



SIXTEENTH KERALAM LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2026-2028)**

SEVENTH REPORT

(Presented on 14th October 2026)

**SECRETARIAT OF THE KERALAM LEGISLATURE
THIRUVANANTHAPURAM**

2026

SIXTEENTH KERALAM LEGISLATIVE ASSEMBLY

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ON

**PUBLIC UNDERTAKINGS
(2026-2028)**

SEVENTH REPORT

On

**Travancore Cochin Chemicals Limited & United Electrical
Industries Limited (2019-21)**

**Based on the Audit para 4.1 contained in the Composite Compliance Audit
Report of the Comptroller and Auditor General of India
for the period 2019-21**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2026-2028)

COMPOSITION

Chairperson:

Prof.Abid Hussain Thangal

Members:

Shri G.R.Anil

Shri I.C.Balakrishnan

Shri Chandy Oommen

Shri Jyothikumar Chamakkala

Shri C.R.Mahesh

Shri P.Mammikutty

Shri A.C.Moideen

Shri Kurukkoli Moideen

Smt.Uma Thomas

Shri Vishnu Mohan

Legislature Secretariat:

Shri Shaji C. Baby, Secretary in charge

Smt.Reena V.R., Joint Secretary

Smt.Mable Antony, Deputy Secretary

Shri Ratheeshmon P., Under Secretary

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2026-28) having been authorised by the Committee to present the Report on its behalf, present this 7th Report on The Travancore Cochin Chemicals Limited & United Electrical Industries Limited Based on the Composite Compliance Audit Report of the Comptroller and Auditor General of India for the period 2019-2021.

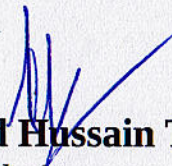
The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 14.09.2023. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2023-2026) at its meeting held 13.05.2025

This Report was considered and approved by the Committee(2026-28) at its meeting held on 07.10.2026.

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 Travancore Cochin Chemicals Limited and United Electrical Industries 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 Travancore Cochin Chemicals Limited and United Electrical Industries Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,
14th.... October 2026


Prof. Abid Hussain Thangal
Chairperson,
Committee on Public Undertakings.

REPORT ON

Travancore Cochin Chemicals Limited & United Electrical Industries Limited (2019-21)

Industries and Commerce Cluster

4.1 Implementation of Projects for Rejuvenation and Revival of Public Sector Undertakings under Department of Industries and Commerce

Despite investing ₹200.17 crore, none of the completed projects performed as envisaged in their respective project reports. Deficiencies in project evaluation, delay in release of funds by Government, diversion of funds by PSUs, deficient project implementation by PSUs etc., led to the non-achievement of intended benefits from the rejuvenation and revival projects.

Introduction

4.1.1 The Industrial Policy 2011 and 2015 of Government of Kerala (GoK) aimed at strengthening Public Sector Undertakings (PSUs) through comprehensive enterprise-specific modernisation/ diversification/ expansion packages and restructuring. In line with this policy, GoK provides financial support through budgetary provision every year for rejuvenation and revival of viable PSUs. During 2014-15 to 2018-19, GoK provided ₹867.35 crore as budget allocation for this purpose. As per the Budget Documents, the Department of

Industries and Commerce (Department) through Public Sector Restructuring and Internal Audit Board (RIAB)¹ identifies PSUs for revival. As of March 2021, there were 45 working Government Companies under the administrative control of the Department.

Audit objective, scope and sample

4.1.2 The audit objective was to examine whether:

- i. applicable rules and regulations were complied with while implementing projects,
- ii. propriety was observed in implementation of projects; and
- iii. implemented projects performed as envisaged.

Twenty-nine capital projects (each costing ₹2.00 crore or above) with a total outlay of ₹617.30 crore were implemented or being implemented during 2014-15 to 2018-19 by 18 PSUs under the administrative control of the Department. These 18 PSUs had a total accumulated loss of ₹1,501.74 crore as of March 2014. Out of the 29 projects, Audit selected² 16 projects of 15 PSUs with a total outlay of ₹484.04 crore. The sample included six completed, eight ongoing and two abandoned projects. Details of the selected projects are given in Appendix 20. The PSUs incurred a total expenditure of ₹279.95 crore up to March 2021 for these projects. Audit covered the activities related to implementation of these projects during the period from 2014-15 to 2018-19. Facts and figures were updated up to March 2021.

