



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

FORTY EIGHTH REPORT

(Presented on 30th June, 2008)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2008

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**COMMITTEE
ON
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(2006-2008)**

FORTY EIGHTH REPORT

On

**[The action taken by Government on the Recommendation contained
in the Ist Report of the Committee on Public Undertakings
(2006-2008) relating to Kerala Electrical and Allied
Engineering Company Ltd. based on the Report
of the Comptroller and Auditor General of
India for the year ended 31st March 2002
(Commercial)]**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

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Smt. P. J. Philomina, Joint Secretary

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„ L. Sailaja, Under Secretary.

INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this 48th Report on the action taken by Government on the recommendation contained in the Ist Report of the Committee on Public Undertakings (2006-2008) on the working of the Kerala Electrical and Allied Engineering Company Ltd. based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial).

The Statement of action taken by the Government included in this Report were considered by the Committee constituted for the year 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 16-6-2008.

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.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
30-6-2008.

*Chairman,
Committee on Public Undertakings.*

REPORT

The Ist Report of the Committee on Public Undertakings (2006-2008) on Kerala Electrical and Allied Engineering Company Ltd. based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 2002 (Commercial) was presented to the House on 17th October, 2006.

The Report contained one recommendation. Government have furnished reply to the recommendation.

The Committee (2006-2008) considered the reply received from the Government at its meeting held on 28-12-2007 and approved the same without any remarks. The Recommendation and its reply is included in this Report.

REPLY FURNISHED BY GOVERNMENT WHICH HAS BEEN ACCEPTED
BY THE COMMITTEE

<i>Sl. No.</i>	<i>Paragraph of the Report</i>	<i>Department Concerned</i>	<i>Conclusion/ Recommendation</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	2	Industries	<p>The Committee is surprised to find grave irregularities in the implementation of the SGPM project. The company should not have executed the technical know-how agreement with M/s. ELIN, Austria, before obtaining requisite Government approval for the project. The company was also aware that it had defaulted in the repayment of the existing loans and hence further loans would not be sanctioned anymore. The Committee finds no justification, for the wasteful expenditure of Rs.2.09 crore on the project. The</p>	<p>The Managing Director, Kerala Electrical and Allied Engineering Company Limited has reported that during 1993 Government vide G.O. (Ms) No.104/93/ID dated 12/8/1993 approved the proposal to set up a unit for the manufacture of Special and General purpose Motors at a total cost of Rs. 22.50 crores. The project was to be financed by way of equity(Rs. 7.5 crores) from Government and loan from financial institutions (Rs.15 crores). During January 1993 a technical collaboration agreement was entered into between the company and ELIN, Austria. The validity period of the agreement was five years from the date of commercial production or eight years from the date of agreement.</p> <p>The Company had spent an amount of Rs.209 lakhs towards the cost of detailed engineering</p>

(1)	(2)	(3)	(4)	(5)
			<p>Committee, therefore recommends that strict action should be taken against those who authorised the tie-up with M/s. ELIN, Austria and the detailed engineering service worth Rs.0.84 crore. Action should also be taken to make good the loss of over Rs.2 crore on the project.</p>	<p>service technical know how etc. The company could not proceed with the project as the financial institutions denied the loans due to the non-payment of dues on the loans availed earlier. On 28-5-1997, a meeting was convened in the presence of Minister (I & Sw) in which the Managing Director, KEL, Secretary (Finance), Secretary, RIAB and Executive Director, KSIDC participated. In the meeting KSIDC was entrusted to submit a report on the viability of the project. In the meanwhile it was decided to keep in abeyance the implementation of the project till a decision was taken on the study report. Later a vigilance enquiry was conducted on the irregularities connected with the starting of the project. The Vigilance and Anti-Corruption Bureau reported that there was no irregularity on the part of the then Chairman and Managing Director and that several compelling circumstances such as lack of funds,</p>

(1)	(2)	(3)	(4)	(5)
				<p>change of policy etc. were responsible for non-implementation of the project. A copy of the letter from the Vigilance & Anti-Corruption Bureau is enclosed for reference in which it was recommended that sanction of Government may be accorded only after obtaining proper technical and financial feasibility reports. It was also recommended that M/s. Power Consultant, Madras may not be involved in any other projects as they have failed to carry out their commitment.</p> <p>Considering the recommendation of the Vigilance & Anti-Corruption Bureau against M/s. Power Consultant, Madras not to engage the company in any other project in future, action is being taken to blacklist the company.</p>

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
30-6-2008.

*Chairman,
Committee on Public Undertakings.*