



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2019-2021)**

HUNDREDTH REPORT
(Presented on 13th November, 2019)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2019

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2019-2021)**

HUNDREDDTH REPORT

On

**The Action Taken by Government on the Recommendations contained in Ninety
Fifth Report of the Committee on Public Undertakings (2014-2016) relating to
Kerala Automobiles Limited, based on the Report of the Comptroller and
Auditor General of India for the year ended 31-3-2011 (Commercial).**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2019-2021)

COMPOSITION

Chairman :

Shri C. Divakaran.

Members :

Shri K. B. Ganesh Kumar

Shri C. Krishnan

Shri Thiruvanchoor Radhakrishnan

Shri P. T. A. Rahim

Shri S. Rajendran

Shri Raju Abraham

Shri Sunny Joseph

Shri C. F. Thomas

Shri M. Ummer

Shri P. Unni.

Legislature Secretariat :

Shri S. V. Unnikrishnan Nair, Secretary

Shri K. Suresh Kumar, Joint Secretary

Shri Harish G., Deputy Secretary

Smt. Reji D. O., 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 Hundredth Report on the action taken by Government on the recommendations contained in the Ninety Fifth Report of the Committee on Public Undertakings (2014-2016) relating to Kerala Automobiles Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 2011 (Commercial).

The statement of action taken by the Government included in this report was considered by the Committee constituted for the year (2019-2021).

This Report was considered and approved by the Committee at the meeting held on 27-8-2019.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General (Audit), Kerala and Secretary to Government, Industries Department in the examination of the statements of action taken included in this Report.

Thiruvananthapuram,
27th August, 2019.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

REPORT

The Report deals with the action taken by the Government on the recommendations contained in the Ninety Fifth Report of the Committee on Public Undertakings (2014-2016) relating to Kerala Automobiles Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 2011 (Commercial).

The Ninety Fifth Report of the Committee on Public Undertakings (2014-2016) was presented to the House on 27th July 2015. The Report contained two recommendations and the Government furnished replies to all the recommendations. The Committee (2019-2021) considered the replies received from the Government at their meeting held on 15-5-2019. The Committee accepted the replies to the recommendations without remarks.

**REPLY FURNISHED BY THE GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH
HAVE BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS**

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations	Reply furnished by the Government
(1)	(2)	(3)	(4)	(5)
1	5	Industries	<p>The Committee disagrees with the argument of the witness that the Lombardini India Private Ltd. had provided general warranty for the procurement of engines and observes that the lack of a formal agreement between the Company and Lombardini India Pvt. Ltd. was one of the main reasons for the revenue loss to the Company. The Committee views seriously the irresponsible attitude of the officials of the Company for not taking any step to return the unsold engines to Lombardini company when defects were reported after the sale of the first 89 engines and recommends to</p>	<p>Consequent upon the banning of Diesel powered vehicles in and around National Capital Territory Regions (Haryana, Punjab & U.P.) in the early 2004, KAL lost 1/3rd portion of its existing market. Since the competitors entered the market with CNG vehicles, KAL also was forced to go for the CNG version.</p> <p>As the existing engine supplier, M/s Greaves Limited did not possess a petrol-CNG version and since competitors had already adopted Lombardini engines to power their CNG vehicles, KAL had no option other than to adopt Petrol-CNG engine offered by M/s Lombardini India Pvt. Ltd.(LIPL)</p>

Sl. No.	Para No.	Department Concerned	Conclusions/ Recommendations	Reply furnished by the Government
			<p>fix liability against the responsible officers for the lapse. The Committee directs to submit a report on the present functioning of the Company.</p>	<p>At that juncture, there were no other suppliers who possessed CNG/LPG convertible automotive engines other than M/s LIPL. Even today no company has come out with CNG/LPG convertible automotive engines other than M/s Bajaj & M/s TVS. These companies do not sell their engines in the open market/ competitors.</p> <p>Normally, the agreements with the suppliers are facilitated through the terms and conditions contained in the purchase order. Hence no separate agreement was executed with M/s LIPL for the purchase of engines. The purchase orders issued to them also contain terms and conditions of the supply.</p>

(1) Sl. No.	(2) Para No.	(3) Department Concerned	(4) Conclusions/ Recommendations	(5) Reply furnished by the Government
				<p>In case of any technical failure, M/s LIPL was bound by an undertaking which stated the terms and conditions for redressal.</p> <p>Available records show that KAL took all earnest efforts to bring the complaints to the notice of M/s LIPL and they immediately intervened with remedies and their efforts lasted till the end. They had organized training sessions for Engineers and Mechanics, service camps, free replacement of parts and up gradation of parts and technology etc.</p> <p>Even after repeated attempts the technical snags could not be rectified effectively. In the meantime, the ownership of M/s LIPL changed and it was taken over by M/s KOHLER India. KAL took up the matter with M/s KOHLER and in a meeting convened with the Senior Officials of</p>

