



**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

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

**FIFTY FIRST REPORT**

(Presented on 30th June, 2008)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2008

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

**FIFTY FIRST REPORT**

**On**

**The action taken by Government on the Recommendations contained in the  
Hundred and Forteenth Report of the Committee on Public Undertakings  
(2004-2006) relating to Kerala State Electronics Development  
Corporation based on the Report of the Comptroller and  
Auditor General of India for the years ended 31st  
March 2001 and 2002 (Commercial)**

657/2008.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

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## INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fifty First Report on the action taken by Government on the recommendations contained in the Hundred and Fourteenth Report of the Committee on Public Undertakings (2004-2006) on the working of the Kerala State Electronics Development Corporation based on the Report of the Comptroller and Auditor General of India for the years ended 31st March 2001 and 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,

*Chairman,  
Committee on Public Undertakings.*

Thiruvananthapuram,  
30-6-2008.

## **REPORT**

The Report deals with the Action taken by Government on the recommendations contained in the Hundred and fourteenth Report of the Committee (2004-06) relating to Kerala State Electronics Development Corporation based on the Report of the Comptroller and Auditor General of India for the years ended 31-3-2001 and 31-3-2002 (Commercial) which was presented to the House on 16<sup>th</sup> February, 2006.

The Report contained 7 recommendations, Government have furnished replies to all recommendations. The committee considered the replies received from Government at its meeting held on 9-1-2008.

The Committee accepted the replies to the recommendations No. 1(4), 2(5), 3(6), 5(8), 6(13) without any remarks. These recommendations and their replies furnished by Government form Chapter I of the Report.

The Committee accepted the replies to the recommendations No. 4(7) and 7(17) with remarks. These recommendations, their replies furnished by Government and the remarks of the Committee form Chapter II of the Report.

## CHAPTER I

**Replies furnished by Government which have 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	4	Industries	<p>The Committee learns that the Company had accepted orders worth Rs. 11.07 crore from the Department of Telecommunications (DoT) with a short delivery period. For prompt execution of orders, the Kerala State Electronics Development Corporation had also to execute performance guarantee for Rs. 48.58 lakh and agree to the levy of liquidated damages @ ½ per cent per week, subject to a maximum of 5 percent of the value of the supplies. All this happened at a time when KSEDC was in dire financial straits and a lock out was looming large. The Committee finds that there is no evidence in the files to show that the Communication Division got the approval of the Managing Director before accepting the said order. The Committee desires to be informed whether the Communication Division had requested for permission of the Managing Director, Keltron before accepting the order, and if permission had been</p>	<p>The Communication Division of the KSEDC Ltd. obtained the approval of the Managing Director on 20-8-1997 before accepting the order.</p>

(1)	(2)	(3)	(4)	(5)
			given the date on which it was given to the Company.	
2	5	Industries	The Committee finds that Management of the Company made no sincere effort to get written orders regarding the release of funds from Government, and instead went on accepting orders, which it knew it would not be able to fulfill without Government support. This caused a loss of over Rs. One crore in the two instances pointed out by Audit. The Committee regards this as an instance of utter financial mismanagement prevailing in the Company. The Committee, therefore, recommends that in all cases of verbal order or sanction, written order/sanction should be obtained before action is taken.	The Committee's recommendation is noted for future compliance.
3	6	Industries	The Committee totally disagree with the company's statement that it would be blacklisted if it had hesitated to accept the orders. The Committee feels that it is always better to finish the orders in hand in time, than to participate in every tender, get the order and then fail to supply the equipment on time. The company's practice of participating in	The Company has improved its delivery position and has fully executed all orders received in 1990-2000, 2000-01, and 2001-02. Orders worth Rs. 5.3 crores received in 2001-02 were executed within the stipulated delivery period itself without attracting any liquidated

(1)	(2)	(3)	(4)	(5)
			<p>every tender, giving bid guarantee and bank guarantee, then failing to supply in time causes not only huge financial loss to the company, but adversely affects the goodwill of the company. Hence the Committee recommends that all efforts should be made to fulfill the orders in time.</p>	<p>damages. The Company took all steps to execute the orders in time.</p>
5	8	Industries	<p>The Committee recommends that the Management should find out ways in which the existing machinery and highly qualified staff can be utilized in a profitable way without major investment by government. The Committee should be informed of the efforts made by the Company in this direction.</p>	<p>The Switching Equipment Unit has now diversified its activities to production of LED based display units for Traffic Signals, Low capacity Uninterruptible Power Supply (UPS) systems, trading of computer systems and peripherals by using the existing manpower and infrastructure set up. The Company have also expanded the facilities for job works pertaining to different ISRO Units and started assembly of units for DRDL, Hyderabad. The billing</p>

