




# COLLUSION IN PROCUREMENT

# Ordnance Factories

- Manufacturing Organization but governed by Government Rules;
- Huge Procurement but no separate procurement Organization;
- Collegiate decision making – no individual accountability;
- All rules made to stop collusion have been frustrated.

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- Rule based procedures, not principle based
  - No internal control mechanism
  - No internal review of procurement decisions
  - Distortion due to over emphasis on L1
  - Internal Price Discovery process completely absent
  - No risk assessment ever done

# V. K. BROTHERS

VKB

105/696, Chamanganj,  
Bhannana Purwa,  
Kanpur - 208 003  
Phone : 0512-2546449

TO,  
The General Manager,  
Ordnance Parachute Factory,  
KANPUR - 208 004.

12/3/06  
8/9  
23/3

SUB.: T/E No.20050749/PROV DUE ON 23.03.2006 FOR SUPPLY  
OF UNIVERSAL MEMBER .

Dear Sir,

We have the pleasure to participate against your subject  
tender enquiry with our lowest rate , terms and conditions as  
under :-

ITEM NO.	Description of Stores	QTY	RATE
01.	UNIVERSAL MEMBER CONFIRMING TO TENDER SPECIFICATION.	29275 NOS.	RS. 158.49 = PER NO.

one hundred  
Fifty Eight  
Dante.

### TERMS & CONDITIONS

1. TERMS OF DELIVERY : FREE DELIVERY TO O.P.F. KANPUR.
2. DATE OF DELIVERY : Commencement within 15 days &  
Completion by 03 months from  
the date of receipt of firm and final  
Order complete in all respects.

Cont...2

For V. K. BROTHERS

*[Signature]*  
Proprietor

MANUFACTURERS & EXPORTER OF

Cotton Tape, Niwar, Belts, Ropes, Webbing, Wet Equipment, Tents, All Types of Bags, Dosuite Sheeting,  
Fabric Cotton, Razal, Coat Combat, All Type of Uniform, Leather Items etc.

# A. V. R. ENTERPRISES

(An ISO certified company)

Approved Govt. Contractors, Suppliers & Exporter of all types of textile items

Date: 21/3/06



TO,  
The General Manager,  
Ordnance Parachute Factory,  
KANPUR - 208 004.

SUB.: T/E No.20050749/PROV DUE ON 23.03.2006 FOR SUPPLY  
OF UNIVERSAL MEMBER .

Dear Sir,

We have the pleasure to participate against your subject tender enquiry with our lowest rate , terms and conditions as under :-

ITEM NO.	Description of Stores	QTY	RATE
01.	UNIVERSAL MEMBER CONFIRMING TO TENDER SPECIFICATION.	29275 NOS.	@ RS. 150.00/- PER NO.

*(Handwritten note in a circle):*  
Cvt. K. and Jee  
A. V. R. Enterprises  
ap

### TERMS & CONDITIONS

1. TERMS OF DELIVERY : FREE DELIVERY TO O.P.F. KANPUR.
2. DATE OF DELIVERY : Commencement within 15 days & Completion by 03 months from the date of receipt of firm and final Order complete in all respects.

*(Handwritten notes):*  
4  
1/4  
8/9/33

Cont...2

For A.V.R. Enterprises

Partner

Visit at : [www.standardgroupofcompanies.com](http://www.standardgroupofcompanies.com) • E-mail : [Contact@standardgroupofcompanies.com](mailto:Contact@standardgroupofcompanies.com)  
Factory & Administrative Off. : D-23, Panki Industrial Estate, Site No.1, Kanpur-208 022, U.P. (INDIA)  
Phone : (H.O.) : 2692397, 2691070, Fax : 0512-2692497, Gram : TEX-HOUSE

# STANDARD NIWAR MILLS

(An ISO certified company)

Approved Govt. Contractors, Suppliers & Exporter of all types of Textile items



Date : 28/3/06

TO,  
The General Manager,  
Ordnance Parachute Factory,  
KANPUR - 208 004.

SUB.: T/E No.20050749/PROV DUE ON 23.03.2006 FOR SUPPLY  
OF UNIVERSAL MEMBER .

