



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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

SEVENTY FIFTH REPORT
(Presented on 23rd March, 2015)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2015

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

SEVENTY FIFTH REPORT

On

**The Action Taken by Government on the Recommendations contained in the
Eighty Fifth Report of the Committee on Public Undertakings (2008-11)
relating to Travancore Cochin Chemicals Limited based on the
Report of the Comptroller and Auditor General of India for the years
ended 31st March, 2006 and 2007 (Commercial)**

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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 Seventy Fifth Report on the Action Taken by Government on the recommendations contained in the Eighty Fifth Report of the Committee on Public Undertakings (2008-11) on the working of the Travancore Cochin Chemicals Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 2006 and 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 11-2-2015.

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,
23rd March, 2015.

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

REPORT

This Report deals with the action taken by Government on the recommendations contained in the Eighty Fifth Report of the Committee on Public Undertakings (2008-11) relating to Travancore Cochin Chemicals Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31st March, 2006 and 2007.

The Eighty Fifth Report of the Committee on Public Undertakings (2008-11) was presented to the House on 16th March, 2010. The Report contained two recommendations and the Government furnished replies to all the recommendations. The Committee (2014-16) considered the replies received from the Government at it's meeting held on 12-11-2014.

The Committee accepted the replies to the recommendations without any remark. These recommendations and their replies are included in this Report.

REPLY FURNISHED BY GOVERNMENT WHICH HAS BEEN ACCEPTED BY THE COMMITTEE
WITHOUT REMARKS

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusions/Recommendations</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	5	Industries	<p>The Committee finds that the company has entrusted the work of recoating of the anode and cathode meshes to an inexperienced company, Denora, without inviting tender, ignoring the original suppliers recommendation of replacing the meshes instead of recoating leading to the loss of ₹ 38.60 lakh. The Committee notices that the company had ordered bulk quantities for trial attempt to an inexperienced company instead of providing an order for a small quantity on an experimental basis in order to develop an alternate supplier.</p>	<p>The membrane cell plant supplied by Ashai Glass Company (AGC), Japan was commissioned in 1997. The Anodes and Cathodes supplied by them had a coating life of 6 years. By the time the recoating was due, AGC had stopped manufacturing of the anodes and cathodes and confined their business to the membrane supply only and they transferred the technology (anode and cathode manufacturing) to Chlorine Engineers. M/s Kanematsu Corporation was the marketing agent for both of the companies and hence the TCCL obtained offers from them for anode and cathode meshes. Since the company had dispute with Kanematsu Corporation regarding the performance of the membrane supplied by them, the company thought of developing alternate sources for supplying anodes and cathodes.</p> <p>On enquiry, it was ascertained that M/s Denora, Italy and their subsidiary unit in India, M/s Titanor Components, Goa are supplying anodes and cathodes to Caustic Soda Plants. They had recoated the anode and cathode of UHDE plant and were performing satisfactorily.</p> <p>The company floated limited tenders on 10-10-2002 asking to replace/recoat anode and cathode meshes. Enquiries were sent to Denora, Italy, Titanor Components, India and Kanematsu Corporation, Japan. The offers</p>

received from the above parties for a quantity of 480 Nos. each were opened on 23-11-2002.

M/s Kanematsu Corporation quoted for supply of new anodes and cathodes only. M/s Titanor Components quoted only for anode supply and recoating and M/s Denora, Italy quoted only for cathode supply and recoating.

They were called for further negotiation and clarification and their final rates were as follows:

Recoating

Titanor charges for recoating of 508 anode meshes	..	₹ 2,00,11,989.01
Denora charges for recoating of 516 cathode meshes	..	₹ 2,92,67,796.27
Total	..	<u>₹ 4,92,79,785.28</u>

New coated anode and cathode

Titanor charges for 508 new coated anode	..	₹ 2,60,63,051.12
Denora charges for 516 new coated cathode meshes	..	₹ 4,68,55,965.87
Total	..	<u>₹ 7,29,19,016.99</u>
Kanematsu Corporation new coated anode (508 Nos.)	..	₹ 4,68,80,185.00
Kanematsu Corporation new coated cathode (516 Nos.)	..	₹ 4,93,92,156.00
Total	..	<u>₹ 9,62,72,341.00</u>

(1)	(2)	(3)	(4)	(5)
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There was a price difference of ₹ 470 lakh between recoated anodes and cathodes supplied by M/s Titanor/ Denora and new anodes and cathodes offered by M/s Kanematsu Corporation. The decision seems to be based on the huge financial advantage to the Company and also to ensure competition in future procurement of this item.