¹ RIAB, functioning under the Department of Industries and Commerce, GoK, constituted in 1994, executes State-owned enterprise reform initiatives.

² Selected using Stratified Random Sampling Without Replacement method.

Audit criteria

4.1.3 Following criteria were adopted in audit:

- i. Administrative Sanction and fund allocation orders issued by GoK,
- ii. Detailed Project Reports/ Project Proposals,
- iii. Contracts entered into by the PSUs for implementing the projects; and
- iv. Stores Purchase Manual issued by GoK.

Audit findings

Post-implementation of rejuvenation and revival projects incurring ₹200.17 crore, the actual capacity utilisation of the plant and facilities ranged between 1.25 *per cent* and 48.75 *per cent* up to 2020-21. Consequently, implementation of projects did not lead to rejuvenation and revival of PSUs as intended. Audit analysed the implementation of projects and findings thereon are summarised under four broad heads viz., Project evaluation and approval, Implementation of projects, Release and utilisation of funds, and Operational performance.

4.1.4 Project evaluation and approval

Projects for modernisation/ revival are identified by the PSUs and submitted³ to RIAB. GoK mandated (1990/ 1993/ 2014) RIAB to analyse the performance of PSUs and recommend on future strategy

³ Except in the case of Kerala State Cashew Development Corporation Limited and Kerala State Coir Corporation Limited, where the project proposals were not required to be routed through RIAB.

to be adopted in respect of PSUs and report to GoK. The technical and commercial viability of the projects were evaluated by RIAB and forwarded to the Department. Administrative Sanction to the projects was accorded by a Working Group of the Department based on the recommendation of RIAB.

Audit observed that RIAB/ GoK made changes to the funding pattern of two projects without assessing the impact of such changes on its viability. RIAB/ GoK evaluated project reports without exercising due diligence which led to approval of two projects which had defects such as absence of details of equipment to be procured and mismatch in project report. Approval of projects by RIAB without ensuring their technical/ commercial feasibility led to either abandonment or under performance of projects, instances of which are detailed below:

4.1.4.1 GoK approved a proposal of The Travancore Cochin Chemicals Limited (TCCL) to increase production capacity of caustic soda plant from 175 Ton per day (TPD) to 225 TPD and achieve energy savings of ₹11.88 crore per year. As per the project report, project cost of ₹65.00 crore was proposed to be funded by GoK grant (₹50.00 crore) and own funds (₹15.00 crore).

Based on the recommendation (August 2014) of RIAB, GoK approved (March 2015) the project with a modified funding pattern viz., loan from GoK (₹20.00 crore), loan from financial institution (₹25.00 crore) and own funds (₹20.00 crore). Audit noticed that as of

March 2013, TCCL had an accumulated loss of ₹15.17 crore which could materially affect its ability to raise funds. Thus, the change in funding pattern by RIAB was done without assessing the capacity of TCCL to raise funds through loans/ internal accruals. Consequently, though TCCL received (August 2015) ₹10.00 crore from GoK, it could not proceed with the project as funds could not be mobilised internally or from financial institutions. The project was abandoned by TCCL and the envisaged benefits of increased production of 225 TPD and resultant energy savings of ₹11.88 crore per year could not be achieved.

Government replied (April 2022) that the entire net worth of TCCL had eroded as of March 2015 due to which it could not raise internal funds or avail loan from banks.

The reply affirms the fact that RIAB did not assess the ability of TCCL to mobilise funds either through internal resources or borrowing before recommending the project to GoK.

4.1.6 Release and utilisation of funds

It was also noticed that five PSUs diverted funds amounting to ₹21.52 crore for working capital needs, purchase of equipment which were not covered in the project, payment of voluntary retirement compensation etc., which was against the conditions of sanction as discussed below.

