

**PROCUREMENT AND UTILISATION OF  
PLANT AND EQUIPMENT IN DRDO**

**MINISTRY OF DEFENCE  
(DEPARTMENT OF DEFENCE RESEARCH AND  
DEVELOPMENT)**

**PUBLIC ACCOUNTS COMMITTEE  
(2006-2007)**

**THIRTY-NINTH REPORT**

**FOURTEENTH LOK SABHA**



सत्यमेव जयते

**LOK SABHA SECRETARIAT  
NEW DELHI**

THIRTY-NINTH REPORT

PUBLIC ACCOUNTS COMMITTEE  
(2006-2007)

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PROCUREMENT AND UTILISATION OF  
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MINISTRY OF DEFENCE  
(DEPARTMENT OF DEFENCE RESEARCH AND  
DEVELOPMENT)

*[Action Taken on 16th Report of Public Accounts Committee (14th Lok Sabha)]*



*Presented to Lok Sabha on .....*

*Laid in Rajya Sabha on .....*

**LOK SABHA SECRETARIAT  
NEW DELHI**

*February, 2007/Magha, 1928 (Saka)*

**P.A.C. No. 1824**

*Price: Rs. 47.00*

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Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eleventh Edition) and Printed by the Manager, Government of India Press, Minto Road, New Delhi-110 002.

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COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE

(2006-2007)

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*Lok Sabha*

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3. Shri P.S. Gadhavi
4. Shri R.L. Jalappa
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3. Shri Ashok Sarin — *Director*
4. Shri M.K. Madhusudhan — *Under Secretary*
5. Shri N.K. Jha — *Committee Officer*

(iii)

## INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Thirty-Ninth Report on Action Taken by Government on the Observations and Recommendations of the Public Accounts Committee contained in their 16th Report (14th Lok Sabha) on "Procurement and Utilisation of Plant and Equipment in DRDO".

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 13th February, 2007. Minutes of the sitting form Part II of the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

4. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor-General of India.

NEW DELHI;

15 February, 2007  
26 Magha, 1928 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA  
*Chairman,*  
*Public Accounts Committee.*

## CHAPTER I

### REPORT

This Report of the Committee deals with the action taken by the Government on the Observations/Recommendations contained in their Sixteenth Report (14th Lok Sabha) in Paragraph 5.1 of the Report of the Comptroller and Auditor General of India for the year ended 31 March, 2003 (No. 6 of 2004), Union Government (Defence Services—Army & Ordnance Factories) relating to “Procurement and Utilisation of Plant and Equipment in DRDO”.

2. The Sixteenth Report which was presented to Lok Sabha on 10th August, 2005 contained 14 Observations/ Recommendations. The Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Defence and these are broadly categorized as under:—

- (i) Observations/Recommendations which have been accepted by Government:  
Paragraph Nos. 60, 61, 62, 63, 64, 65, 66, 67, 68, 70, 71, 72 & 73
- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from Government:  
Paragraph No. -NIL-
- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:  
Paragraph No. -NIL-
- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:  
Paragraph No. 69

3. The Action Taken Notes furnished by the Ministry of Defence have been reproduced in the relevant chapters of this Report. In the succeeding paragraphs, the Committee will now deal with the Action Taken by the Government on some of their Observations/Recommendations, made in the Original Report, which need reiteration or merit comments.

#### **(A) Deficiencies in Planning for Procurement of Plants and Equipments in DRDO [Paragraph 61]**

4. In paragraph 61 of their Original Report, the Committee had noted that eight equipment costing Rs. 1.75 crore required for specific projects undertaken by five laboratories/establishments namely Armament Research and Development Establishment, Pune (ARDE), Defence Metallurgical Research Laboratory, Hyderabad (DMRL), Vehicle Research Development Establishment, Ahmednagar (VRDE), High

Energy Material Research Laboratory, Pune (HEMRL) and Solid State Physics Laboratory, Delhi (SSPL) were received either after the closure or at the fag end of the project. As regards utilization of the equipment, which could not be substantially used for the specific purpose, the Committee were informed that these were used in subsequent projects. In order to ensure timely procurement of requisite equipments and their effective utilisation for the intended purpose, the Ministry had stated that Purchase Management Procedure was suitably amended and instructions had accordingly been issued to all concerned laboratories/establishments for strict compliance of the amended Procedure including regular reporting by them to the DRDO Headquarters. It was further stated that with the commissioning of Integrated Material Management Software (IMMS) by the laboratories of DRDO, expectedly by August 2005, lead time for procurement of equipment would be curtailed substantially thereby helping in their timely acquisition. The Committee were concerned to note equipment could not be put to use in the specific projects as envisaged in the procurement planning. It was altogether a different proposition that those equipments were utilized in subsequent projects. While taking note of the steps taken by the Ministry to plug deficiencies in the system of procurement planning, the Committee had desired that an institutional mechanism should be put in place to monitor implementation of the revised procedure by field formations with a view to strengthening procurement system.

5. Apprising the Committee about the steps taken to rectify the deficiencies in the procurement planning, the Ministry of Defence in their Action Taken Note have stated that as per direction of the Committee an Institutional Review Mechanism has been introduced. In order to ensure timely procurement of requisite equipment and its utilization for intended purpose PM-2003 document has been amended on 20 July 2005 wherein Annual Action Plan for procurement and installation and commissioning of equipment/machinery will be meticulously drawn by Lab/Estt. well in advance. They will be quarterly reviewed (as on 31 March, 30 June, 30 Sept and 31 Dec) by Lab Project Directors with a view to ensure timely procurement of stores and help in completing the objective of projects within PDC. The provision of forwarding the Annual Reports by Labs/Estt. have been incorporated *w.e.f.* Financial year 2006. On receipt of reports Head Quarter Defence Research Development Organization will review these reports during first quarter of next financial year and submit the same to Secretary, Defence R&D. Further, IMMS software implementation will help in constant monitoring of the procurement cases from initiation to the placement of supply order.

**6. The Committee while expressing their satisfaction over the measures taken by the Ministry for ensuring timely procurement of requisite equipment and its utilization for the intended purpose by the various Labs/establishments of DRDO, recommend that the progress made in regard to submission of Annual Action plan for procurement, installation and Commissioning of equipment/Machinery by various laboratories/establishments and the review conducted of these Annual Action Plan (AAP) by the Defence Research Development Organization (DRDO) may be apprised to them. The Committee would also like to be apprised of the progress made in implementation of Integrated Material Management Software (IMMS) software and the benefits accrued therefrom in cutting down the time for procurement and installation of equipment/Machinery.**

**(B) Procedural Shortcomings in the Procurement Process [Paragraph 62]**

7. The Committee in their original Report, had found that besides deficient procurement planning, the procurement process in DRDO was also afflicted by serious procedural shortcomings. The Purchase Management Procedure of DRDO, issued in July 2000, had stipulated that open/global tenders should be invited to generate as much competition as possible. However, to the contrary, in 17 out of 30 cases in respect of five laboratories, limited tenders were resorted to on grounds of urgency for effecting purchases. The Committee were disturbed to note that out of 5 cases processed as urgent, three orders were placed after 13 to 21 months of raising of demands. In 12 other cases, the time gap between the raising of demand and actual ordering ranged from 5 to 11 months in 8 cases and over 12 months in four cases. In the opinion of the Committee, the grounds of urgency to justify limited tendering thus had become questionable in such cases. The Secretary, DRDO also was very candid in admitting that resorting to limited tender on grounds of urgency in such a large number of cases was not procedurally justified and could lead to some lapses. The Committee had been informed that with the amendment effected in the procurement procedure in DRDO, the processes of procurement had been specified with better clarity that would help reduce margin of error on the part of operating units. While appreciating the efforts made by DRDO in right earnest, the Committee had desired that, in future, cases of procurement under urgent circumstances should be critically analysed and closely monitored so as to ensure that delegated power was not misused and objective of procurement was fully achieved.