The Work Order (No. 2827/25-2-2003) was issued to M/s Titanor Components, Goa for recoating of 510 anodes meshes and to Denora, Italy for the recoating of 516 cathode meshes.

The company has issued the above work orders by inviting limited tenders and thereby completing the purchase procedure.

Even though the work order was issued for bulk quantity, the company had despatched only 65 Nos. cathodes to M/s Denora, Italy and 30 anodes to Titanor Components, Goa on a trial basis. The above cathodes were sent for recoating as it was required for replacement in two electrolyzers. The lead time taken for recoating was above two months. In the case of anode, the lead time was only one month so the company had despatched 30 Nos. required for one electrolyser. The replacement of cathodes and anodes of all the 17 electrolyzers were scheduled to be

completed within a span of 18 months. This was the reason for dispatching the above quantity as a trial basis. As the trial was not successful, and the party could not make any suggestion for improvement, the work orders for the recoating of electrodes were cancelled. So the company had to revert back to M/s Chlorine Engineers for replacement of anodes and cathodes.

M/s Chlorine Engineers supplied the anode mesh without coating from Japan and coating was carried out at Titanor, Goa. In the case of the cathode meshes supplied with coating from Chlorine Engineers the company had to reject 44 Nos. from different lots, which were replaced by them later. This shows that even after AGC completed transferring the technology to Chlorine Engineers, they needed more time to assimilate the technology. On the other hand, M/s Denora tried to develop the technology without any help from AGC. It was expected that by the time the next recoating is due after 6 years they will be able to perfect the technology and become a competitor for M/s Chlorine Engineers who is at present the only supplier.

Regarding the preference of replacement over recoating suggested by the supplier, is only a safe option for monopolistic supplier. The anode which were recoated by Titanor, Goa are still giving service as good as the ones supplied by Chlorine Engineers.

(1)	(2)	(3)	(4)	(5)
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Developing an alternate source is of strategic importance to the company. In the case of UHDE plant in 2010 the cathode and anode were recoated by Denora, India and is performing well.

The company had given the work order to M/s Denora, Italy, after inviting tenders and by following the purchase procedure. M/s Denora at that time was doing recoating for cathode meshes supplied by M/s UHDE. There was a difference of ₹ 470 lakh between the original suppliers offer and the recoating offers. The decision of the company was because of the huge financial advantage and also to ensure high competition in future procurement of these items.

The membrane cell plant had 16 electrolyzers and each electrolyzer consist of 30 anodes and 30 cathodes. Even though the company has issued order for bulk quantity, 30 anodes required for one electrolyzer and 65 Nos. of cathodes required for two electrolyzers were only dispatched to M/s Titanor Components, Goa and M/s Denora, Italy respectively for recoating on trial basis. Since the trials cannot be conducted by partial recoating anodes/cathodes in an electrolyzer, the company had decided to carryout trials on one electrolyzer at a time. In the case of recoating of cathodes the company had sent 65 Nos. for recoating required for two electrolyzers

2 6 Industries The Committee finds that the failure on the part of the officials of the company to take prompt and timely action and to comply with the terms and conditions of the agreement led to a loss of ₹ 38.60 lakh. The Committee therefore, recommends that the company should adopt proper plan before executing costly work orders and to take necessary steps for the proper monitoring of the purchase wing of the company to avoid instances like this in future.

considering the long lead time for receipt after recoating. As the trials were unsuccessful, the company cancelled the order for the balance quantity. The company had sent the minimum number of anodes and cathodes as trial attempt.

The company has prepared a new purchase manual and got approved by the Board of Directors. All the Purchases/Work Orders are executed strictly as per the manual and thereby the working of the purchase department is monitored.

Thiruvananthapuram,
23rd March, 2015.

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

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