

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

STARRED QUESTION NO:116  
ANSWERED ON:08.08.2011  
CASES AGAINST DEFENCE COMPANIES  
Yadav Shri Hukamdeo Narayan

**Will the Minister of DEFENCE be pleased to state:**

- (a) the details of the alleged irregularities committed by certain defence companies/firms against which action was initiated by the Government during the last three years;
- (b) the dates on which show cause notices were issued to the firms and the dates on which replies were submitted by them;
- (c) the details of the officials allegedly involved in the cases;
- (d) the details of penal action taken against the foreign/Indian firms and the officials found guilty;
- (e) the reasons for such alleged irregularities/corruption cases despite several measures in place to check them; and
- (f) the details of other such cases pending for action?

**Answer**

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

(a) to (f): A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (f) OF LOK SABHA STARRED QUESTION NO. 116 FOR ANSWER ON 8.8.2011

As per CBI report following firms:

- M/s R.K. Machine Tools Ltd. Ludhiana.
- M/s T.S. Kisan & Pvt. Ltd., New Delhi.
- M/s Israel Military Industries Ltd. (IMI).
- M/s Rheinmetall Air Defence (RAD), Zurich.
- M/s Corporation Defence, Russia (CDR).
- M/s Singapore Technologies Kinetics Ltd., (STK) have been involved in payment of illegal gratification to the former Director General of Ordnance Factories and Chairman/OFB in respect of certain supply orders placed on them by different Ordnance Factories either for placement of high value orders or additional orders or for release of advance payment in respect of contract for supply of Bi Modular Charge System (BMCS) plant.

The dates of issue of show cause notices to the firms and the dates of receipt of their replies are given as under:

Sl.No. Name of the firm Date of issue of show cause notice Date of receipt of firm's reply

1. M/s R.K. Machine Tools Ltd. Gun & Shell Factory: 22nd January 2011  
23rd December 2010

Ordnance Factory Kanpur: 27th January 2011  
21st December 2010

Heavy Vehicle Factory: 27th January 2011  
22nd December 2010

Ordnance Factory Chanda: 2nd February 2011  
21st December 2010

2. M/s T.S. Kisan & Co. Ltd. Ordnance Factory Chanda: 2nd February 2011  
21st December 2010

Heavy Vehicle Factory: 27th January 2011  
22nd December 2010

3. M/s IMI, Israel Ordnance Factory Board (NC): 7th April 2010 (interim reply)  
22nd December 2010 4th March 2011

4. M/s Rheinmetall Air Ordnance Factory Board CT & 28th February 2011  
Defence, Zurich Export - 04 February 2011

5. M/s Corporation -do- 9th March 2011  
Defence Russia

6. M/s Singapore Technologies -do- 20th April 2011  
Kinetics Ltd.

As per CBI report, no other official of Ordnance Factory Board, except Shri Sudipto Ghosh ex DGOF & Chairman/OFB, has been found to be involved in the case.

CBI had registered a case against Shri Sudipto Ghosh former DGOF and some others in May 2009. Ministry of Defence decided to put on hold all contracts with the companies figuring in the FIR vide its order dated 28th May 2009. The above order was contested by some of the companies before the Delhi High Court. Delhi High Court set aside the order in its judgement dated 11th February 2010 and directed that penal action against the companies can be taken only after following the principles of natural justice. In June 2010,

CBI recommended blacklisting of the above mentioned six firms. Accordingly, show cause notices were issued to these firms. Replies were submitted by the companies denying the allegations and seeking personal hearing and specific evidence based on which penal action was proposed against them.

The Ministry, in April 2011, has directed OFB that in accordance with the principle of natural justice, before taking any decision on Show Cause Notice it should give personal hearing to the firms. Action is being taken accordingly by OFB.

In June 2010, CBI has charge sheeted, among others, Shri Sudipto Ghosh, former DGOF and two firms, namely M/s T.S. Kisan and Co. Pvt. Ltd., New Delhi and M/s. R.K. Machine Tools Pvt. Ltd., Ludhiana. In respect of remaining four companies, the CBI has reported that there is a prima facie or circumstantial evidence of payment of illegal gratification to Shri Sudipto Ghosh. The matter is under further investigation by CBI.

OFB has also issued charge sheet to Shri Sudipto Ghosh, the former DGOF & Chairman/OFB under Rule 9 of CCS (Pension) Rules 1972.

The present corruption case, despite several measures in place to check them, is a case of individual aberration as no other official of Ordnance Factory Board, has been alleged to be involved in the case.