8. The Ministry, in their Action Taken Note, have stated that for close monitoring and critical analysis of procurement under urgency, instructions were issued to all DRDO Labs *vide* letter dated 17 August, 2005 asking them to comply with the following course of action:—

- (a) Unless there is real urgent requirement, merely for prioritizing the demand, it will not be marked 'urgent' on form DRDO MM-06 (Demand).
- (b) Demand will be initiated on 'urgent' basis only depending on justifiable user's urgency, items which are on critical path and arising out of urgent requirement by the services.
- (c) Urgency of all such above cases will be specifically monitored till the placement of order and finalisation of the supplies. If the item is urgent, it must be followed up with required seriousness.
- (d) Indiscriminate use of limited tenders merely on pretext of urgency will be avoided.

It has further been stated that the procurement under Limited Tendering by the DRDO Labs during the period 01 January, 2005 to 25 September, 2005 has been reviewed. It has been reported that out of total cases initiated for procurement under Limited Tendering, by the Labs 25% cases are stated to be on urgency basis and the

average time taken for placing the supply orders by the Labs is from three to four months. In other 75% cases reasons give by the Labs are :—

- (i) Sources of supply are definitely known and Limited; (ii) Sources short-listed from past experiences of open tenders, (iii) Item being very specific in nature (sensitive and strategic)/not in public interest; and (iv) Required for trials."

**9. The Committee note from the reply furnished by the Ministry that in 75 per cent of the cases where limited tendering was resorted to by DRDO on an urgency basis, the average time taken by placing the supply orders has not been mentioned. further, in 25 per cent of these cases, the reasons for limited tendering were not given. The Committee desire that the full details such as reasons for resorting to limited tendering and the average time taken for placing orders after raising of the demand and actual time taken in delivery of stores from the date of placement of supply orders in respect of each of the case may be furnished. While expressing satisfaction over the steps taken by the Ministry for streamlining the procedure relating the procurement of stores on urgency basis, the Committee expect that DRDO should strictly monitor the cases where limited tendering is resorted by the laboratories/establishments on an urgency basis. It should also be ensured that such cases are kept to the barest minimum possible. The Committee would also like to be apprised of the progress made by the laboratories/establishments in this regard and the number of cases where limited tendering was resorted to on grounds of urgency after issue of the revised guidelines/instructions.**

**(C) Failure of suppliers to adhere to the prescribe time schedule for delivery of equipments. [Paragraph 64]**

10. The Committee, in Paragraph 64 of their Original Report, had noticed the failure of suppliers to adhere to the prescribed time schedule for delivery of equipment. The Committee had found that as against Rs. 67.58 lakh to be recovered by way of liquidated damages in 36 cases on account of delayed delivery, liquidated damages amounting to Rs. 0.46 lakh was recovered only in one case. Surprisingly, in the remaining 35 cases, an amount of Rs. 67.12 lakh leviable was waived by the Directors of the concerned laboratories/establishments. The Ministry had merely stated that decision was taken to waive the liquidated damages as developmental delays were not attributable to suppliers. Taking strong exception to the decision taken in the matter, which led to apparent loss of revenue to Government, the Committee had recommended that these cases be reviewed by DRDO with a view to ascertain the *bona fide* of the decision taken retrospectively. Also, the Ministry should place before the Committee the outcome of the review and action taken thereon within a period of three months of the presentation of this Report.

11. The Ministry, in their Action Taken Note, have stated that 35 cases where the Liquidated Damages (LD) was waived by Labs, were reviewed by DRDO HQrs and the reasons as given by the Labs for waiver of LD are:— (a) The delay in approval of drawings by Lab; (b) Delay in chemical analysis of material by Lab; (c) Delay in inspection by Lab; (d) Delay in issue of Custom duty exemption certificate (C-DEC); (e) Delay in shipment from principal; (f) Delay in pre-despatch inspection; (g) Delay

in receipt of import items by the manufacturers; (h) Delay due to sanctions imposed by US; and (i) Delay in receipt of Export Licence. In order to overcome such instances the following course of action has been taken by DRDO.

- (i) Revised TPC/NC format of minutes has been circulated to all the Labs in which all clauses including LD has been mentioned.
- (ii) Close monitoring of CDEC is being carried out now, all efforts are being made to see that there are no delays for issue of CDEC.
- (iii) Further instructions on Liquidated damages have been forwarded to all Labs/ Estts. *vide* this HQ letter No. DMM/PP/0000405/M dated 07 November, 2005.

It has further stated that in cases where the delay is due to approval of drawings, chemical analysis of material, pre-despatch inspection and inspection by Lab, the same are being reviewed by DRDO HQrs. Based on the above inputs from the Labs necessary instructions will be issued for maintaining the time frame for above activities.

**12. From the Reply furnished by the Ministry, the Committee note that out of nine reasons that have been advanced by the respective laboratories/ establishments for waiver of liquidation damages from the suppliers in 35 cases involving Rs. 67.12 lakh, four reasons namely delay on account of approval of drawings, chemical analysis of material, pre-dispatch Inspection and inspection by Labs were stated to be on account of lapses by the concerned Labs/ establishments and could not be attributable to the suppliers. The Committee recommend that these reasons should be critically reviewed by DRDO and the outcome of the such review along with corrective measures taken to prevent recurrence of such instances should be apprised to them. They would also like to be apprised of the instructions issued by the DRDO to Labs for prescribing the time limit/frame for development activities that were required to be undertaken by them so that the prescribed time schedule for delivery of equipments by suppliers can be strictly adhered to.**

## **CHAPTER II**

### **OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT**

#### **Recommendation**

The Defence Research and Development Organization (DRDO) provides scientific and technical support to the Armed Forces through design and development of new and sophisticated equipment to meet operational requirements. A significant objective of DRDO is the establishment of capability for indigenous production of equipment with a view to attaining self-reliance in defence requirements. The mandate of DRDO is accomplished through a network of 50 laboratories/establishments whose activities are organized through specific projects. The Audit paragraph in question seeks a review of procurement and utilization of imported and indigenous plant and equipment by 15 Research & Development (R&D) laboratories/establishments procured during the period from 1997-98 to 2001-02. The Committee note that DRDO establishments spent more than 45 percent of their budget on purchase of stores, plant and equipment. The facts brought out in the Audit paragraph and subsequent examination by the Committee reveal that procurement planning of material by DRDO and its utilisation leave a lot to be desired.

[Sl. No. 1, Appendix II, Para 60 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

#### **Action Taken**

The replies are given in subsequent Para Nos. 61 to 73.

Signature of  
Chief Controller Research & Development (R)  
Defence Research and Development Organisation

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

#### **Observations/Recommendations of the Committee**

The Committee note that eight equipment costing Rs. 1.75 crores required for specific projects undertaken by five laboratories/establishments (ARDE, DMRL, VRDE, HEMRL and SSPL) were received either after the closure of the Project or at the fag end of the project. The Ministry have attributed the reasons for delay in receipt/installation of these equipments to re-floating of tenders, seeking technical clarifications, embargo imposed for exporting equipment to DRDO etc. According to them, none of the projects was delayed due to delay in receipt of these equipments.

[Sl. No. 2, Appendix II, Para 61 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

**Action Taken**

As per direction of PAC Institutional Review Mechanism has been introduced. In order to ensure timely procurement of requisite equipment and its utilization for intended purpose PM-2003 document has been amended *vide* Govt. of India, MOD letter No. DMM/PP/0000203/M/2505/D(R&D) dated 20 July 05 where in Annual Action Plan for procurement, installation and commissioning of equipment/machinery will be meticulously drawn by Lab/Estt. well in advance.

