means that in the event of failure to supply the barrels for any length of time, the Corporation would have been entitled to recover the entire actual expenditure incurred by it to maintain supplies. In this particular case, the Corporation could have legally recovered Rs. 1.34 lakhs, the entire expenditure incurred by it in arranging supplies through the Suppliers Corporation which has been referred to at paras 3.44 to 3.54 of the report.

3.63. The Committee find that while M/s. Standard Drum and Barrel Manufacturing Co., entered into a formal agreement with the IOC on the very day the purchase order was placed on them, M/s Hind Galvanising and Engineering Co., did not execute any such agreement although this was clearly stipulated in their purchase order also. Had a formal agreement been entered into by the Corporation with M/s. Hind Galvanising and Engineering Co., it would have enabled the Corporation to deal firmly with this Company in the event of their making supply of barrels from out of hot-rolled sheets and billing for cold-rolled sheets as well as for other breaches of contract like suspension of supplies, delays in making regular supplies and making supplies through their benami firm, namely, M/s. Suppliers Corporation at exorbitant rate. The Committee are inclined to believe that if the agreement had been executed, HGEC would not have dared to raise a dispute with the Corporation and put them to all this inconvenience and extra expense. Moreover, the Corporation could have recovered the entire extra expenditure amounting to Rs. 1.34 lakhs incurred by them in arranging supplies through the Suppliers Corporation which has been referred to in paras 3.44 to 3.54 of the report. The Committee fail to understand why the Corporation did not insist on the signing of the formal agreement by the HGEC which should have been done. The Committee take a very serious view of this lapse on the part of the Corporation and recommend that the matter should be fully investigated and responsibility therefor fixed with a view to take disciplinary action and a report submitted to them. They would also like the Corporation to draw lesson from this incident and take appropriate remedial measures so as to avoid repetition of such mistakes in future.

## CHAPTER IV

### SUPPLY POSITION OF OIL BARRELS

4.1. The Committee have been informed during evidence that barrel manufacturers are unwilling to accept any price differential for barrels manufactured out of hot-rolled or cold-rolled or tested or untested steel. It has been stated that "so far as barrel fabricators are concerned a position has now been reached where—in the past we used to give them steel on verifying their performance—the five barrel fabricators have got together and formed a Cartel and they have told us this is what is available; take it or leave it." It has been added that "Barrel manufacturers are unwilling to accept any price differential for hot-rolled or cold-rolled or tested or untested steel. If the idea is that for the future we should try to lay down certain principles for this we are confronted with the new situation today. The new situation is that they are not prepared to have price differential on account of differential quality. It is a very recent development. We will have to see how to deal with this problem. This is a new development. Irrespective of quality, tested, untested, hot or cold, they say there is only one price. So long as the situation is what it is, we seem to be in the grip of these suppliers."

4.2. The Committee desired to know what measures are proposed to be taken to avoid such a situation. The Secretary of the Ministry of Petroleum and Chemicals stated that:—

"the Indian Oil Corporation definitely had the view that it would like to be self-reliant in so far as its requirements of barrels are concerned. For example at Cochin we have our own drum making plant. At the Madras Refinery the IOC wanted to put up its own plant. But we have not been given permission by the Government to do that. The Government has taken the view that the spare capacity available with these people in Bombay and Calcutta should be allowed to be transferred to Madras."

4.3. In this context the Committee were further informed that "at a certain time the thinking in the Government was that:—

it is much better to allocate a quota of steel to the oil companies so that they could release it against the orders which they placed. Till then the position was that steel was being released to the fabricators and the oil companies felt that they were at the mercy of the fabricators to a very substantial

extent. So we wanted to try a new experiment where steel would be placed at the disposal of IOC and other oil companies and they would then allocate it to the fabricators according to the orders they have placed. But our effort after an initial example of this, was frustrated by certain of the fabricators going to the Court. After that, it has not been possible to follow it up. We had been restrained. Bharat Barrels went to Court. They said that the Government is wrong in allocating steel quotas to the oil companies and that it should allocate steel quota straight to the fabricators. They restrained the Government by a Court injunction from allocating steel to oil companies. This took place in March, 1967. Our first effort was to try and allocate steel to the oil companies so as to take them away from the mercy of the fabricators. There we have been blocked because of the court injunction."

4.4 The Committee are unhappy to note the barrel fabricators are unwilling to accept any condition regarding the quality of the steel to be used in the manufacture of oil barrels and linking the same with the price to be paid for them. The Committee realise that there is shortage of steel sheets in the country which is mainly responsible for this state of affairs. They are surprised to note that while on one hand there is shortage of steel sheets in the country, on the other there is unutilised capacity with M/s. Hindustan Steel Ltd. This indicates defect in planning the production in the steel plants. The Committee hope that suitable measures will be taken to step-up the production of steel sheets which are in short supply. In the meanwhile, the Committee would like the Government to look into this matter in detail and take appropriate steps to remove the difficulties of the consumer oil companies. The Committee have dealt with this matter in detail in their Eighty-fifth Report on the Ministry of Industrial Development, Internal Trade and Company Affairs—Recognition of additional capacity in the barrel industry in spite of its being on the Banned List.

NEW DELHI;

April 16, 1969.

*Chaitra 26, 1891 (Saka).*

P, VENKATASUBBAIAH,

*Chairman,*

*Estimates Committee.*

## APPENDIX I

### LOK SABHA

#### STARRED QUESTION NO. 664

*To be answered on 26th August, 1968*

#### SUPPLY OF BARRELS TO I.O.C.

\*664. SHRI SAMAR GUHA: Will the Minister of PETROLEUM AND CHEMICALS be pleased to refer to the reply given to Unstarred Question No. 71 on the 22nd July, 1968 and state:

(a) whether it is a fact that in reply to Unstarred Question No. 913 on the 16th November, 1967, Government admitted that "the purchase order stipulated that the barrels will be made out of cold-rolled steel";

(b) whether it is also a fact that in reply to his Unstarred Question No. 71 on the 22nd July, 1968, Government have stated that "the objection was not to Hind Galvanising and Engineering Company (P) Ltd. supplying barrels out of hot-rolled steel"; and

(c) whether in view of the above contradictory replies, Government will lay on the Table the terms of Agreement agreed upon between the Indian Oil Corporation and M/s. Hind Galvanising and Engineering (P) Ltd.?

#### ANSWERS

THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS (SHRI K. RAGHU RAMAIAH): (a) and (b). Yes, Sir.

(c) It may appear to be so, but in reality there is no contradiction. The facts are that the purchase order referred to in Unstarred Question No. 913 of the 16th November, 1967 specified cold-rolled and cold annealed sheets as the principal specification. The price in this purchase orders was also based on this quality of steel. There was, however, a permissive reference in the purchase order for the supply of barrels manufactured out of hot-rolled steel, if cold-rolled steel is not made available by the steel mills. While there is no real contradiction,

it is true that the earlier reply of the 16th November, 1967 could have given greater details. I regret this omission.

The relevant provisions from the Indian Oil Corporation's purchase order in connection with the supply of lube oil barrels by M/s. Hind Galvanising & Engineering Company (Private) Limited are laid on the Table of the House. Owing to the confidential nature of the terms and conditions relating to price, delivery etc., the full copy of the purchase order is not being laid on the Table of the House.

**Enclosure referred to in the reply to part (c) of the Lok Sabha starred Question No. 664 for 26-8-1968.**

*Specifications.*—The drums will be of standard size 200|210 litre capacity, manufactured out of 18 gauge cold rolled cold annealed sheets (or of hot rolled steel if cold rolled steel is not made available to you by the steel Mills), body seam welded, ends double seamed, one end fitted with 1x2" and 1x $\frac{3}{4}$ " "Trisure" bungs. The barrels are to be painted with superior quality drum stoveenamel as per our standard specifications which is Mobil Red No. 602|263 for the body and white No. 9231|1602|004 for the ends. However, should we decide to change the colour specifications you shall conform to it after being given two weeks' notice to carry out the same.

**SHRI SAMAR GUHA:** I have already tabled 15-20 questions about this matter because my object is to expose complicity of one or more IOC officials, perhaps involving a big ministerial guy, in it. Because, as a result of this malpractice, the IOC has incurred a loss on three accounts. Firstly, the IOC has placed an order at a much higher price on Hind Galvanising Company for barrels and thus incurred a loss of Rs. 1.77 lakhs. Secondly, although the Hind Galvanising Company were specifically asked to supply barrels of cold rolled steel they supplied barrels of hot rolled steel, thereby making it incur a loss of another Rs. 97,000. Thirdly, when that matter was found out that they had supplied barrels made of hot rolled steel, they suspended the supply order and an order was placed on another firm known as the suppliers' Corporation which was in fact not a manufacturing concern and thereby another loss of Rs. 2.25 lakhs were incurred. In view of all these facts, I want to know why oil barrels were purchased at a higher price from Hind Galvanising Company when they were available for lower prices from other manufacturers? Secondly, why had legal steps not been taken against Hind Galvanising and Engineering Company (P) Ltd. for cheating the IOC by supplying hot rolled steel barrels although the specific orders were for cold rolled steel barrels according



to the terms of the contract? Thirdly, why were barrels purchased from Suppliers' Corporation which was not a manufacturing company, but one of the owners of which is the director of Hind Galvanising Cor. which only means that the Suppliers' Corporation is only a benami firm for Hind Galvanising Company?

**SHRI RAGHU RAMAIAH:** I shall take the first part of the question, namely, that we have paid them a higher price than what was otherwise available. I presume the reference is to the fact that we purchased from these people and not from Bhart Barrels.

**SHRI SAMAR GUHA:** Eight or nine companies offered tenders to you, and you selected only two.

**SHRI RAGHU RAMAIAH:** As regards the other companies, after going into all the tenders, the IOC has selected the best tender. Now, that explains why we placed the orders with them and not with any other company. It was done after tenders were submitted. The second question is, why these people were allowed to supply hot rolled and not cold rolled sheets. I have already placed on the Table of the House an enclosure to this answer which says that the terms will be such and such and then, it says "cold rolled annealed sheets (or of hot rolled steel if cold rolled steel is not made available to you by steel mills)". So, the order itself contemplated the offer of cold rolled or, if that is not possible, hot rolled. What exactly happened in this case is that—

**SHRI SAMAR GUHA:** Why did you not place a copy of the terms of the agreement on the Table of the House?

श्री मधु त्रिपाठे : अध्यक्ष महोदय, मेरा इस पर वाइंट आफ आर्डर है। बहुत जरूरी है। क्वेश्चन आवर में इसके ऊपर वाइंट आफ आर्डर उठ सकता है। इन्होंने एक डाक्यूमेंट का हिस्सा कोट किया है . . .

**MR. SPEAKER:** Will you allow him to answer the question. I will call you again.

श्री मधु त्रिपाठे : ठीक है। उसके बाद में मैं रखूंगा।

**SHRI RAGHU RAMAIAH:** Whether it is hot rolled or cold rolled can be seen only on visual inspection. So, when they saw the document it was found that the tenderer offered hot rolled steel. They offered hot rolled price; the supplier resisted. He wanted a higher price. Then the matter went to arbitration, because it is provided for in the agreement. And then the arbitrator gave his award and we are paying according to the arbitral award.

**SHRI SAMAR GUHA:** Questions (b) and (c) have not been answered.

**MR. SPEAKER:** In one and the same question, you have put (a), (b) and (c). I do not know.

**SHRI SAMAR GUHA:** All of them related to one question.

**MR. SPEAKER:** He may have forgotten (c); you will have to repeat (c).

**SHRI SAMAR GUHA:** This is not my second question. Part (c) of my first question was, why did you place the order with the Supplier Corporation which is not a manufacturer of drum barrels, and then, whether one of the owners of the Supplier Corporation is the father-in-law of another proprietor and director of Hind Galvanising Co.

**SHRI RAGHU RAMAIAH:** I am not aware of the relationships, but I believe these are found to have the capacity, and therefore the order was placed with them; and we needed the barrels very badly.

**SHRI SAMAR GUHA:** My second question is this. Instead of cold rolled, hot rolled steel barrels were supplied to the IOC. This thing was not detected; already payments were made. Only when I put the question in this House, the letter was acknowledged and the IOC took into its hand the whole matter and then set up the arbitrator. This arbitrator is the real culprit. He is the General Manager of the Marketing Division of the IOC, and he himself negotiated with the company, and this man was made the arbitrator and he, in an arbitrary way, assessed that the loss incurred was only Rs. 97,000. Therefore, I want to know why that man who is responsible for this malpractice and who did not detect the matter before I put the question in this House, why that single man was made the arbitrator. Secondly, on what basis did he make the estimate of the loss incurred as only Rs. 97,000?

