



**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE**

**ON**

**PUBLIC UNDERTAKINGS  
(2023-26)**

**THIRTY SEVENTH REPORT**

(Presented on 11<sup>th</sup> February, 2025)

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM**

**2025**

**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

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**THIRTY SEVENTH REPORT**

**On**

**Kerala State Electronics Development Corporation Limited**

**(Based on the Reports of the Comptroller and Auditor General of India for  
the years ended 31<sup>st</sup> March, 2016 )**

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**COMMITTEE ON PUBLIC UNDERTAKINGS  
(2023-26)**

**COMPOSITION**

***Chairperson:***

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***Members:***

Shri A.P. Anilkumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla

***Legislature Secretariat:***

Shri Dr. N. Krishnakumar, Secretary

Shri Venugopal R, Joint Secretary

Shri Anil Kumar B, Deputy Secretary

Shri Mohanan. O, Under Secretary

## INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-26) having been authorised by the Committee to present the Report on its behalf, present this 37<sup>th</sup> Report on Kerala State Electronics Development Corporation Limited based on the report of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2016 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 23.05.2017. The Report, besides other things in their findings, brought to light some functional irregularities relating to the Kerala State Electronics Development Corporation Limited. The Committee, in connection with the perusal of the report, took notice of the comparability of the audit paragraphs pertaining to such irregularities and decided to examine them altogether. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection there to were made by the Committee on Public Undertakings (2021-2023) at its meetings held on 24.05.2022.

This Report was considered and approved by the Committee (2023-26) at its meeting held on 29.01.2025.

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

The Committee wishes to express thanks to the officials of the Industries department of the Secretariat and the Kerala State Electronics Development Corporation Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Industries and Finance Department and the officials of the Kerala State Electronics Development Corporation Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,  
11<sup>th</sup> February, 2025.

**E. CHANDRASEKHARAN,**  
*Chairperson,*  
*Committee on Public Undertakings.*

**REPORT**  
**on**  
**Kerala State Electronics Development Corporation Limited**  
**(2015-16)**

**AUDIT PARAGRAPH (2015-16)**

**3.2 Sub-contract Management by Public Sector Undertakings**

**Introduction**

**3.2.1** Public Sector Undertakings (PSUs) in Kerala carry out supply and installation of equipment and execution of civil works on behalf of Departments/ agencies of Government of Kerala (GoK). These PSUs in turn engage sub-contractors for procurement of equipment and execution of work awarded by Departments of GoK/ agencies.

In order to examine compliance with rules and regulations and transparency in sub-contract management by PSUs, we examined 50 works<sup>1</sup> relating to supply and installation of equipment and 107 works relating to civil construction in seven<sup>2</sup> PSUs during the period 2010-11 to 2015-16. Out of these, 29 work orders valuing ₹178.79 crore for supply and installation of equipment were issued to the PSUs by GoK on nomination basis of which 20 work orders costing ₹51.47 crore were issued to the PSUs without preparing cost estimate. The cost estimates for these works were prepared by the PSUs based on which, work orders were issued by GoK to them on back to back basis<sup>3</sup>. The cost estimate in respect of 10 work orders for ₹27.77 crore was prepared with the help of business partners of the PSUs to whom these works were later sub-contracted.

Audit findings are discussed below.

**Audit Findings**

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1 41 works executed by Kerala State Electronics Development Corporation Limited (KELTRON) on behalf of 18 Departments/ agencies of GoK and nine works executed by Kerala Small Industries Development Corporation Limited (SIDCO) for one Department/ three agencies of GoK.

2 Kerala State Electronics Development Corporation Limited, Kerala Small Industries Development Corporation Limited, Roads and Bridges Development Corporation of Kerala Limited, Kerala State Construction Corporation Limited, Kerala State Coastal Area Development Corporation Limited, Kerala Irrigation Infrastructure Development Corporation Limited and Forest Industries Travancore Limited

3 'Back to back basis' is a term used by PSUs. It refers to purchases done by PSUs for GoK/ agencies whereby PSUs get orders from GoK / agencies who then pass it on to private parties with payment terms that PSU would make payment to private parties only after receipt of payment from GoK/ agencies.

## Supply and installation of equipment

**3.2.2** Kerala State Electronics Development Corporation Limited (KELTRON) and Kerala Small Industries Development Corporation Limited (SIDCO) supply and install equipment for departments of Government of Kerala (GoK) and other PSUs. Issues noticed in the works relating to supply and installation of equipment are discussed in succeeding paragraphs.

### Agreement with business partners

**3.2.2.1** According to Section 3 of the Competition Act, 2002, no enterprise shall enter into any agreement for production, supply, etc., of goods or provision of services, affecting competition within India. As per guidelines (July 2004) of Central Vigilance Commission (CVC), while making procurement or executing work through a system of approved/ registered vendors and contractors, there should be wide publicity through website as well as through other traditional channels at regular intervals for registration of contractors/ suppliers.

We observed that for executing major works, KELTRON and SIDCO had entered into business agreements with eleven agencies, with the intention of obtaining work orders from GoK and getting them executed through these sub-contractors, as detailed in *Table 3.5*.

**Table 3.5: Entities with whom business agreements were entered into**

Name of the entity	Agreement since	Terms of agreement/ Particulars
Mediatronix Private Limited (Mediatronix)	March/April 2011	KELTRON was to solicit orders for city surveillance solutions and road traffic enforcement systems developed by Mediatronix. KELTRON would sell these items in the brand name 'KELTRON' to its customer base. As per clause 4 of the agreement, Mediatronix and KELTRON would arrive at suitable pricing of the products on case to case basis.
Net X Technologies Limited (Net X Technologies)	June 2011	The parties to the Memorandum of Understanding (MoU) became strategic partners for selling products and services including digital library, learning management system, digital content creation and supply of servers and storage, etc., to various customers of KELTRON.
Stellar Green Tech	July 2011	Business partner for installation of solar projects.

Private Limited (SGPL), Gurgaon.		
Eram Scientific Solutions Private Limited (Eram Scientific)	March 2011	KELTRON obtained works from Local Self Government Department (LSGD) of GoK (based on a Government Order issued in March 2012) and had them executed by Eram Scientific.
Expedien E-Solutions Limited (Expedien)	April 2011	KELTRON obtained work of implementation of 'e-Vet Connect' in Kerala Veterinary and Animal Sciences University and executed it through Expedien
Ospyn Technologies Private Limited (Ospyn)	February 2009	KELTRON obtained work of File Management System for Kerala Prisons and Correctional Services Department (Prisons Department) executed through Ospyn.
Webex Systems and Networks Private Limited (Webex)	January 2012	Preferred outsourcing partner for marketing and selling IT products for Government Departments, Corporate consultancy and other related services in IT.

We observed that KELTRON and SIDCO selected business partners (strategic partners) without following any transparent procedure, such as identifying and empanelling firms through open tender process. Instead, the selection was based on unsolicited offers from the business partners who were private entities.

KELTRON stated (August 2016) that it took initiative and signed agreement with Mediatronix for projects related to purchase and installation of SVDS and RLVDS<sup>4</sup> on exclusive basis and that the system and solutions were proven for Indian conditions and were cost effective. The reply was not tenable as selection of business partners was not done transparently and cost effectiveness can be gauged only through a transparent tender system.