On receipt of reports HQ DRDO will review these reports during first quarter of next financial year and submit the same to Secretary Defence R&D.

Further IMMS software implementation will help in constant monitoring of the procurement cases from initiation to the placement of supply order.

Signature of  
Chief Controller Research & Development (R)  
Defence Research and Development Organisation

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

ANNEXURE-I

No. DMM/PP/0000203/M/2585/D (R&D)  
Government of India  
Ministry of Defence  
Department of Defence Research & Development.  
New Delhi, 20 July, 2005

**CORRIGENDUM**

The Purchase Management — 2003 (PM—2003) document issued *vide* No. MM/PP/0000203/M/3045/D (R&D) dated 21 Aug. 2003 as amended by corrigendum No. MM/PP/0000203/M/4563/D (R&D) dated 14th Dec. 2004 and MM/PP/0000203/M/171/D (R&D) dated 19th Jan. 2005 is further amended to include the following chapter after 11th Chapter.

**Chapter 12**

**PROGRESS REPORT ON PROCUREMENT, UTILISATION OF STORES AND  
DISPOSAL OF OBSOLETE STORES**

Plant, equipment and material are the vital inputs for research and development activities of DRDO Laboratories/Establishments and the cost of their procurement constitutes a significant portion of the R&D Budget. It is, therefore, imperative that timely action is initiated and appropriate monitoring mechanism is put in place in each and every case of procurement installation and commissioning of equipment/machine. As such an Annual Action Plan for procurement, installation and commissioning of equipment/machine should be meticulously drawn well in advance. Annual Action Plans must also be quarterly reviewed (as on 31st March, 30th June, 31st October and 31st December) by Lab/Project Director with a view to ensuring that timely procurement of stores helps in completing the objectives of projects without any cost and time over runs.

**12.1 ANNUAL REPORT BY LABS/ESTTS**

Labs/Estts. would forward reports to DMM/DRDO HQrs at the close of each financial year covering instances of abnormal delay adversely affecting completion of R&D Projects. Annual reports while covering the following instances or delay should also incorporate the reasons for delay and recommend reasons for minimizing adverse effects of delay on completion of R&D project.

- (a) All cases, where internal lead time is more than one year *i.e.* where more than one year is taken from demand initiation for procurement of stores and issue of supply order.
- (b) Instances of abnormal delay of more than one year in installation after the receipt of machine/equipment in Lab/Estt.

- (c) Any abnormal under utilization of equipment due to delay in repair/ servicing/upgradation etc.
- (d) Any equipment lying unused for a period exceeding six months.
- (e) All cases where machines/equipment costing more than Rs. 5 Lakh are received after the closure of the project or at the fag end of the project *i.e.* 3 months ahead of PDC.
- (f) Delay of more than six months in disposal of surplus/obsolete equipment after being recommended for disposal.

#### 12.2 REVIEW OF ANNUAL REPORT BY DRDO HQrs

DRDO HQrs will review the annual report during first quarter of next financial year and submit the same to the Secretary Defence R&D. Recommendations and remedial measures suggested are to be scrupulously adhered to by the Laboratory Director/Project Directors.

2. This issues with the concurrence of Ministry of Defence (Finance/R&D) *vide* their ID No. 1722 IF (R&D) dated 19 July 2005.

Sd/-  
(S.K. Deb)

Under Secretary to Government of India

To

The Director General Research & Development  
Defence Research & Development Organisation  
Ministry of Defence, New Delhi-110 011

Copy to:—

1. Controller General of Defence Accounts
2. Addl. FA(J) & Jt. Secy
3. All GC R&Ds
4. Chief Executive (CW&E)
5. CDA (R&D), New Delhi & Sub Offices
6. CDA(R&D), Bangalore and Sub Offices
7. CDA (R&D), Hyderabad and Sub Offices
8. Director of Audit, Defence Services, New Delhi
9. Director (Finance/R&D)
10. Directorate of Materials Management

#### **Recommendations/Observations of the Committee**

The Committee find that besides deficient procurement planning, the procurement process in DRDO is also afflicted by serious procedural shortcomings. The Purchase Management Procedure of DRDO, issued in July 2000, stipulated that open/global tenders should be invited to generate as much competition as possible. However, to

the contrary, 17 out of 30 cases in respect of five laboratories, limited tenders were resorted to on grounds of urgency for effecting purchases. What is further disturbing to note is the fact out of 5 cases processed as urgent, three orders were placed after 13 to 21 months of raising of demands. In 12 other cases, the time gap between the raising of demand and actual ordering ranged from 5 to 11 months in 8 cases and over 12 months in four cases. In the opinion of the Committee, the grounds of urgency to justify limited tendering thus become questionable in such cases. According to the Ministry, limited tendering is chosen for cases whose source of supply are definitely known and are limited, for reasons of security and public interest, when requirement of stores is urgent and the desired delivery schedule cannot be met if open tenders are invited. The Committee are aware of the unique nature of some of the stores required in the context of research and development including the aspect of security and public interest and render full credence to their procurement through the mode of limited tendering. But the criticality of the matter lies in the fact that the desired delivery schedule could not be adhered to in almost all the reviewed cases, for which general procedure of open tendering was waived. The Secretary, DRDO was however, very candid in admitting that resorting to limited tender on grounds of urgency in such a large number of cases was not procedurally justified and could lead to some lapses. The Committee have been informed that with the amendment effected in the procurement procedure in DRDO, the processes of procurement have been specified with better clarity that would help reduce margin of error on the part of operating units. While appreciating the efforts made by DRDO in right earnest, the Committee desire that in future cases of procurement under urgent circumstance should be critically analysed and closely monitored so as to ensure that delegated power is not misused and objective of procurement is fully achieved. The Committee would like to be furnished a status report about the procurement made under limited tendering consequent to issuance of Procurement Procedure-2004.

[Sl. No. 3, Appendix II, Para 62 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

#### **Action Taken**

For close monitoring and critical analysis of procurement under urgency, instructions were issued to all DRDO Labs *vide* this HQ letter No. DMM/PP/0000405/M dated 17 August, 2005 (copy enclosed at Annexure-II)

Further the procurement under Limited Tendering has been reviewed. DRDO Labs were asked to forward the report of Limited Tendering procurement during the period 1 January 05 to 25 September 05. The report from the Labs were perused and following status is reported:

- (a) Out of total cases initiated for procurement under Limited Tendering, 25% cases are on urgency basis and the average time taken for placing the supply orders by the Labs is from three to four months.
- (b) In other 75% cases reasons given by the Labs for procurement of other items under limited tendering are as under:—
  - (i) Sources of supply are definitely known and Limited.
  - (ii) Sources short-listed from past experiences of open tenders.

- (iii) Item being very specific in nature (sensitive and strategic)/not in public interest.
- (iv) Required for trials.

Signature of  
Chief Controller Research & Development (R)  
Defence Research and Development Organisation

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

ANNEXURE-II

Date: 17 August, 2005

To

The Director  
(All Labs/Estt.)

**Sub:— Initiation of Demands**

It has been observed that Labs are initiating the demands on urgent basis in most of their procurement cases where as the time taken from initiation of demand to placement of order in these cases is very long and in some cases it is more than one year. This has been adversely commented upon by Public Accounts Committee (PAC) and Audit while reviewing DRDO procurement performance.

2. In order to avoid such observation in future following course of action is required to be followed:

- (a) Unless there is real urgent requirement, merely for prioritizing the demand, it will not be marked 'urgent' on form DRDO MM-06 (Demand).
- (b) Demand will be initiated on 'urgent' basis only depending on justifiable user's urgency, items which are on critical path and arising out of urgent requirement by the services.
- (c) Urgency of all such above cases will be specifically monitored till the placement of order and finalisation of the supplies. If the item is urgent, it must be followed up with required seriousness.
- (d) Indiscriminate use of limited tenders merely on pretext of urgency will be avoided.