Dear Sir,

We have the pleasure to participate against your subject tender enquiry with our lowest rate , terms and conditions as under :-

ITEM NO.	Description of Stores	QTY	RATE
01.	UNIVERSAL MEMBER CONFIRMING TO TENDER SPECIFICATION.	29275 NOS.	@ RS. 156.71 = PER NO. <i>cre k un dnd Rje SA Renta</i>

### TERMS & CONDITIONS

1. TERMS OF DELIVERY : FREE DELIVERY TO O.P.F. KANPUR.
2. DATE OF DELIVERY : Commencement within 21 days & Completion by 03 months from the date of receipt of firm and final Order complete in all respects.

For STANDARD NIWAR MILLS

Cont...2

Visit at : [www.standardgroupofcompanies.com](http://www.standardgroupofcompanies.com) • E-mail : [Contact@standardgroupofcompanies.com](mailto:Contact@standardgroupofcompanies.com)  
Regd. Off. & Factory : D-24, Panki Industrial Estate, Site No.1, Kanpur - 208 022, U.P. (INDIA)  
Phone : (H.O.) : 2691152, 2691070, 2546449. Fax : 0512-2692497. Gram : NEWAR-HOUSE

One factory sent fax messages on 21 April 2009 to Mukesh Industries and KEW Industries at the same fax number giving counter offer to both the firms. Both the companies replied from the same fax number on 26 April 2009 at 2235 and 2237 hrs. The ordered quantity was distributed among three firms including these two.

In one factory, two firms got themselves registered. The firm Precision Engineering was owned Shri Anil Kumar Agarwal whose residence was 30 Ayodhya Enclave, Cheshire Home Road Ranchi. The owner of other firm Alcast was Shri Sashi Kant Agarwal, who also indicated the same address. They shared the same mobile number, fax number and telephone number. Both of them were given supply orders and the factory corresponded with the firm from the same fax number without raising any issue of collusion between the firms.



In another case, in the same factory, two Kolkata based companies having different addresses corresponded from the same fax number. Asha Industries having address at Tarpan Ghat Road, Kolkata and Tirupati Industries at Ram Saran Poddar Lane, Kolkata despatched their tenders through Speed Post on the same day at the same time at the same post office. The tender of Tirupati Industries was posted from Kolkata GPO on 12 January 2007 at 1907 hrs with a serial number EE 50714823. The tender of Asha Industries was despatched from the same post office on the same date at 1907 hrs with a serial number E 50714824. Both the companies again posted tenders against a later tender enquiry from the same post office on the same date at the same time with consecutive serial numbers. On both the occasions, supply orders were placed on both the companies without examining the possibility of collusion.

In one factory, against a tender enquiry for manufacture and supply of Frame side member Drilled RH along with Frame Filtch RH for Stallion vehicle, two firms namely Simplex Metallica and Simplex Auto Industries responded. From 2004 onwards, one or the other of these two firms had been awarded the contract. Audit scrutiny indicated that both these firms are located at the same address. Their telephone numbers and fax numbers were the same. In one of tender opening meeting on 13 January 2009, the same individual represented both the firms. By this, potential single tender situation was avoided.

Ordnance Factory Kanpur issued a two bid global tender enquiry for procurement of 2 Light Duty Splitting Machines in January 2007. Only two firms - Anurag Trading Co. Kanpur and Panna Marketing (P) Ltd. Kanpur responded. Both of them had identical telephone numbers, fax numbers. The e-mail address of Anurag was [shyam\\_meh@rediffmail.com](mailto:shyam_meh@rediffmail.com) and that of Panna was [shyammeh@rediffmail.com](mailto:shyammeh@rediffmail.com). Their addresses were different. Apart from the fact that the factory corresponded with both the firms at the same fax number, it did not enquire as how the same land line telephone number could be installed in two different premises. This however, enabled the factory to avoid a potential single tender situation.