GoK stated (February 2017) that the PSUs had been instructed that criteria for selection of units whose products were marketed, terms of marketing arrangements, etc., should be brought to their Board of Directors (BoD) and got approved by them in advance. The reply is not acceptable as equal opportunity was not given to all interested parties.

### **Award of work to business partners without tenders**

<sup>4</sup> Speed/ Red Light Violation Detection System used for traffic enforcement.



**3.2.2.2** Rule 7.11 of Stores Purchase Manual (SPM) of GoK required that purchase orders/ work orders be issued only after inviting open tenders when the value of works exceeded ₹10 lakh.

We noticed that KELTRON and SIDCO had issued 12 work orders valuing ₹51.90 crore and 4 work orders valuing ₹8 crore respectively to their business partners without invitation of tenders as shown in **Appendix 10**. Out of these, eight work orders received by KELTRON and all the work orders received by SIDCO from GoK/ its agencies were on nomination basis. We also noticed that:

**Loss due to award of work without tenders**

**3.2.2.3** Issue of work orders to business partners on nomination basis resulted not only in violation of codal provisions but failure to obtain competitive rates as well. We worked out extra expenditure of ₹0.66 crore in award of works on nomination basis in two cases where comparable rates were available, as discussed below:

Prisons Department, GoK awarded (March 2012) work relating to implementation of solar energy system in Central Prison, Thiruvananthapuram to KELTRON (Serial number 2 of **Appendix 10**) at ₹7.27 crore on nomination basis based on the project proposal submitted by KELTRON. As KELTRON had no previous experience in implementing solar projects, the project proposal was prepared with the assistance of KELTRON's business partner, SGPL. KELTRON subcontracted (April 2012) this work to Rajasthan Electronics and Instrumentation Limited (REIL)<sup>5</sup> and SGPL without any tendering process.

We noticed that SGPL expressed (May 2012) its inability to execute the order. Consequently, the order was issued (May 2012) to Megatech Power Equipments Private Limited (MPEPL), business partner of SGPL on their recommendation at the same rate. On a comparison of rates of solar panels procured (September 2012) for Thevancode Prison, we noticed that KELTRON had incurred extra expenditure of ₹ 0.55 crore.

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<sup>5</sup> Design, manufacture, supply and testing of 229 KWp SPV power pack at ₹2.56 crore, excluding subsidy of ₹1.65 crore and installation charge of ₹1.28 crore to be done by KELTRON

GoK replied (February 2017) that award of work to MPEPL without tender was not justifiable. GoK also stated that the cost may vary from one jail to another depending on the layouts. The reply was not acceptable as we worked out the extra expenditure reckoning the cost of identical solar panels per unit (watt peak) supplied by REIL in both the jails. Cost per unit was also not dependent on the layouts.

### **Award of work after defective tendering**

**3.2.2.4** As per Rule 7.33 of Stores Purchase Manual (SPM), minimum time of 15 days (one month before revision of SPM in June 2013) was to be given for submission of bids. Short tender notice is also to be published in Gazette of GoK as mandated by the provisions of Rule 7.19 of SPM. Further, according to the directions (May 2004) of Central Vigilance Commission (CVC), pre-qualification criteria should be specified in tender documents and qualification of bidders should be carried out against these criteria.

In 1,212 e-tenders invited by KELTRON during September 2012<sup>6</sup> to March 2016, provisions of SPM were violated in 1,147 cases as time given for submission of bids was less than the minimum period prescribed. In respect of 41 sample-selected works which were sub-contracted by KELTRON, we observed that:

- In respect of 13 works received (2011-12 to 2015-16) from agencies of GoK on nomination basis<sup>7</sup>, time given for submission of bids by KELTRON ranged between 2 to 18 days (18 days given when 30 days were to be given). KELTRON also did not publish short tender notices in Gazette of GoK. Insufficient time for submission of bids and lack of adequate publicity create a risk that adequate number of bids will not be received and competition will be reduced. Due to their proximity to KELTRON, business partners/regular suppliers of KELTRON and their agents, however, participated in the tender and 13 work orders valuing ₹71.29 crore were awarded to them as shown in

### ***Appendix 11.***

<sup>6</sup> KELTRON started e-tendering from September 2012 only

<sup>7</sup> Except one work included as Serial number 13 in Appendix 11 which was awarded to KELTRON after tendering.

- In 2 out of the above 13 works, where comparable rates were available, GoK incurred extra expenditure of ₹4.17 crore as given in **Table 3.6**.

**Table 3.6: Extra expenditure incurred by IT@School<sup>8</sup> for purchase of computers**

Name of work	Supply of laptops to IT @ School	Supply of desktops to IT @ School
Days given for bid submission	7	4
Quantity (Number)	4,400	2,200
Rate/ piece at which supplied to IT @ School (₹)	35,857	32,642
Rate for comparable item (₹)	27,610	30,200
Extra cost per piece (₹)	8,247	2,442
Extra cost on supplied quantity (₹ in crore)	3.63	0.54
Remarks	Toshiba-make laptop with better specifications was purchased (January 2015) by Kerala Motor Transport Workers Welfare Fund Board, Kollam at the rate of ₹27,610	15 Acer-make computers with same specifications were purchased (February 2015) by Chemical Examiners Laboratory, Thiruvananthapuram at the rate of ₹30,200.

Accepting the audit observation, GoK stated (February 2017) that floating tenders with lesser number of days than that prescribed in SPM was not justified. GoK further stated that BoD of PSUs needed to be involved in case of deviations, either on a case to case basis or through getting a policy laid down.

We also noticed manoeuvring of tenders to suit business partners/ regular suppliers as described below:

- ✓ State Police Chief, Kerala awarded (October 2012) the work of installation of 100 SVDS to KELTRON. It invited tenders after splitting the work into three parts. Of these, KELTRON invited (November 2012) e-tenders for setting up of Control Room for SVDS in Thiruvananthapuram. Five parties participated in the pre-bid meeting held on 30 November 2012. On the date of opening of

<sup>8</sup>A project to integrate computer technology into school curriculum with the primary objective of improving the quality of education and imparting computer education to school students.

the tender (13 December 2012), KELTRON decided to collect physical bid documents instead of e-documents and to finalise the bids on 14 December 2012. This fact was not informed to all bidders who participated in the tender. The reason attributed by KELTRON for the change in the method of tendering was technical glitch in the e-tender website which prevented uploading or downloading the e-tender details.

According to the Kerala State IT Mission, which maintains the e-tendering website of GoK, there was no technical glitch in the website. This indicates that the officials of KELTRON wanted to finalise the tender outside the e-tender website when there was possibility of competition as five bidders had participated in pre-bid meeting. KELTRON opened (14 December 2012) the only bid received from RP Tech International Private Limited (RP Tech), who was authorised by Mediatronix to submit bids and awarded (20 December 2012) the work for ₹5.99 crore to RP Tech.

- ✓ In respect of works at serial number 1 and 2 of Appendix 11 which were parts of the same work, tender conditions were arbitrarily fixed suiting the ultimate awardees of the works. In the work awarded to Mediatronix, Thiruvananthapuram for supply of SVDS, the criteria fixed was having an existing service centre in Thiruvananthapuram, whereas for the work awarded to ITMG, Malappuram (who did not have a service centre in Thiruvananthapuram) for installation of SVDS, the criteria fixed was that it should have an existing service centre anywhere in Kerala. In both the tenders, there was only one bidder each viz. Mediatronix and ITMG.