3. All Lab Directors are requested to kindly ensure action on all the above aspects.

Sd/-  
(C.M. Dhawan)  
Director (MM)

**Recommendations/Observations of the Committee**

4. The Committee note that the purchase Management Procedure prescribed a normal time limit of 12 months for different activities in purchase. The Committee however, observe that in 22 out of 50 cases of procurement in respect of four laboratories, the prescribed time limit was not adhered to. The Ministry took the stand that as these equipments were to be specifically developed for DRDO need, it took time to reach to desired specifications. The Committee have been further informed that with the commissioning and implementation of Integrated Management Software, such delays in placement of order are expected to be curbed. The Committee recommend that this

deficiency should be addressed in time with the amended Procurement Procedure so as to reduce the internal lead time to the barest minimum.

[Sl. No. 4, Appendix II, Para 63 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

#### **Action Taken**

All Labs have been instructed as per guidelines given in Purchase Management to strictly abide one year realistic time for processing the demands from initiation to placing of supply of order falling which they will have to forward the demand for revalidation with proper justification to this HQrs. Further Labs will have to forward Annual Report to the HQrs. In all cases where internal lead time is more than one year would be reviewed by the HQrs (Annexure-I para 12.1 (a) refers).

Sd/-

Signature of  
Chief Controller Research & Development (R),  
Defence Research and Development Organisation.

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

#### **Recommendations/Observations of the Committee**

Another disquieting aspect noticed by the Committee relates to failure of suppliers to adhere to the prescribed time schedule for delivery of equipment. The Committee find that as against Rs. 67.58 lakh to be recovered by way of liquidated damages in 36 cases on account of delayed delivery, liquidated damages amounting to Rs. 0.46 lakh was recovered only in one case. Surprisingly, in the remaining 35 cases, an amount of Rs. 67.12 lakh leviable was waived by the Directors of the concerned laboratories/ establishments. The Ministry have merely stated that decision was taken to waive the laboratories/establishments. The Ministry have merely stated that decision was taken to waive the liquidated damages as development delays were not attributable to suppliers. Taking strong exception to the decision taken in the matter, which led to apparent loss of revenue to Government, the Committee recommend that these cases be reviewed by DRDO with a view to ascertain the *bonafide* of the decision taken retrospectively. Also, the Ministry should place before the Committee the outcome of the review and action taken thereon within a period of three months of the presentation of this Report.

[Sl. No. 5, Appendix II, Para 64 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

#### **Action Taken**

As advised by the Committee, 35 cases where the L.D. was waived by Labs, were reviewed by DRDO HQrs. and the reason as given by the Labs for waiver of L.D. are as under:

- (a) The delay in approval of drawings by Lab.
- (b) Delay in chemical analysis of material by Lab.
- (c) Delay in inspection by Lab.

- (d) Delay in issue of Customs duty exemption certificate (C-DEC).
- (e) Delay in shipment from principal.
- (f) Delay in pre-despatch inspection.
- (g) Delay in receipt of imported items by the manufacturers.
- (h) Delay due to sanctions imposed by US.
- (i) Delay in receipt of Export Licence.

In order to overcome such instances the following course of action has been taken by DRDO.

- (i) Revised TPC/NC Format of minutes has been circulated to all the Labs in which all clauses including L.D. has been mentioned.
- (ii) Close monitoring of CDEC is being carried out now, all efforts are being made to see that there are no delays for issue of CDEC.
- (iii) Further instructions on Liquidated damages have been forwarded to all Labs/Estts. *vide* this HQ letter No. DMM/PP/0000405/M dated 07 November,2005 [**Annexure-II** (a) refers]

In case of (a), (b), (c) and (f) where the delay is due to approval of drawings, chemical analysis of material, pre-despatch inspection and inspection by Lab, are being reviewed by DRDO HQrs. Based on the above inputs from the Labs necessary instructions will be issued for maintaining the time frame for above activities.

Signature of  
Chief Controller Research & Development (R),  
Defence Research and Development Organisation.

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

ANNEXURE-II (a)

Date: 7 November, 2005

To

The Director  
(All Labs/Estts.)

**Sub: Liquidated Damages**

1. In the report of PAC on 'Procurement and Utilisation of Plant and Equipment', a very serious view has been taken of not imposing the Liquidated Damages for delayed deliveries, in its true objectivity. The reasons for delays of delivery of Eqpt./items not attributable to the suppliers have to be weighed in its correct perspective. The Committee has observed that taking a lenient view on the subject leads to apparent loss of revenue to the Government. All the Labs are therefore advised to follow the relevant clauses of DRDO Purchase Procedure pertaining to TPC/NC negotiations, supply order terms and conditions, revision of Delivery Period and Monitoring/reviewing of progress of cases leading to liquidated damages strictly. The delay/fault on part of the firm for not adhering to the delivery schedules shall be taken seriously and liquidated damages must be levied. There should be no relaxation on part of the Labs for imposing of LD, wherever it is required.

2. In exceptional cases, matter shall be referred to DMM, DRDO HQrs with full details and justification for approval of CFA.

3. All Lab Directors are requested to monitor the above aspects.

Sd/-  
(C.M. Dhawan)  
Director (MM)

**Recommendations/Observations of the Committee**

The Committee observe that there were abnormal delays ranging upto 13 years in installation of six machines valuing Rs. 13.78 crore in four laboratories/establishments namely, DMRI, CVRDE, DRDL. and TBRL. A detailed review of some of the cases revealed that the suppliers were responsible for the delays and no time frame for installation of the equipment had either been laid down in the contracts. Other reasons for the delay in installation/commissioning of the equipment were, damaged condition of the equipment received, delay in repair or replacement of the damaged parts by the suppliers etc. The Committee deplore in particular, the delay of 13 years in installation of one equipment namely 200 KW Dynamometer at CVRDE. The Committee

cannot but conclude that these cases have brought into sharp focus the inept handling of procurement contract and poor monitoring on the part of DRDO. The secretary DRDO however, assured the committee that every effort would be made by the Ministry to ensure that such unjustifiable delays do not recur. Since delay in installation of equipment contributes to delay in execution of time-bound projects, the Committee recommend that DRDO should address these lacunae with immediate effect.

[Sl. No. 6, Appendix II, Para 65 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

#### **Action Taken**

In order to overcome abnormal delays in installation of equipment, a new chapter XII has been added in our Purchase Management Manual in which it has been indicated that instances where delay in installation is more than a year after receipt of Equipment by Lab. A report shall be submitted to HQ DRDO during first quarter of the next financial year for review [Annexure-I para 12.1 (b) refers]

Also, wherever the installation of the Equipment is important factor, steps have been taken during negotiation that 20% to 30% of payment shall be released only after installation and Equipment acceptance by the Lab.

In the new TPC/NC format circulated to all Labs for implementation, clauses of installation and payment terms are indicated separately. This will take care the requisite requirement.

Signature of  
Chief Controller Research & Development (R),  
Defence Research and Development Organisation.

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

#### **Recommendations/Observations of the Committee**

The Committee's examination further revealed that there was under-utilisation of four equipment valuing Rs. 5.60 crore due to delay in repair/upgradation in respect of four laboratories namely, SSPL, RCI, PXE and CVRDE. The Committee have been given to understand that repair of direct import equipment take time as the firms are not ready to give bank guarantee for equipment and it is risky to send the equipment for repair due to Commerce Control Laws. The provision of Annual Maintenance Contract in case of direct import equipment is also limited to the availability of service centre of the Original Equipment Manufacturer in the country. The Committee do appreciate the impediments faced by DRDO in this regard, but they equally concerned about fall in performance of concerned laboratories due to delay in repair/upgradation of requisite equipment. The Committee desire that as far as repair/upgradation of indigenous equipment are concerned, Store Management Guidelines issued in 2004 be implemented and monitored so that laboratory performance is not affected, at least on this count.