4.1.6.2 Audit noticed that the five PSUs diverted funds released by Government for implementing rejuvenation and revival projects for other purposes. United Electrical Industries Limited (UEIL) diverted project funds amounting to ₹1.40 crore for working capital needs. TCCL diverted ₹10.00 crore for other capital expenditure which were not envisaged in the approved project. These diversions were made without the approval of Government. These diversions totalled to ₹11.40 crore out of ₹49.25 crore released by Government for implementation of projects. In the case of TCCL, proposed projects were not taken up.

In the case of TCCL, GoK replied (April 2022) that all equipment procured were required as a prelude to modernisation and upgradation. As the funds were used for upstream equipment upgradations, there was no diversion. The reply (April 2022) of GoK in respect of UEIL did not address the finding.

The replies were not tenable as the Administrative Sanction authorised the PSUs to spend Government funds for the proposed project only. In the case of TCCL, the utilisation certificate (October 2017) included equipment worth ₹6.04 crore purchased prior to submission (August 2014) of the project proposal to GoK.

4.1.7 Operational performance

Implementation of 12 projects with sanctioned cost of ₹215.05 crore were fully or partially completed as of March 2021 incurring ₹200.17

crore. Performance of completed projects was not reviewed either by the Government or by the PSUs concerned, and the reasons for poor performance remained unaddressed. Audit analysed the performance of eight completed projects and findings thereon are discussed in succeeding paragraphs. Performance of the remaining four projects which were completed between December 2019 and February 2021 was not reviewed since the duration of operation was insufficient to arrive at conclusions.

4.1.7.4 Idling of created facilities

UEIL implemented projects for manufacturing smart meters and LED street lights under rejuvenation and revival scheme.

In the case of smart meter project, UEIL could not commence production as it did not get any orders. Audit noticed that projects for installation of 1.12 crore smart meters were being implemented in 22 States/ Union Territories of which 34.25 lakh meters were installed as on 24/12/2021. UEIL, however, did not participate in any tender for supply of smart meters except a tender invited (September 2018) by Kerala State Electricity Board Limited (KSEBL) in which it did not qualify. In the case of LED streetlights, as against envisaged average production of 1.27 lakh lights per annum, UEIL produced only 4,667 lights during 2018-19 to 2020-21, of which 160 units were sold up to March 2021. This resulted in blocking up of funds of ₹1.24 crore. Audit also noticed that during 2018-19 to 2020-21, UEIL executed orders for LED street lights valuing ₹41.72 crore received from Local

Self Government Institutions. As the orders were for specific brands, they were executed through sub-contractors. Further, UEIL did not take up with the GoK or the Department concerned against issuing orders for specific brand which was disallowed by Stores Purchase Manual (Rule 4.1).

Government replied (April 2022) that smart meter production was not commenced as KSEBL did not invite further tenders and all efforts were being taken by UEIL for obtaining orders for smart meters. Further, UEIL was actively marketing their own LED streetlights to achieve planned target and 180 units were sold subsequently.

The reply is not tenable as UEIL did not participate in tenders for smart meters invited by entities other than KSEBL. As the number of LED streetlights sold as of April 2022 was only 7.28 per cent of the total production, the efforts taken by UEIL to sell own brand were not adequate.

[Audit paragraph 4.1 contained in the Composite Compliance Audit Report of the C&AG for the period 2019-21]

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

Discussion and findings of the Committee

4.1 Implementation of Projects for Rejuvenation and Revival of Public Sector Undertakings under Department of Industries and Commerce

4.1.4 Project evaluation and approval

4.1.4.1

The Principal Secretary, Industries Department informed the Committee that the Government approved the proposal of Travancore Cochin Chemicals Limited to increase production capacity of its caustic soda plant from 175 Tonnes per day (TPD) to 225 TPD in order to achieve energy savings of ₹11.88 crore per year at a total project cost of ₹65 crore, of which ₹50 crore was to be funded by GoK grant and ₹15 crore from own funds. Even though GoK approved a modified funding pattern based on the recommendation of RIAB, with ₹20 crore as loan from GoK, ₹25 crore as loan from financial institution and ₹20 crore as own funds in 2015, due to unfavourable market conditions that project could not be implemented in time. The demand for caustic soda varies from time to time. In that period, caustic soda could not be produced at full capacity due to the problems in the plant and though there was demand for caustic soda, prices remained low due to increase in supply. He added that in 2022 the Company commissioned the project by using its own funds and made a profit of ₹78.09 crore and admitted that the project proposed in 2014-15 was implemented only in 2022.