**During audit at least 108 cases were seen in different factories, where firms from different cities have uncannily quoted the same price for same item. All were through limited tender channel. As an example in Ordnance Factory Khamaria, five firms from Mumbai, Delhi, Pune, Gurgaon and NOIDA quoted exactly the price of Rs 398 per item for ball insert. Supply order was placed on all firms.**

Year	Name of Ord. Factory	Name of Firm	Rate	Qty (Nos.)	Total Value (Rs. In lakh)
2005-06	AFK	Sheth & Co.	13.15	283200	4.50
		Vee Kay Enterprises	13.15	283200	4.50
		Sai Industries, Pune	13.15	283200	4.50
		Shree Polymers	13.15	283200	4.50
		Mac. Polymers	13.15	283200	4.50
	OFDR	Sheth & Co.	15.90	52850	8.40
		Vee Kay Enterprises	15.90	52850	8.40
		Sai Industries, Pune	15.90	52850	8.40
		Shree Polymers	15.90	52850	8.40
		Miltech Industries Pvt. Ltd.	15.90	52850	8.40
	OFCH	Nityanand Udyog Pvt. Ltd.	15.90	52850	8.40
		Sheth & Co.	14.57	97500	14.27
Vee Kay Enterprises		14.57	97500	14.27	
2006-07	AFK	Shree Polymers	15.90	294775	46.87
		Sai Enterprises	16.55	637317	105.47
		Sai Industries Pune	16.55	355798	58.88
	OFDR	Sheth & Co.	16.55	481285	79.65
		Sai Industries Pune	16.55	281520	46.59
		Nityanand Udyog	16.55	671646	111.15
		Miltech Industries	16.55	646646	107.02
		Sheth & Co.	16.55	195040	32.27
		Vee Kay Enterprises	16.55	796646	131.84
		2007-08	AFK	-	-
OFDR	-	-	-		
OFCH	Sai Industries	6.24	1067512	66.61	
	Shree Polymers	6.24	640507	39.97	
	Sai Enterprises	6.24	427004	26.64	
	2008-09	AFK	Shree Polymers	6.24	203000
OFDR	Sai Industries	6.24	140086	8.74	
	Sai Enterprises	6.24	420261	26.22	
	Narendra Explosive Ltd.	6.24	70380	4.39	
	OFCH	Sai Trading	14.75	530538	77.30
2009-10	OF CH	Sai Industries	9.50	404111	38.39
		Shree polymer	9.50	342466	33.03
		Sai Enterprises	9.50	161644	15.36

Ordnance Factory Khamaria issued an OTE for 8577 sets of 'Time & Impact Fuze 447' to develop more sources. The response to the OTE ranged from Rs.0.07 (7 paise) to Rs. 3700.00. Two companies namely Hyderabad Precision Co and Mech Components Ltd, both located in Hyderabad, quoted 7 paise only. Both these companies were otherwise established suppliers. The last purchase rate of the item was Rs. 4401.90 per set, and the lowest offer of Rs 0.07 per set was obviously "freak". Despite this the factory placed supply order for the item on these two firms for 4289 sets and 4288 respectively at an absurd price of 7 paise. No supply of the item has been received from either of the firms. Incidentally, both the companies shared the same fax number for another tender enquiry in Ammunition Factory, Kirkee.

**Variation between ALMR and RR**  
(ALMR, RR and Accepted Rate are in Rupees)

Year	Station	Item	Unit	ALMR	RR	Accepted Rate
2005-06	Ambala	Fowl Dsd	Kg	70.42	41.55	41.28
2005-06		Fowl Dsd	Kg	75.83	46.20	46.60
2005-06	Chandimandir	Meat Dsd	Kg	112.00	65.80	65.20
2005-06		Meat Dsd	Kg	127.92	68.75	67.25
2005-06	BD Bari	Veg Fresh	100 Kg	1320	591.22	610
2006-07	Chandimandir	Meat Dsd	Kg	110.00	68.50	61.75
2006-07	Chandimandir	MOH	Kg	40.00	24.00	10.00
2006-07	BD Bari	Meat Dsd	Kg	101.11	75.00	78.00
2006-07	Udhampur	Broiler Dsd	Kg	100	59	58.25
2006-07	Aknoor	Veg Fresh	100 Kg	881.23	490.35	456.00
2007-08	Kolkata	Meat on Hoof	Kg	55.00	25.00	30.00
2007-08		Meat Dsd	Kg	129.33	73.00	73.00
2007-08	BD Bari	Fruit Fresh	100Kg	3661.9	1639.45	1700
2007-08	Hasimara	Meat Dsd	Kg	141.96	95.00	89.11