[Sl. No. 7, Appendix II, Para 66 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

### **Action Taken**

The Stores Management Guidelines (SMG-2004) documents has been circulated to all DRDO Labs for implementation. However, in case of any abnormal under utilization of equipment due to delay in repair/servicing/upgradation etc., a report would be submitted by the Lab to HQ DRDO during the first quarter of next financial year for review purposes [Annexure-I para 12.1 (c) refers]

Signature of  
Chief Controller Research & Development (R),  
Defence Research and Development Organisation.

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

### **Recommendations/Observations of the Committee**

The Committee find that four equipments valued at Rs. 3.21 crore were lying unused/unservicable/surplus in two laboratories viz. DMRL and ITR. The Committee examined in detail two cases relating to procurement of Cryogenic Gas Charging Plant and Automatic Weather and Picture Transmission system.

[Sl. No. 8, Appendix II, Para 67 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

### **Action Taken**

Detailed reply given in paras 68 & 69.

Sd/-  
Signature of  
Chief controller Research & Development (R),  
Defence Research and Development Organisation.

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

### **Recommendations/Observations of the Committee**

The Cryogenic Gas Charging Plant which was purchased in 1992 by DMRL at a cost of Rs. 25 lakh for conversion of liquid argon into gas failed to generate the required purity of argon, even though the procurement was custom-designed. The equipment was lying unutilized till February, 2003 and was awaiting disposal, having been declared surplus. The Committee note that the performance of the plant was demonstrated at the firm's premises by using a substitute gas i.e. liquid nitrogen in lieu of liquid argon, which was stated to be not available. The DMRL scientists however accepted the performance status of plant. But what is intriguing to find is the fact that the plant subsequently failed to perform for several years due to non-availability of high purity Liquid argon. It is evident that DMRL scientist faltered in accepting the performance

demonstration of the plant with a substitute gas rather than with the liquid argon the required purity. Furthermore the Committee are extremely unhappy to note that the plant has been declared surplus later on and decision was taken to dispose of the same. Considering the highly unprofessional attitude of the DMRL scientists, as exhibited in the instant case, that led to idling of investment to the tune of R. 25 lakh, the Committee recommend that the matter be looked into by DRDO with a view to taking appropriate administrative action. The Committee should be apprised of the action taken in the matter within a period of three months.

[Sl. No. 9, Appendix II, Para 67 of Sixteenth Report of PAC (Fourteenth Lok Sabha)]

#### **Action Taken**

The matter was taken up with DMRL by this HQ and their reply is enclosed at Annexure III. It may be seen from the reply that Lab has assured that such situation will not reoccur in future.

The individual responsibilities cannot be fixed in this case as the National Scenario on availability of Argon Gas has changed.

Signature of  
Chief Controller Research & Development (R),  
Defence Research and Development Organisation.

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

*ANNEXURE-III*

Head  
Materials Management

No. DMRL/MMD/PAC  
Government of India, Ministry of Defence  
Research & Development Organisation  
DEFENCE METALLURGICAL RESEARCH  
LABORATORY  
PO: Kanchanbagh, Hyderabad-500 058  
PHONE: 040-2458 6421 FAX: 040-2434 3373

Date: 26-09-2005

To

The Director  
Directorate of Materials Management  
Defence Research & Development Organisation  
R&D HQrs., Sena Bhawan  
New Delhi 110 011 Fax No. 011-2301 4835

Attention: Col AK Dimri, Jt Dir (MM)

Sub: "Procurement of Plant and Machinery in DRDO"—AUDIT PARAS

Ref: FAX DMM/HQ DRDO Dt: 21-09-2005 from Col AK Dimri, Jt. Dir (MM)

Our reply to the observations in the PAC report is enclosed.

Sd/-  
(TSRK Sastry)  
26-9-05

Date: September, 26, 2005

Encl: As above

**Reply to observations in the PAC Report**

Sub: "Procurement of Plant and machinery in DRDO"—AUDIT PARAS

Ref: FAX dated 21-09-05 : DMM/DRDO from Col AK Dimri, Jt. Dir (MM)

During the nineties, DMRL could not get the required supplies of High Purity Argon gas for running its Hot Isostatic Press (HIP) facility because of an overall shortage of the gas. Difficulties associated with the transport of the gas cylinders from Bombay compounded the problems. Each run of HIP consumes at least 150 cubic metres of gas, approximately equivalent to 20 cylinders.

At this point of time, M/s Bhoruka Gases Ltd., offered to supply liquid argon that could be converted to argon gas. DMRL found this offer to be attractive and took a decision to procure a Cryogenic gas charging plant that would convert liquid argon

into argon gas. Another advantage in this offer is the ease with which liquid argon could be transported because of its smaller volume compared to argon gas.

The cryogenic gas charging plant in question was procured from M/s IBP Ltd. (a govt. of India Undertaking), Nasik at a cost of Rs. 25.0 lakhs. During acceptance tests at works liquid nitrogen was used in lieu of liquid argon because of the latter's non-availability. However this did not constitute any compromise or dilution of the testing protocol as both the substances are equally acceptable by virtue of the similarity in their properties.

Meanwhile, it was learnt that M/s Bhoruka Gases Ltd., had started producing Argon gas from liquid Argon and DMRL got the gas thus produced analysed from a reputed laboratory in Hyderabad. It was found that the quality of the gas was not suitable for HIP as the impurities could damage the sensitive molybdenum heating elements that would ultimately result in the breakdown of the entire system. If this gas had to be used, the only option before DMRL was to import a purifier plant at a cost of around Rs. 50.0 lakhs for treating the gas. Considering the prohibitive cost of the purifier, this option was not pursued further.

The equipment was lying idle, DMRL explored the possibilities of transferring the facility to register laboratories. There was no positive response to this effort and a decision was taken to treat this equipment as surplus and accordingly steps were taken to dispose it through established norms.

It is thus obvious that our intention was just to overcome the situation created by the scarcity of argon gas by finding an alternate route. Unfortunately, it did not materialize because of developments beyond our control. However, we would be careful to prevent recurrence of such situations in future.

Sd/-  
(TSRK Sastry), Sc" F"

Dt: September 26, 2005

20-9-05

#### **Recommendations/Observations of the Committee**

In the backdrop of the case involving procurement of Automatic Weather and Picture Transmission Systems, the Committee recommend that DRDO in future should refrain from dealing with such firms whose performance is found to be unsatisfactory and, in particular, those against whom DRDO has filed a case in any court of law including Consumer Forum. The Ministry should also consider blacklisting such firms. The Secretary DRDO in a written communication has assured the Committee that the firms, whose performance is found to be unsatisfactory, would be de-registered and would not receive invitation to bid in respect of either limited/open tenders. As regards blacklisting, it has been stated that DRDO presently follows the Government of India, Directorate General of Supply & disposal procedure. The Secretary, DRDO has also assured the Committee that DRDO does not and will not deal with any firm that has failed to deliver and against whom DRDO has filed a case in any court of law including

consumer forums. The Committee desire that the Ministry should stand committed to adhere to the assurance made in principle.

[Sl. No. 11, Appendix II, Para 70 of Sixteenth Report of PAC  
(Fourteenth Lok Sabha)]

**Action Taken**

The firm who have been deregistered/blacklisted by DRDO/MOD have been placed on DRDO intranet and internet (DRDO website). The list of the firm deregistered/banned is placed at Annexure-VI.