When the Committee enquired about the reason for modification in funding pattern, the Member Secretary, BPT replied that it was specifically stated in the budget speech of 2014-15 that only ₹10 crore could be spent on that project.

The Committee enquired whether a PSU running at a loss could get loan from a financial institution. The witness replied that though there was accumulated loss, the Company was running in profit at that time. He added that banks provided loans to Companies which are financially positive.

To another query of the Committee the witness replied that in 2022-23, the profit of the Company was about ₹78 crore and the operating profit had decreased to ₹5 crore in the current year due to the increase in the number of companies supplying caustic soda. He added that the Company made profit by increasing the volume of production and maintaining the maximum margin.

To a query of the Committee regarding the financial assistance apart from the Government money to complete the plant construction, the Managing Director TCCL replied that the plant capacity was increased using the Company's own funds and a bank loan. He added that at that time the price of caustic soda was high and, by using the bank loan and own funds, TCCL commissioned a higher capacity plant, thereby increasing production and generating a profit of ₹78 crore. He added that the bank loan had since been repaid.

The Senior Audit Officer pointed out that initially a project proposal of ₹65 crore was prepared to increase the capacity by 50 tonnes but later the capacity was increased by 75 tonnes using only ₹50 crore. He enquired about the reason for the reduction in the project cost and whether any components have been omitted. The

Managing Director replied that no components have been omitted and that a concentration plant had been included in the new Administrative Sanction. The Principal Secretary admitted that in 2014-15 there were some issues in preparing the estimate but now BPT prepares estimates more conservatively.

When the Committee enquired whether the initial estimate was increased due to lack of experience, the Principal Secretary informed that earlier, the estimates were prepared through outsourcing, but at present BPT has sufficient technical expertise for the same. He added that there was a problem in the estimate prepared by RIAB. Government issued the order after the examination of the estimate by the Public Enterprises Board chaired by the Chief Secretary and also by the Cabinet. The Finance Department only verifies the estimate provided. He further informed that at present BPT has been transformed into a technically competent expert body. The commissioning of this plant played a significant role in generating huge profit in 2022-23.

When the Committee enquired about the delay in submitting the Remedial Measures Taken, the Principal Secretary replied that they have submitted the reply from TCCL to the Committee after departmental verification and subsequent approval of the Hon'ble Minister and assured that in future, efforts will be made to submit RMT at the earliest.

Recommendation / Conclusion of the Committee

1. The Committee observed that RIAB revised the funding pattern without assessing the ability of TCCL to raise funds through loans or internal resources and due to lack of funds, TCCL could not proceed with the project which eventually led to its abandonment in 2015. Even though TCCL commissioned the project in 2022 using its own fund and made a profit of ₹78 crore, the delay in the implementation of the project cannot be justified. Hence, the Committee recommends that BPT and the Department should be more vigilant in preparing the estimate for the projects and should analyse the technical and financial viability of projects to be implemented with due diligence before obtaining Administrative Sanction to avoid such lapses in future.

4.1.6 – Release and Utilisation of Funds

4.1.6.2

TCCL

The Committee enquired about the audit objection that project funds were diverted to working capital or other capital expenditures outside the approved limits without prior approval from the Government. The Managing Director TCCL replied that initially TCCL utilised the allocated fund of ₹10 crore for purchasing some equipments required for the project, but the project was not implemented at that time and these equipments were used when the revised project was implemented.

The Senior Audit Officer informed the Committee that the equipments purchased before the submission of revised project report were also included in the Utilisation Certificate. The Managing Director clarified that this was done with an intention to complete and commission the project on time. He added that initial proceedings were started utilizing the available loan amount before getting the approval of the Government. He assured the Committee that steps would be taken to avoid such lapses in future.