Accepting the audit observation, GoK stated (February 2017) that they had instructed PSUs to have standard tender template, with deviations there from duly approved by the BoD.

Regarding tender condition of having service centre in Thiruvananthapuram for the work of supply of SVDS, GoK stated that as the control room was installed at Police Training College, Thiruvananthapuram, KELTRON's stipulation of having a service

centre at Thiruvananthapuram was justifiable. The reply is not acceptable as the work pertains to supply of SVDS to different locations throughout Kerala and not for installing control room.

- ✓ In respect of works at serial numbers 6 and 7 of *Appendix 11*, one of the conditions for bidding was that the bidders should be strategic partners/ MoU partners of KELTRON. In the case of these works valuing ₹1.99 crore, there was only one strategic partner viz., Net-X Technologies to submit bids.

In the following tender, minimum previous experience was fixed in violation of CVC guidelines as detailed in **Table 3.7**.

**Table 3.7.** Requirement of experience as per CVC guidelines and that fixed by  
KELTRON

Name of work	Requirement of experience during last seven years		Audit Observation
	CVC guidelines	Fixed by KELTRON	
Networking and OFC backbone networking for Directorate of Collegiate Education (February 2016)	One similar work valuing not less than ₹5 crore.	One similar work valuing not less than ₹2 crore.	Work was awarded to Net-X Technologies. Eligibility was fixed to suit the requirement of Net-X Technologies, business partner of KELTRON as it had previous experience of only one similar work valuing ₹3.08 crore. On comparison of rates of nine comparable items of a similar work <sup>9</sup> , excess expenditure of ₹0.19 crore (17.12 per cent) was noticed.

- For the works of supply of computer equipments for IT@School<sup>10</sup>, notice inviting tenders issued by KELTRON stipulated that bidders should have experience, preferably of supplying to GoK/ its undertakings. RP Infosystems Limited was awarded the work of supplying Chirag brand computers. Out of 14,061 systems supplied, 135 had to be replaced and 5,301 had to be serviced

<sup>9</sup>Nine items in order valuing ₹7.83 lakh given (March 2016) by Government College of Engineering, Kannur.

<sup>10</sup> Order Acceptance (OA) nos. 946 and 947 of 2010-11 and 1409 and 1410 of 2011-12

by KELTRON at a cost of ₹1.27 crore as RP Infosystems Limited failed in after-sale service against which KELTRON recovered ₹3.38 crore through invocation of Bank Guarantee and retention money. Even though ₹0.32 crore<sup>11</sup> remained to be recovered from RP Infosystems, KELTRON did not encash three BGs worth ₹0.58 crore which expired in June/ July 2013.

GoK replied (February 2017) that the figure of ₹1.27 crore was overstated and KELTRON's actual expenses were ₹0.74 crore. This reply is not acceptable because the figure of ₹1.27 crore was based on the figures provided by KELTRON itself and included the cost of manpower for service and overheads, whereas ₹0.74 crore was excluding these.

### **Award of work to single bidders**

**3.2.2.5** According to the directions (October 2013) of GoK, in cases where there was only single bidder, retendering should be resorted to. If after retendering also there was only single bidder, the work can be awarded to the single bidder with justification for the same. Further, as per Rule 8.15 of SPM, Earnest Money Deposit (EMD) of a tenderer will be forfeited, if the tenderer withdraws from the tender.

- We noticed that KELTRON had awarded eight works, obtained from GoK/ agencies on nomination basis, to single bidders for ₹24.60 crore without retendering (**Appendix 12**). The time given for bid submission in these cases was also lesser than that mandated by SPM. In respect of tenders for the works of Motor Vehicle Department, GoK and Transport Commissioner (Serial numbers 4 and 6 of **Appendix 12**) request of one contractor for extension of bid submission time for each work was not considered by KELTRON.

In respect of tenders invited for three works, there were two bidders each. Though the bidders were related entities which made their bids equivalent to single bids,

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<sup>11</sup> (Liquidated Damages deducted by IT@School: ₹2.43 crore plus service charges incurred: ₹1.27 crore) less ₹3.38 crore = ₹0.32 crore.

KELTRON/ SIDCO did not retender the works as warranted by the Order (October 2013) of GoK as detailed in **Table 3.8**.

**Table 3.8. Bidding by related entities**

Sl. No	Items of supply	Name of bidders	Name of PSU	Work awarded to	Purchase Order Value (₹ in crore)	Remarks
1	Compactors <sup>12</sup> for KLIM	SIPL and NetX Technologies	SIDCO	SIPL	4.21	SIPL and Net-X Technologies were the business partners of SIDCO and KELTRON respectively. In the tender invited by KELTRON, the bid submitted by Smartsoft (another vendor) was rejected during technical evaluation though it complied with all the tender conditions. The seal of SIPL was found on the bid documents submitted by Net-X Technologies to KELTRON. The contact e-mail given by SIPL in the e-tender website was biju@netx.co.in i.e. an email address registered in the domain of Net-X Technologies
2	Two Database servers for IT @ School	SIPL and NetX Technologies	KELTRON	Net-X Technologies	1.00	

We further noticed that:

- In respect of the work of installation of speed cameras and surveillance system for Transport Department, GoK (serial number 6 of **Appendix 12**), Proxs Infocomm Limited (Proxs) was Mediatronix's partner and an authorised agency to quote, supply, install and maintain traffic enforcement systems developed by Mediatronix. In the tender documents submitted by Proxs, employees of Mediatronix were mentioned as the contact persons for financial and technical enquiries.

<sup>12</sup>Compactors are storage systems which can store large number of files/documents etc.,

Work was awarded to Proxs on 1 November 2013 and on the same day KELTRON, Mediatronix and Proxs entered into a teaming agreement for joint development, implementation and maintenance of the required system and software for the project.

As Proxs did not start the work even after three months of the issue of the Purchase Order, KELTRON cancelled (3 February 2014) the Purchase Order and the supply order was directly issued (6 February 2014) to Mediatronix without re-tendering for a total value of ₹9.34 crore. KELTRON, Mediatronix and Proxs, thereafter, entered (25 February 2014) into a compromise deal and KELTRON refunded (26 February 2014) the earnest money deposit (₹20 lakh) submitted by Proxs. Such instances highlight the non-transparent dealings of KELTRON.

- For the work of setting up of vehicle testing stations (VTS) in Thiruvananthapuram and Ernakulam (serial number 4 of **Appendix 12**), KELTRON published (16 January 2014) e-tenders, giving only five days for submission of bids. A private company<sup>13</sup> had complained to KELTRON that the dates given in the tender were in violation of the provision of General Financial Rules 2005. KELTRON did not consider this complaint even though there was violation of SPM provisions, thereby limiting competition. Only one bid was submitted which was accepted though the bidder (Webex Systems and Networks Private Limited – Webex) did not submit documents such as declaration about non-blacklisting by Government Departments, registration certificate, service centre details, PAN details, etc. KELTRON had earlier obtained works of VTS at Kozhikode and Kannur by submitting proposals obtained from Webex and thereafter passed on (October 2011- March 2012) these work to Webex on nomination basis.

Webex, incorporated in 2007, obtained VAT registration in February 2012. After obtaining the works of VTS through KELTRON, the VAT registration was cancelled in August 2014. Webex collected (March 2012 - March 2014) VAT amounting to

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13 Environmental Systems Products India Private Limited.