**SHRI RAGHU RAMAIAH:** So far as the question as to why it was not detected is concerned, I have mentioned it already. My information is that it was detected on verification, but in view of the allegation made by the hon. friend I am enquiring into it, because I myself would like to be satisfied that nobody is at fault, and as soon as that enquiry reveals anything, then I shall inform the House.

**SHRI SURENDRANATH DWIVEDY:** Why that very person was appointed as arbitrator—that is the question. When you are enquiring about the affairs, why have you appointed the same person?

**SHRI RAGHU RAMAIAH:** I am enquiring into it today. Today I am going to order an enquiry, because this is the first time that I have heard of the allegation, after he put the question. I had no means of knowing it. (Interruption).

**SHRI SAMAR GUHA:** Did he not know that the General Manager of the Marketing Division was the party responsible for negotiating it with Hind Galvanising Co? He is responsible.

**श्री मधु सिन्धु :** अध्यक्ष महोदय, मेरे प्रश्न पूछने के पहले क्या आप इस पर अपना निर्णय देंगे कि जिस करार को टेबल पर रखने की मांग की गई थी उसका एक हिस्सा सिर्फ इन्होंने रखा। अब आपका नियम 368 इस सम्बन्ध में बिलकुल साफ है :

"If a Minister quotes in the House a despatch or other State paper which has not been presented to the House, he shall lay the relevant paper on the Table."

यह है। तो आप उन को यह हुक्म देंगे कि वह पूरा एग््रीमेंट रखें, उस के बाद मैं सवाल पूछूंगा।

**MR. SPEAKER:** I am not going to give any ruling now during Question Hour. If you want to ask a question, you may do so.

**श्री मधु सिन्धु :** अध्यक्ष महोदय, यह अभी नहीं उठेगा तो कब उठेगा? इस की रूलिंग तो आनी चाहिए।

मैं सवाल यह पूछता हूँ कि 16 नवम्बर, 1967 को एक प्रश्न के जवाब में मंत्री महोदय ने कहा है, इन से पूछा गया था कि यह जो हिन्द गैलवनाइजिंग ऐंड इंजीनियरिंग प्राइवेट कम्पनी लिमिटेड है उस को तेल के बरैल बनाने की इजाजत क्यों दी गई तो उसके जवाब में यह कहते हैं :

"On verification, it was found that with the existing machinery, it would be possible for the company to manufacture oil barrels also. As these barrels were much in demand during 1963-64 for meeting defence and oil refinery needs, it was decided to register this available manufacturing capacity, although this was an item in respect of which applications for new capacity are ordinarily to be rejected."

इसके बारे में मैंने आधे दर्जन दफा इन से पूछा कि क्या डिफेंस मिनिस्ट्री ने या पेट्रोलियम मिनिस्ट्री ने लिखित मांग की थी कि इसकी ज्यादा कैपेसिटी की जरूरत है और उस का आज तक कोई जवाब नहीं मिला, इसलिए मंत्री महोदय से मैं साफ-साफ पूछना चाहता हूँ क्या उनके मंत्रालय, पेट्रोलियम मिनिस्ट्री या उन्होंने डिफेंस का भी नाम लिया, सुरक्षा मंत्रालय ने कभी लिखित रूप से कहा था कि इसके लिये बरैल बनाने की जो कैपेसिटी है वह नाकाफी है, इसलिए इसको बढ़ाने का काम किया जाय? इसका सीधा उत्तर चाहिए।

**SHRI RAGHU RAMAIAH:** So far as I am aware, the Indian Oil Corporation gave a statement as to why they placed an order and I placed it on the Table of the House. If you want me to enquire into it. I shall do so. But this is the information given to me by the Indian Oil Corporation when I asked why they placed the order.

**श्री मधु निमये :** इस के बारे में फखरुद्दीन अली अहमद साहब को 50 दफा लिख चुके हैं। मुझे ज़ीवा उत्तर चाहिए कि क्या इनके मंत्रालय के पास पेट्रोलियम मिनिस्ट्री का या डिफेंस मिनिस्ट्री का कोई पत्र है, कोई निवेदन है कि इस कॅपेसिटी को बढ़ाया जाय ?

**SHRI RAGHU RAMAIAH:** I have not seen any letter written by Mr. Limaye in this connection. I have come to know about it just now and I shall find out.

**श्री मधु निमये :** इस के ऊपर एक दर्जन दफे क्वेश्चन हो चुका है।

**श्री सताराम खेसरी :** मंत्री महोदय ने अब यह कहा कि कोल्ड स्टील बैरेल के लिए स्टील नहीं सप्लाई करने की वजह से हाट बैरेल सप्लाई के लिए तो मैं इन से जानना चाहूंगा कि कोल्ड और हाट स्टील बैरेल में अगर अन्तर नहीं था तो आपने इसको आर्बिट्रेशन के फैसले के लिए क्यों भेजा ?

**SHRI RAGHU RAMAIAH:** There was a difference. Hot rolled was cheaper and cold rolled was costlier and better. He supplied hot rolled and claimed cold rolled price. Therefore, it was referred to arbitration and the arbitrator said, we have to pay hot rolled price.

**श्री कंबर लाल गुप्त :** अध्यक्ष महोदय, यह जो फर्म है हिन्द गैलवनाइजिंग ऐंड इंजीनियरिंग प्राइवेट लिमिटेड इस को फेवर करने के लिए महाराष्ट्र गवर्नमेंट के एक मंत्री और कुछ सरकारी अधिकारी यहां के, केन्द्र के और कोई यहां के मंत्री, उन्होंने एक और फर्म जो पहले बैरेल सप्लाई कर रही थी और जिसके बारे में इंडियन प्रायल कारपोरेशन और मिनिस्ट्री आफ डिफेंस दोनों का मत यह था कि वह अच्छे और सस्ते बैरेल देती है . . . . .

उस को पहले ब्लैक-लिस्ट कर दिया—उस कम्पनी का नाम भारत बैरेल्स था। फिर उस कम्पनी ने बम्बई हाई कोर्ट में अपील की और बम्बई हाई कोर्ट ने उसको एक्विट कर दिया और यह कहा कि महाराष्ट्र गवर्नमेंट ने जो उसको ब्लैक-लिस्ट किया है, उसका कोई जस्टिफिकेशन नहीं है। लेकिन फिर भी उस कम्पनी को डेढ़ साल तक ब्लैक-लिस्ट रखा। जब फिर टेंडर कौल किये गये तो इस कम्पनी का सबसे लोएस्ट टेण्डर था। इण्डियन प्रायल कम्पनी की रिकमेन्डेशन और सब से सस्ता टेण्डर होने पर भी हिन्द कम्पनी को फेवर किया गया। मैं माननीय मंत्री जी से पूछना चाहता हूं कि इसका कारण क्या है, क्या इस चीज के बारे में इन्क्वायरी की जायगी कि उस फर्म को ब्लैक-लिस्ट क्यों किया गया, अगर किया गया तो डेढ़ साल तक उसको ब्लैक लिस्ट पर क्यों रखा गया, लोएस्ट टेण्डर होने पर भी उसको टेण्डर क्यों नहीं दिया गया ?

**SHRI RAGHU RAMAIAH:** There is a separate question on this, question No. 675, by Shri S. M. Banerjee. If you would like me to answer it, I have no objection.

**MR. SPEAKER:** You may answer that question also.

### LOK SABHA

#### STARRED QUESTION NO. 675

*To be answered on 26th August, 1968*

M/s. Bharat barrel and drum manufacturing Co. (P) Ltd.

\*675. **SHRI S. M. BANERJEE:** Will the Minister of PETROLEUM AND CHEMICALS be pleased to refer to the reply given to Unstarred Question No. 169 on 22nd July, 1968 and state:

(a) whether it is a fact that after suspension of the blacklisting order of M/s. Bharat Barrels and Drum Manufacturing Co. (P) Ltd. by the Punjab High Court, Government have instructed the Indian Oil Corporation for not dealing with this Company under any circumstances;

(b) if so, the reasons for such instructions;

(c) if not, the reasons for the Indian Oil Corporation not placing their orders on them inspite of their prices being lower and quality upto the mark; and

(d) whether Government would lay on the Table a detailed comparative chart showing losses suffered by the Corporation since May, 1966 by placing orders on other fabricators at higher rates than quoted by M/s. Bharat Barrels and Drum Manufacturing Co. (P) Ltd.?

#### ANSWER

**THE MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND CHEMICALS (SHRI K. RAGHURAMAIAH:** (a), (b) and (c). The suspension of the blacklisting order of M/s. Bharat Barrels and Drum Manufacturing Co. (P) Ltd. by the Punjab High Court was duly brought to the notice of the Indian Oil Corporation by the Government. The suspension of the operation of the blacklisting order does not, however, impose any obligation on the Indian Oil Corporation to necessarily place orders on this firm. As clarified in the answer to the Lok Sabha Unstarred Question No. 169 on 22-7-1968, the acceptance or rejection of any offer for the sale of any stores to the Indian Oil Corporation is a matter for the Corporation to decide after taking into consideration all the factors involved. In this case the Government as well as the I.O.C. felt that note needs to be taken, amongst other things,

of the strong view expressed in the House on the subject first on 9-11-1966 and again on 6-4-61967. It was for this reason that the Government informally advised and the I.O.C. agreed that before any orders are placed on this firm, all aspects of the matter needed very careful consideration.

(d) The information concerns the business transactions of the Indian Oil Corporation with a number of other firms. These firms also have similar business transactions with other oil companies. It is, therefore, not considered to be in the commercial interests of the Indian Oil Corporation to divulge this information.

**SHRI KANWAR LAL GUPTA:** Now he should reply to my question-

मेरा सवाल यह है कि हिन्द कम्पनी के साथ महाराष्ट्र के एक मिनिस्टर, | सेन्ट्रल गवर्नमेंट के कुछ अधिकारी और मिनिस्टर फेवर कर रहे हैं। उसको फेवर करने के लिए भारत कम्पनी को ब्लैक-लिस्ट किया गया, हाई कोर्ट ने उस ब्लैक-लिस्ट को खत्म कर दिया और कहा कि महाराष्ट्र गवर्नमेंट ने गलत किया था। उस के बाद गवर्नमेंट आफ इण्डिया ने ढाई साल तक उस को ब्लैकलिस्ट पर रखा और जब फिर डेण्डर लिये गये तो उसका टेण्डर से लोएस्ट होने पर भी मंजूर नहीं किया गया—यह फेवरेटिज्म क्यों किया गया, क्या आप इसकी एन्वयरी करेंगे।

**SHRI RAGHU RAMAIAH:** As I have tried to explain in answer to the question, this matter came up in this House twice or thrice and an opinion was expressed as to how this black-listed firm could be given orders. Even Shri S. M. Banerjee, who has asked this question, said on that occasion that we were favouring it because they were given some funds to the party or something. In view of all these allegations, what has happened is that only the blacklisting order is suspended. The appeal is still pending with the Supreme Court and I do not know what order the Supreme Court will pass. So for this temporary period, in view of the strong feeling expressed in this House, we advised the IOC to go slow and to consider all aspects before they place orders on this firm. That is all that has happened.

**SHRI S. M. BANERJEE:** There were charges against this firm and my hon. friends, Shri Madhu Limaye and others, and I had demanded that this firm should be blacklisted.

The question is that High Court has acquitted them and a special leave petition is in the Supreme Court. On the earlier occasion, I had asked Mr. Jagannath Rao as to what was the code for blacklisting. I would like to quote him. He said:

"A blacklisting order continues to remain in force until it is actually revoked. If a firm is acquitted honourably by a Court of the offences for which the blacklisting orders were

passed against that firm, it is permissible under the code to consider the revocation of the blacklisting orders in that case.”

What I want to know is whether it is a fact that the High Court has exonerated them and whether, because an appeal is pending in the Supreme Court, the I.O.C. is the only firm which is not placing orders although the tender is the lowest.