The Principal Secretary informed that TCCL is one of the best performing PSUs in Kerala. He added that the Company might have done this following a direction to complete the project quickly and also the upgradations were being done continuously.

The Deputy Accountant General enquired how the expenses incurred for the project before obtaining Administrative Sanction could be included in the Utilisation Certificate. The Principal Secretary replied that the money was spent on purchasing machinery and other equipment for the project that subsequently received Administrative Sanction, and the same was done with the intention of completing the project quickly.

UEIL

When the Committee enquired about the audit observation, the Managing Director UEIL replied that Government accorded Administrative Sanction for ₹4 crore for the production of Smart meters and LED street lights as per the Government order dated

6.10.2017. Even though the title of the GO mentions the production enhancement of AB switches, the same was not specifically mentioned in the explanation of the order. At that time, the Company had received an order for about 14,000 AB switches from KSEBL and a portion of the sanctioned amount was utilised to execute that order. The remaining ₹2 crore was released after submitting the utilisation certificate for ₹2 crore. He added that UEIL achieved a turnover of about ₹29 crore from the sale of AB switches in that year.

When the Senior Audit Officer informed that the project report only mentioned LED street lights and smart meters, the MD, UEIL, replied that the amount was utilised for that purpose because they received an order for AB switches which was also mentioned in the abstract of the GO, and if not mentioned, they would have obtained special sanction for the same.

The Committee enquired whether there is a monitoring system to ensure that the PSUs properly utilise the funds received as per the Administrative Sanction. The Principal Secretary replied that BPT conducts periodic inspections and submits reports and that departmental inspections are carried out before submitting utilisation certificate. He added that funds cannot be diverted without the permission of Finance Department.

The Senior Audit Officer again pointed out that AB switches were not mentioned in the proceedings issued by the Industries Department. The witness replied that in the abstract of GO(Rt) No.

1425/2017/ID dated 06.10.2017, it was mentioned about the production enhancement of AB switches.

Recommendation / Conclusion of the Committee

2. The Committee observed that funds released by the Government for implementing rejuvenation and revival of projects were diverted to working capital or other capital expenditures and these diversions, carried out without prior sanction from the Government should be viewed seriously. Hence, the Committee recommends that there should be proper monitoring mechanisms to ensure that the funds are utilised solely for the intended purpose by PSUs in accordance with the conditions mentioned in the Administrative Sanction.

3. The Committee observes that in the case of UEIL, the title of the GO dated 06.10.2017 which accorded Administrative Sanction for production of smart meters and LED street lights, mentions about the production enhancement of AB switches, but the same was not specifically mentioned in the detailed text of the GO. So the Committee recommends that the department should be more careful in preparing the Government Orders which accords AS for the projects, in future.

4.1.7 Operational performance

4.1.7.4 Idling of created facilities

The Managing Director, UEIL informed the Committee that Local Self Bodies are demanding branded products of Crompton, Havells etc in their tenders and UEIL manufactured over 4700 LED street lights of which only 868 have been sold so far.

The Committee enquired whether the local bodies are not willing to buy the LED lights manufactured by UEIL, due to poor quality. The Principal Secretary replied that KSEBL and local bodies invite tenders for LED street lights by setting quality criteria but UEIL failed to maintain such criteria. He added that the manufacturing was carried out with the expectation that they would get orders as a PSU.

To a query of the Committee regarding the steps taken to improve the quality of products, the Principal Secretary replied that since the companies like KEL, TELK, Traco Cables and UEIL were not able to qualify for tenders, a decision has been made to proceed on a joint consortium basis so that it could be possible to bring companies with tender pre-qualification and thereby participate in the tender. He added that at present KSEBL has started accepting many tenders.

The Committee opined that the Company has to overcome the barriers to attain the criteria set by local bodies and thereby improving the quality of products. The Principal Secretary replied that efforts are being made to improve the quality of products by utilising the technology of nationally renowned manufacturers through technology transfer and collaboration. By implementing this method there will be

no difficulty in getting tenders from KSEBL and local bodies. He added that the rate contract system of KSEBL also helps the PSUs.

