

**Abstract**

R&M of 1<sup>st</sup> stage units of Idukki HEP - Supply of 1 No. Spherical Valve(MIV) by M/s HBHC-BSPL consortium- Releasing of payment - Sanctioned - Orders issued.

**Corporate Office (SBU-G/E)**

B.O. (FTD)No.795/2019 (D(GE)/G2/IHEP-RMU/2019-20) Thiruvananthapuram. Dated: 30-10 - 2019

- Read:-
1. B.O (DB) No. 639 / 2015 (D (SCM&GE) / G2 / IHEP - RMU/ 2014-15) dated 16 -03-2015.
  2. B.O (DB)No. 182 /2019 (D(GE)/G2/IHEP-RMU/2018-19) dated 01- 03-2019.
  3. E-mail dated 02-09-2019 of Sri. Ajith Prathap, General Manager (Technical & Operations), Matrix Valves Pvt. Ltd, Kamala Market, Old Delhi, addressed to Chairman &Managing Director KSEBL.
  4. Letter No. D(GE)/G2/IHEP-RMU /2019-20/305/05-09-2019 of Director (GE&SCM) to Sri. Ajith Prathap, General Manager (Technical & Operations), Matrix Valves Pvt. Ltd
  5. Letter No. D(GE)/G2/IHEP-RMU /2019-20 dated 05-09-2019 and 18-10-2019 of Director (GE&SCM) to Chief Engineer(Gen.&PED).
  6. Letter No. CEG/AEE1/IHEP/MIV/2019-20/1056 dated 03-10-2019 of the Chief Engineer (Gen.&PED), Moolamattom along with report of Technical Committee.
  7. Letter No. CEG/AEE1/R&M-Idukki/MIV/2019-20/1181 dated 24-10-2019 of the Chief Engineer (Gen.&PED).
  8. Note No. D(GE)/G2/IHEP-RMU /2019-20/ dated 26-10-2019 of Director (GE&SCM) to Chairman and managing Director.
  9. Note No. D(GE)/G2/IHEP-RMU /2019-20/ dated 26-10-2019 of Director (GE&SCM) to Full Time Directors (Agenda Item No. 81/10/2019).

**ORDER**

As per B.O read as 1<sup>st</sup> above Board accorded sanction for the procurement of one new Spherical Valve (Main Inlet Valve) at an estimated cost of Rs.7.2 Crore, for the replacement of one of the MIVs of the stage I units of Idukki HEP. The contract for supply and erection of MIV was awarded to M/s. HBHC-BSPL Consortium (Consortium of M/s. Hubei Hongcheng General Machinery Company Ltd., China and M/s. Boom Systems Pvt. Ltd, Faridabad, India) for an amount of Rs. 6,90,01,026/- (Supply - Rs. 5,73,83,082/- and Erection part - Rs. 1,16,17,944/-) by the Chief Engineer (Generation). The scope of the supply includes design, engineering manufacture, shop assembly, testing, import from China to Indian port, port clearance, transportation, transit insurance, supply and delivery at site of 1600 mm dia.

As per the contract, the KSEBL Engineers had inspected the valve and witnessed the tests at the manufacturer's work in China during February 2018 and MDCC was given on satisfying the tests. When the spherical valve was ready for dispatch M/s. HBHC, China had requested KSEB Ltd. to meet the expenses for custom clearance and import duty payment at Chennai port due to their financial problems. Considering the exigency of the work, the Board as per B.O read as 2<sup>nd</sup> above, accorded sanction to the Chief Engineer (Generation &PED) for remitting an amount up to Rs. 1,01,35,606/- being the import duty directly to the Customs Department in connection with the supply of Spherical Valve (MIV), after obtaining the Bank Guarantee for Rs.1,01,35,606/- and undertaking from the contractor agreeing to pay interest @SBI MCLR plus 2% on the amount from the date of releasing the amount to Customs Department to the date of passing their claim in the

ARU. Subsequently, the Valve with accessories was delivered at Idukki site on 08.07.2019 and all functional tests were conducted by the firm at site in presence of KSEBL engineers for satisfactory performance.

As per e-mail read as 3<sup>rd</sup> above, a complaint was received, stating that M/s. HBHC-BSPL Consortium, the contractor for supply of Spherical Valve for Idukki HEP have manipulated the quality of Valve by using low quality materials. As per letter read as 4 above, by e-mail and registered post, the complainant was requested to furnish necessary documents to substantiate the above allegation. But no reply has been received so far for the e-mail and the registered post was returned back.