**SHRI RAGHURAMAIAH:** It is true that the High Court has acquitted them. But there is an appeal filed by the Maharashtra Government. I presume they have done it on the advice of their legal adviser that their case is a good case. The matter is pending. In the meanwhile, the respondent has gone to the Punjab High Court and moved a writ petition. In the course of proceedings, they lifted the suspension order. That does not mean that we are bound to place an order. It is a question of considering various things.

In this connection, I would like to draw the attention of the House to what Mr. Banerjee said on the last occasion. It is well to remember that in view of the allegations made now. I quote:

“**SHRI S. M. BANERJEE:** This Bharat Barrel and Drum manufacturing Co. is headed by a very big industrialist, Mr. Jalan. When this firm was blacklisted, how is it that between 1964 and 1966, all the materials were issued, quotes and licences were also issued and they got orders through the D.G.S. & D? I would like to know whether it is a fact that though this firm was blacklisted and they were facing trial and investigation, they were shown some leniency because they donated a huge amount to the coffers of the Congress during the 1967 elections.”

There were also other views expressed by Mr. Ranga and others. In view of this, we asked the I.O.C. to go slow.

**SHRI SURENDRANATH DWIVEDY:** If I remember aright, the Minister said that there are as many as 8 or 9 tenders for these supplies. Apart from the fact that this particular firm was blacklisted and was exonerated—I have nothing to say about it—may I know whether it is a fact that other tenderers quoted a lower price than what was actually paid to the Hind Galvanising and Engineering Co.? You purchased at the rate of Rs. 48 whereas a lower price was quoted by others. Why were those tenders rejected and why was this accepted?

**SHRI RAGHURAMAIAH:** I have no information on that. I will look into it.

**SHRI S. M. BANERJEE:** It is better that the Estimates Committee is going into it.

**श्री: प्रेम चन्द वर्मा :** अध्यक्ष महोदय, माननीय मंत्री महोदय ने जिस उदारता से इस प्रश्न के बारे में उत्तर दिया है, उस की मैं सराहना करता हूँ। चूँकि इससे पहले इस प्रश्न को कई बार हाउस में लाया जा चुका है, लेकिन हर बार यही कोशिश की गई कि इसका पूरा उत्तर न दिया जाय। इस प्रश्न में बहुत सी बातें हैं और मैं समझता हूँ कि यदि उन प्रश्नों को हम इसमें लाते हैं तो उनके उत्तर से बात नहीं बनेगी। माननीय मंत्री जी ने कहा है कि हम एनक्वायरी करना चाहते हैं, इसलिए मैं माननीय मंत्री जी से अर्ज करना चाहता हूँ कि इस सारे मामले की जांच के लिये कोई ऐसी कमेटी या कमीशन बनायें जिसमें आई० एच० सी० या इस मिनिस्ट्री के कोई अधिकारी न हों और उसकी रिपोर्ट को सदन के सामने रखें।

**SHRI S. M. BANERJEE:** This matter is before the Estimates Committee.

**MR. SPEAKER:** I know that. Shri Ranga.

**SHRI RANGA:** These are the points which are fit to be examined by one of our financial committees. We have got the Estimates Committee as well as the Public Undertakings Committee. I rather wonder whether it would be right for us to be interested in one firm in preference to some other firm. We are only interested in seeing that public money is not wasted by some of the officials who are interested in particular firms as against others. I am glad the Minister has said that he would enquire into all the facts. He is expected to have enquired into these things and come prepared. At least now, let him enquire into this matter and place all the facts before the Estimates Committee.



## APPENDIX II

### *Powers delegated to the Managing Director by the Board of Directors*

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Sl. No.	Nature of Powers	Powers delegated to the Managing Director	Financial concurrence/ report to Board
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#### *C. Purchases*

41	(a) Acceptance of tenders when open tenders are invited more than one valid tender is received and the lowest admissible tender is to be accepted.		
	(i) For Schemes/Works for which project reports have been approved by the Board.	Full Powers	F.C./R.B. (Report to Board is necessary only when the value exceeds Rs. 5 lakhs).
	(ii) For schemes/ works new items of trading activities awaiting approval only in emergent cases for reasons to be recorded in writing subject to funds therefore being found by re-appropriation.	Upto Rs. 25 lakhs	F.C./R.B.
	(b) When only a single tender is received.	Upto Rs. 5 lakhs	F.C./R.B.
42	Acceptance of limited tenders for reasons to be recorded in writing.	Upto Rs. 5 lakhs	F.C./R.B.

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Sl. No.	Nature of Powers	Powers delegated to the Managing Director	Financial concurrence/ report to Board
43	Sanction to purchases without calling for tenders in emergent cases for reasons to be recorded in writing.	Upto Rs. 1 lakh	F.C./R.B.
44	Sanction to purchases where the lowest tender is not being accepted for reasons to be recorded in writing.	Upto Rs. 10 lakhs	F.C./R.B.
45	Supplementary agreements on purchases.	Upto 10% excess over the original contract.	F.C./R.B.

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### APPENDIX III

#### INDIAN OIL CORPORATION LIMITED

(MARKETING DIVISION)

254-C, Dr. Annie Besant Road, Worli, Bombay—18.

*Tender No. OP/TEN-7/65.*

Sealed Tenders are invited for the supply of oil type barrels as per details given below :—

1. Place of supply . . . . . Our installations/IOBL Plant, Bombay and installations/IOBL Plant, Calcutta.
2. Quantity required . . . . . There shall be a standing order for a period of one year and the supply will be required at the rate of 10,000 to 15,000 barrels per month at Bombay and 5,000 to 10,000 barrels per month at Calcutta.
3. Commencement of supply . . . . . From March/April 1966 at Bombay and Calcutta.
4. Specifications of barrels . . . . . 200/210 litre capacity to be made out of 18 Gauge Steel sheets conforming to IS-1783-1961 Type 'B'. Painting shall be done as per our specifications. Tenderers shall have to arrange for the required steel quota.
5. Price . . . . . Price should be quoted in the following proforma :
  1. Cost of steel per tonne.
  2. No. of barrels per tonne of steel.
  3. Cost of steel per barrel.
  4. Fabrication charges should be quoted as under:
    - (i) Cost of bungs & flanges separately.
    - (ii) Charges for painting.
    - (iii) Labour charges including investment<sup>t</sup>Total cost per barrel.

5. Delivery charges per barrel.
6. Total cost per barrel delivered at locations mentioned in item No.1 above.
7. Taxes, if any.

6. Steel Quota

In case Corporation arranges for the steel quota and decides to invest the money then your quotation for fabrication charges should be shown separately in the following proforma.

1. Cost of bungs and flanges.
2. Charges for painting.
3. Labour charges without investment.

7. Earnest money

Rs. 10,000/- in cash or in the form of Bank draft (drawn in favour of Financial Controller, Indian Oil Corporation Ltd., Bombay) should be deposited with the Cashier at the Corporation's above address upto 2.30 p.m. on other days and 11.30 p.m. on Saturdays. Reference of the receipt obtained should be made in the tender. Alternatively, a bank guarantee for Rs. 10,000/- from a scheduled bank should be sent with the tender. The guarantee must be on our standard form which shall be supplied on request and be accompanied with the approval of the Reserve Bank of India. Guarantee not fulfilling these conditions will not be accepted. Tenders without Earnest Money are liable to be rejected.

8. Security Deposit

Security Deposit of Rs. 30,000/- shall have to be furnished by the successful tenderer prior to signing of the contract.

Tenders shall be addressed to the operations Manager, Indian Oil Corporation Ltd., 254-C, Dr. Annie Besant Road, Worli, Bombay-18.

Tenders not accompanied with the required Earnest Money are liable to be rejected.

Sealed Tenders duly superscribed as "Tender No. OP/TEN-7/65 last date 10.1.1966" should reach the operations Deptt. upto 2.00 p.m. on 10.1.66. Tenders shall be opened at 3 p.m. on 10.1.1966 in the presence of at tending tenderers.

**APPENDIX IV**

*Statement showing alternative suggestions with their financial implications*

Alternative No.	Supplying Parties	Order at Bombay		Order at Calcutta		Total values of the order	Average per unit cost to the Corpn.		
		No.	Cost per barrel	Total cost	No.		Cost per barrel	Bombay	Calcutta
<b>A</b>									
BB. 3 lacs	(i) Bharat Barrels at Bombay	68000	40.65						
	&	232000	42.29	12575480				41.92	
Cal. 2.5 lacs	Calcutta]				250000	9750000	22325480		39.00
<u>5.5 lacs]</u>									
	(ii) Standard at Bombay] Barrels	68000	41.33	2810440					
	HGBC at Calcutta	232000	43.14	10008480	250000	96750000	22543495 (incl. interest of Rs. 49575)	42.89	38.70
<b>B</b>									
BB. 3 lacs	(i) Bharat Barrels at Bombay	68000	40.65						
	&	232000	43.29	12575480					
Cal. 2 lac.	Calcutta]				200000	780000	20375480	11.92	39.00
<u>5 lacs]</u>	(ii) Standard Barrels at Bombay	68000	41.33						
	HGBC at Calcutta]	232000	43.14	12818920	[200000	7762000	20630495 (incl. interest of Rs. 49575)	42.89	38.81



(ii) Standard Barrels at Bombay	132000	42.62	8402280	39.12	12874396.35 (incl. price difference of imported steel)	44.81	39.12
	68000	40.83			Ra. 510544.35 & interest Ra. 49575)		
HGEC at Calcutta			100000	39.12			

E

3.5 lacs							
2.5 lacs	68000	41.33	2810440				
<u>6.0 lacs</u>	182000	43.14	7831480			42.59	
(ii) Bharat Barrels at Bombay addnl. 1.0 lacs barrels	100000	42.29	4229000				
(iii) HGEC at Calcutta 2.5 lakh barrels	250000	38.70	9675000	38.70	24615495 (incl. interest of Ra. 49575)		38.70

**APPENDIX V**  
**GOVERNMENT OF INDIA**  
**MINISTRY OF PETROLEUM AND CHEMICALS**

No. G.4 (102) |64

*New Delhi, the 21st February, 1966.*

To

The Heads of all Undertakings (by name).

Subject:—Blacklisting of firms by Government Undertakings.  
Sir,

I am directed to refer to this Ministry's letter of even number dated the 21st January, 1965 on the above subject and to say that as you have agreed to follow the Standardised Code of procedure for blacklisting as adopted by Government, you are requested to report to this Ministry all cases of firms, whenever blacklisted by you, for further processing, as required under the Code.

Copies of blacklisting orders issued by this Ministry will be transmitted to you.

Please acknowledge receipt of this letter.

Yours faithfully,  
Sd|- A. S. GREWAL,  
*Deputy Secretary to the Govt. of India.*

Copy to the Ministry of Supply and Technical Development, New Delhi with reference to the late Deptt. of Supply O.M. No. 13 (7) |64-P1 dated the 2nd May, 1964.

Copy with a copy of the letter of even number dated the 21st January, 1965 (with all enclosures) forwarded for information and necessary action to:—

US (A) or Section.  
US (PG) IOC Section.  
US (J) ONG Section.  
(USPR) 2 copies.  
US (RR) 3 copies.  
US (HS) O&MV.

Sd|- S. SUNDRARAJAN,  
*Under Secy. to the Govt. of India.*



## APPENDIX VI

### PURCHASE ORDER

From:-

Indian Oil Corporation Limited (Marketing Division)

254-C, Dr. Annie Besant Road, Worli,  
Bombay-18 WB.

Order Number: 582/001  
Date: 22-6-66.

CML No. OPS/66/728  
M.R.Ref. \_\_\_\_\_  
Indentors No. OP/49  
Dt. 21-6-66

To

M/s Standard Drum & Barrel Mfg. Co., Corridor Road, Gavanpada Village, Chembur, Bombay-74.

Required for: IOBL Plant/Wadala/Sewree Installations  
Tender Committee Minutes  
dt. 7-5-66 & Note OP/SS/  
3605 dt. 17-6-66

Delivery required at site by:  
\*See below.

Consignee: I.O.B.L. Plant,  
Trombay & our Installations  
at Wadala/Serec.

Mode of Despatch: Through your  
arrangements.

Your quotation ref: SDB/781/XII-65 dt. 31-12-65\*  
Please supply the following in accordance with our Tender OP/  
TEN-7/5. Left on 10-1-66.

Item No.	Qty	Unit	DESCRIPTION	Code No.	Unit price		Value	
					Rs.	Ps.	Rs.	Ps.