The Managing Director, UEIL informed the Committee that they received good feedback from KSEBL that the AB switches of UEIL are better than those of the private sector and assured that efforts would be taken to improve the quality of LED street lights. He further added that UEIL was unable to participate in the tender for smart meter as they could not meet the pre-qualification criteria. He added that by implementing a joint consortium with Keltron holding 40 percent, KEL and UEIL holding 30 percent each, these PSUs will be able to participate in all tenders.

The Principal Secretary informed the committee that, in the past years they were not able to pre-qualify in tenders due to poor quality of products. He added that they are hoping to improve the working of PSUs with the help of the rate contract system and by utilizing the new technologies of partners. He further added that TELK is receiving orders from Telangana, Andhra Pradesh, Uttar Pradesh and KEL from Karnataka and Tamilnadu.

When the Senior Audit Officer enquired how many smart meters have been manufactured so far, the Managing Director replied that they have not received any tender for smart meter yet. He added that they have a testing and assembling facility and hope to get the tender through the Joint Consortium. The Principal Secretary informed that

after failing to obtain a tender from KSEBL, they decided to formulate a joint consortium.

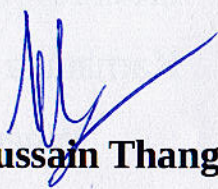
The Managing Director informed that they could participate in the tender only if they meet the pre-qualification criteria. He added that most bids required a turnover of over ₹80-100 crore and in the last ten years turnover of UEIL had not exceeded ₹32 crore. He assured the Committee that these pre-qualification criteria could be met by implementing a joint consortium.

Recommendation / Conclusion of the Committee

4. The Committee observes that UEIL failed to maintain the quality criteria set by KSEBL and Local bodies. The Committee also observes that UEIL is planning to implement a joint consortium with Keltron and KEL so that they can meet the pre-qualification criteria. So the Committee recommends to accelerate the process and to intimate the same to the Committee.

Thiruvananthapuram,

07. October 2026


Prof. Abid Hussain Thangal,

Chairperson,

Committee on Public Undertakings.

APPENDIX-I			
SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS			
Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
1	1	Industries	The Committee observed that RIAB revised the funding pattern without assessing the ability of TCCL to raise funds through loans or internal resources and due to lack of funds, TCCL could not proceed with the project which eventually led to its abandonment in 2015. Even though TCCL commissioned the project in 2022 using its own fund and made a profit of ₹78 crore, the delay in the implementation of the project cannot be justified. Hence, the Committee recommends that BPT and the Department should be more vigilant in preparing the estimate for the projects and should analyse the technical and financial viability of projects to be implemented with due diligence before obtaining Administrative Sanction to avoid such lapses in future.
2	2	Industries	The Committee observed that funds released by the Government for implementing rejuvenation and revival of projects were diverted to working capital or other capital expenditures and these diversions, carried out without prior sanction from the Government should be viewed seriously. Hence, the

			Committee recommends that there should be proper monitoring mechanisms to ensure that the funds are utilised solely for the intended purpose by PSUs in accordance with the conditions mentioned in the Administrative Sanction.
3	3	Industries	The Committee observes that in the case of UEIL, the title of the GO dated 06.10.2017 which accorded Administrative Sanction for production of smart meters and LED street lights, mentions about the production enhancement of AB switches, but the same was not specifically mentioned in the detailed text of the GO. So the Committee recommends that the department should be more careful in preparing the Government Orders which accords AS for the projects, in future.
4	4	Industries	The Committee observes that UEIL failed to maintain the quality criteria set by KSEBL and Local bodies. The Committee also observes that UEIL is planning to implement a joint consortium with Keltron and KEL so that they can meet the pre-qualification criteria. So the Committee recommends to accelerate the process and to intimate the same to the Committee.