Meanwhile the release of payment to M/s. HBHC-BSPL Consortium, towards the supply of MIV was withheld and a Technical Committee was constituted for ascertaining the quality of MIV supplied for IHEP. The Committee reported that the manufacturer is a well established firm and followed all standard procedures during the manufacturing and testing processes and that the firm used casting materials approved from the office of Chief Engineer (Gen.&PED), Moolamattom.

Subsequently, the possibility of testing the material for ascertaining its quality was explored. The Chief Engineer (Gen.&PED) as per letter read as 7<sup>th</sup> above reported that the same was intimated to M/s HBHC seeking their assistance for conducting the test on their finished product. M/s HBHC had strongly opposed the action of KSEBL for re-testing the materials of valve, citing that all the interrelated works including casting of the MIV at their works at China was made in line with the tender conditions and after getting prior approval for the mechanical and electrical drawings along with QAP and the list of material to be used for casting. The KSEB officials while conducting the Factory Accepted Tests at China reviewed the quality data book and conducted all the tests mentioned in the tender and certified that everything was in accordance with the tender and hence the firm proceeded with works.

The Chief Engineer (Gen.& PED) had made enquiries regarding the testing of the Valve in any of the NABL accredited public sector labs in Kerala, whether testing is possible at site using any portable instruments. M/s National Centre for Earth Science Studies and M/s BPCL clarified that, they have no such facility for testing the same. M/s Shipyard informed unofficially that site testing is not possible and that test could be done if a sample piece of material is submitted at their lab. It is reported that if a test piece of measurable size is taken from the finished valve without the permission of the manufacturer as demanded by the testing agencies, it will be a clear violation of tender conditions and automatically the guarantee for the same would become void. As per the tender, the spherical valve will be guaranteed for a minimum period of 24 months from the date of commissioning. If the erection and commissioning is delayed, KSEBL will not get the full term guarantee coverage that is mentioned in the tender.

The existing Valve of Uni#1 is in very dilapidated condition and hence the replacement work is proposed during the total shutdown works scheduled in November/December 2019. The commissioning of the Valve requires the support of M/s. HBHC and it is already intimated to them. But the firm is repeatedly asking for the payment as per tender conditions for the supply part. Considering the above, the Chief Engineer (Gen.&PED) has requested to favourably consider the matter for necessary directions and recommendations.

In this regard, the following points were placed before the Full Time Directors as per Note read as 9<sup>th</sup> above.

- I. Pre despatch inspection of MIV was done by KSEBL Engineers at the works of M/s. HBHC, China and Valve was delivered at site on 08.07.2019. All functional tests were also conducted by the firm at site.
- II. The authenticity of the allegation regarding the quality of material of MIV has not been proved.
- III. The Committee constituted for ascertaining the quality of MIV supplied for IHEP, reported that the manufacturer is a well established firm and followed all standard procedures during the manufacturing and testing processes and that the firm used casting materials approved from the office of Chief Engineer (Gen.&PED), Moolamattom.
- IV. As demanded by reputed testing agencies, if a test piece of measurable size is taken from the finished Valve without the permission of the manufacturer, it will be a clear violation of tender conditions and automatically the guarantee for the same would become void.
- V. Replacement works of MIV of Unit#1 is proposed during the total shutdown period in November/December 2019 and any delay in this regard is detrimental to KSEBL and may lead to financial losses.
- VI. If the payment is released to the Contractor, an amount of Rs. 57,38,308/- (10% of contract amount for supply part) towards retention amount will be available with KSEBL.

Having considered the matter in detail, the Full Time Directors in the meeting held on 29-10-2019, resolved to accord sanction to the Chief Engineer (Gen & PED) for releasing the withheld amount towards the supply of Spherical Valve (MIV) to Idukki HEP, to M/s. HBHC-BSPL Consortium, after observing all formalities.

Orders are issued accordingly.

By Order of the Full Time Directors,

Sd/-  
Lekha G  
Company Secretary (In charge)

To  
The Chief Engineer (Generation & PED), Moolamattom.

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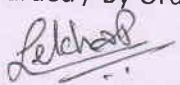
The Financial Advisor/ The Chief Internal Auditor/The Company Secretary.  
The Deputy Chief Engineer (IT)/ The RCAO/The RAO.  
The TA to Chairman & MD/ Director (GE&SCM)/ Director(GC)/ Director  
(Trans.,SO&S)/ Director (D,IT&HRM).  
The PA to Director (Finance).

DESPATCHED

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31.10.19

Forwarded / By Order

  
Asst. Exe. Engineer