(1)	(2)	(3)	(4)	(5)																				
				details in these areas are furnished below.																				
				(Rupees in lakh)																				
				<table border="1"> <thead> <tr> <th>Item</th> <th>year 02-03</th> <th>year 03-04</th> <th>year 04-05</th> <th>Year 05-06</th> </tr> </thead> <tbody> <tr> <td>TSD products</td> <td>25.40</td> <td>28</td> <td>83.00</td> <td>100.67</td> </tr> <tr> <td>IT Products including UPS and other Trading Items</td> <td>271.70</td> <td>510</td> <td>1011.50</td> <td>889.00</td> </tr> <tr> <td>ISRO &amp; DRDL</td> <td>26.00</td> <td>62</td> <td>62.40</td> <td>108.30</td> </tr> </tbody> </table>	Item	year 02-03	year 03-04	year 04-05	Year 05-06	TSD products	25.40	28	83.00	100.67	IT Products including UPS and other Trading Items	271.70	510	1011.50	889.00	ISRO & DRDL	26.00	62	62.40	108.30
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6 13 Industries The Committee finds that the company had not furnished proper reply to Audit when the objection was raised and hence the Audit paragraph. The Committee recommends that due importance should be given to Audit and all necessary explanations should be furnished to the audit in time, in order to avoid audit paragraphs.

The Committee's recommendation is noted for future compliance.

## CHAPTER II

**Replies furnished by Government which have been accepted by the Committee with remarks**

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusion/ Recommendation</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
4	7	Industries	The Committee also urges the company to take earnest efforts to collect the amounts due to Keltron.	Dues from BSNL have been collected by the company in full. Steps have also been taken by the company to collect the amount due to Keltron from other parties.

*Remarks of the Committee :*

The Committee desires to be furnished with the details of amounts due to Keltron from various institutions/establishments.

(1)	(2)	(3)	(4)	(5)
7	17	Industries	The Committee recommends that the electronics equipment required by Government of Kerala may be channelised through Keltron as far as possible. The Committee further recommends that all public undertakings in the State should settle their long pending dues with Keltron immediately.	Vide G.O(MS) No. 3/99/SPD dated 29 <sup>th</sup> March 1999, Government had ordered that the heads of Government departments, Organisations and Public Sector Undertakings will place their order on direct purchase basis on Keltron, for their requirements of 486 and Pentium Computer Systems produced by Keltron, in relaxation of Para 57 (a) (ii) of Stores purchase Manual. The Purchasing Department/ Officer should follow procedures prescribed in Para 57 (a) (i) of the Stores Purchase Manual in this case and see that proper agreements is executed for maintenance and annual maintenance contract. However, vide G.O(P) No. 11/2000/SPD dated 21-10-2000 Government have ordered that the purchase of computers from Keltron shall be optional. It was also ordered that in participating tenders, Keltron is eligible for a price preference of 10% as against firms manufacturing outside

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(1)	(2)	(3)	(4)	(5)
				<p>the State and 5% as against firms manufacturing within the State.</p> <p>On 13-10-2005 vide G.O(p) No. 448/2005/Fin. Government ordered that the price preference allowed to PSUs and SSU units is made at the uniform rate of 5%. It was also ordered that the concession will be terminated after one year from the date of this order. So by 13-10-2006, there will be no price preference applicable to KELTRON. The concession given to PSUs in terms of EMD and Security Deposit were also withdrawn. Therefore, KELTRON had to start paying EMD and Security Deposit for participating in tenders and also for execution of orders.</p> <p>Vide G.O (p) No. 1/2006/SPD dated 2-2-2006 Government ordered that along with supply of computer and accessories, KELTRON can supply items like printers, UPS systems etc. not manufactured by</p>

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(1)	(2)	(3)	(4)	(5)
				<p>KELTRON upto a maximum of 50% of the value of the order only and in the cases where more than 50% by value of order constitute branded items and items not manufactured by KELTRON, open tender system will have to be followed. Surprisingly, the responsibility of furnishing copy of this order to prospective customer departments was entrusted with KELTRON.</p> <p>As can be seen from the above, the privileges/preference given to KELTRON in the supply of computers and accessories is almost fully withdrawn. The purchase of KELTRON computers and servers on a direct purchase basis is still optional, but it is not practical in most cases as accessories like printers, UPS system etc. are also involved.</p> <p>In this context, it may be noted that orders are placed by Government departments on M/s NICS (National Information Centre Service inc.)</p>