**Composite Compliance Audit Report of the Comptroller and Auditor
General of India for the period 2019-21 - - Remedial Measures Taken
Statement on the paragraphs related to The Travancore Cochin Chemicals
Limited and United Electrical Industries Limited**

Para	Recommendation	Remedial Measures taken
4.1.4.1	GoK approved a proposal of The Travancore Cochin Chemicals Limited (TCCL) to increase production capacity of caustic soda plant from 175 Ton per day (TPD) to 225 TPD and achieve energy savings* of Rs.11.88 crore per year. As per the project report, project cost of Rs.65.00 crore was proposed to be funded by GoK grant (Rs.50.00 crore) and own funds (Rs.15.00 crore.) Based on the recommendation (August 2014) of RIAB, GoK approved (March 2015) the project with a modified funding pattern viz., loan from GoK (Rs.20.00 crore), loan from financial institution (Rs.25.00 crore) and own funds (Rs.20.00 crore). Audit noticed that as of March 2013, TCCL had an accumulated loss of Rs.15.17 crore which could materially affect its ability to raise funds. Thus, the change in funding pattern by RIAB was done	During the financial year 2014-15, an amount of only Rs.10.00 crore was earmarked in the State Budget for M/s Travancore Cochin Chemicals Ltd (TCCL) to implement the capacity expansion of the caustic soda plant with total project outlay of Rs.65.00 Crore. The intention of RIAB was to execute the project utilizing the available budgetary allocation along with other sources of income. Subsequently, the recommended means of finance for the project were structured in such a way that the project cost would be borne by Government of Kerala (Rs.20 Crore), Financial Institution (Rs.25 Crore) and own fund (Rs.20 Crore), with an implementation period of two years. However, at that point of time, the financial position and market conditions were not favourable for implementing the project and TCCL put it on hold. Later on, after

	without assessing the capacity improvements in both financial of TCCL to raise funds stability and market condition, through loans/ internal the company implemented the accruals. Consequently, capacity expansion from 175 though TCCL received TPD to 250 TPD, at a project (August 2015) Rs.10.00 crore outlay of Rs.50.00 Crore, from GoK, it could not through internal generation, proceed with the project as vide G.O. (MS) No. funds could not be mobilised 17/2018/ID dated 15/03/2018 internally or from financial (Copy enclosed). The expanded institutions. The project was capacity was commissioned in abandoned by TCCL and the February 2022 and contributed envisaged benefits of to a net profit of Rs.78.09 Crore increased production of 225 during the financial year 2022-TPD and resultant energy 23. savings of Rs.11.88 crore per year could not be achieved. Government replied (April 2022) that the entire networth of TCCL had eroded as of March 2015 due to which it could not raise internal funds or avail loan from banks. The reply affirms the fact that RIAB did not assess the ability of TCCL to mobilise funds either through internal resources or borrowing before recommending the project to GoK.
4.1.6.2	Audit noticed that the five TCCL utilized the received PSUs diverted funds released fund of Rs.10 Crore for the by Government for upgradation of upstream implementing rejuvenation system which was prerequisite and revival projects for other to take up the Caustic Soda purposes. The Metal expansion project from 175 Industries Limited (MIL) and TPD to 225 TPD.

United Electrical Industries Limited (UEIL) diverted project funds amounting to Rs.3.78 crore and Rs.1.40 crore respectively for working capital needs. TCCL and AKL diverted Rs.10.00 crore and Rs.5.24 crore respectively for other capital expenditure which were not envisaged in the approved project. These diversions were made without the approval of Government. KEL diverted Rs.1.10 crore with the approval of Government for payment of voluntary retirement compensation. These diversions totalled to Rs.21.52 crore out of Rs.49.25 crore released by Government for implementation of projects. In the case of MIL and TCCL, proposed projects were not taken up.

In the case of UEIL Government accorded sanction as per GO(Rt) No.1425/2017/ID dtd 06/10/2017 for Rs.400 lakh (Copy enclosed) for setting up of manufacturing facility for Smart energy meters and LED lights. Since UEIL had an order for 14050 numbers of AB Switches from KSEBL during the period and the company had no other alternate way to find out funds for the required working capital to fulfill the orders, company utilized a portion of the loan sanctioned by Government for the production enhancement of AB Switches. UEIL achieved a turnover of Rs.22.13 crore in 2018-19 from the sale of AB Switches and achieved total turnover of Rs.29.10 crore.