₹0.68 crore from KELTRON in the deal, which was not duly remitted to the Commercial Taxes Department, GoK. Due to this, KELTRON would be disallowed the input VAT credit of ₹0.68 crore availed of by it.

Commercial Taxes Department, GoK, replied (November 2016) that notice had been issued to Webex for recovery of VAT. Recovery was, however, pending as of February 2017.

### **Award of work to regular suppliers after defective evaluation of bids**

**3.2.2.6** GoK/ its agencies issued (January 2011- January 2016) nine work orders to KELTRON through tender process. In respect of one tender for supply and installation of 3,720 all-in-one desktop computers for Additional Skill Acquisition Programme (ASAP) of Higher Education Department, the eligibility criteria for technical qualification required that the bidder should be a manufacturer or authorised dealer or authorised distributor and the equipment should have EPEAT<sup>14</sup> gold certificate.

ASAP rejected one of the bidders who had quoted with Dell make stating that it did not furnish list of service centres, whereas Dell followed onsite service support. ASAP rejected another bid as it did not meet the annual turnover criteria of ₹20 crore, which was more than the probable amount of contract (PAC) of ₹15 crore. ASAP qualified KELTRON and Steel Industrials Kerala Limited<sup>15</sup> (both with Acer brand) technically, even though neither of them were manufacturers or authorised dealers/ distributors. They neither submitted EPEAT gold certificate nor did have any service network. Despite these defects, ASAP placed (6 March 2015) work order on KELTRON, the lower of two bidders at the rate of ₹37,000 per piece.

We observed that KELTRON had invited (4 March 2015) tenders in which two bidders, ACS Technologies and LR Infotech System had participated. Both the bidders were regular suppliers of KELTRON during 2010-11 to 2015-16 with nearly

<sup>14</sup>Electronic Product Environmental Assessment Tool (EPEAT) is a free and trusted source of environmental product ratings that makes it easy to select high-performance electronics that meet an organisation's IT and sustainability goals. Manufacturers register products based on the devices' ability to meet various criteria developed and agreed upon by diverse stakeholders to address the full lifecycle of an electronic product

<sup>15</sup>A Public Sector undertakings

30 to 82 *per cent* of their annual turnover coming from KELTRON. Work order was issued (11 March 2015) to ACS Technologies, the lowest bidder who quoted ₹35,233 per piece even though it did not produce EPEAT gold certificate.

KELTRON replied (August 2016) that the equipment supplied by ACS Technologies had EPEAT gold certification. The reply was incorrect as EPEAT gold certification was obtained (24 March 2015) after placing supply order by KELTRON.

### **Lapses in installation of integrated security system for Sree Padmanabha Swamy Temple**

**3.2.3** GoK approved (27 October 2012) KELTRON's proposal for integrated security system for Sree Padmanabha Swamy Temple and State Police Chief, Kerala made advance payment (March 2013) of ₹9.54 crore to KELTRON for it.

We observed that KELTRON could not complete the installation of seven speed folding doors costing ₹1.61 crore as the Executive Committee of the Temple did not permit it. Permission of the Thanthri (priest) was required for any changes to be made inside the temple, which was not obtained by KELTRON. We also observed (April 2016) in a joint physical verification that KELTRON purchased excess material valuing ₹0.25 crore. Similarly, bollards installed in the North, East and West Nadas were not working and road blockers installed in East, West and South Nadas were also not working.

GoK replied (February 2017) that road blockers and bollards were being rectified. The fact, however, remains that these equipment were not fully rectified and warranty for road blockers and bollards would expire in December 2017 while that of speed folding doors would expire in August 2017.

### **Payment for supplies not conforming to specifications**

**3.2.4** KELTRON ordered (06 March 2014) four day-night vision binoculars from Trident Infosol Private Limited (Trident) after inviting limited tenders, for Integrated Security System (ISS) in Sree Padmanabha Swamy Temple. According to the terms

of purchase order, payment was to be made against delivery and acceptance of material.

We noticed that KELTRON staff had taken the binoculars into stock and paid ₹6.53 lakh (80 per cent of value of supply, including tax) on the day of receipt (15 May 2014). Deputy Commissioner of Police, Sree Padmanabha Swamy Temple Security rejected (March 2015) the binoculars due to non-conformity to order specifications. Thus, ₹6.53 lakh were spent wastefully due to KELTRON's undue haste in making payment to Trident. Trident did not replace the items (April 2016).

### **Conclusion**

**KELTRON and SIDCO awarded work orders to their business partners on nomination basis and through tendering that was tailor-made to suit their business partners. Thus, a few firms viz., Mediatronix, RP Tech Net-X Technologies and SIPL managed to obtain major orders of GoK through KELTRON and SIDCO without complying with provisions of KFC, SPM and CVC guidelines. Besides, due to involvement of PSUs in the execution of works of GoK through private parties, GoK had to incur extra expenditure. In execution of civil works also, there was noncompliance with provisions of KFC, SPM and CVC directives.**

### **Recommendation**

- 1. GoK should dispense with the system of awarding works to PSUs on nomination basis.**
- 2. GoK should comply with the provisions of SPM and invite competitive tenders.**
- 3. PSUs which get work orders after participating in tenders should ensure that all the provisions of SPM and CVC guidelines are complied with.**

**[The Audit paragraph 3.5 contained in the report of the C &AG for the year ended 31 March 2016.]**

**The notes furnished by the Government on the audit paragraph are given in Appendix II**

**Discussion and findings of the Committee**

3.2.2 Supply and Installation of equipment

**3.2.2.1. Agreement with business partners**

The Committee noted that Keltron had entered into 7 sub-contracts for supply and installation of equipment to Government Departments and other PSUs during the period from 2011-12 to 2015-16 by violating Section 3 of the Competition Act, 2002 and the guidelines of the Central Vigilance Commission, 2004. The Committee sought explanation regarding this. The Additional Secretary, Department of Industries replied that the e-tender process was not common during the period from 2010 to 2012 and after the observation of A.G, steps had been taken to fully comply with the CVC Guidelines, Kerala Financial Code and Stores Purchase Manual. He further stated that prior to 2016, during the time of technology transfer the technical experts of the Company would hold discussions with end-beneficiaries and after verifying the financial status and assessing the expertise of the business partner, would sign the MoU charging ₹ 1 Lakh. If the MoU was renewed after one year, an additional amount of ₹ 50,000 would be charged. The officer added that despite the signing of the MoU, the Expression of Interest (EOI) and tender was invited and deals were made only with L1 parties. Keltron had incurred 30% gain from the logo sharing for Defence Corporate and no financial losses incurred during that period.

The MD Keltron, added that during the period 2011-2012, when e-tendering and the website were not common, Keltron identified partners based on the requirement of various departments and signed MoU after assessing their technological expertise. After signing the MoU, business deals were made within the stipulated time.

To a query about sub-committee constituted to frame MoU policy, the Deputy General Manager, Keltron informed that the Board had constituted a Sub-Committee to frame MoU policy and had approved its report and directed to limit the MoU system only to those institutions having transfer of technology with effect from 2018 onwards. He further stated that now the partners are being selected through e-tender and Expression of Interest. The Managing Director added that after selecting the partners through e-tender and Expression of Interest, Keltron would sign MoUs only with those firms where technology transfer was available. The MD also informed that MoUs are being allowed for business relationship with Central Government institutions and other public sector institutions and for increasing manufacturing content.