(\* Please also refer your letter No. SDB/194/66 dated 30-4-66).

1. 250000 Nos. New berrels as per specifications,  
(Two lakhs & fifty thousand). Terms & conditions as given below : 41.08  
p. barrel  
Delivery charges. Sales tax extra  
0.25  
(per barrel,  
(for details please refer  
to clause No. 2).

1. *Specifications:* The drums will be of standard size 200|210 litre capacity, manufactured out of 18 gauge cold rolled annealed sheets, body seem welded ends double seemed, one end fitted with 1x2', 1x½" Trisure' or equivalent bungs. The barrels are to be painted by superior quality drum stove enamel as per our standard specifications, which is Mobil Red No. 602|263 for the body and White No. MO9231|1602|004 for the ends. However, should we decide to change the colour specifications you shall confirm to it after being given at least a week's notice to carry out the same.

2. *Prices:*

(a) *For supplies out of your steel*—The price per barrel will be Rs. 41.08 plus Sales Tax as applicable plus delivery charges of Rs. 0.25 per barrel for delivery to our IOBL Plant Trombay|Wadala Sewree Installations or any other place within Bombay limits. In the break-up of the price we have taken the cost of tested quality steel as Rs. 1190.00 per MT or Rs. 31.32 per barrel taking into account 38 barrels per MT and fabrication charges of Rs. 9.76 per barrel. The fabrication charges will remain firm till the entire quantity of the order is delivered and the same has been agreed to by you. The price as quoted in the price column will be for tested quality of steel based on the current price of Hindustan Steel Ltd., Rourkela. However, if the barrels are supplied from untested quality, which the quota holders are getting occasionally, the price will be reduced accordingly. In order to verify the number of barrels supplied by you from untested and tested quality, you will have to produce us the invoices from Hindustan Steel Rourkela, so that we can assess the number of barrels supplied from each quality of steel and payment made accordingly.

(b) (i) *For supplies out of imported steel on our behalf*—We shall be supplying you approx. 1792 82 MT of imported steel. You will be paying us a differential of about Rs. 5.11 lacs i.e., the difference between the cost of imported steel at approx. Rs. 1474.77 per MT and that of the indigenous steel Rs. 1190.00 MT, as confirmed by you vide your letter No. SBB|194|66 dated 30th April 1966. You shall supply us at the rate of 38 barrels|MT and charge fabrication charges Rs. 9.76 per barrels plus delivery charges of Rs. 0.25 per barrel. No sales tax will be payable by us on barrels supplied out of this steel. Supplies shall be made to us first from this steel and only after finishing this steel, you shall supply barrels from your steel.

- (ii) You shall have to submit a Bank Guarantee to cover the cost of imported steel supplied by us.
- (c) *Supply out of indigenous steel supplied on IOC's quota*— IOC shall try to get you the steel quota. In case we do not get the steel quota you will have to supply the barrels from your own steel. If steel is supplied with our investment, then contract will be for fabrication charges of Rs. 8.75+Rs. 0.25 delivery charges per barrel only and sales tax will not be applicable.

3. *Delivery Schedule*: The barrels will have to be supplied to us as per our requirements advised to you by our Head Office or BOM, Western Branch or Plant Superintendent, IOBL Plant, Trombay with whom it will be necessary for you to get in touch for co-ordinating the supplies. You should be in a position to supply minimum of 500 to 1200 barrels per day.

4. *Sub-leasing*: You will not be allowed to sub-let or assign any part of our contract without our prior permission.

5. *Inspection*: With your knowledge we may, at any time arrange for the inspection of the barrels during manufacture at your works, so long as such inspection does not interfere with your programme of manufacture. We also reserve the right to inspect the stock of steel which will be held by you and used exclusively for our needs. As already agreed by you any barrels rejected either by us or by Defence for any reason whatsoever it may be, will be taken back by you, at your cost.

6. *Cancellation of the contract*: We reserve the right to cancel this contract if you are unable to supply barrels in accordance with the terms and conditions of this contract after giving you one month's notice.

In the event of cancellation of this contract, because you are unable to supply barrels in accordance with the terms and conditions of this contract, we reserve the right to take back the balance of steel we have provided.

7. *Payment*: We shall name full payment for supplies against your bills supported by your challan duly received by our authorised representative Western Branch, Bombay. The challans will be received by our authorised representative at Wadala|Sewree|IOBL Plant, Trombay and will be returned to you immediately against delivery and no further documents will be necessary in support of your bills.

8. *Arbitration*: In case of any dispute or difference arising out of this contract, the matter shall be referred to the sole arbitration of the Operations Manager, Indian Oil Corporation, Bombay whose decision shall be

final and binding on the Contractor|s. The contractor|s has|have agreed to this reference knowing fully well that the arbitrator so agreed is the Manager of the Corporation and shall not be open to him to challenge the reference and award on this ground.

9. *Risk Purchase*: If you are not able to supply the barrels as per our requirements from time to time we shall have the right to procure barrels from any other source and recover the additional expenses so incurred to a maximum of Rs. 2|- per barrel, as per undertaking given by you, in the attachment of your letter No. SDB|194|66 of 30th April 1966. In the cases of failures of supply of barrels, clause No. 11 of the agreement will also be applicable.

10. *Security Deposit*: Security Deposit of Rs. 30,000|- will be paid you in cash or in the form of Bank Guarantee on our Standard Form, duly approved by Reserve Bank of India or Rs. 10,000|- may be paid in cash and balance Rs. 20,000|- will be recovered by us from your bills at the rate of 5 per cent of the value bills.

11. *Agreement*: You will have to enter into a formal agreement with us (a copy of which is enclosed), within 15 days of the order.

12. *Liquidated damages*: If you are not able to supply the barrels as per our requirements from time to time, we shall have the right to recover liquidated damages at the rate of 1|2 per cent of the value of the barrels which you fail to deliver on schedule for each and every week or part of a week during which the delivery is in arrears, except in the case force majeure clauses.

13. *Recovery*: We will be recovering approx. Rs. 5.11 lakhs from bills of initial supplies till the above amount is recovered in full.

for INDIAN OIL CORPORATION LTD.

Sd|- G. S. PURI,  
Chief Materials Officer.

APPENDIX VII

PURCHASE ORDER

INDIAN OIL CORPORATION LIMITED  
(MARKETING DIVISION)

To  
Messrs. Hind Galvanizing &  
Engineering Co. Pvt. Ltd.,  
96, Garden Reach Road,  
CALCUTTA-23.

Order Number: OP/3605(HG)

Date:- 24-10-1966

Required for: I.O.B.L. Calcutta/  
Paharpur/Budge-Budge.

Process Sheet Ref:-Tender Committee  
Minutes dated:7-5-1968

Delivery required at site by:- See note  
below.

Consignee:- I.O.B.L, Calcutta/I.O.C.  
Installation , Paharpur, Budge-  
Budge.

Mode of Despatch : Through your arrangement.

Please supply the following in accordance with your Tender OP/TBN-7/  
1965

Item No.	Quantity	Unit	Description	Code Unit No. Price Rs.	Value Rs.
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“ Please also refer:

(1) HG/RLJ/67/68 dated 6-1-1966

(2) HG/HGO : NK/1717/66 dated 30-4-1966

(3) HG/BOM/A-264/66 dated 7-9-1966

1	2	3	4
---	---	---	---

(4) Joint agreement letter  
between IOC/HGEC of  
20-9-1966

250000 No 1 . New barrels as per specifications and other details given below: See price column below.

*1. Specifications:*

The drums will be standard size 200/210 litre capacity, manufactured out of 18 gauge cold rolled cold annealed sheets (or of hot rolled steel if cold rolled steel is not made available to you by the Steel Mills

DESCRIPTION

body seam welded, ends double seams, one end fitted with 1 x 2" and 1 x 3/4" "Trisure" Bungs. The barrels are to be painted with superior quality drum stove enamel as per our standard specifications which is Mobil Red No. 602|263 for the body and white No. 9231|1602|004 for the ends. However, should we decide to change the colour specifications you shall conform to it after being given two weeks' notice to carry out the same.

*2. Prices*

(i) The price per barrel will be Rs. 36.58 plus Sales tax, as applicable, plus delivery charges of Rs. 0.75 per barrel for delivery to our IOBL Plant, Paharpur or any of our Installations or any other place within Calcutta limits, and including loading into wagons, if needed.

(ii) In the break-up of price we have taken the cost of tested quality of cold rolled steel at Rs. 1186.00 per M.T. or Rs. 31.21 per barrel taking into account 38 barrels per MT, and fabrication charges of Rs. 5.37 per barrel.

(iii) The fabrication charges shall remain constant throughout the pendency of this contract.

(iv) The price as quoted above (ii) will be for tested quality of steel based on the current price (prevailing on the date of your quotation) of M/s. Hindustan Steel Ltd, Rourkela. However, if the barrels are supplied

from untested quality, which the quota holders are getting occasionally, the price will be reduced accordingly. In order to verify the number of barrels supplied by you, from untested and tested quality, you will have to produce us the invoices from M/s. Hindustan Steel Ltd., Rourkela, so that we can assess the number of barrels supplied from each quality of steel, and payment made accordingly.

(v) If supplies are made out of our steel with our investment and delivered to you, the fabrication charges shall be Rs. 4.87 per barrel and the delivery charges will be Rs. 0.75 per barrel. No Sales Tax will be applicable.

(vi) *Rebates*

The above prices quoted under (i), (ii) & (v) are inclusive of a rebate of Rs. 1.05 per barrel offered by you on the following understanding:

IOC will uplift the entire ordered quantity of 250,000 barrels within the shortest period. IOC will draw its requirements upto 25,000 barrels per month from you, which is the maximum delivery schedule quoted by you. In case IOC's requirement exceed 25,000 barrels per month, you shall be advised accordingly. You shall confirm your ability to supply the additional requirement within 15 days from the date of advice, failing which we may place order on any other party without financial liability on you for the additional quantity.

If you fail to supply barrels as per our requirement from time to time within the maximum limit of 25,000 barrels per month, we shall have the right to procure barrels from any other source and recover the additional expenses so incurred subject to a maximum of Rs. 2.00 per barrel, from you. We shall not purchase any lube drums from any other manufacturers in Calcutta during the period of the contract subject to the foregoing conditions.

(vii) For such steel supplied by us to you for fabrication of barrels, you shall have to submit a bank guarantee to cover the cost of steel.

### 3. *Delivery Schedule*

The barrels will have to be supplied to us as per our requirements advised to you by our H.O. or BOM, Eastern Branch or Plant Manager, IOBL, Plant, Paharpur with whom it would be necessary for you to get in touch for co-ordinating the supplies. You should be in a position to deliver a minimum of 500 barrels to a maximum of 1000 barrels per day. You have agreed to a delivery of 25,000 barrels per month.

#### 4. *Raw Materials*

We shall try to get you the steel quota, but our assistance towards procurement of steel from the Indian Steel Mills will be procedural in accelerating the despatches of steel to you, utilising our good offices. No financial assistance whatsoever in the procurement of steel shall be made by us. You will be, therefore, responsible for procuring the necessary raw materials for the execution of this order.

#### 5. *Sub Leasing*

You will not be allowed to sublet or assign any part of our contract without our prior permission.

#### 6. *Inspection*

With your knowledge we may at any time arrange for the inspection of barrels during manufacture at your works, so long as such inspection does not interfere with your programme of manufacture. We also reserve the right to inspect the stocks of steel, which will be held by you and used exclusively for our needs. As already agreed by you, any barrels rejected either by us or by Defence for any reason whatsoever it may be, will be taken back at your cost.

#### 7. *Cancellation of the contract*

We reserve the right to cancel this contract if you are unable to supply the barrels in accordance with the terms and conditions of this contract after giving you a month's notice. In the event of cancellation of this contract because you are unable to supply barrels in accordance with the terms and conditions of this contract, we reserve the right to take back the balance of steel which we may have provided.

#### 8. *Payment*

We shall make full payment for supplies against your bills supported by your challans duly received by our authorised representative Eastern Branch, Calcutta. The challans will be received by our authorised representative at Paharpur|Budge-Budge|IOBL, Plant, Calcutta and will be returned to you immediately against delivery and no further documents will be necessary in support of your bills.

#### 9. *Security Deposit*

Security Deposit of Rs. 30,000 will be paid by you in cash or in the form of bank guarantee in our standard form duly approved by the Reserve Bank of India or Rs. 10,000 may be paid in cash and balance Rs. 20,000 will be recovered from your bills @5 per cent of the value of the bills.



