



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2014-2016)**

FORTY SECOND REPORT
(Presented on 30th June, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

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(2014-2016)**

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on

**The Action Taken by Government on the Recommendations contained in the
Eighty First Report of the Committee on Public Undertakings (2008-11)
relating to Travancore Sugars and Chemicals Limited based on the
Report of the Comptroller and Auditor General of India for the
year ended 31st March, 2005 (Commercial)**

1092/2014.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2014-2016)

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Smt. Lima Francis, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Forty Second Report on the action taken by Government on the recommendations contained in the Eighty First Report of the Committee on Public Undertakings (2008-11) on the working of the Travancore Sugars and Chemicals Limited based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Commercial).

The statement of action taken by the Government included in this Report were considered by the Committee constituted for the year (2011-14).

This Report was considered and approved by the Committee at the meeting held on 23-4-2014.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala, in the examination of the statements included in this Report.

Thiruvananthapuram,
30th June, 2014.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.

REPORT

The Report deals with the action taken by Government on the recommendations contained in the Eighty First Report of Committee on Public Undertakings (2008-11). The Eighty First Report relating to Travancore Sugars and Chemicals Limited is based on the report of the Comptroller and Auditor General of India for the year ended 31st March, 2005 (Commercial) which was laid on the table of the House on 13-2-2006.

The Report contained three recommendations. The Government have furnished reply to these recommendations. The Committee (2011-14) considered the replies received from the Government at its meeting held on 10-10-2012.

The replies to the recommendations No.1(5), 2(6), 3(7) were accepted by the Committee with remarks. These recommendations, their replies and the remarks of the Committee form Chapter I of the Report.

CHAPTER I

REPLIES FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH
HAVE BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Recommendations/Conclusions</i>	<i>Action Taken by the Government</i>
(1)	(2)	(3)	(4)	(5)
1, 2, 3	5, 6, 7	Tax	The Committee finds that the Company awarded the contract for purchasing ENA to M & M and then cancelled the order to reconsider the offer of Anjana Traders at a rate higher than the rate offered by them initially. The Committee notices that in the first tenders the Company had seen the rate quoted by all participants before rejecting the lowest rate offered by Anjana Traders for want of EMD. The Committee finds that the tender system adopted by the Company enabled Anjana Traders to quote a higher rate below the rates quoted by others. Therefore the Committee recommends to adopt the right system of purchase and to refine its tender system in such a way that it stipulate submission of	The Travancore Sugars and Chemicals Limited had invited tenders for the supply of 10 lakhs bulk litres of Extra Neutral Alcohol for the period from 1-5-2004 to 30-4-2005 and the last date for the submission of the tender was fixed as 15-4-2004. As per Clause 18 of the tender documents, it was stipulated that the tenderer is required to furnish an EMD of ` 2 lakh along with the tender by way of D.D. Further as per Clause 21 it was required that the tenderer should furnish credentials to substantiate their previous experience, reputation and income tax clearance certificate along with the tender.

EMD and tender documents in separate covers so that instances like this could be avoided in future.

The Committee views that unnecessary splitting up of the initial tender for 1000000 litres to 500000 litres was economically unviable. The contention that the Board of Directors of the Company had taken this decision to ensure more participation in tender doesn't stand valid as the Company had to place further orders at enhanced rates thereby incurring avoidable expenditure. After awarding contract to M & M at ₹ 34.70/BL, the Board's decision to cancel the same and to retender was to enjoy the lower rate of ₹ 30.50/BL at which Anjana Traders again expressed willingness to supply ENA. However on retender Anjana Traders quoted ₹ 34.25/BL and the actual advantage expected on retender couldn't be enjoyed. The Committee wants to get justification for the rejection of the initial quote from Anjana Traders for want of EMD,

As per the tender notification, company received four tenders and the lowest rate offered was ₹ 30.50 per bulk litre and that was quoted by M/s Anjana Traders and Agencies. It was observed that M/s Anjana Traders and Agencies had not furnished the required EMD of ₹ 2 lakh and also the documents as stipulated in the tender notice. In the format of the tender form, regarding EMD details M/s Anjana Traders and Agencies stated that "may be transferred from molasses transport contract". Since the rate quoted by M/s Anjana Traders was the lowest the company verified their accounts and found that an amount of ₹ 51,730 was due to M/s Anjana Traders towards transportation of molasses and the company had not given any confirmation to M/s Anjana Traders and Agencies regarding the release of the said amount at that time. Before giving the tender also Anjana Traders had neither confirmed the amount due to