The Committee sought explanation regarding the selection procedure of business partners for signing MoU. The witness explained that tenders were invited according to the specifications given by the organisations and the business partners were being selected after evaluating all the tenders received by the Technical Committee.

The Committee noted that Keltron had entered into business contracts with seven agencies with the intention of obtaining work order from Kerala Government and to execute them through sub-contracts. They were Mediatronix Private Limited, netX Technologies Limited, Stellar Green Tech Private Limited, Eram Scientific Solutions Private Limited, Expedien e-solutions Limited, Ospyn Technologies Private Limited, Webex Systems and Networks Private limited. The Committee sought explanation regarding the selection procedure adopted by Keltron for selecting these entities. The concerned officer replied that Mediatronix was the technology partner of Keltron with MoU and it was the only manufacturer in India having own design and manufacturing of rugged type IP 67 PTZ Cameras, Fixed cameras SVDS and RLVDS with magnetic sensors and radar sensors. He added that as proposed by the Kerala Police Department, an MoU was signed with

Mediatronix and after buying the technology from the agency, Keltron had done assembling.

The Committee inquired whether any other competent company was excluded while selecting the above company. The witness replied that in 2010, three tenders were invited for the surveillance solution and speed detection for the Kerala Police Department. Since Keltron was the only Company participated during the first tender process, a second tender was invited and then a Company called Lukman also participated but their solution was rejected as it was not technically qualified and Keltron was selected in the third tender also. The witness also informed that the Police Department was satisfied with the demo unit placed at Vellayambalam and Museum junctions. The order was placed in a phased manner and after receiving the order, the business partner was selected through another tendering process and the cost to install one unit was ₹80 lakhs and all the procedures were followed in the selection of the company.

The Committee was not satisfied with the reply and directed to provide a detailed report on it.

**Observations/Recommendations**

***1.The Committee observes that KELTRON selected its strategic partners without following any transparent procedure such as identifying and empanelling firms through open tender process. Hence the Committee recommends that KELTRON should follow the CVC guidelines while executing all works.***

***2.The Committee observes that Mediatronix was the technology partner of Keltron with MoU. The Committee expresses its dissatisfaction on Keltron's reply that it had entered into an agreement with Mediatronix for procurement and implementation of SVDS and RLVDS on an exclusive basis and that the system and solution were proven for Indian conditions and cost effective. Therefore, the Committee opines that the selection of business partners was not done transparently and cost effectiveness can be gauged only through transparent***

*tender system. So the Committee directs to furnish a clear report regarding the selection of Mediatronix as the business partner.*

### **3.2.2.2. Award of work to business partners without tenders**

The Committee sought explanation regarding the work orders issued without tenders in violation of Rule 7.11 of Stores Purchase Manual. The witness explained that Keltron had a Purchase Manual approved by the Board according to the standards of electronic industry during the time. He added that there was a discrepancy between the provisions of Keltron's Purchase Manual and the provisions of the Kerala Stores Purchase Manual and after the audit observations, it was decided to follow the Kerala Stores Purchase Manual since 2016.

The Committee observed that there was violation of Stores Purchase Manual as mentioned in the audit observation and criticised the officials for not keeping transparency in its dealings. The Committee opined that such dealings would adversely affect the credibility of the company.

#### **Observations/Recommendations**

*3.The Committee observes that there was violation of Stores Purchase Manual as mentioned in the audit observation and criticised the officials for not keeping transparency in its dealings. The Committee opines that such dealings would adversely affect the credibility of the Company. Hence the Committee recommends that KELTRON should strictly adhere to the provisions of SPM while awarding work orders.*

### **3.2.2.3. Loss due to award of work without tenders**

The Committee inquired the reason for the work which was sub-contracted to SGPL and REIL without inviting tenders. The witness explained that the work was taken at the rates of Rajasthan Electronics and Instrumentation Limited (REIL), a Central Government entity. Regarding a query of the extra expenditure of ₹55 lakhs, the witness stated that when REIL started the second phase of the project, the cost of the solar panel began to decrease and it reduced to 56/Wp from

80/Wp and that led the expenditure for the work in the second phase to be lower than the first and bulk purchase had been done in the second phase. The witness added that power conditioning units optimization, battery optimization, price of reduction of solar cells also reduced the cost. The concerned official added that power conditioning units in the solar panel does the conversion of DC to AC and in the second phase it was done using advanced technology which is less costlier than the first phase.

The Committee was not convinced with the reply and directed to furnish a detailed report including the difference in technology used in both the projects, batteries with MPPT, details of the materials used in the projects, items purchased with its price and specification.

**Observations/Recommendations**

***4.The Committee expresses its displeasure on the reply given by the concerned officials before the Committee regarding the failure to fix competitive rates due to the awarding of works to the business partners on nomination basis and incurring an additional cost of ₹0.55 Crores. The additional information furnished by the department also did not mention anything about the technology used in the project. Hence the Committee recommends that a detailed report should be furnished regarding the difference in technology used in both the projects, batteries with MPPT, details of the materials used in the projects, items purchased with its price and specification.***

**3.2.2.4. Award of work after defective tendering**

The Committee noted that in respect of 13 works received (2011-13 to 2015-16) from agencies of Government of Kerala on nomination basis, time given for submission of bids by Keltron ranged between 2 to 18 days but did not publish short tender notices in the Gazette and sought explanation for that. The Manager, ITBG informed that for the supply of 4400 laptops for [IT@School](#), e-tender was published on 31-10-2014 and time for submitting bids was extended to



16-12-2014 due to technical reasons. He added that the observation of 7 days by audit is incorrect as a total of 46 days was given for submitting bids.

The Senior Audit Officer objected the reply of the witness by saying that three to four chances had been given to the Company and the Government to reply on their observations. Moreover, the Government had accepted the observation after examining all these matters. He added that it was not right to challenge the observation before the Committee which had been once accepted and had to submit proper evidence to substantiate their claim.

The Committee criticised the official for giving vague and confusing replies and commented that opposing the observations without proper evidence is not a good practice. Regarding the above issue, the Committee gave strict instruction to furnish a reply including all evidence of the tender publication to substantiate their claim.

The Committee sought explanation regarding the extra expenditure incurred for the supply of laptops and desktops for IT @ School. The witness replied that Toshiba laptops were purchased in January 2015 for Kerala Motor Transport Workers Welfare Board at ₹ 27,610 per unit and Acer laptops were purchased in February 2015 for IT @ School at ₹ 35857 per unit. The witness also added that the price difference was due to the difference in specifications.

The Committee was not at all satisfied with the explanation and asked to submit a detailed report on the audit observation including the price and specification of laptops and desktops of Keltron and other PSUs purchased during the period.

Regarding a query of the change in the method of tendering, the witness informed that a technical glitch in the e-tender website was the reason for taking such a decision and the screenshot of the same had been submitted to audit team as a proof.

Then Senior Audit Officer challenged its authenticity and informed that there was a possibility that the website may or may not have a glitch at the time of taking the screenshot and it could not be considered as a proper evidence.