**10. Risk Purchase**

If you are unable to supply the barrels as per our requirements from time to time, we shall have the right to procure the steel barrels from any other source and recover the additional expenses so incurred to a maximum of Rs. 2|- per barrel from you.

**11. Liquidated Damages**

If you are unable to supply barrels as per our requirements from time to time, we shall have the right to recover liquidated damages @ $\frac{1}{2}$ % of the value of barrels, which you fail to deliver on schedule for each and every week or part of a week during which the delivery is in arrears except in case of force majeure clause.

In view of the restricted steel availability; it has been agreed that in the event of closure of steel mills or a definite drop in the production| supply of steel to the Drum Industry which would be known to the industry, liquidated damages will not be applicable and such eventualities will be treated as force majeure.

12. You will have to enter into a formal agreement with us within 15 days of this order.

**13. Arbitration**

In case of any dispute or difference arising out of this contract the matter shall be referred to the sole arbitration of the Engineering Manager, Indian Oil Corporation, Bombay whose decision shall be final and binding on the contractor|s. The contractor|s has|have agreed to this reference knowing fully well that the arbitrator so agreed is the Engineering Manager of the Corporation and it shall not be open to him to challenge the reference and award on this ground.

For INDIAN OIL CORPORATION LIMITED  
Sd|- (S. P. Bhatnagar),  
ENGINEERING MANAGER.

## APPENDIX VIII

Eastern Branch

No. EBA|NVR|67-68|14

May 16, 1967

Operations Manager, H.O.

*Increase in price of Drums manufactured by M|s. Hind Galvanizing & Engineering Co., Pvt., Ltd.*

This has reference to the discussion Mr. T.V. Ramchandrani and writer had with Mr. S. S. Saxena in connection with the above order during the latter's visit to the office on 1st May 1967.

As discussed and arranged, please note.

(a) That we are immediately arranging to recover the Security Deposit of Rs. 30,000|- as contrary to what we have been given to understand by M|s. Hind Galvanizing and Engineering Co., Pvt., Ltd., you indicated that neither cash deposit nor Bank Guarantee towards the Security deposit of Rs. 30,000|- as called for in Clause No. 9 of the above order, had been arranged by them with you.

(b) That we required for our records and dealing with HGEC here, a copy of their acceptance of the proposals made to them by you in your letter Ref. OP|SSS-3605 (HG) dated 6th January 1967.

(c) That in view of your writings *vide* para (iii), under 'Clause No. 2-Price', in your letter No. OP|SSS-3605 (HG) dated 6th January '67 to HGEC, we would like to be advised the basic cost of tested quality rolled steel on the basis of which the price of Rs. 1,186|- per metric ton referred to in Clause No. 2 (Prices) (ii), on your above quoted order has been arrived at. This, you agreed, to provide us by reference to HGEC's final and revised quotation dated 30th April 1967 of which, unfortunately, we do not have a copy.

(d) We require the procedure to be followed to determine the effective date from which the price variation on account of increase|decrease on basic price of steel and|or statutory taxes etc., is to be applied with reference to the dates on which supply of drums has been effected. As you know, the increase in price of drums which HGEC are claiming is for deliveries effected from 15th August, 1966, on account of the increase in the basis of price of steel with effect from 22nd April 1966 and Central Sales Tax with effect from 1st July 1966. Mr. Saxena mentioned that the effective date from which the increase claimed by HGEC is to be given effect to should be determined with reference to the statements of

old stocks of steel sheets at various dates. As stated above, please let us know precisely in what form and for what periods we should call for the old stock statements from HGEC.

(e) We require from you detailed procedure to be followed to ensure that the payments effected by us are correctly related to the supply of drums manufactured out of tested quality and untested quality steel.

As you know, the claim for the increase in price from HGEC has been pending for a long time, and we would, therefore, appreciate it if you will kindly arrange to let us have your reply to the points raised above at an early date.

Sd/- N. V. RAJAGOPALAN,  
*Asst. Financial Controller (II)*

cc. BOMJE, Branch (Attn. Mr. T. V. Ramchandrani) This has reference to our discussion and the attached note sheet. You may please arrange to advise HGEC that pending receipt of the above clarifications, their claim has been kept in abeyance.

cc. DFC (II) HO we would appreciate it if you will kindly arrange to liaise with Mr. Saxena and clarify the above points.

## APPENDIX IX

H.O. Operations Department

OP|NNG|3605 (HG)

2nd June, 1967

Eastern Branch (Attn. Shri N. V.  
Rajagopalan), AF (II)

*Increase in price of Drums manufactured by M|s. Hind Galvanizing and  
Engineering Co., Order No. OP: 3605 (HG) dated, 24th October  
1966 for 2,50,000 drums*

Reference is made to your letter No. ERA:NVR:67-68|14 dated 16th  
May 1967 seeking clarification of certain points mentioned therein. Your  
points are clarified seriatim as under:—

1. We confirm that we have not taken Security Deposit from Hind  
Galvanising as per Clause 9 of the subject order. As a matter of fact,  
this was to be handled at Branch level. Please ensure that you take  
the required amount of Security Deposit from them either in cash (re-  
coverable from their bills) or in the form of Bank Guarantee.

2. From our records we find that a copy of our letter No. OP:SSS:3605  
(HG) dated 6th January 1967 was sent to your B.F.C. also. However,  
as required by you, we enclose one more copy of the same for your refer-  
ence and record.

3. We do not have break up of the cost of steel mentioned in the  
purchase order and therefore, we are not in a position to give the same  
to you. Moreover, price variation to the party will be allowed on the  
basis of total cost of the steel and not the base price of the steel.

4. Government levies statutory variations have to be allowed from  
the date of their effectiveness. Any variation in the cost of steel will be  
allowed from the date on which Hind Galvanising consume the existing  
stock and start using the stocks received by them at the revised rate. By

way of illustration if the base price of steel is increased w.e.f. 1st June 1967 then this increase will be allowed to them only after they have consumed the entire stock of steel held by them on 1st June 1967.

5. As regards procedure to make payment for tested|untested quality steel barrels, please refer to Clause 2 (iv) of the Purchase Order. According to this clause, the quality and quantity of steel received by Hind Galvanising has to be verified with the invoices of steel suppliers.

Sd/- *Manager, Procurement (Containers)*

Encl: as above

cc. Eastern Branch (Attn: Shri T. V. Ramchandrani).

## APPENDIX X

Operations Department H.O.

OP|NNC|3605 (HG)

Eastern Branch

8th June, 1967.

Attn. BFC

*Purchase order No. OP: 3605 (HG) of 24th October, 1966 on Hind Galvanizing for 2,50,000 new barrels—*

Your attention is drawn to sub-clause No. (i) and (ii) of clause-2 of our subject purchase order. As per these sub-clauses, the rate per barrel is based on the cost of tested quality steel Rs. 1,186.00 per M.T. Please ensure that payment to Hind Galvanizing for barrels supplied by them is made as per the conditions of our order. The cost of steel element of Hind Galvanizing's bills should be verified from the invoice of steel suppliers to ensure that correct payment is released to them. Any variation in the cost of steel from Rs. 1,186.00 per M.T. should be verified from the invoices of steel suppliers and proportionate increase or decrease in the cost of barrels granted to them accordingly.

Please acknowledge receipt and confirm your understanding of the above.

Sd/- *Manager, Procurement (Containers)*

cc. Eastern Branch (Attn. BOM):—for information

cc. DFC-II for information.

## APPENDIX XI

### Statement of allocations of 18-G steel sheets for the manufacture of 1045 Gallon Barrels Year 1966-67.

Sl. No.	S.P. I.	Quota Allocation				Details of allocation of special quota as recommended by the Ministry of Petroleum and Chemicals based on orders placed by Oil Companies on Barrel Fabricators subject to future adjustment.			
		Annual assessed capacity M/T	Advance allocation M/T/ sub-ject to future adjustment	Regular allocation (M/T) Cl.	Total allocation (M/T) Cl.	Total allocation as % age of assessed capacity	No. of barrels for which orders were placed by Oil Companies including Indian Oil Corpn. Ltd.	Quantity of 18-G steel sheets allocated on pro-rata basis to the order	
1	2	3	4	5	6	7	8	9	
	Messrs.								
1	Bharat Barrel and Drum Mfg. Co. (P) Ltd., Bombay	32000	..	2853	2852	12.96	3,15,000	5445	
2	Bharat Barrel and Drum Mfg. Co. (P) Ltd., Calcutta	5200	..	673	673	12.96	50,000	908	
3	Standard Drum & Barrel Mfg. Co. Bombay	14538	2250	Nil.]	2250	15.9	3,24,000	5639	
4	Industrial Containers Ltd., Calcutta.	7900	1500	Nil	1500	19.0	59,000	1028	

1	2	3	4	5	6	7	8	9
5	Steel Containers Ltd., Bombay	8300	1500	Nil	1500	18.1	2,18,000	3794
6	Hind Galvanizing and Engg. Co. (P) Ltd. Calcutta	6000	Nil	780	680	13.0	2,98,00	5186
7	Assam Oil Co. Ltd. Digboi	3840	500	Nil	500	13.0	For own use	3000
8	Indian Oil Corpn. Ltd.	12000*	Nil	1563	1563	13.0		25000
				11618 <sup>①</sup>				

E.B. (i) \* Actual packing requirement as certified by the Ministry of Petroleum & Chemicals.

(ii) <sup>①</sup> A quantity of 1563 M/Tons of 18 G steel sheets was placed at the disposal of the Indian Oil Corpn. to get the barrels fabricated by the fabricators of their choice. The quantity of steel that will be allocated by the Indian Oil Corpn. Ltd. to the various fabricators would be adjusted in the future regular allotments to be made by the DGTID to the concerned fabricators.



## APPENDIX XII

N. Krishnaswami  
Industrial Adviser (Engg.)

No.SQ|SPI|I-78|446D  
Government of India, Dte. Genl. of Technical  
Development, Udyog Bhavan  
New Delhi.

M/s. Hind Galvanising and Engg. Co. (P) Ltd.,  
11, Goha Road,  
Howrah

13th October, 1966.

Dear Sirs,

You are already aware that two sets of quota certificates have already been issued over and above your normal S.P.I. quota for specifically meeting the needs of the orders placed by the oil companies on you for manufacture and supply of Lube Barrels. With the third quota certificate recently issued the total allocation of this special release in your favour comes to 5186 tonnes, which is strictly in proportion to the total availability and the orders booked by the oil companies. We have been to understand that the orders on your concern are as follows:

	Nos.	Proportion
Burmah Shell	1,000	1
Esso	20,000	
Caltex	27,000	
I.O.C.	2,50,000	5

From the above you will see that the order placed by the Indian Oil Corporation on your concern is substantial and bears a proportion of 5 barrels by IOC as against 1 barrel by the three other oil companies. Since this special release has been made to ensure that the oil companies get their adequate supplies on time for packing of lubricants, it becomes necessary for your concern to supply them in proportion to the order placed. I would, therefore, request that you maintain this proportion, namely for 5 barrels that you supply to IOC, you may supply 1 barrel to the other three oil companies put together. This does not necessarily

mean that you should effect supply of the first five barrels to IOC and the latter one barrel to the other oil companies. All that we are interested is that you should maintain this proportion so that when you review the weekly supply position this proportion should more or less of maintained.

Yours faithfully,

Sd/- N. KRISHNASWAMI.

(1) Indian Oil Corporation Ltd., 254-C, Dr. Annie Beasant Road, Worli, Bombay 18 WB (Atten: Shri Bhatnagar—Engineering Manager).

(2) Shri Sundarajan, US, Min. of Petroleum and Chemicals, New Delhi.

Sd/- N. KRISHNASWAMI.

## **APPENDIX XIII**

### **Articles of Agreement of reference to Arbitration**

Articles of Agreement of reference to Arbitration made at Bombay this day of one thousand nine hundred and sixty seven between Indian Oil Corporation Limited having its Registered Office at 254-C, Dr. Annie Beasant Road, Prabhadevi, Bombay-25 DD (hereinafter for brevity's sake referred to as "the Corporation") of the one part and M/s. Hind Galvanising and Engineering Company Private Limited, 96, Garden Reach Road, Calcutta-23 (hereinafter for brevity's sake referred to as "the Supplier") of the other part.