Government stated (October 2021) that a request of MIL to regularise the diversion was rejected. Regarding AKL, it was stated that the funds sanctioned vide Government Order dated 01/07/2017 was meant for revamping the existing facilities and completing steel casting. Since funds amounting to Rs.5.24 crore was used for revamping the existing facilities, there

was no diversion. In the case of TCCL, GoK replied (April 2022) that all equipment procured were required as a prelude to modernisations and upgradation. As the funds were used for upstream equipment upgradations, there was no diversion. The reply (April 2022) of GoK in respect of UEIL did not address the finding.

The replies were not tenable as the Administrative Sanction authorised the PSUs to spend Government funds for the proposed project only. In the case of TCCL, the utilisation certificate (October 2017) included equipment worth Rs.6.04 crore, purchased prior to submission (August 2014) of the project proposal to GoK. As per the details furnished by AKL, Rs.5.24 crore was used for urgent repairs of existing line of operation to avoid bottlenecks, due to non-generation of surplus funds from its operation.

4.1.7.4 Idling of created facilities

UEIL implemented projects for manufacturing smart meters and LED streetlights under rejuvenation and revival scheme.

UEIL had participated in KSEBL tenders invited for AMI Smart Metering, but the same was cancelled by the tender inviting authority.

Even though the company

In the case of smart meter project, UEIL could not commence production as it did not get any orders. Audit noticed that projects for installation of 1.12 crore smart meters were being implemented in 22 states/Union Territories of which 34.25 lakh meters were installed as on 24/12/2021. UEIL, however, did not participate in any tender for supply of smart meters except a tender invited (September 2018) by Kerala State Electricity Board Limited (KSEBL) in which it did not qualify. In the case of LED streetlights, as against envisaged average production of 1.27 lakh lights per annum, UEIL produced only 4,667 lights during 2018-19 to 2020-21, of which 160 units were sold up to March 2021. This resulted in blocking up of funds of Rs.1.24 crore. Audit also noticed that during 2018-19 to 2020-21, UEIL executed orders for LED streetlights valuing Rs.41.72 crore received from Local Self Government Institutions. As the orders were for specific brands, they were executed through sub-contractors. Further, UEIL did not take up with GoK or the Department

tried to participate in tenders invited by other Power utilities in India, the company was not even able to get empaneled due to stringent criteria defined by them such as

- Meter manufacturer/supplier should have in-house NABL or ISO/IEC-17 accredited Laboratory as on the date of application.
- Proposed HES should have been integrated with at least different MDMS solutions in Indian/Global Utility as on date of application.
- Proposed MDMS should have been integrated with atleast two different HES solution in Indian/Global Utility as on date of application.
- Proposed MDMS should have been intergrated with atleast two different billing system in Indian/Global Utility as on date of application or with billing system of different Indian/Global Utilities.
- MDMS solution provider should have a valid

concerned against issuing orders for specific brand which was disallowed by Stores Purchase Manual (Rule 4.1).

Government replied (April 2022) that smart meter production was not commenced as KSEBL did not invite further tenders and all efforts were being taken by UEIL for obtaining orders for smart meters. Further, UEIL was actively marketing their own LED streetlights to achieve planned target and 180 units were sold subsequently.

The reply is not tenable as UEIL did not participate in tenders for smart meters invited by entities other than KSEBL. As the number of LED streetlights sold as of April 2022 was only 7.28 per cent of the total production, the efforts taken by UEIL to sell own brand were not adequate.

CMMI level-3 or IEC/ISO 27001 certification as on the date of application, proposed system integrator should have a valid ISO 27001 certification as on the date of application.

Many of the orders received from LSGIs were for branded items. UEIL sold out 528 numbers in addition to 340 numbers (7.28 per cent of the total production) of LED streetlights sold till March 2022 and the total sales is 868 units till 2024-25.

Hejuru
 എം. എ. റജിന ബീഗം
 അഡീഷണൽ സെക്രട്ടറി
 വ്യവസായ വകുപ്പ്
 ഗവ. സെക്രട്ടേറിയറ്റ്