The Committee expressed its strong displeasure on the attitude of the officials in replying to the audit observations and warned against making contradictory statements forgetting the fact that they were answering before a Legislative Committee. The Committee observed that there was sheer negligence and irresponsibility on the part of the officials. The Committee strongly directed the Department that proper evidence should be provided other than the screen shot to prove that there was a technical glitch happened in the e-tender website on the tender submission dates.

The Committee noticed that in respect of works referred to in serial number 1 and 2 of Appendix II which were part of the same work, tender conditions were arbitrarily fixed to suit the ultimate awardees of the works. The Committee sought the reason behind the criteria fixed for supply and installation of SVDS. The witness informed that these two were different activities, ie. first one was supply of modules and second one was of installation. It was suggested that the participants in the tender, for supply of modules should have a service center in Thiruvananthapuram and for installation, a service center anywhere in Kerala.

The Committee accepted the reply.

To a query of the Committee about the allotment of bid to NetX Technologies in respect of works at serial numbers 6 and 7 of Appendix 11, the witness explained that one of the conditions for bidding was that bidders should be strategic partner/MoU partners of Keltron. The witness added that there were other partners who had service experience and qualifications like M/s NetX and the reason for imposing that criterion was not known and perhaps they thought that companies with better experience would come.

The Senior Deputy Accountant General informed the Committee that this was regarding the campus networking system in Kerala and MG Universities and

the project was completed in MG University but the condition of the implementation of the project in Kerala University was pitiable.

The Committee observed that Keltron had fixed the eligibility criteria to suit the requirement of NetX Technologies by violating CVC Guidelines and the award of the works mentioned 6 and 7 in Appendix 11 was not through fair and transparent procedures. Hence the Committee suspected some unholy motive behind it and asked to submit a report on the present status of the project.

The Committee desired to know why Bank Guarantee was not evoked even though ₹0.32 crore remained to be recovered from RP Infosystems Limited. The witness replied that RP Infosystems Ltd supplied 14,061 Chirag brand computers, out of which 135 machines had to be replaced and 5500 machines had to be serviced. Keltron had an expenditure of ₹0.74 crore for this. He added that the actual expenditure was calculated as ₹ 1.27 crore considering man power etc. The witness informed that RP Infosystems Limited failed in after sale service. Regarding the bank guarantee the witness replied that ₹ 3.30 crore had been recovered and ₹ 0.32 crore expired in July 2013.

The Committee observed that it was sheer negligence from the part of the officials and directed to submit a detailed report regarding the steps taken to collect ₹ 0.32 crores due from RP Infosystems Limited.

#### **Observations/Recommendations**

***5.The Committee notices that for the supply of 4400 laptops for [IT@School](#), e-tender was published on 31/10/2014 and last date for bid submission was 21/11/2014. After modifying the tender terms and conditions, re-tendering was published on 09/12/2014 and last date for bid submission was 17/12/2014. The Committee observes that the SPM rules have been violated in inviting tenders and also the evidence about the tender publication put forwarded by the department in the additional information to substantiate their claim was vague and confusing. Hence the Committee recommends that SPM rules should not be***

*violated in future and also to furnish a more clear reply regarding the evidence of the tender publication to substantiate their claim.*

*6.The Committee was not satisfied with the explanation regarding the extra expenditure incurred by the supply of laptops and desktops for IT @ School. The additional information given by the department does not mention about price and specification of laptops and desktops of Keltron and other PSUs that were purchased during the period. Hence the Committee recommends the department to give a detailed report regarding price and specification.*

*7.The Committee observes that very short period was given for the submission of bid for procurement of desktop PC to IT @ School and the e-procurement website, according to the engineers of IT Mission it was error free. Hence the Committee recommends that the rules as per Stores Purchase Manual should be followed while inviting tenders.*

*8.The Committee notes that award of works mentioned 6 and 7 in Appendix 11 to NetX Technologies was not clear and transparent and doubts that Keltron had fixed the eligibility criteria to suit the requirement of NetX Technologies by violating CVC guidelines. Hence the Committee recommends that a clear report should be furnished regarding the current status of works '6'and '7'of Appendix 11.*

*9.The Committee observes that Bank Guarantee was not evoked even though ₹0.32 crore remained to be recovered from RP Infosystems Limited. The Committee criticises that this was sheer negligence on the part of officials and wants to initiate to recover the amount.Hence the Committee recommends to submit a detailed report regarding this.*

#### **3.2.2.5. Award of work to single bidder**

The Committee sought explanation for the award of eight works to a single bidder, the Managing Director, Keltron admitted the fault and stated that some of the facts stated in the audit objection were true.

The Committee inquired whether there was a facility to ensure that bidders did not form a cartel to circumvent a competitive tendering process. The Managing Director informed that for the last three years, the company's operations had been carried out through strong e-tendering process instead of nomination.

The Committee observed that the award of works which received from the Kerala Govt./agencies on nomination basis to a single bidder without re-tendering was a clear violation of rules. Hence the committee wanted a detailed report on the situation which led to the situation of awarding the work to a single bidder and the measures taken to ensure that no cartel was formed between the bidders to bypass the competitive tendering process.

**Observations/Recommendations**

***10.The Committee notes that the award of work to a single bidder without retendering was clear violation of rules. Hence the Committee directs the department to submit a detailed report about the situation which led to the award of the work to a single bidder and the measures taken to ensure that no cartel was formed between the bidders to bypass the competitive tendering process.***

With regard to the audit observation about the non transparent dealings of Keltron, the Committee enquired whether the EMD had been forfeited in the event of non-submission of performance security. The witness replied that Mediatronix was a technology focused company, Proxs Infocomm Limited (Proxs) was Mediatronix's partner and an authorised agency to quote, supply, install and maintain traffic enforcement systems developed by Mediatronix. He added that the Proxs was also brought in for financial support and the order given to Proxs was cancelled as they could not complete the work within three months, and gave it to Mediatronix. Regarding a query of the Committee about the cancellation of the order the witness replied that it was done with an intention to release the EMD.

The Committee observed that it was an undue favour from the part of the officials and the dealings were not transparent. Hence the Committee directed that a detailed report should be submitted regarding the above dealings.

While referring to the audit objection regarding the setting up of Vehicle Testing Station (VTS) in Thiruvananthapuram and Ernakulam, the Committee asked to explain the present status of recovery of VAT amount worth ₹0.68 crore from Webex Technology.

As the witness could not give a clear reply, the Committee asked the details of officials in connection with the VTS project. The Managing Director informed that all of them had retired and assured that action would be taken against the delinquent employees who were involved in this project.

The Committee expressed its displeasure over the findings and wanted to take stringent action against the officials concerned at that time whether they are in service or not and also directed that appropriate measures should be taken to recover the VAT amount.

