

**GOVERNMENT OF INDIA  
DEFENCE  
LOK SABHA**

UNSTARRED QUESTION NO:3061

ANSWERED ON:10.02.2014

DEFENCE DEALS

Bais Shri Ramesh;Chavan Shri Harischandra Deoram;Mala Rajya Laxmi Smt. Shah;Manjhi Shri Hari;Shekhar Shri Neeraj;Singh Shri Yashvir

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

- (a) whether the new defence procurement policy provides for blacklisting of companies for irregularities committed in defence deals;
- (b) if so, the details thereof including the number of companies blacklisted during the last three years and the current year;
- (c) whether the Government proposes to cancel certain defence deals including the deals for purchase of VVIP helicopters and 197 light utility helicopters and if so, the details thereof including the losses incurred by the Government as a result thereof;
- (d) whether the Government proposes to encash the amount of bank guarantees deposited in Italy and India; and
- (e) if so, the details thereof including the amount of bank guarantees encashed and the steps taken by the Government to ensure transparency in the defence deals?

**Answer**

MINISTER OF DEFENCE (SHRI A.K. ANTONY)

(a) & (b): The Defence Procurement Procedure 2013 for Capital Procurement contains provisions, inter-alia, regarding debarring of companies from entering into any supply contract with the Government of India on account of irregularities relating to engagement of Agents / Agency Commission, breach of provisions contained in the Pre-Contract Integrity Pact.

The number of companies which have been debarred from dealing with the Ministry of Defence during the last three years and the current year is as follows:

Year	Number of Companies Debarred
2011	Nil
2012	06
2013	Nil
2014	Nil

In 2013, the debarring order was extended to all the allied / subsidiary firms of each of the 06 debarred firms.

(c) The contract for the supply of 12 VVIP / VIP helicopters signed with M/s Agusta Westland International Limited (AWIL) on 8th February, 2010 has been terminated by the Government of India with effect from 1st January, 2014 on grounds of breach of the provisions of the Pre-contract Integrity Pact and breach of the terms of the contract by M/s AWIL.

Regarding the procurement of 197 Reconnaissance and Surveillance Helicopters (RSH), CBI has filed a case. However, at this stage, there is no proposal under consideration regarding cancellation of this procurement case.

(d) & (e): Subsequent to the termination of the contract for supply of 12 VVIP / VIP Helicopters signed with M/s AWIL, two Bank Guarantees amounting to Rs.240 crores approx. have been encashed. Demand was made on Deutsche Bank, Milan for encashment of advance bank guarantees and performance bond. However, the seller has obtained ad interim stay from the Ordinary Tribunal of Milan, Italy against this.

All capital procurements are undertaken as per prescribed Defence Procurement procedure (DPP). The DPP ensures conformity to the highest standards of transparency, probity and public accountability.