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				<p>M/s KOHLER, on 28th and 29th December 2011, they agreed to pay back 50% cost of 290 engines @ Rs. 17,100/-. They also agreed to take back the engines and return modified engines under the new name and seal of M/s KOHLER India. As agreed, they remitted Rs. 24,79,500/- towards 50% cost of 290 engines. But, soon M/s KOHLER India was also closed down for reasons unknown to KAL before improved engines could be supplied. But, Company's earnest efforts could minimize the loss to the extent of Rs. 24,79,500/-.</p> <p>The team members who had executed the purchase of LIPL Petrol-CNG engines are no more in the services of the Company since they have left the organisation on attaining superannuation. The Company sent</p>

(1) Sl. No.	(2) Para No.	(3) Department Concerned	(4) Conclusions/ Recommendations	(5) Reply furnished by the Government
				<p>memos to the responsible officers seeking explanation. The Company has been directed to take disciplinary action as per rules against persons who have executed the purchase.</p> <p><u>The present position of the company</u></p> <p>KAL's revenue dwindled due to tough competition meted out by competitors with Petrol-CNG version in Metro cities and state-of-the-art rear mounted diesel engine version in the rural belt. The company experienced acute working capital shortage and production dropped drastically.</p> <p>The production for the current year has resumed on receipt of BS IV conformity certificate from the certifying</p>

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				<p>agency, M/s ARAI, Pune. The production is expected to pick up momentum by this year end.</p> <p>Since company cannot achieve break-even level with the income from Front Engine Autotickshaws alone, they have taken steps to diversity into other sectors, viz;</p> <ol style="list-style-type: none"> 1. Enhancement of Machine Shop facilities to bag more job work from VSSC. For this purpose, Govt. has sanctioned Rs. 7.00 crores for purchase of machineries vide G.O. (Rt) No. 1411/2017/ID dated 5-10-2017. 2. KAL-SDRC conducts Diploma Courses in Automobile Engineering in association with Centre for

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				<p>Continuing Education, Government of Kerala. Steps are also underway to expand the training facilities to Engineering students by utilizing the existing machineries.</p>
3.				<p>Side wheel attachments are being developed for fiment in Two Wheelers for use by physically challenged beneficiaries of Local Self Government Depts.</p>
4.				<p>Coir Bailing Press Machines is being manufactured for Coir Machinery Corporation, Alleppey.</p>
5.				<p>In anticipation of the future depletion of fossil fuels, the company has taken steps to identify technical collaborators for developing e-autorickshaws, under the guidance of Government of Kerala.</p>

Sl. No	Para No.	Department Concerned	Conclusions/ Recommendations	Reply furnished by the Government
2	6	Industries	<p>The Committee also wants to have a detailed report from the Government on the following points:</p> <p>(1) Whether there was any agreement with KAL and Lombardini India Pvt. Ltd in connection with supply of LGA 340 engines. If not, state the reason and if there was an agreement what were the conditions prescribed in it.</p>	<p>A scrutiny of the available records shows that there was no separate agreement between KAL and M/s Lombardini India Pvt Ltd. (LIPL). But the purchase was covered under the terms and conditions stipulated in the Purchase Order (P.O) over and above an undertaking containing warranty terms and conditions.</p> <p>The company sources numerous parts for the manufacture of three wheelers. Normally, the agreement with the suppliers are facilitated through the terms and conditions contained in the Purchase Order which is placed with each individual supplier. M/s. LIPL was such a supplier for Petrol Engines. The purchase orders issued to them also contain terms and conditions of supply. Since the terms and conditions are listed in the Purchase order, no separate agreement was signed with M/s. LIPL.</p>

(1) Sl. No	(2) Para No.	(3) Department Concerned	(4) Conclusions/ Recommendations	(5) Reply furnished by the Government
				<p>Moreover, the terms and conditions of warranty and servicing of engines are discussed with the engine supplier separately and an assurance in writing obtained from the engine manufacturer for any future contingencies that may arise due to manufacturing defects/technical shortcomings. That is the practice being continuously followed by the company since its inception. Such an assurance regarding warranty policy was obtained from LIPL which reads as follows:</p> <ol style="list-style-type: none"> 1. Warranty for 6 months and unlimited kms for LIPL power pack or for a maximum period of nine months from the date of manufacture whichever is earlier.

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			<p>(2) Whether any disciplinary action was initiated against the then M.D. for procuring more engines while failure was noticed in engines already purchased and if not what was the reason.</p>	<p>No disciplinary action was taken against then M.D.</p> <p>On the basis of Government directions, company has taken action to obtain explanation from Shri Jacob Joseph, the M.D. But, till date no response has been received for communications dated 3-12-2016, 17-1-2017, 13-2-2017 & 9-5-2017.</p>
			<p>(3) Whether any action had been taken by the company to realise the amount lost, how much amount to be realised and what are the steps to be taken to get back that amount.</p>	<p>In response to Company's effort to get back the amount, senior officers of M/s KOHLER (LIPL) was taken over by M/s KHOLER visited KAL on 28th and 29th of December 2011 and agreed to pay back 50% cost of the engines and the rest in modified engines. As agreed, they transferred Rs. 24,79,500/- to KAL. But, sooner it was revealed that M/s KOHLER's project to manufacture engines did not materialise and eventually the factory was closed. The rest of the amount could not be realised so far.</p>

C. DIVAKARAN,

Chairman,

Committee on Public Undertakings.

Thiruvananthapuram,

27th August, 2019.

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