Signature of  
Chief Controller Research & Development (R)  
Defence Research and Development Organisation.

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

*ANNEXURE-IV*

DMM/PP/0000405/PC  
Govt. of India/Min. of Defence  
Dte. of Material Management  
'B' Wing, Sena Bhawan,  
New Delhi-110 011  
17 May, 2005

To

The Directors  
(All Labs/Estts. of DRDO)

**DE-REGISTRATION OF FIRMS**

It was mentioned in the assurances given by SA to RM to the honourable Chairman of PAC in respect of Audit para 5.1 of the C&AG report No. 6 of 2004 relating procurement and utilization of plant and equipment in DRDO that information will be provided about de-registered firms whose performance is found to be unsatisfactory. In the interest of sharing of information across all Labs and Transparency, the list of all deregistered/banned firms is enclosed as Appendix 'A'.

2. In view of above, necessary action may be taken at your end.

Sd/-  
(OM Dhawan)  
Dir (MM)  
For DG R&D

Encl: As Stated

ANNEXURE-IV (Contd.)

**APPENDIX 'A'**

A consolidated list of firms banned by Govt. of India, is as follows:

	Name of firm	Address	Period of ban	Ban applicable To Allied Firms/subsidiaries
(i)	M/s Anand Metal Works, New Delhi	C-143 Naraina Industrial Area Phase I New Delhi-28	10 years w.e.f. 29.1.2002	yes
(ii)	M/s Ambica Processing Ind. Calcutta-07	74, Jamunalal Bajaj Street Calcutta-07	10 years w.e.f. 30.1.2002	yes
(iii)	M/s Dawer Rubber Ind. Punjab-01	Verka, Amritsar Punjab-143001	10 years w.e.f. 30.1.2002	yes
(iv)	M/s Champion Pipe Ind. Bangalore	No. 167/2 Mariswamyapa Lane, SJP Road Cross, Bangalore-560002	10 years w.e.f. 29.01.2002	yes
(v)	M/s Grid India Power Cables Pvt. Ltd. New Delhi-58	A-2/121 Janak Puri New Delhi-58	10 years w.e.f. 08.02.2002	yes
(vi)	M/s Anilmaa Associates Delhi-95	B-17, Jhilmil Indl. Area, Shahadara, Delhi-95	05 years w.e.f. 29.01.2002	yes
(vii)	M/s Magnotronics, New Delhi-08	119-120 Gangan Deep 12, Rajindra Place New Delh-110008	10 years w.e.f. 29.01.2002	yes

2. Particulars of the firm de-registered by the DRDO Lab due to unethical business practice of the firm.

M/s Reliance Fire & Safety Equipments (P) Ltd.  
Plot No. 5, Syedjalal Garden,  
West Marredpally,  
Secunderabad—500002

*ANNEXURE-IV (Contd.)*

DMM/PP/0000404/M  
Govt. of India/Min. of Defence  
Dte. of Material Management  
'B' Wing, Sena Bhawan  
New Delhi- 110 011  
28 Feb. 2005

To

The Directors,  
(All Labs/Estts. of DRDO)

SUB: De-Registration of Firms: Assurances by SA to RM to PAC in respect of audit paragraph 5.1 of the C&AG report No. 6 of 2004 Relating to procurement and utilisation of Plant and Equipment in DRDO

One of the points figured in the assurances given by SA to RM to the honourable Chairman of PAC in respect of above referred audit para pertaining to providing information about de-registered firms whose performance is found to be unsatisfactory. In the interest of greater transparency and sharing of information across all Labs, DRDO proposes to place on its public website a list of all de-registered firms.

2. in view of above, it is desired that all Labs/Estts of DRDO should forward name(s) of any firm(s) which have been de-registered by any Labs/Estts by 11 March, 2005 to DMM so that a consolidated list could be put up on DRDO website by 18 Mar. 2005.

3. All Labs/Estts will also keep in view the assurance given by SA to RM that DRDO will not deal with any firm that has failed to deliver and against whom DRDO has filed a case in any court of law including consumer forums, while awarding contracts in future.

Sd/-  
(CM Dhawan)  
Dir(MM)  
For DG R&D

*ANNEXURE-IV (Contd.)*

DMM/PP/0000405/PC  
Govt. of India/Min. of Defence  
Dte. of Material Management  
'B' Wing, Sena Bhawan  
New Delhi- 110 011  
21 July 2005

To

The Director,  
DESIDOC  
Metcalf House, Delhi

Sub: De-Registration of Firms

It is desired by the Competent Authority that name of firms which have been banned by Govt. of India/De-registered by DRDO as given in appendix 'A' may be hosted on DRDO Website on Internet in the interest of sharing of information across all Labs and maintaining transparency.

2. This issue with the approval of CC R&D (R)

Sd/-  
(CM Dhawan)  
Director(MM)

*ANNEXURE-IV (Contd.)*

**APPENDIX 'A'**

List of the firm(s) banned by Govt. of India.

1. M/s Denel, South Africa
2. It has been decided with the approval of Secretary(DP) that no officer from the Ministry of Defence should give an appointment to M/s Optic Electronic Pvt. Ltd. (OPEL), Noida, manufacturers and exporters of defence Systems including Periscopic Observation Devices etc. until further notice as their activities are suspect and under investigation.
3. Particulars of firms de-registered by the DRDO Lab due to unethical business practice of the firm.
  - (a) M/s Reliance Fire & Safety Equipments (P) Ltd.  
Plot No. 5, Syedjalal Garden,  
West Marredpally  
Secunderabad-500002
  - (b) M/s Anika Instruments Pvt Ltd., New Delhi
  - (c) M/s HACE India Ltd.,  
B-505, Ansal Chamber  
Bhikaji Cama Place  
New Delhi

*ANNEXURE-IV (Contd.)*

CONFIDENTIAL  
NO.DMM/PP/0000205/M  
Govt of India/Min. of Defence  
Res. & Dev. Orgn.  
Dte. of Material Management  
'B' Wing, Sena Bhawan  
New Delhi- 110011  
Dated 05 Oct. 2005

The Director  
(All Labs/Estts)

Sub:— Ban on dealing with M/s Shogi Communications and Associated companies

MOD has advised to ban all dealing with the owner of M/S Shogi Communication Pvt. Ltd. and M/s Sidhi Tech Services Ltd. and M/s Secure Telecom Pvt. Ltd. Hence you are requested to cease any dealing with these companies.

Sd/-  
(CM Dhawan)  
Director (MM)  
For Dir. Gen. Res. & Development

**Recommendations/Observations of the Committee**

The Committee are constrained to point out that there were delay ranging from 3 to 12 years in disposal of surplus/obsolete machines costing about Rs. 4.71 crore in 3 laboratories namely CVRDE, DRDL and DMRL. The Committee have been given to understand that long delays occurred in disposal of surplus/obsolete equipment because the quoted price of the equipment were much lower than the assessed value of the equipment *i.e.* the Reserved Guiding Price (RGP) fixed by the designated Committee. According to the Ministry, if the highest bid is less than 50% of the RGP fixed there is no option except to re-float after refixing the RGP as per the present rules. The Committee do appreciate the problems faced by DRDO in this regard. In the face of the fact that equipment could not be sold even at reasonable price, the Committee desire the DRDO should work out a scheme, as suggested by Secretary DRDO, where technical institutions, engineering colleges and IIT institutions can take some of these equipment for imparting training. In the opinion of the Committee, this is judicious proposition for salvaging the best out of surplus/obsolete equipment rather than striving for disposing those at a throw-away price. The Committee recommend that the Ministry should come out with a policy to give effect to the proposal at the earliest.