Whereas the Corporation had agreed to purchase from the Supplier and the Supplier had agreed to sell to the Corporation 2,50,000 numbers 18-gauge barrels meant for lubricating oil.

And whereas disputes and differences arose between the Corporation and the said Supplier, as regards the determination of price chargeable| payable for the supply of the said barrels being supplied|to be supplied by the said Supplier to the Corporation.

And whereas the said disputes and differences will appear from the correspondence exchanged between the Corporation and the said Supplier.

And whereas the parties hereto have agreed to refer the said disputes and differences to the arbitration of the General Manager of the Corporation.

Now these presents witnesses as follows:—

1. All disputes and differences between the parties hereto and arising out of and in connection with and of incidental and in relation to the respective rights, claims, duties and obligations as the case may be arising out of the said agreement of the Purchase of the Corporation and sale by the Supplier of the said 2,50,000 18-gauge barrels are hereby referred to Arbitration, determination and award of the General Manager of the Corporation.

2. The said Arbitrator shall take all such evidence as the parties hereto are desirous of leading and accept in the absence of oral evidence

in the nature of affidavits as the parties hereto may desire him to take on file in relation to the disputes and difference between them.

3. The said Arbitrator shall make and publish his award within four months from the date of the execution hereof in accordance with the provisions of the Indian Arbitration Act, 1940. The parties hereto may by consent in writing from time to time extend the date of the said Arbitrator to make and publish his award for such further period as may be necessary and required and thereupon the period for the making of the said award shall be extended accordingly.

IN WITNESS thereof the parties have hereunto set and subscribed their respective hands and seals the day and year first hereinabove written.

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Signed, sealed and delivered by the within named Indian Oil Corporation Limited in the presence of

Sd/. (D. B. PURI)  
*Secretary,*  
*for and on behalf of Indian*  
*Oil Corporation Ltd.*

Signed, sealed and delivered by the within named Messrs. Hind Galvanising Engg. Co. Pvt. Ltd. in the presence of

Sd/. (S. G. KHAITAN)  
*Director.*  
 12-8-67

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## APPENDIX XIV

### INDIAN OIL CORPORATION LIMITED (MARKETING DIVISION)

254-C, Dr. Annie Besant Road, Worli, Bombay-18.

*Contract for supply of 200|210 litre barrels at Bombay*

THIS AGREEMENT in pursuance of Work Order No. 582|001 dated 22-6-1966 made this Twenty third day of June One thousand nine hundred and sixty-six between INDIAN OIL CORPORATION LIMITED, a Corporation incorporated under the Act of Parliament having its registered office at 254-C, Dr. Annie Besant Road, Worli, Bombay-18 hereinafter called "Corporation" (which expression shall include its successors and assigns) of the one part and of Sd|- Popatlal of Messrs. Standard Drum and Barrel Manufacturing Co., a firm carrying on business at Gavanpada Village Chembur, Bombay Limited a Company incorporated under the Indian Companies Act and having its registered office at Corridor Road, Gavanpada Village, Chembur, Bombay-74 hereinafter called "Contractor|s" (which expression shall include his heirs, executors, administartors and assigns|partner or partners for the time being constituting the said firm their or his survivors and their respective heirs, executors, administrators and assigns|its succeessors and assigns) of the other part WHEREAS the Corporation is desirous of having executed certain works for the supply of standard 200|210 litre barrels for the Corporation at its Installation| I.O.B.L. Plant at Bombay as specified hereinafter AND WHEREAS the Contractor|s has|have agreed with the Corporation for the supply| handling as is hereinatfer provided now THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED by and between the parties hereto as follows:—

1. (a) The Work Order mentioned hereinabove shall form a part of this agreement.
- (b) The Contractor|s shall manufacture and supply at the Corporation's Installation| I.O.B.L. Plant at Bombay 200|210 litre barrels complete with leak proof bungs conforming to Indian Standards Institution's specification detailed in (c).

- (c) The barrels will be of standard size 200|210 litres capacity, manufactured out of 18 G. hot or cold rolled steel, body welded, ends double seamed one end fitted with one 2" and one 3|4" "Trisure" or similar quality bungs. In case the colour specifications are altered by the Corporation, the Contractor's should conform to it after being given a week's notice to carry out the same.
- (d) The number of barrels to be supplied by the Contractor|s against this contract shall be 2,50,000 at the rate of approximately 20,000 Nos. per month.
- (e) The Corporation reserves its right at its option to inspect the goods being manufactured at site and ensure that the materials used and the workmanship are according to specifications. The Contractor|s shall execute the whole and every part of the work and goods in a most substantial and workmanlike manner both in regard to the material and every other respect in accordance with the specifications. The contractor|s shall also conform exactly.
- (f) Any barrel received in damaged|unserviceable condition at the Installation|I.O.B.L. Plant will be replaced by the Contractor.s without any additional charge.
- (g) The Contractor|s will arrange for handling and stocking of empty barrels for transport to the storage point assigned by the Corporation.
2. Any goods rejected by the Corporation (delivered at the Corporation's premises) will be cleared by the Contractor|s' within 72 hours of the notice of rejection given to the Contractor|s by Corporation's authorities. Failure by the Contractor/s to carry out this will render the Corporation to perform the above said activity and charge to the Contractor|s' account any expenses incurred thereon. The Corporation's statement of expenses on this matter shall be final and not subject to dispute.
3. In respect of the various services rendered by the Contractor|s under item 1 above, the Corporation shall pay to the Contractor|s at the rate as specified in the attached schedule 'A'.

That the rates specified in the schedule 'A' attached hereto or any substituted schedule as provided herein will apply and it is agreed that the Contractor|s will not be entitled to any extra allowances.

4. The Corporation will endeavour to provide the necessary quota of drum sheets for manufacture of barrels for the Corporation exclusively. In such cases, the Contractor|s shall submit proper returns as to the utilisation of the quota, as prescribed by the Corporation. The Contractor shall abide by the existing Iron & Steel Control Regulations.
  
5. The Contractor|s agrees|agree and undertakes|undertake to duly perform and complete the said works set out hereinabove within a reasonable time, after instructions to that effect are issued by the Corporation. The said works shall throughout the stipulated period of the contract be proceeded with all due diligence, promptness, care and accuracy and in a workmanlike manner to the satisfaction of the Corporation and shall be completed in accordance with the specifications, designs, drawings and instructions on or before the aforesaid due date time being of the essence of the contract on the part of the Contractor|s. The requirements will be intimated from time to time and the Contractor|s must meet the same. If delivery is delayed Corporation shall have the right to recover by way of ascertained and liquidated damages a sum equivalent to one half of one percent of the contract value of delayed supplies for each week or part of the week, the Contractor is in default, it being understood that liquidated damages will not apply if delivery is delayed on account of the usual force majeure clause. This would be without prejudice to any other right to remedy available in that behalf to appropriate the Contractor|s' security deposit and take any other measures under other clauses of this contract, whether or not actual damage is caused by such default.
  
6. The Contractor|s shall submit to the Corporation bills by a stipulated date and in the form prescribed by the Corporation for payment at the Corporation's office duly certified by the Corporation's Installation Manager|Plant Superintendent to whom the Contractor|s is|are attached.

7. That the compliance of all Government Rules and Regulations regarding employment and working conditions of personnel, including various statutory facilities shall be provided for by the Contractor|s. The Contractor|s will be responsible for any fines for non-compliance of any such Rules.
8. The Contractor|s shall maintain all records as required under the Factories Act|Payment of Wages Act|Workmen's Compensation Act|Employees State Insurance Act or any other Act in force at that time. These records will be open for inspection by the Corporation's representatives as and when required.
9. All labour, workmen and persons employed by the Contractor|s shall not be on account of the Corporation and shall be deemed to be Contractor's own labour so that no service conditions, payment liabilities, retrenchment compensation or any other labour liability in respect of such persons would attach to the Corporation and the Contractor's will have to indemnify the Corporation against the same.
10. That the Contractor|s agrees|agree to employ competent and efficient employees and operators to ensure that the work is done correctly. Any loss caused on account of Contractor/s' employees negligence, or any other sub-agents including road transport employed by him, theft, default or any omission or conduct shall be made good by the Contractor|s. The Contractor/s' employees and representatives inside the Corporation's Installation|Plant if any should conform to the Corporation's working Rules.
11. In the event of the Contractor|s not fulfilling the contract in time or committing a breach of any of the conditions, terms and provisions of this contract the Contractor/s shall render himself/themselves liable to pay compensation that may be fixed by the Corporation including forfeiture of the Security Deposit paid hereunder and the Corporation shall have the additional power to adopt any or several of the following courses which the Corporation may deem best suited to its own interest:—
  - (a) To rescind the contract and forfeit the Security Deposit of the Contractor/s which shall stand for the time being and shall be absolutely at the disposal of the Corporation.



- (b) To employ labour and supply materials to carry out the works or any part of the works debiting the Contractor/s with the costs of labour and price of the materials and the costs of other services in respect thereof as to the correctness of which costs and price the certificate of the Corporation shall be final and conclusive against the Contractor/s and crediting the Contractor/s with the value of the work done in all respects and in the manner and at the same rates as if it had been carried out by the Contractor/s under the terms of this contract and in that case the certificate of the Corporation as to the value of the work done shall be final and conclusive against the Contractor/s.
- (c) To order that the work done by the Contractor/s upto the period be taken and to that such part thereof as shall be unexecuted out of their hands and to give it to another Contractor/s to complete in which case any expenses which may be incurred in excess of the sum which would have been paid to the original Contractor/s if the whole work had been executed by him/them and as to the amount of which excess a certificate in writing of the Corporation shall be final and conclusive shall be payable by the original Contractor/s and shall be deducted from any moneys due to him/them by the Corporation under the contract or otherwise or from the Security Deposit or proceeds of the sale thereof or sufficient part thereof.
12. In the event of any of the courses mentioned in the preceding clause being adopted by the Corporation the Contractor/s shall have no claim to compensation for any loss sustained by him|them. In the case of the contract being rescinded the Contractor/s shall not be entitled to recover or be paid any sum for any work thereunder actually performed by him|them unless and until the Corporation shall have certified in writing the performance of such work and payment to them in respect thereof and he|they shall be only entitled to be paid the amount so certified after deduction of all loss, damages and expenses suffered by the Corporation.
13. If the goods to be supplied are not in accordance with the quality or specifications the Corporation shall be entitled to take action under the provisions hereof as if the Contractor/s has|have committed a breach of the contract provided that 15 days' notice to the Contractor/s will be given to remedy his|their breach of the contract and the Contractor/s will not have any claim for compensation for any loss sustained by him|them owing to such action.

14. In any case in which any of the powers conferred upon the Corporation have become exercisable and the same shall not have been exercised, the non-exercise thereof shall not constitute a waiver of any of the conditions herein and the Corporation will be entitled at any time in future to take such action as it may entitle to for the past or the present default of the Contractor/s.
15. The Corporation shall have full right to inspect the goods prior to and after the manufacture and also at the time of the delivery to be given to the Corporation. Even if such goods are not inspected at or prior to the delivery the right of the Corporation to reject the defective goods will not be deemed to be waived. Once goods have been passed finally Contractor/s responsibility ceases.
16. No payment shall be made for any work till after the whole of the work shall have been completed and a certificate of completion as to the proper quantity and quality of Corporation is given. The Corporation may however at their own option pay to the Contractor/s on his/their submitting a bill any amount proportionate to the part of the work then approved and passed by the Corporation. The Certificate of such approval and the passing of the sum so payable shall be final and conclusive against the Contractor/s. All such intermediate payments shall be regarded as payments by way of advance against final payment only and not as payment for work actually done and completed and shall not preclude the Corporation from requiring any bad unsound imperfect or unskilful work manufactured to be taken away and reconstructed and or re-erected nor shall any payment be considered as admission of the due performance of the contract or any part thereof.
17. All works under or in the course of execution or executed in pursuance of this contract shall at all times be open to inspection and supervision of the Corporation and their authorised representatives and agents. The Contractor/s shall at all times during usual working hours and at other times after having received reasonable notice allow the Corporation and their authorised representatives and agents to visit the works and to carry out their necessary duties, orders and instructions.
18. This contract shall not be assigned or transferred in any manner whatsoever without previous written approval of the Corporation. If the Contractor/s shall assign or transfer or attempt to do so, the Corporation may by notice in writing rescind the contract in which event the Security Deposit of the Contractor/s shall stand forfeited and shall be absolutely at the dispo-

sal of the Corporation and for all purposes the same consequence shall ensue as if the contract has been rescinded and in addition thereto the Contractor|s shall not be entitled to recover or to be paid for work thereto fore actually performed under the contract.