#### **Observations/Recommendations**

***11. The Committee observes that Proxs, Keltron and Mediatronix entered into a teaming agreement on November 1, 2013, and since the work was not started even after three months of placing the purchase order with Proxs, the contract was cancelled and a new contract was awarded to Mediatronix for ₹9.34 crores without inviting tender and the EMD was refunded to Proxs. The Committee notes that it was an undue favour from the part of the officials and the dealings were not transparent. The committee criticises that canceling the work order and returning the EMD cannot be justified as the work was not started even after three months of issuing the work order and recommends that such things should not be repeated in future. The Committee wants to furnish with a report regarding the matter.***

***12. The Committee observes that Keltron gave only 5 days to submit the e-tender for the work to set up a Vehicle Testing Station in Ernakulam and Thiruvananthapuram and the work was allotted to the sole bidder Webex Systems Pvt Ltd. The Committee observes that Webex collected 0.68 crores from Keltron but it has not been paid to the Commercial Taxes Department. The Committee understands from the additional information furnished by the Industries Department that ₹48 lakhs recovered from Webex has been paid to the Commercial Taxes Department. The Committee observes that the concerned Managing Director of KELTRON has assured in the meeting held on 24-05-2022 that action will be taken against the concerned officials even if they had retired from service. Hence the Committee directs the department to give a clear report regarding the action taken in this matter.***

#### **3.2.2.6. Award of work to regular suppliers after defective evaluation of bids.**

The Committee noticed that one tender for supply and installation of 3720 all-in-one desktop computers for Additional Skill Acquisition Programme (ASAP) of Higher Education Department, the eligibility criteria for technical qualification required that the bidder should be a manufacturer or authorised dealer or authorised distributor and the equipment should have EPEAT gold certificate. The Committee enquired about the work order issued to ACS Technologies even though they had not produced EPEAT gold certificate. The witness replied that the model quoted by KELTRON in the ASAP tender, Acer Veriton 2630G, has EPEAT gold certification since 17/09/2013 and was electronically verifiable from EPEAT site. He added that Keltron re-tendered the work and the work order was issued to the lowest bidder among those who quoted the model Acer Veriton M 2630G

The Senior Audit Officer remarked that EPEAT gold certificate was one of the criteria required at the time of tender submission and the company didn't give such a reply at the time of audit.

The Committee strongly criticized the officials for rebutting AG's observation without clear evidence before the Committee and without giving

relevant replies when they had given several chances earlier. The Committee pointed out that if Keltron insisted up on their claim they have to prove the authenticity and wanted to submit a detailed reply containing proper evidence to prove their claim.

**Observations/Recommendations**

***13.The Committee observes that in the additional information provided by the Department, it is mentioned that Acer should produce EPEAT gold certificate by March 27, 2015 and the purchase order was issued on 11/03/2015. Hence the Committee suspects that it was an undue favour from the part of the officials and the dealings were not transparent. Hence the Committee directs that a detailed report should be submitted regarding the work orders issued in the absence of EPEAT Gold Certificate.***

**3.2.3. Lapses in installation of integrated security system for Sree Padmanabha Swamy Temple**

To a query of the Committee about the lapses in installation of integrated security system, the witness replied that defects in bollards and road blockers were being rectified and a letter was sent to Sree Padmanabha Swamy Temple Trust last year to recover the cable worth ₹25 lakh but no reply had been received. The witness also added that the company had received ₹9.54 crore in advance and therefore the unspent balance can be adjusted in such a way that company does not incur a loss.

The Committee wanted to know the present status of the installation of the integrated security system for Sree Padmanabha Swamy Temple.

**Observations/Recommendations**

***14.The Committee observes that Keltron requested to the Sree Padmanabha Swamy Temple Trust to recover the excess cable worth ₹25 lakh and no reply had been received yet. Hence the Committee recommends to submit a report on the***



***current status of the same and also wants to know the status of the installation of the integrated security system for Sree Padmanabha Swamy Temple.***

#### **3.2.4. Payment for suppliers not conforming to specifications.**

The Committee wanted explanation regarding the audit observation. The Managing Director admitted their fault in making payment against the terms of purchase order. He informed that the Deputy Commissioner of Police rejected the binoculars due to non-conformity to order specifications after ten months. The day and night vision binoculars had lack of clarity as specified in the purchase order. He added that there was a lapse from the part of the Company that it could not hold the payment. Now M/s Trident Infosol is not ready to take it back or repay the amount.

The Committee expressed its discontent on the severe lapse from the part of company officials and directed that appropriate measures should be taken to refund the amount from M/s Trident Infosol.

The Committee expressed its discontent on furnishing vague RMTs, not addressing the audit observations separately and severely criticized Industries Department for preparing such replies. The Committee also pointed out that the replies were very brief without containing any valid information. The Committee observed that it was a sheer negligence and impertinence from the part of Industries Department. The Committee also commented that the officials were not able to provide convincing answers for the audit observations and queries raised. Hence the Committee directed that department should submit detailed and authentic replies on audit observations before the Committee.

#### **Observations/Recommendations**

***15. The Committee observes that there was a serious lapse on the part of the company officials in procuring Day and Night Vision Binoculars required for the Integrated Security System of Sri Padmanabha Swamy Temple. The Committee expresses its discontent on the lapse from the part of company officials and di-***

*rects that appropriate measures should be taken to recover the amount from M/s Trident Infosol.*

*16. The Committee recommends that clear specifications of the equipment to be purchased should be given while preparing the purchase clause and when the equipment is made available, the amount should be paid only after checking its performance at the official level, before payment. The Committee wants to ensure to stick on to the government guidelines issued for the purchase and adhere to the provision of SPM, in future.*

### General Recommendations

*17. Going through the audit paragraphs the Committee is at a conclusion that some PSUs having no expertise and experience in relevant field were engaged in supply and installation of equipment and execution of civil works in Government Departments. These PSUs in turn engage subcontractors for procurement and execution on nomination basis without inviting tenders. Based on what discussion it was enforced at what level and copies of all relevant orders should be furnished to the Committee.*

*18. It was also observed that most of the supply and installation of equipments / civil works were done without preparing cost estimate and was subcontracted by PSUs to private entities without calling tenders. Hence the total procedure lack transparency. More over the losses sustained by departments cannot even be reckon with.*

*19. The Committee also wanted to explore the criteria by which PSUs being included in the "Listed Agencies" category and copies of guidelines and circulars issued in this regard and copies of listed agencies for each specific type of work also be furnished to the Committee.*

*20. The Committee also observed that the estimate or revised estimate for a work is usually subject to the whims and fancy of the listed agency, leaving the*

*department uninformed. Hence, the Committee strongly recommends that necessary instructions should be issued for limiting the role of the listed agency while engaging works in departments and all procedures as per SPM and CVC Guidelines should be followed through out the engagement.*

*21. The Committee strongly recommends that Government should dispense with the system of awarding works to PSUs having no expertise and experience in carrying out the technical works in Government Departments for which private partners of PSUs were selected on nomination basis and entrusted the work on back to back basis.*

Thiruvananthapuram,  
11<sup>th</sup> February, 2025.

E.CHANDRASEKHARAN,  
Chairperson,  
Committee on Public Undertakings.

