



**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**NINTIETH REPORT**

**(Presented on 2nd July, 2015)**

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

**. 2015**

**THIRTEENTH KERALA LEGISLATIVE ASSEMBLY**

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

**NINTIETH REPORT**

**On**

**The Action Taken by Government on the Recommendations contained in the  
Seventieth Report of the Committee on Public Undertakings (2008-11)  
relating to Transformers and Electricals Kerala Limited based on the  
Report of the Comptroller and Auditor General of India for the  
year ended 31 March, 2007 (Commercial)**

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

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Shri K. N. A. Khader

**Members:**

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Shri P. C. Vishnunadh.

**Legislature Secretariat:**

Shri P. D. Sarangadharan, Secretary

Smt. P. K. Girija, Additional Secretary

Smt. M. R. Maheswary, Deputy Secretary

Shri P. S. Selvarajan, 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 Nintieth Report on the Action Taken by Government on the recommendations contained in the Seventieth Report of the Committee on Public Undertakings (2008-11) on the working of the Transformers and Electricals Kerala Limited based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2007 (Commercial).

The Statement of Action Taken by the Government included in this Report was considered by the Committee constituted for the year (2014-16).

This Report was considered and approved by the Committee at the meeting held on 19-6-2015.

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,  
2nd July, 2015.

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 Seventieth Report of the Committee on Public Undertakings (2008-11) relating to Transformers and Electricals Kerala Limited based on the report of the Comptroller and Auditor General of India for the year ended 31st March, 2007 (Commercial).

The Seventieth Report of the Committee on Public Undertakings (2008-11) was presented to the House on 30th June, 2009. The Report contained 2 recommendations and the Committee considered and approved the replies received from Government at its meetings held on 30-9-2013 and 14-1-2015 without any remarks.

**REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS**

| Sl. No. | Para No. | Department concerned | Recommendations/Conclusions   | Action Taken by Government   |
|---------|----------|----------------------|---|--|
| 1       | 2        | 3                    | 4   | 5  |
| 1       | 6        | Industries           | <p>The Committee finds that the decision of the Company to keep the price firm for an order, against supply staggered over three years is unjustifiable and against the interest of the Company. The Committee accepts the company's contention that it was done as part of the business strategy adopted by the company involving risk for future benefit, as the company was undergoing a trying time having enough capacity and staff without any work. Over and above this, the company would be able to establish credibility. However the</p> | <p>As directed by the committee the actual loss has been calculated as Rs. 83.32 lakh as against Rs. 28 crore worked out by the company earlier and pointed out in the para. The statement of profitability may be seen at Annexure I.</p> |

|   |   |   |   |   |
|---|---|---|---|---|
|   |   |   | <p>Committee expresses its grave concern over the huge loss sustained to the Company in a single deal. Since the Company insists that the loss of Rs. 28 crore projected by Audit is only based on opportunity cost, the Committee recommends that the actual loss that occurred in the deal be calculated and submitted to the Committee. The Committee further recommends that the price variation clause should be included in all agreements with staggered delivery schedules.</p> |   |
| 2 | 9 | ” | <p>The Committee finds that the company suffered a loss of Rs. 2.19 crore consequent on the non inclusion of the cost of materials for the construction of tower in the tender. The Committee</p>   | <p>As directed by the Committee, the company appointed a Committee to conduct an enquiry in the matter and the report of the committee was considered by the Audit Committee of the Board and recommended for placing the item for consideration of the Board of Directors.</p> |



|   |   |   |   |   |
|---|---|---|---|---|
| 1 | 2 | 3 | 4   | 5   |
|   |   |   | <p>observes that it points to the inefficiency and carelessness of the officials of the company who prepared the estimate because the Board had reiterated the necessity for inclusion of the cost of the tower structure, prior to submission of the bid. Therefore the Committee recommends to take stringent action against those who were responsible for the loss.</p> | <p>The report was placed in the meeting of the Board of Directors on 15-3-2010 and the Board took note of the facts of the case (Annexure II). Board was of the view that it should own the responsibility since the above case was based on a conscious decision of the then Management and was the only alternative before the company for survival. Therefore, the Board directed to place an Agenda item at the next meeting in line with owning responsibility and explaining the case including the corrective measures taken.</p> <p>Accordingly, the item was placed in the meeting of the Board on 18-6-2010 (Annexure III). Board took note of the statement on owning responsibility and corrective measures taken. It was decided to inform the PUC regarding the detailed consideration of the matter by the Audit Committee as well as the Board of Directors of the company. It is evident from the enquiry report of the internal committee of the Company and the Statement of owning responsibility that there was no malafide intention on the part of the then Management in accepting the order and the decision to accept the order was in the bona fide interest of the company.</p> |

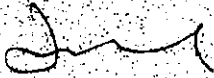
It is also submitted that the following corrective measures are taken to avoid further recurrence:

|       |  |
|-------|--|
| (i)   | As most of the turnkey jobs did not contain clauses for price escalation and requires multi-expertise and technical team with skills which is not very limited in TELK and also considering the past feed back on projects executed by the Company, new turnkey projects are not undertaken by TELK. |
| (ii)  | Action is being taken to complete the projects under execution.  |
| (iii) | Status report on pending issues/works/actions being taken on these projects are also regularly being reviewed/monitored by the Audit Committee and the Board.  |