19. The Contractor|s shall be bound and liable to pay all local taxes, cesses, excise and custom duties, sales tax, income-tax or any other cess, levy, tax, fee, duty or payment to any State or Central Government or any other public authority or authorities in respect of each and every item of the goods to be manufactured or supplied.
20. The Contractor/s within 30 days after the offer of contract by the Corporation shall deposit a sum of Rs. 30,000/- (Rupees Thirty Thousand only) for the due performance of the work by the Contractor/s and observance of all conditions hereof and and it shall be lawful for the Corporation to appropriate the entire deposit or any part thereof against damages, costs, charges or expenses arising out of the Contractor|s failure to observe any of the terms and conditions of this contract and to call upon the contractor to maintain in deposit at its original form:—

“The Contractor may give the Security Deposit in any of the following form:—

- (1) In cash on which no interest will be allowed.
- (2) Government Securities at 5 per cent below their market value.
- (3) (i) Deposit Receipts of the State Bank of India.  
(ii) Guarantee Bonds executed by the State Bank of India.  
(iii) Pay Orders or demand drafts of the State Bank of India.
- (4) Guarantee Bonds executed by Scheduled Banks, and approved by the Reserve Bank of India in the prescribed form (Specimen attached).
- (5) A deposit in the Post Office Savings Bank, hypothecated to the Financial Controller, Indian Oil Corporation Limited.
- (6) Deposit in National Savings Certificates/12 year National Plan Savings Certificates.”

One third of the deposit recoverable on this basis should be deposited by the Contractor in lump sum at the time of execution of the agreement and the balance will be recovered @5 per cent from each bill.

In the event of the Contractor failing to make the deposit in the manner above said he shall be liable to forfeit any money lodged with the tender by him and Corporation shall be entitled to cancel the acceptance of the tender. This is without prejudice to the other remedies under the contract or in law open to the Corporation.

21. The Contractor|s shall be responsible for and shall pay any compensation to their employees payable under the Workmen's Compensation Act 1923 and 1933 and the amendments thereto for the injuries caused to the workmen. The Contractor|s shall be responsible for any pay, expenses for providing medical treatment to any employees who may suffer any bodily injury as a result of any accident. The Contractor/s shall be liable for all payments to his/their staff employed for the performance of carrying out of the said work and the Corporation shall in no event be liable or responsible for any payment and the Contractor/s shall keep the Corporation indemnified against the same and from all proceedings in respect thereof. In every case in which by virtue of the provisions of Section 12 sub-section (1) of the Workmen's Compensation Act 1923, the Corporation is obliged to pay compensation to a workman employed by the Contractor/s in execution of the works, the Corporation will recover from the Contractor/s the amount of the compensation so paid, and without prejudice to the rights of the Corporation under section 12, sub-section (2) of the said Act, the Corporation shall be at liberty to recover such amount or any part thereof by deducting it from any sum due by the Corporation to the Contractor/s whether under this contract or otherwise. The Corporation shall not be bound to contest any claim made against it under section 12, sub-section (1) of the said Act except on the written request of the Contractor/s and upon his/their giving to the Corporation full security for all costs for which the Corporation might become liable in consequence of contesting such claim. The Corporation shall not be liable for any labour claim demand or payment of whatsoever nature in relation to the goods to be manufactured, supplied or delivered or services to be rendered and the Contractor/s shall indemnify and keep the Corporation properly indemnified from and against the same and if the Corporation is required to discharge any such claim, demand or payment the Corporation will have absolute right to adjust the same against the Security Deposit and further require the Contractor|s to pay and reimburse the Corporation and to deposit further Security and other amount.

22. Any goods, materials, plant, machinery, stores etc. lying or remaining with the Contractor|s or in their possession or power

at the time of the termination or rescission or completion of the contract under any of the provisions hereunder shall be immediately handed over and returned to the Corporation in proper state and condition and without any payment of compensation or any other amount whatsoever.

23. In case of any dispute or difference arising out of this agreement, the matter shall be referred to the sole arbitration of the Operations Manager, Indian Oil Corporation, Bombay whose decision shall be final and binding on the Contractor/s. The Contractor|has|have agreed to this reference knowing fully well that the Arbitrator so agreed is the Manager of the Corporation and it shall not be open to him to challenge the reference and award on this ground.
24. This agreement will be binding on the Contractor/s until the quantity of barrels under Clause I is delivered to the Corporation. Notwithstanding any thing hereinbefore contained, the Corporation reserves the right to terminate this contract at any time after giving 30 days notice to the Contractor/s.
25. If at any time during the continuance of this contract the performance in whole or in part by either party of any obligation under this contract shall be prevented or delayed by reason of any war, hostility, act of the public enemy, civil commotion, sabotage, fire, floods, explosions, epidemics, strikes, lockouts or acts of God (hereinafter referred to as the events) then provided notice of the happening of any such event is given by either party to other within 21 days from the date of the occurrence thereof neither party shall by reason of such event be entitled to terminate the contract nor shall either party have any claim for damages against the other in respect of such non-performance or delay in performance, and deliveries under this contract shall be resumed as soon as practicable after such event has come to an end or ceased to exist and the decision of the Operations Manager of the Corporation as to whether deliveries have been so resumed or not shall be final and conclusive provided further that if the performance in whole or in part of any obligation under this contract is prevented or delayed by reason of any such event for a period.....exceeding.....days either party may at its option terminate the contract. Provided also that if the contract is terminated under this clause the Corporation shall be at liberty to take over from the Contractor at the price to be fixed by the Operations Manager, of the Corporation which shall be final all unused and undamaged

and acceptable materials bought out components and stores in course of manufacture in the possession of the Contractor at the time of such termination or such portion thereof as the Corporation may deem fit.

26. That the Contractor|s will make good to the Corporation any losses arising from:—
- (a) The confiscation by Government or local authorities of any quantities of the said products delivered to the Contractor|s for transportation.
  - (b) Loading, unloading or in transit for reasons other than the Acts of God, riots or civil commotion.

Signed and delivered on behalf of  
the Indian Oil Corporation Limited  
in the presence of.....

Witness : N. N. Chaturvedi

Signed and delivered by the  
within named.....

in the presence of.....

Witness: Sd/- W. C. Chunara

Sd/- J. V. K. RAO

For Standard Drum & Barrel Mfg. Co.  
Maganlal Chhaganlal (Pvt) Ltd.

Popatlal Chhaganlal

Director

Proprietor

# INDIAN OIL CORPORATION LIMITED

## (MARKETING DIVISION)

254-C, Dr. Annie Besant Road,

Worli, Bombay-18.

### Schedule 'A'

#### SCHEDULE OF RATES

##### 1. Cost for Item No. 1.

(a) Basic price of 18G. cold rolled/ Tested Quality Sd/- Papatlal steel sheet ex/FOR Steel Sheet Suppliers's Factory	Rs. 1190.00 per MT
(b) No. of barrels manufactured out of 1 tonne steel sheets	38
(c) Railway freight to the place of fabrication	Included in item (a) above
(d) Cost of steel sheets ex fabricators factory	Rs. 1190.00 per MT
(e) Fabrication charges	Rs. 9.76 per barrel
(f) Delivery charges to our Installation/Plant Sd/- Papatlal	Rs. 0.25 per barrel
(g) Net price per barrel delivered at our Installa- tion/Plant Sd/-Papatlal	Rs. 41.33 per barrel plus Sales Tax as applicable

##### Price variation:

If the statutory price per M. T. on steel sheets (drum sheets) is enhanced or reduced the price per barrel will be adjusted accordingly, on the basis of 38 barrels per M. T. of steel sheets (drum sheets). For arriving at the variation in price to be given, the basic price of steel has been taken as Rs. 1190.00 based on the Iron and Steel Controller's Circular No. .... dated ..... For this purpose variation would be allowed only if the price of steel increases by over Rs. 10.00 per Metric Tonne.

Apart from the above, the price column rate of our work order No. 582/001 dated 22-6-1966 will also be applicable.

Sd/- J. V. K. RAO

Sd/- Papatlal

## APPENDIX XV

### *Summary of Recommendations/Conclusions contained in the Report*

Sl. No.	Reference to para No. of the Report	Summary of Recommendations/Conclusions
1	2	3
1	2.12	The Committee are given to understand that the public tender system followed by the I.O.C. for purchase of stores is generally similar to the procedure obtaining in other public undertakings. They note that a Tender Committee consisting of Operational Manager, Engineering Manager and the Financial Controller is constituted for scrutinising the tenders undertaking negotiations with the tenderers and making recommendations to the appropriate authority for approval. The Committee consider that the system of negotiations after calling for tenders should be discouraged as far as possible unless it becomes absolutely necessary in the commercial interests of I.O.C.
2	2.23	The Committee note that the Indian Oil Corporation observed the prescribed procedure in regard to selection of parties for making supplies of oil barrels in respect of Tender No. OP/TEN-7/65. In the opinion of the Committee, the decision of the Board of Directors to split the order and place the same on M/s. Standard Drums and Barrel Manufacturing Co. and other parties at Bombay and M/s. Hind Galvanising and Engineering Co. at Calcutta, (whose tender was the lowest there) appear to be justified. They note that the tender of M/s. Bharat Barrel and Drum Manufacturing Co. which was the lowest at Bombay, was given due consideration. No order could, however, be placed on them at Bombay as they were found to be a blacklisted party at that time. Apart from this, purchasing of oil barrels from M/s Bharat Barrels both at Calcutta and at Bombay would have amounted to the grant of monopoly purchase rights to this company during that year which the Corporation considered administratively inadvisable and against their future commercial interests.
3	2.30	The Committee are constrained to observe that I.O.C. continued to place orders for supplies of barrels on



1	2	3
4	2.31	<p>M/s. Bharat Barrel and Drum Mfg. Co. till 5th May, 1966 although this Company stood blacklisted at that time and the Standardized Code of Procedure for blacklisting had been made applicable to the Public Undertaking in February, 1966.</p> <p>The Committee regret to note that important communications from Government containing confidential instructions relating to blacklisting of firms, received in the office of the Indian Oil Corporation, could not subsequently be traced. They are concerned to note that the letter of May, 1964, which was finally marked and acknowledged by an officer, who is no longer in the service of the Corporation was found lost. They are amazed that the letter of February, 1966 communicating the reciprocal arrangement for following the Standardised Code of Procedure was not received by the Indian Oil Corporation although the same was sent by the Ministry. The Committee are not sure whether other important and confidential documents might not have been lost in the Corporation in similar circumstances. The leaving of services of the Corporation by the concerned officer in this case appears to be significant and should be taken serious note of. This clearly indicates that the system of recording and custody of documents in the I.O.C. is far from satisfactory. The Committee need hardly stress the urgent need to review the procedure of recording and custody of confidential and secret documents in the Corporation in order to ensure that such important documents are not lost in future.</p>
5	2.32	<p>The Committee also note that at the time of finalisation of the tender in May, 1966, the Government order of blacklisting was in operation against M/s. Bharat Barrel and Drum Manufacturing Company. It was only on 17-6-1966 that the Punjab High Court as an interim relief quashed the operation of the blacklisting order initially for a few weeks and on 18-7-1966 till further orders. Hence it would appear that on the crucial date i.e. on 14th May, 1966, the tender of M/s. Bharat Barrel and Drum Manufacturing Company could not be accepted by I.O.C. under the rules then existing on the subject.</p>
6	3.3	<p>The Committee are unable to appreciate the reasons advanced by the Indian Oil Corporation for laying down different specifications of steel sheets for the manufacture of oil barrels by the two suppliers. They feel that Indian Oil Corporation should have called for separate quotations for each category of barrels so</p>

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as to be able to give a clear description of items, specifications and prices in the Purchase Order subsequently. While in the purchase order placed on M/s. Hind Galvanising and Engineering Company Private Ltd. by the I.O.C., the specification clause mentions drums manufactured out of 18 gauge cold rolled cold annealed sheets (or of hot rolled sheet if cold rolled sheet is not made available) the price clause quotes the price for tested and untested quality of cold rolled steel only. There is no mention whatsoever about the cost of hot rolled sheet. This seems to have provided a loophole to M/s. Hind Galvanising and Engineering Company to claim that this was a flat price for barrels made out of hot rolled or cold rolled sheet, to raise a dispute and go in for arbitration. The Committee urge that I.O.C. should spell out clearly the conditions to be included in the Tender, Purchase Order and Agreement for all types of important stores so as to leave no room for any ambiguity in their description, specifications and prices. The Committee would also recommend that the lapse in this case should be investigated and responsibility therefor fixed.