## ACCEPTANCE OF TENDER NOTE

SCHEDULE

CONTRACT FOR SUPPLY OF VEGETABLE FRESH AT ASC SRINAGAR FOR THE PERIOD FROM 01 APR 2007 TO 31 MAR 08 (BOTH DAYS INCLUSIVE) BASED ON SUBMISSION OF IAFS-1520 ON FORTNIGHTLY PAYMENT BASIS

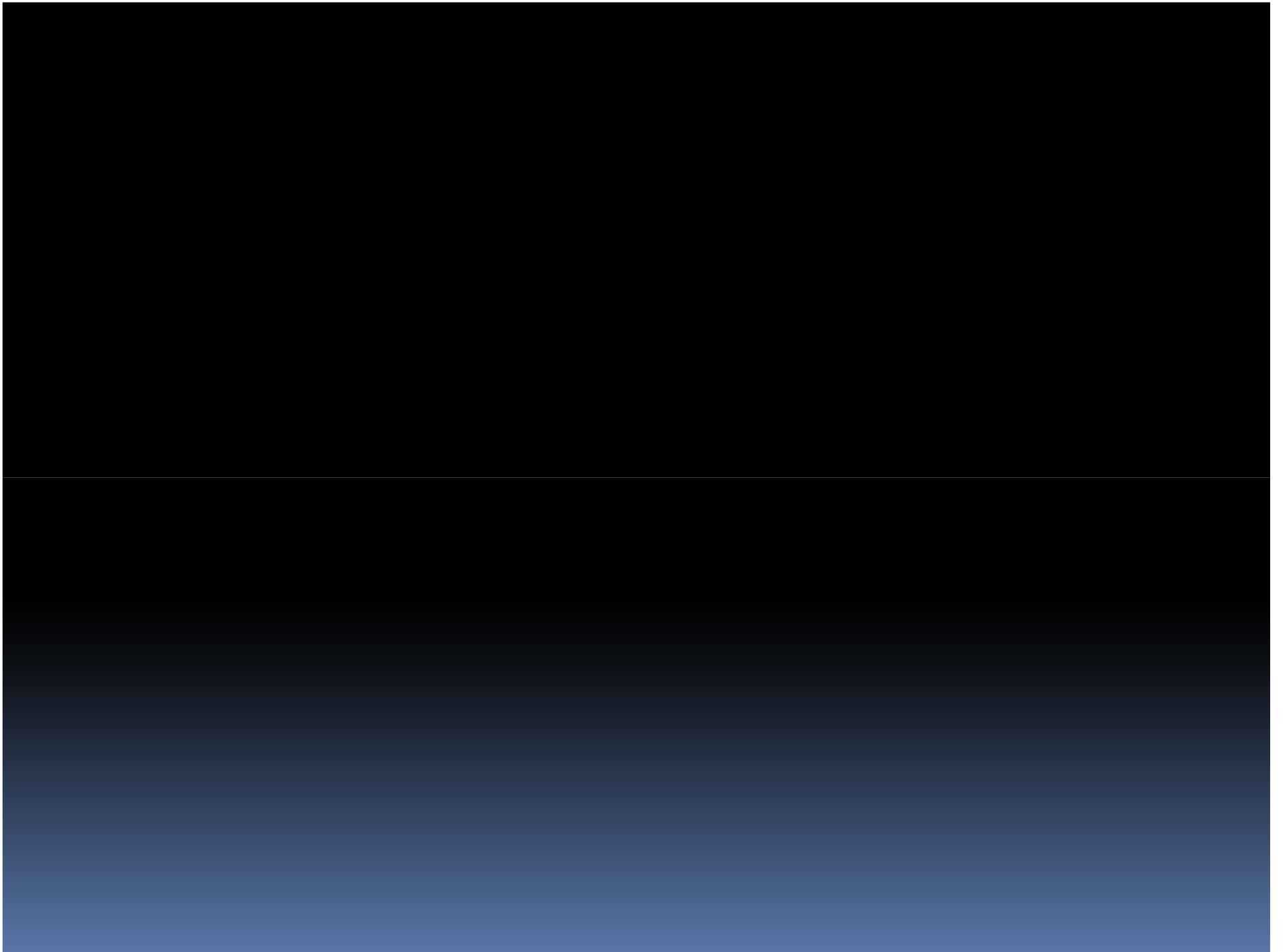
Ser No	Articles/Service to be supplied	Rate in figures per 100 Kgs		Rate in words (per 100 Kgs)	Approximate Scheduled Quantity in Kgs
		Rs.	P.		