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(1)	(2)	(3)	(4)	(5)
				<p>without any tender through NICS I does not have any manufacturing activities. All items, be it Computer, Servers, Printers, UPS systems or other accessories are purchased from NICS I without any tender by the Government Departments. NICS I which is headquartered in Delhi procures these items from other private manufacturers and supplies to Government departments NICS I does not have any direct service arrangement. KELTRON has full-fledged service infrastructure throughout the State and have trained manpower in all the districts.</p>
				<p>KELTRON have also been supplying laptops and high end servers of multinational companies to the government departments for their specialized applications. As a policy these multinational companies do not sell their products direct to the end user. Keltron is recognized by these multinational companies as their</p>

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(1)	(2)	(3)	(4)	(5)																								
				<p>business partners, system integrators and authorised service providers. By procuring the products of these companies through Keltron, Government departments ensure continued technical and service support. However, the Government departments cannot purchase these products from KELTRON at present due to the G.O dated 2-2-2006.</p> <p>Dues from other PSUs to KELTRON are as follows.</p> <table border="1"> <thead> <tr> <th data-bbox="1245 743 1276 788">Sl. No.</th> <th data-bbox="1323 756 1368 778">PSU</th> <th data-bbox="1406 743 1487 813">Amount (Rs. in Lakhs)</th> <th data-bbox="1509 743 1554 788">Bill Date</th> </tr> </thead> <tbody> <tr> <td data-bbox="1245 831 1263 847">1.</td> <td data-bbox="1279 831 1397 954">Kerala State Drugs &amp; Pharmaceuticals, Alappuzha</td> <td data-bbox="1406 882 1451 898">1.98</td> <td data-bbox="1464 882 1554 898">22-4-2000</td> </tr> <tr> <td data-bbox="1245 970 1263 986">2.</td> <td data-bbox="1279 970 1397 1015">SIDCO, Trivandrum</td> <td data-bbox="1406 970 1451 986">0.49</td> <td data-bbox="1464 970 1554 986">1-6-2002</td> </tr> <tr> <td data-bbox="1245 1038 1263 1054">3.</td> <td data-bbox="1279 1038 1397 1083">KTDC , Trivandrum</td> <td data-bbox="1406 1038 1451 1054">4.70</td> <td data-bbox="1464 1038 1554 1083">10.10.2003 &amp; 31.3.2005</td> </tr> <tr> <td data-bbox="1245 1102 1263 1118">4.</td> <td data-bbox="1279 1102 1397 1201">Coir Marketing Federation, Alappuzha</td> <td data-bbox="1406 1126 1451 1142">2.30</td> <td data-bbox="1464 1126 1554 1142">12-11-2005</td> </tr> <tr> <td data-bbox="1245 1217 1263 1233">5.</td> <td data-bbox="1279 1217 1397 1339">Kerala Electrical &amp; Allied Engg. Co. Ltd (KEL)</td> <td data-bbox="1406 1251 1451 1267">7.32</td> <td data-bbox="1464 1251 1554 1295">as on 31-3-2006</td> </tr> </tbody> </table> <p>Steps are being taken by the company to realise the above dues.</p>	Sl. No.	PSU	Amount (Rs. in Lakhs)	Bill Date	1.	Kerala State Drugs & Pharmaceuticals, Alappuzha	1.98	22-4-2000	2.	SIDCO, Trivandrum	0.49	1-6-2002	3.	KTDC , Trivandrum	4.70	10.10.2003 & 31.3.2005	4.	Coir Marketing Federation, Alappuzha	2.30	12-11-2005	5.	Kerala Electrical & Allied Engg. Co. Ltd (KEL)	7.32	as on 31-3-2006
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*Remarks of the Committee :*

The Committee desires to be informed of the reasons for withdrawing the privileges/preference given to KELTRON by the Government, in the supply of Computers and accessories and the circumstances under which the Government departments avoid KELTRON and prefer NICS I for purchasing computers and accessories. The Committee also want to know about the steps taken to collect the long pending dues with KELTRON.

The Committee desires to be furnished with a copy of G.O (P) No. 1/2006/SPD dated 2-2-2006.

MANKODE RADHAKRISHNAN,

*Chairman,  
Committee on Public Undertakings.*

Thiruvananthapuram,  
30-6-2008.