**APPENDIX-I**  
**SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS**

Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1	1	Industries	<i>The Committee observes that KELTRON selected its strategic partners without following any transparent procedure such as identifying and empanelling firms through open tender process. Hence the Committee recommends that KELTRON should follow the CVC guidelines while executing all works.</i>
2	2	Industries	<i>The Committee observes that Mediatronix was the technology partner of Keltron with MoU. The Committee expresses its dissatisfaction on Keltron's reply that it had entered into an agreement with Mediatronix for procurement and implementation of SVDS and RLVDS on an exclusive basis and that the system and solution were proven for Indian conditions and cost effective. Therefore, the Committee opines that the selection of business partners was not done transparently and cost effectiveness can be gauged only through transparent tender system. So the Committee directs to furnish a clear report regarding the selection of Mediatronix as the business partner.</i>
3	3	Industries	<i>The Committee observes that there was violation of Stores Purchase Manual as mentioned in the audit observation and criticised the officials for not keeping transparency in its dealings. The Committee opines that such dealings would adversely affect the credibility of the Company. Hence the Committee recommends that KELTRON should strictly adhere to the provisions of SPM while awarding work orders.</i>
4	4	Industries	<i>The Committee expresses its displeasure on the reply given by the concerned officials before the Committee regarding the failure to fix competitive rates due to the awarding of works to</i>

			<p><i>the business partners on nomination basis and incurring an additional cost of ₹0.55 Crores. The additional information furnished by the department also did not mention anything about the technology used in the project. Hence the Committee recommends that a detailed report should be furnished regarding the difference in technology used in both the projects, batteries with MPPT, details of the materials used in the projects, items purchased with its price and specification.</i></p>
5	5	Industries	<p><i>The Committee notices that for the supply of 4400 laptops for <a href="#">IT@School</a>, e-tender was published on 31/10/2014 and last date for bid submission was 21/11/2014. After modifying the tender terms and conditions, re-tendering was published on 09/12/2014 and last date for bid submission was 17/12/2014. The Committee observes that the SPM rules have been violated in inviting tenders and also the evidence about the tender publication put forwarded by the department in the additional information to substantiate their claim was vague and confusing. Hence the Committee recommends that SPM rules should not be violated in future and also to furnish a more clear reply regarding the evidence of the tender publication to substantiate their claim.</i></p>
6	6	Industries	<p><i>The Committee was not satisfied with the explanation regarding the extra expenditure incurred by the supply of laptops and desktops for IT @ School. The additional information given by the department does not mention about price and specification of laptops and desktops of Keltron and other PSUs that were purchased during the period. Hence the Committee recommends the department to give a detailed report regarding price and specification.</i></p>
7	7	Industries	<p><i>The Committee observes that very short period was given for</i></p>

			<i>the submission of bid for procurement of desktop PC to IT @ School and the e-procurement website, according to the engineers of IT Mission it was error free. Hence the Committee recommends that the rules as per Stores Purchase Manual should be followed while inviting tenders.</i>
8	8	Industries	<i>The Committee notes that award of works mentioned 6 and 7 in Appendix 11 to NetX Technologies was not clear and transparent and doubts that Keltron had fixed the eligibility criteria to suit the requirement of NetX Technologies by violating CVC guidelines. Hence the Committee recommends that a clear report should be furnished regarding the current status of works '6'and '7'of Appendix 11.</i>
9	9	Industries	<i>The Committee observes that Bank Guarantee was not evoked even though ₹0.32 crore remained to be recovered from RP Infosystems Limited. The Committee criticises that this was sheer negligence on the part of officials and wants to initiate to recover the amount.Hence the Committee recommends to submit a detailed report regarding this.</i>
10	10	Industries	<i>The Committee notes that the award of work to a single bidder without retendering was clear violation of rules. Hence the Committee directs the department to submit a detailed report about the situation which led to the award of the work to a single bidder and the measures taken to ensure that no cartel was formed between the bidders to bypass the competitive tendering process.</i>
11	11	Industries	<i>The Committee observes that Proxs, Keltron and Mediatronix entered into a teaming agreement on November 1, 2013, and since the work was not started even after three months of placing the purchase order with Proxs, the contract was cancelled and a new contract was awarded to</i>

			<p><i>Mediatronix for ₹9.34 crores without inviting tender and the EMD was refunded to Proxs. The Committee notes that it was an undue favour from the part of the officials and the dealings were not transparent. The committee criticises that canceling the work order and returning the EMD cannot be justified as the work was not started even after three months of issuing the work order and recommends that such things should not be repeated in future. The Committee wants to furnish with a report regarding the matter.</i></p>
12	12	Industries	<p><i>The Committee observes that Keltron gave only 5 days to submit the e-tender for the work to set up a Vehicle Testing Station in Ernakulam and Thiruvananthapuram and the work was allotted to the sole bidder Webex Systems Pvt Ltd. The Committee observes that Webex collected 0.68 crores from Keltron but it has not been paid to the Commercial Taxes Department. The Committee understands from the additional information furnished by the Industries Department that ₹48 lakhs recovered from Webex has been paid to the Commercial Taxes Department. The Committee observes that the concerned Managing Director of KELTRON has assured in the meeting held on 24-05-2022 that action will be taken against the concerned officials even if they had retired from service. Hence the Committee directs the department to give a clear report regarding the action taken in this matter.</i></p>
13	13	Industries	<p><i>The Committee observes that in the additional information provided by the Department, it is mentioned that Acer should produce EPEAT gold certificate by March 27, 2015 and the purchase order was issued on 11/03/2015. Hence the Committee suspects that it was an undue favour from the part of the officials and the dealings were not transparent. Hence the Committee directs that a detailed report should be submitted regarding the work orders issued in the absence of</i></p>

			<i>EPEAT Gold Certificate.</i>
14	14	Industries	<i>The Committee observes that Keltron requested to the Sree Padmanabha Swamy Temple Trust to recover the excess cable worth ₹25 lakh and no reply had been received yet. Hence the Committee recommends to submit a report on the current status of the same and also wants to know the status of the installation of the integrated security system for Sree Padmanabha Swamy Temple.</i>
15	15	Industries	<i>The Committee observes that there was a serious lapse on the part of the company officials in procuring Day and Night Vision Binoculars required for the Integrated Security System of Sri Padmanabha Swamy Temple. The Committee expresses its discontent on the lapse from the part of company officials and directs that appropriate measures should be taken to recover the amount from M/s Trident Infosol.</i>
16	16	Industries	<i>The Committee recommends that clear specifications of the equipment to be purchased should be given while preparing the purchase clause and when the equipment is made available, the amount should be paid only after checking its performance at the official level, before payment. The Committee wants to ensure to stick on to the government guidelines issued for the purchase and adhere to the provision of SPM ,in future.</i>
17	17	Industries	Going through the audit paragraphs the Committee is at a conclusion that some PSUs having no expertise and experience in relevant field were engaged in supply and installation of equipment and execution of civil works in Government Departments. These PSUs in turn engage subcontractors for procurement and execution on nomination basis without inviting tenders. Based on what discussion it was enforced at what level and copies of all relevant orders should be furnished



			to the Committee.
18	18	Industries	It was also observed that most of the supply and installation of equipments / civil works were done without preparing cost estimate and was subcontracted by PSUs to private entities without calling tenders. Hence the total procedure lack transparency. More over the losses sustained by departments cannot even be reckon with.
19	19	Industries	The Committee also wanted to explore the criteria by which PSUs being included in the “Listed Agencies” category and copies of guidelines and circulars issued in this regard and copies of listed agencies for each specific type of work also be furnished to the Committee.
20	20	Industries	The Committee also observed that the estimate or revised estimate for a work is usually subject to the whims and fancy of the listed agency,leaving the department uninformed. Hence, the Committee strongly recommends that necessary instructions should be issued for limiting the role of the listed agency while engaging works in departments and all procedures as per SPM and CVC Guidelines should be followed through out the engagement.
21	21	Industries	The Committee strongly recommends that Government should dispense with the system of awarding works to PSUs having no expertise and experience in carrying out the technical works in Government Departments for which private partners of PSUs were selected on nomination basis and entrusted the work on back to back basis.