RATES TENDERED FOR DELIVERY AT FSD SRINAGAR

1	Brinjal	646.90		(Rupees six hundred forty six and paise ninety only)	46875.000
2	Cauliflower	646.90		(Rupees six hundred forty six and paise ninety only)	96875.000
3	Lady finger	646.90		(Rupees six hundred forty six and paise ninety only)	9375.000
4	Peas Green	646.90		(Rupees six hundred forty six and paise ninety only)	38750.000
5	Pumpkin	646.90		(Rupees six hundred forty six and paise ninety only)	50625.000
6	Beans French	646.90		(Rupees six hundred forty six and paise ninety only)	21250.000
7	Beans Cluster	646.90		(Rupees six hundred forty six and paise ninety only)	14375.000
8	Arvi	646.90		(Rupees six hundred forty six and paise ninety only)	3750.000
9	Cucumber	646.90		(Rupees six hundred forty six and paise ninety only)	8750.000
10	Carrot Country	646.90		(Rupees six hundred forty six and paise ninety only)	38750.000
11	Cabbage	646.90		(Rupees six hundred forty six and paise ninety only)	63750.000
12	Spinach Country	646.90		(Rupees six hundred forty six and paise ninety only)	28125.000
13	Methi	646.90		(Rupees six hundred forty six and paise ninety only)	9375.000
14	Tomato Ripe	646.90		(Rupees six hundred forty six and paise ninety only)	39375.000
15	Knol Khol	646.90		(Rupees six hundred forty six and paise ninety only)	20625.000
16	Bitter Gourd	646.90		(Rupees six hundred forty six and paise ninety only)	1875.000
17	Karam Sag	646.90		(Rupees six hundred forty six and paise ninety only)	63437.500
18	Chillies Green	646.90		(Rupees six hundred forty six and paise ninety only)	9687.500
19	Ginger Green	646.90		(Rupees six hundred forty six and paise ninety only)	4375.000
20	Corriender Green	646.90		(Rupees six hundred forty six and paise ninety only)	4375.000
21	Mint Green	646.90		(Rupees six hundred forty six and paise ninety only)	1562.500
22	Coconut Whole	646.90		(Rupees six hundred forty six and paise ninety only)	5937.500
23	Lime Sour (Kagzi)	646.90		(Rupees six hundred forty six and paise ninety only)	4687.500
24	Turnips	646.90		(Rupees six hundred forty six and paise ninety only)	40937.500
25	Raddish Country	646.90		(Rupees six hundred forty six and paise ninety only)	52187.500
26	Bottle Gourd	646.90		(Rupees six hundred forty six and paise ninety only)	41250.000
27	Capsicum	646.90		(Rupees six hundred forty six and paise ninety only)	10000.000
28	Chappan Kaddu	646.90		(Rupees six hundred forty six and paise ninety only)	3125.000
29	Tomato Green	646.90		(Rupees six hundred forty six and paise ninety only)	15937.500

(Total items twenty nine only)





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- Many officers had no training in procurement procedures;
  - Most of them thought that as long as they select L1, they are following the correct procedures;
  - Internal Audit was almost absent and was anyway working under the executive
  - In some areas, contractors were functioning as Mafia and it was not easy for any individual officer to take a stand.