ANNEXURE 3

**PROFITABILITY STATEMENT FOR TRANSFORMERS SUPPLIED TO M/S. RELIANCE ENERGY LIMITED (FORMERLY BOMBAY SUBURBAN ELECTRIC COMPANY LIMITED)**

| Sl. No.  | Particulars                            | Amount (Rs. lakh) |
|----------|--|-------------------|
| <b>A</b> | <b>SALES PRICE</b>                     |                   |
| 1        | 200 MVA Generator Transformer 4 Nos.   | 1786.00           |
| 2        | 35 MVA Station Unit Transformer 4 Nos. | 594.00            |
| 3        | 35 MVA Unit Transformer 4 Nos.         | 632.00            |
|          | <b>TOTAL - A</b>                       | <b>3012.00</b>    |
| <b>B</b> | <b>EXPENSES</b>                        |                   |
| 1        | Materials                              | 2489.70           |
| 2        | Expenses                               | 899.82            |
| 3        | Finance Charges                        | 153.04            |
| 4        | Depreciation                           | 15.78             |
|          | <b>TOTAL - B</b>                       | <b>3558.34</b>    |
| <b>C</b> | <b>PROFIT (A-B)</b>                    | <b>-546.34</b>    |
| <b>D</b> | <b>OTHER ITEMS</b>                     |                   |
| 1        | Interest on Advance                    | 358.87            |
| 2        | Deemed Export Benefits                 | 103.96            |
|          | <b>TOTAL D</b>                         | <b>462.83</b>     |
| <b>E</b> | <b>NET LOSS (C-D)</b>                  | <b>83.51</b>      |

  
**JAFAR KHAN OLIVER**  
 Additional Secretary to Govt.  
 Industries Department,  
 Govt. Secretariat, Typist



## TRANSFORMERS AND ELECTRICALS KERALA LIMITED

(A Joint Venture of Government of Kerala & NTPC Limited)



Our Ref:

**EXTRACT OF MINUTES OF THE 981<sup>st</sup> MEETING OF THE BOARD OF DIRECTORS OF TRANSFORMERS AND ELECTRICALS KERALA LIMITED, ANGAMALLY HELD ON 15-03-2010 AT 4.00 P.M. AT MASCOT HOTEL, TRIYANDRUM.**

**Minute No. B/361/C2**

**Loss due to non-inclusion of material cost on Turakay Contracts for Rs.2.19 Crore - Report of the Committee on Public Undertakings**

Board took note of the facts of the case.

Board also took note of the following conclusions in the Report of the Public Undertakings Committee:

*"The Company suffered a loss of Rs. 2.19 crore consequent on the non-inclusion of cost of materials for the construction of tower in the tender. The Committee observes that it points to the inefficiency and carelessness of the Officials of the Company who prepared the estimates because the Board had re-visited the necessity for inclusion of cost of tower structure prior to the submission of the bid. Therefore, the Committee recommends to take a stringent action against those who were responsible for the loss".*

Board was of the view that it should own the responsibility since the above case was based on a conscious decision of the then management and was the only alternative before the Company for survival.

Therefore, the Board directed to place an Agenda Item at the next meeting in line with owning responsibility and explaining the case in detail including the corrective measures taken.

*By*  
**APRIL PAUL**  
 Additional Secretary to Govt.  
 Industries Department  
 Govt. Secretariat, Trivani



# TRANSFORMERS AND ELECTRICALS KERALA LIMITED

(A Joint Venture of Government of Kerala & NTPC Limited)



Our Ref:

**EXTRACT OF THE MINUTES OF THE 282<sup>nd</sup> MEETING OF THE BOARD OF DIRECTORS OF TRANSFORMERS AND ELECTRICALS KERALA LIMITED, ANGAMALLY HELD ON 16-06-2010 AT 2.30 P.M. AT MASCOT HOTEL, TRIYANDRUM.**

**Minute No. B/282/C3**

**Loss due to non-inclusion of material cost on Turnkey Contracts for Rs.2.19 Crore - Report of the Committee on Public Undertakings**

Board noted that the Agenda was considered by the Board at its 281<sup>st</sup> meeting held on 15.03.2010. At that meeting Board had taken note of the facts of the case and the conclusions in the Report of the Public Undertakings Committee. Board was of the view that it should own the responsibility since the above case was based on a conscious decision of the then management and was the only alternative before the Company for survival. Board had decided to own the responsibility and to take corrective measures to avoid such occurrences in future.

Board took note of the Statement on owning responsibility and corrective measures taken. Accordingly, it was decided to inform the PUC regarding detailed consideration of the matter by the Audit Committee as well as the Board of Directors of the Company.

Additional Secretary to Govt.  
Industries Department  
Govt. Secretariat, Thiruvananthapuram