(1)	(2)	(3)	(4)	(5)
			<p>in spite of their request to adjust the amount due from the Company to them as EMD and later, on retender, accepting the same dues as EMD. The initial rejection and subsequent acceptance of dues as EMD, on retender, landed up in payment of increased price.</p>	<p>them from the company nor had given any application to transfer any such amount as EMD for their tender as per the practice. Moreover, when the company contacted M/s Anjana Traders and Agencies over telephone as to whether they can remit the EMD amount by D.D. within 3 days, they expressed their inability and informed that as price of ENA was shooting up day by day, they were not interested to take up the contract and hence they had not enclosed the EMD. In this connection as per Clause No. 31(a)(ii) of Store Purchase Manual of Government of Kerala, the tender is to be rejected when the tender is not accompanied by the requisite Earnest Money. In these circumstances, the Board decided to reject their tender as per Clause 18 of the tender conditions. The Board further decided to award the tender to M/s Michael & Michael on 30-4-2004. Later, after about 20 days of the tender, M/s Anjana Traders</p>
			<p>The Committee concludes that the Board's decisions to reject the initial quote, unnecessarily split up the order quantity and retender supply of ENA turned out to be unfruitful. The Committee directs that in future decisions should be taken based on reasonable grounds so that losses on account of unwise decisions can be avoided.</p>	

sent a letter stating that they are prepared to supply ENA at the rate quoted by them i.e., at ₹ 30.50/BL. Hence after detailed discussion, the Board unanimously decided to cancel the agreement dated 30-4-2004 entered with M/s Michael & Michael to supply ENA at the rate of ₹ 34.70/BL and to go in for fresh tender for the supply of 5 lakhs BL of ENA for a period of six months from 1-6-2004 to 30-11-2004.

But in the fresh tender M/s Anjana Traders had quoted a new rate ₹ 34.9/BL. But, since it was the lowest rate in the fresh tender, the Board of Directors negotiated with them and they had to reduce the rate to ₹ 34.25/BL. At that time, there was shortage of ENA due to drought in northern states and ENA was being used for adding with petrol and hence the price of ENA was shooting up. In the circumstances, the Board of Directors finalised the

(1)	(2)	(3)	(4)	(5)
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negotiated rate of ₹ 34.25/BL offered by M/s Anjana Traders and Agencies for a period of 6 months from 1-6-2004 to 30-11-2004.

The EMD stipulated for the tender dated 25-5-2004 was ₹ 2 lakh and the company had adjusted ₹ 50,000 due to M/s Anjana Traders and they had remitted balance of ₹ 1,50,000 towards EMD. Though the option of adjusting credit balance in the Anjana's account and was requested at the time of original tender 16-4-2004, their tender was rejected as there was only an amount of ₹ 50,000 as credit in their account and they had not remitted the balance amount of ₹ 1,50,000 along with the original tender, for making up the EMD as ₹ 2 lakh as stipulated. This was the justification of the Board for rejection of the tender submitted by M/s Anjana Traders and Agencies.

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The annual requirement of ENA during 2004-2005 was 10 lakhs BLs. From the past experience, it was realised that, if the company goes for annual contract for the purchase of ENA, the contractor will not fulfill the contract satisfactorily due to the price hike ENA fuel price etc. Since there was acute shortage of ENA during 2004-2005 and price of ENA was shooting up, the Board took a prudent decision to retender for the supply of 5 lakh BLs of ENA for a period of 6 months, to get competitive rate and to ensure uninterrupted supply of ENA.

From the facts stated above, it is clear that company had followed all norms and legal procedures in inviting the tender, accepting the lowest rate as per the conditions stipulated in the tender form. Further all the decisions were taken by the Board of Directors unanimously only in the best interest of the company, for achieving an uninterrupted

(1)	(2)	(3)	(4)	(5)
				production of IMFL. Moreover the company have already implemented the recommendation of the Committee on Public Undertakings, by adopting the 2 cover system i.e., submission of EMD and tender document in separate covers in the tender process of purchase.

Remarks of the Committee:—The Committee is not satisfied with the reply furnished by the Government and opines that it was an unwise decision on the part of the company to go in for retender without considering the offer of Anjana Traders Ltd. The Committee also recommends that steps should be taken to ensure transparency and effectiveness in tender procedure. The Committee recommends that action should be taken against the delinquent officers. ∞

Thiruvananthapuram,
30th June, 2014.

K. N. A. KHADER,
Chairman,
Committee on Public Undertakings.