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3.8

The Committee are concerned to note that while M/s. Standard Drum and Barrel Manufacturing Company completed their supplies of barrels in January, 1968, M/s. Hind Galvanising and Engineering Company have not completed the order and even after a period of 31 months of starting supplies, over 20,000 barrels remained to be supplied by them as on the 31st December, 1968. Even if the supplies had been maintained at the minimum rate i.e. 15,000 barrels instead of 25,000 barrels per month as agreed to by the firm, the entire supplies should have been completed latest by March, 1968. The delay in supplies has also resulted in giving price escalations to the firm—the latest one of Rs. 5.66 per barrel being effective from 1st August, 1968. From the monthly statement of supplies made by the firm it is noticed that the firm withheld supplies for about a year i.e. from June, 1967 to May, 1968. The Committee feel that there was no justification for them to stop supplies even if there was a dispute between the supplier and the Corporation, as the same was under arbitration. It is all the more surprising that although the arbitration award was given in September, 1967 the firm took another 7 months to resume the supplies. The Committee consider that the Indian Oil Corporation should have taken steps to force the supplier to continue regular supply in terms of the Purchase

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Order and in case of default should have taken appropriate steps to claim damages for the delay in the suspension of supplies. The Committee would like the Corporation now to examine in consultation with their legal advisers whether the delay in making supplies and withholding of supplies by the firm was justified and whether necessary compensation could be claimed from the firm in terms of Clause 11 or any other clause regarding liquidated damages. It may also be examined whether price escalation given to this firm for supplies of barrels after March, 1968 was justified as the delay in making supplies was on account of the default of the supplier.

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3.18

The Committee are constrained to observe that the making of payments to the suppliers of barrels both at Calcutta and Bombay without verification of invoices as stipulated in the Purchase Orders, was a serious omission. The seriousness is aggravated by the fact that this mistake was detected after more than half the supplies had been made by each of the two firms for which payments amounting to about Rs 75 lakhs had been made to them. The Committee are not convinced by the argument that the Eastern Branch was making only provisional payments to HGEC and had withheld about Rs. 3 lakhs. They understand that making of provisional payments in the case of big contracts running over long periods, is a normal practice and hence they feel that this was not resorted to as a special precaution in this case. The Committee are not satisfied with the findings of the Financial Controller that this was a case of oversight in the context of the circumstances and that no punishment was necessary therefor. Having regard to the fact that a copy of the Purchase Order was duly sent to the Branches, it was clearly the duty of the Accounts, Finance, as well as the Executive Branches to ensure that the provisions of the Purchase Order were fully complied with before making any payments to the suppliers. The Committee consider this a case of dereliction of duty and recommend that the whole matter may be enquired into afresh with a view to fix responsibility and to take disciplinary and other remedial action as may be considered necessary.

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3.20

The Committee regret to observe that the Corporation failed to perform its duty in the matter of inspection of barrels during manufacture and of steel stocks with the fabricators which was a condition incorporated

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in the Purchase Orders. Had even sample inspections of the stock of steel sheets and barrels during manufacture been done, it was likely that the supply of barrels made out of hot-rolled steel sheets by the two suppliers could have been detected in time.

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3.33

The Committee note that during 1966-67, in addition to the regular allocation of 780 M. Tonnes of steel sheets, HGEC were given a special additional quota of 5,186 M. Tonnes of steel sheets. This special allocation was made to them out of a total special quota of 25,000 M. Tonnes which was allocated to various barrel manufacturers on pro-rata basis for meeting the needs of orders placed by oil companies for supply of blue barrels. It would therefore appear that HGEC were given special quota of steel sheets during 1966-67 along with all other barrel manufacturers.

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3.34

The Committee note that in June, 1966, HGEC had a stock of 777 M. Tonnes of 18 gauge steel sheets which according to their affidavit was cold-rolled. The special quota of 5,186 M. Tonnes of steel sheets given to them, was however hot-rolled. Out of this special quota the share of IOC was 321.66 M. Tonnes, sufficient to manufacture 1,64,223 barrels. Against this number, only 49,226 barrels made out of hot-rolled sheets, are stated to have been supplied to the IOC. The Committee are unable to appreciate this. Even if it is admitted that the stock of steel sheets of 777 M. Tonnes held by M/s HGEC in June, 1966 and the regular allocation of 780 M. Tonnes during 1966-67 was cold-rolled, the same would have been sufficient to manufacture about 60,000 barrels, all of which may not have been supplied to the Indian Oil Corporation as HGEC were supplying barrels to other companies also. The Committee are therefore not convinced by the statement of the Corporation that 49,226 barrels only made out of hot-rolled steel sheets were supplied to them by HGEC for which a deduction of Rs. 70,497.88 was made from them. Further since the information regarding the monthly supply of hot-rolled sheets to HGEC against their special quota, has not been made available to the Committee, they are unable to say whether or not all the barrels viz. 1,64,224 which could be manufactured from the special quota of hot-rolled sheets were made available to the Corporation. The Committee are also unable to understand why the Indian Oil Corporation did not insist on the supply of barrels from out of the special quota when the same were cheaper and the

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		DGTD had specifically instructed HGEC to do so. The Committee recommend that the whole matter may be specially got investigated by the Comptroller and Auditor General to find out the number of barrels made out of hot-rolled sheets supplied by HGEC to the Indian Oil Corporation and the correctness of the payments made therefor. If need be, the assistance of D.G.T.D. may be obtained for this investigation.
12	3.43	The Committee consider that correct procedure has been followed in referring the dispute between M/s. Hind Galvanising and Engineering Co. and Indian Oil Corporation to Arbitration. The appointment of the General Manager as Arbitrator on the specific request of M/s. Hind Galvanising and Engineering Company instead of the Engineering Manager, as stipulated in the Purchase Order would appear to be quite in order and has not, in any way, adversely affected the interests of the Corporation. The Arbitrator has given the award on principles leaving the calculation of monetary effect to be settled on the agreed basis. A sum of Rs. 1,16,673.88 was recovered from the firms as a result of the arbitration award.
13	3.54	The Committee note that the emergent purchase of 21,000 barrels by the Indian Oil Corporation from M/s Suppliers Corporation, consequent upon the stoppage of supplies by M/s Hind Galvanising and Engineering Co. resulted in an extra expenditure of Rs. 1,34,400 to them. The fact that M/s. Suppliers Corporation were a wholly owned subsidiary of HGEC and were a "benami" organisation, would appear to indicate that HGEC supplied these barrels to the IOC through the Suppliers Corporation at a much higher price than they could do under the Purchase Order. It is regrettable that no other firm came forward to make supplies in response to the public tender which was floated by the Corporation for a part of the supplies. The most disquieting aspect of this transaction is that this extra expenditure could not be recovered from HGEC—the suppliers, as the amount stipulated in their risk purchase clause was very low. Thus in this transaction, the Corporation suffered on two accounts:

- (i) they had to purchase barrels from a *benami* of their regular supplier;

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		(ii) they had to pay much higher prices for the barrels resulting in an extra expenditure of Rs. 1,34,400.

The Committee are surprised that an organisation of the stature and experience of the Indian Oil Corporation which has to make large purchases, found itself helpless to secure compliance with the terms of the Purchase Order and recover adequate compensation from their regular suppliers for breach of contract. The Committee would like the Corporation to take lesson from this case and to guard against such tight situations in future. They further suggest that the IOC should bear in mind, the dealings of HGEC in this transaction while considering the question of placing orders on them in future.

14	3.58	The Committee consider that the amount of Rs. 2/- per barrel included in the risk purchase clause in the Purchase Orders of the suppliers was unrealistic and not related to the prevailing market conditions. The intention behind the risk purchase clause is to prevent the supplier from making default in supplies. In this case, it has proved to be otherwise. The Committee consider the inclusion of this provision in the existing form to be totally ineffective in subserving the purpose for which it is intended. They would urge that in future a suitable and effective clause should be included in the Purchase Orders and Agreements of the Indian Oil Corporation so as to deter the defaulting parties from withholding supplies.
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15	3.63	The Committee find that while M/s Standard Drum and Barrel Manufacturing Co. entered into a formal agreement with the IOC on the very day the purchase order was placed on them M/s Hind Galvanising and Engineering Co. did not execute any such agreement although this was clearly stipulated in their purchase order also. Had a formal agreement been entered into by the Corporation with M/s Hind Galvanising and Engineering Co. it would have enabled the Corporation to deal firmly with this Company in the event of their making supply of barrels from out of hot-rolled sheets and billing for cold-rolled sheets as well as for other breaches of contract like suspension of supplies, delays in making regular supplies and making supplies through their <i>benami</i> firm, namely, M/s Suppliers Corporation at exorbitant rate. The Committee are inclined to believe that if the agreement had been executed H.G.E.C. would not have dared to raise a dispute with the Corpora-
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tion and put them to all this inconvenience and extra expense. Moreover, the Corporation could have recovered the entire extra expenditure amounting to Rs. 1.34 lakhs incurred by them in arranging supplies through the Suppliers Corporation which has been referred to in paras 3.44 to 3.54 of the report. The Committee fail to understand why the Corporation did not insist on the signing of the formal agreement by the H.G.E.C. which should have been done. The Committee take a very serious view of this lapse on the part of the Corporation and recommend that the matter should be fully investigated and responsibility therefor fixed with a view to take disciplinary action and a report submitted to them. They would also like the Corporation to draw lesson from this incident and take appropriate remedial measures so as to avoid repetition of such mistakes in future.

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4.4

The Committee are unhappy to note that the barrel fabricators are unwilling to accept any condition regarding the quality of the steel to be used in the manufacture of oil barrels and linking the same with the price to be paid for them. The Committee realise that there is shortage of steel sheets in the country which is mainly responsible for this state of affairs. They are surprised to note that while on the one hand there is shortage of steel sheets in the country, there is unutilised capacity with the Hindustan steel. This indicates defect in planning the production in the steel plants. The Committee hope that suitable measures will be taken to step-up the production of steel sheets which are in short supply. In the meanwhile, the Committee would like the Government to look into this matter in detail and take appropriate steps to remove the difficulties of the consumer oil companies. The Committee have dealt with this matter in detail in their Eighty-fifth Report on the Ministry of Industrial Development, Internal Trade and Company Affairs Recognition of additional capacity in the barrel industry inspite of its being in the Banned List.

Sl. No.	Name of Agent	Agency No.	Sl. No.	Name of Agent	Agency No.
<b>DELHI</b>			33.	Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi—1.	68
24.	Jain Book Agency, Connaught Place, New Delhi.	11			
25.	Sat Narain & Sons, 3141, Mohd. Ali Bazar, Mori Gate, Delhi.	3	34.	People's Publishing House, Rani Jhansi Road, New Delhi.	76
26.	Atma Ram & Sons, Kashmere Gate, Delhi-6.	9	35.	The United Book Agency, 48, Amrit Kaur Market, Pahar Ganj, New Delhi.	88
27.	J. M. Jaina & Brothers, Mori Gate, Delhi.	11	36.	Hind Book House, 82, Janpath, New Delhi.	95
28.	The Central News Agency, 23/90, Connaught Place, New Delhi.	15	37.	Bookwell 4, Sant Narankari Colony, Kingsway Camp, Delhi-9.	96
29.	The English Book Store, 7-L, Connaught Circus, New Delhi.	20	<b>MANIPUR</b>		
30.	Lakshmi Book Store, 42, Municipal Market, Janpath, New Delhi.	23	38.	Shri N. Chaoba Singh, News Agent, Ramlal Paul High School Annexe, Imphal.	77
31.	Bahree Brothers, 188 Lajpatrai Market, Delhi-6.	27	<b>AGENTS IN FOREIGN COUNTRIES</b>		
32.	Jayana Book Depot, Chaparwala Kuan, Karol Bagh, New Delhi.	66	39.	The Secretary, Establishment Department, The High Commission of India India House, Aldwych, LONDON W.C.—2.	59



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