[Sl. No. 12, Appendix II, Para 71 of Sixteenth Report of PAC  
(Fourteenth Lok Sabha)]

**Action Taken**

In order to prevent the Delay in disposal of surplus/obsolete eqpt./machines, the suggestions made by the Committee to dispose off some of the equipment to Engineering Colleges, IITs and other Academic Institutions, have been implemented by instructing all Labs *vide* this HQ letter No. DMM/PP/0000405/M dated 27 September 2005 (copy enclosed at annexure-V).

Sd/-  
Signature of  
Chief Controller Research & Development(R)  
Defence Research and Development Organisation

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

## ANNEXURE V

NO. DMM/PP/0000405/M  
Govt. of India  
Ministry of Defence  
Res. & Dev. Orgn.  
Dte. of Materials Management  
'B' Wing, Sena Bhawan  
New Delhi-110 011  
Dated 27 Sep. 2005

The Director,  
(All Labs/Estts)

Sub:— Action Taken on The Recommendations Contained in The 16th Report of PAC  
(14th Lok Sabha) on Procurement and Utilisation of Plant & EOPT in DRDO

In the report of PAC 'on procurement and utilization of plant and Eqpt. in DRDO, it has been pointed that there have been delays ranging from 3 to 12 years in disposal of surplus/obsolete machines in some of the labs. The Committee has felt that identification of surplus items and their disposal has to be made a regular and a time bound exercise to realize optimum sale value. However the Committee was made aware of the fact that long delay occurred in disposal of surplus/obsolete eqpt. because the quoted price of the eqpt. were lower than the assessed value of eqpt. *i.e.* Reserve Guiding Price (RGP) fixed by designated committee. If the highest bid is less than 50% of RGP there is no option except to refloat after refixing the RGP as per present rules. The Committee did appreciate the problem. The Committee has further desired that DRDO should work out a scheme for speedy disposal as suggested by secretary DRDO where Tech. Institution, Engineering college and IITs, can take some of these equipment for imparting training. This is a judicious proposition for salvaging the best out of surplus/obsolete eqpt. rather than striving for disposing these at a throw away prices.

2. In view of the above all Labs Directors attention is invited to the MOD letter No. 95665/DS/RD-29/26815/DS(R&D) dt. 07 June 1989, Wherein instructions are already existing *vide* letter under reference for gifting/issue of obsolete eqpt./machinery to universities and Govt. managed colleges/institutions. The letter under reference lays down the adoption of procedure to be followed with given terms and conditions. A copy of the letter is displayed on DRONA for necessary action and speedier disposal action. Hence all Labs are instructed to kindly take the immediate drive for disposal in terms of the above letter under reference. This should be done on a regular and time bound basis.

3. After having taken the above action, for left over eqpt. further disposal action may be taken as per instructions given by chapter 20 of Stores management guidelines 2004, wherein procedure and guidelines specified in MOD letter No. DP&RM/PO/8951/D/R&D dt. 02 March, 1993 refers.

4. In connection with disposal of obsolete stores please also refer to amendment in purchase management 2003, Issued *vide* MOD letter No. DMM/PP/0000203/M/2505/D/R&D dt. 20 July 05, *vide* which for progress of disposal of stores, an annual report is to be submitted by all Labs/estts. for review by this Hq.

Sd/-  
(C.M. Dhawan)  
Director (MM)

**Recommendations/Observations of the Committee**

The Committee note that Material Management Policy of DRDO envisages implementation of a computer based information system to ensure most effective research and development. The Committee have been informed that such a system will be in place by August, 2005. Since Ministry claimed that with the commissioning of information management system, the procurement system in DRDO and other allied arena would be streamlined, the Committee desire that efforts should be made to fructify the project within the stipulated period.

[SI. No. 13, Appendix II, Para 72 of Thirty-Ninth Report of PAC  
(Fourteen Lok Sabha)]

**Action Taken**

The implementation of a computer-based information system in Material Management (IMMS) has been completed in 20 Labs of DRDO. A copy of the implementation plan is enclosed at Annexure-VI.

As on date, it has been implemented in 24 Labs and in remaining 2 Labs implementation is under progress.

Signature of  
Chief Controller Research & Development (R)  
Defence Research and Development Organisation

[Ministry of Defence/Department of Defence Research and Development  
O.M. No. DBFA/FA/83640/M/01 dated 25th January, 2006]

DMM/PP/0000405/M/I  
अर्द्ध-शासकीय नं०:  
DO No.:  
भारत सरकार, रक्षा मंत्रालय  
Government of India, Ministry of Defence  
रक्षा अनुसंधान एवं विकास संगठन  
Defence Research & Development Organisation  
सामग्री प्रबंध निदेशालय  
Directorate of Materials Management  
कमरा नं० 237, 'बी' विंग, सेना भवन, नई दिल्ली-110011  
Room No. 237, 'B' Wing, Sena Bhavan, New Delhi-110011  
दूरभाष/Tele: 23014835  
फैक्स/ Fax: 23014835  
दिनांक/ Date 13 June, 2005

To  
The Director  
(All Labs/Estts)

Sub:— Implementation of Integrated Materials Management Software (IMMS) package  
in DRDO Labs/Estts

1. Reference this Hqrs. letter of Even No. dated 02 March, 2005.
2. As you are aware a Supply Order has been placed by this Hqrs on M/s Netcom Data Systems, Pune for implementation of IMMS in DRDO Labs/Estts. The Coordinator nominated from your Lab/Estt may liaise with M/s Netcom Data Systems for implementation of IMMS, therefore, required access in the Lab/Estt and necessary support may be provided for smooth implementation of IMMS.
3. The Installation and Training Plan for IMMS for Delhi, Bangalore and Hyderabad Zone is enclosed as Appendix 'A'.
4. Detailed Hardware has already been provided to your Lab/Estt and installation of Hardware & related system software packages would have been completed by M/s CMC as per terms and condition of S.O. as intimated by Director CS/DRDO Hqrs. *vide* letter No. DCS/PR/9008/01/003/04-05 dated 21st Feb. 2005.
5. IMMS software will be installed by M/s Netcom Data Systems as per enclosed schedule. Software will be customized Lab/Estt-wise. To accommodate the respective Lab/Estt. hierarchical structure, operational requirements and access to data as per the required level.
6. The other terms and conditions for implementation will be as per S.O. of even No. dated 10 June, 2005 (copy of this S.O. has been already forwarded to your Lab/Estts.)

7. In view of above, officer nominated by your Lab/Estt for coordinating implementation of IMMS may liaise with M/s Netcom Data Systems and provide necessary H/w and limited access to Lab/Estts premises as required.

8. In case of any difficulty this office may be informed.

Sd/-  
(C.M. Dhawan)  
Director (MM)

## IMMS

## Installation and Training Plan

**1. Delhi Zone:**

Sl. No.	Period	Labs	Lab Names
1.	13th June 2005 23rd July 2005	2	SSPL-Delhi DIPAS-Delhi
2.	25th July 2005 10th September 2005	3	LASTEC-Delhi INMAS-Delhi TBRL-Chd
3.	12th September 2005 26th October 2005	3	SASE-Chd DEAL-Dehr DMSRDE-Kan
4.	28th October 2005 10th December 2005	3	DLJ-Jodh IRDE-Dehr DRDE-Gwal

**2. Bangalore Zone:**

Sl. No.	Period	Labs	Lab Names
1.	20th June 2005 31st July 2005	2	LRDE-Blr CABS-Blr.
2.	1st August 2005 15th September 2005	2	CAIR-Blr DARE-Blr
3.	15th September 2005 29th October 2005	2	ADE-Blr MTRDC-Blr
4.	1st November 2005 15th December 2005	1	NPOL-Cochin

**3. Hyderabad Zone:**

Sl. No.	Period	Labs	Lab Names
1.	11th July 2005 15th August 2005	2	ITR-Balasore PXE-Balasore
2.	17th August 2005 30th September 2005	2	NSTL-Vizag PO(M)-Hyd
3.	03rd October 2005 13th November 2005	2	ASL-Hyd ANURAG-Hyd
4.	15th November 2005 30th December 2005	2	DMRL-Hyd DLRL-Hyd

### **Recommendations/Observations of the Committee**

To sum up, since a substantial portion of the DRDO budget is spent on purchase of materials, a fool-proof procurement planning and effective utilization of plant and equipment needs to be ensured at laboratories/establishments level to derive maximum value for money. Since availability of equipment is critical for the completion of projects, this would also ensure timely completion of projects within the projected costs. The Committee feel that identification of surplus item and their disposal has to be made a regular and time-bound exercise to realize optimum sale value. Moreover, machines remaining idle for want of repairs need to be renewed on a regular basis and immediate action taken for their early repairs. Further, creation of a central data base of prospective suppliers that is accessible to all the laboratories/establishments needs to be made a prioritized task for avoiding delays in location of reliable supplies. The role of DRDO as a progressively evolving organization rendering invaluable service for achievement of self-reliance in the Defence sector, has always been applauded by the Committee. With the present global scenario and prevailing security situation, the role of DRDO assumes greater importance. The Parliament is generous in granting huge sums of money for Research & Development activities. At the same time it expects that value for tax-payers money is achieved and accountability to expenditure is ensured. The Committee, therefore, urge upon DRDO to look into the observations and recommendations made in this report in the right perspective.

[Sl.No. 14, Appendix II, Para 73 of Sixteenth Report of PAC  
(Fourteenth Lok Sabha)]

### **Action Taken**

As indicated in the preceeding paras all steps would be taken in right perspective by DRDO to ensure that procurement planning and utilisation of plant and equipment are fool-proof and effective respectively. Besides, it would also be ensured that identification of surplus items and their disposal is made a regular and time-bound exercise to realize optimum sale value.

Sd/-

Signature of

Chief Controller Research & Development (R)  
Defence Research and Development Organisation

[Ministry of Defence/Department of Defence Research and Development  
O.M.No. DBFA/FA/83640/M/01 dated 25th January, 2006]

### **CHAPTER III**

OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT  
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM  
GOVERNMENT

-Nil-

## CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES  
OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE  
AND WHICH REQUIRE REITERATION

-Nil-

## CHAPTER V

### OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

#### Recommendation

In the other case, Integrated Test Range (ITR) procured two systems viz Automatic Weather System and Automatic Picture Transmission System at a cost of Rs. 34.16 lakh from a private firm in June 1988 and February, 1989 respectively which remained idle because the firm failed to install the system. The Committee note that the matter was taken up by ITR with the National Consumer Forum, which gave the verdict in favour of the laboratory in October 2002 and directed the supplier to supply new system of latest specification by April 2003. The firm however did not supply the equipment despite the verdict by the National Consumer Forum. The matter was subsequently followed up with the firm and when the firm failed to install the equipment, legal action was initiated by ITR. The Committee desire that the matter should be vigorously pursued for expeditious installation of the equipment or realizing adequate compensation for the same.

[Sl. No. 10, Appendix II, Para 69 of Sixteenth Report of PAC  
Fourteenth (Lok Sabha)]

#### Action Taken

The matter is continuously being pursued and the status is as under:

- (a) Contempt of the court has already been filed against M/s Hace India Ltd. Delhi erstwhile M/s Anika Instruments (P) Ltd, New Delhi on 04 Oct. 2005 in National Consumer disputes Redressal Commission New Delhi.
- (b) Hearing of the contempt of the court is being scheduled on 07 Nov. 05 as intimated by Lab's Advocate Shri S. S. Sabarwal. As on date Advocate had attended the hearing on 07 Nov., 2005. The decision of the court was to submit the details of correspondence made with the firm *w.e.f.* the date of issuance of court order dated 21 Oct.' 02 within a period of 15 days. The detailed correspondence was submitted before the court on 05 Dec. 05. Next hearing date is on 02 Feb., 2006.

Sd/-

Signature of

Chief Controller Research & Development (R)  
Defence Research and Development Organisation

[Ministry of Defence/Department of Defence Research and Development  
O.M.No. DBFA/FA/83640/M/01 date 25th January, 2006]

NEW DELHI;  
15 February, 2007  
26 Magha, 1928 (Saka)

PROF. VIJAY KUMAR MALHOTRA,  
*Chairman,*  
*Public Accounts Committee.*



- (ii) Draft Report on Action taken on the recommendations contained in the 16th Report of PAC (14th Lok Sabha) relating to "Procurement and Utilisation of Plant and Equipment in DRDO".

The Committee authorised the Chairman to finalise these Reports in the light of verbal and consequential changes arising out of factual verification by Audit or otherwise and to present the same to Parliament.

3.	***	***	***	***
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	***	***	***	***
	***	***	***	***
	***	***	***	***

4. A copy of the verbatim proceedings of the sitting has been kept on record.

*The Committee then adjourned.*

## APPENDIX

### STATEMENT OF OBSERVATIONS AND RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Observations/Recommendations
1	2	3	4
1.	6	Defence (Department of Defence Research and Development)	The Committee while expressing their satisfaction over the measures taken by the Ministry for ensuring timely procurement of requisite equipment and its utilization for the intended purpose by the various Labs/establishments of DRDO, recommend that the progress made in regard to submission of Annual Action Plan for procurement, installation and Commissioning of equipment/Machinery by various laboratories/establishments and the review conducted of these Annual Action Plan (AAP) by the Defence Research Development Organization (DRDO) may be apprised to them. The Committee would also like to be apprised of the progress made in implementation of Integrated Material Management Software (IMMS) software and the benefits accrued therefrom in cutting down the time for procurement and installation of equipment/Machinery.
2.	9	-do-	The Committee note from the reply furnished by the Ministry that in 75 per cent of the cases where limited tendering was resorted to by DRDO on an urgency basis, the average time taken for placing the supply orders has not been mentioned. Further, in 25 per cent of these cases, the reasons for limited tendering were not given. The Committee desire that the full details such as reasons for resorting to limited tendering and the average time taken for placing orders after raising of the demand and actual time taken in delivery of stores from the date of placement of supply orders in respect of each of the case may be furnished. While expressing satisfaction over the steps taken by the Ministry for streamlining the procedure relating to procurement of stores on urgency basis, the Committee expect that DRDO should strictly monitor the cases where limited tendering is resorted to by the laboratories/establishments on an urgency basis. It should also be ensured that such cases are kept to the barest

1	2	3	4
			<p>minimum possible. The Committee would also like to be apprised of the progress made by the laboratories/establishments in this regard and the number of cases where limited tendering was resorted to on grounds of urgency after issue of the revised guidelines/instructions.</p>
3.	12	Defence (Department of Defence Research and Development)	<p>From the Reply furnished by the Ministry, the Committee note that out of nine reasons that have been advanced by the respective laboratories/establishments for waiver of liquidation damages from the suppliers in 35 cases involving Rs. 67.12 lakh, four reasons namely delay on account of approval of drawings, chemical analysis of material, pre-dispatch inspection and inspection by Labs were stated to be on account of lapses by the concerned Labs/establishments and could not be attributable to the suppliers. The Committee recommend that these reasons should be critically reviewed by DRDO and the outcome of the such review along with corrective measures taken to prevent recurrence of such instances should be apprised to them. They would also like to be apprised of the instructions issued by the DRDO to Labs for prescribing the time limit/frame for development activities that were required to be undertaken by them so that the</p>