



KERALA STATE ELECTRICITY BOARD Ltd
 (Incorporated under the Companies Act, 1956)
 Registered Office: Vidyuthi Bhavanam, Pattom, Thiruvananthapuram – 695 004
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ABSTRACT

Poringalkuthu Small Hydro Electric Project (1 X 24MW) - Execution of Electro Mechanical works
 - Request from the E&M contractor to compensate the losses due to prolonged extended period of
 Contract - Orders issued.

Corporate Office (SBU-GE)

B.O. (DB) No. 151/2024(DGE/G2/AEE3/PGL-SHEP/2023)
 Thiruvananthapuram.

Dated:15-04-2024

- Read :
1. Work Order No. 01-B/2014-15 dated 04.10.2014 and Agreement No. CEPED/03/ 2014-15 dated 10.10.2014.
 2. Note No. DIRGE/AEE4/PGL-SHEP/2022 (4) dated 09.06.2023 submitted to Full Time Directors.
 3. Letter No. PSHEP/E&M/150/2014-15/124 dated 31.07.2023 of the Executive Engineer (Project Manager), Poringalkuthu SHEP.
 4. Letter No. CECICC/PHEP/1/2018 /695 dated 02.08.2023 of the Chief Engineer (Civil Investigation & Construction Central).
 5. Note No. AEE1/PGL24/2015/CE (PED) (48) dated 08.09.2023 of the Deputy Chief Engineer (PED) with FPO of Chief Engineer.
 6. Note No. FA-AT-ST1/2023/109 dated 01.01.2024 remarks of the Financial Advisor.
 7. Note No. DGE/G2/AEE3/PGL-SHEP/2024 dated 06.03.2024 of the Chairman and Managing Director to the Board of Directors.
 8. Proceedings of the 76th meeting of the Board of Directors held on 13.03.2024 vide Agenda 14-03/2024.

ORDER

The E & M works of Poringalkuthu SHEP (1x24 MW) was awarded to M/s Allonward, China-Shri Sharavana Industries Private Limited, Tiruchirapalli, Tamilnadu Consortium for an amount Rs. 40.59 Crore (Supply - Rs. 38.63 Crore, Erection - Rs. 1.96 Crore). The detailed work order was issued on 04.10.2014 and the agreement read as 1st above was executed with a completion period of 24 months, up to 03.10.2016. As per the Agreement, the work shall be completed in all respect within a period of 24 months. As per Contractor requests, time extension was granted 10 times, up to 31.05.2023, without imposing LD and without financial commitment to KSEBL. The Civil works of Poringalkuthu SHEP (1x24MW) was awarded to M/s GVR-GMW (JV) Chennai for an amount Rs. 91.61 Cr. and the agreement for the same was executed by Chief Engineer (Civil Investigation-Construction Central) vide agreement dated 19.09.2011 with a completion period up to 17.09.2014.

The contractor for execution of E&M works of 1x24MW Poringalkuthu SHEP, M/s. Allonward-SSIPL Consortium vide letters dated 19.03.2022, 29.06.2022, 25.08.2022, 20.05.2023, 29.06.2023, 28.07.2023, 28.09.2023, 31.10.2023, 25.11.2023 has requested to provide adequate compensation of Rs. 13.52 Crore (Compensation for suffered extra costs towards overheads due to 68 months delay-Rs. 5.24 Crore, Compensation for losses suffered due to non-realization of profit-Rs. 59.15 Lakhs, Compensation for extra financial costs suffered due to the delay of 68 months on bank guarantees and insurance - Rs. 1.04 Crore, Compensation for long holding of retention money for an extended period -

Rs. 4.17 Crore, Extra financial commitment due to increase in exchange rate value-Rs.2.48 Crore) for the losses incurred due to the prolonged extended period of contract for the Poringalkuthu SHEP (1X24MW). They have informed that they have suffered losses due to the prolongation of completion period to more than 92 months. According to them the delays were caused due to the slow progress of Civil and Hydro Mechanical works. They reported that they have incurred extra financial commitment towards price increase and also other establishment cost due to overstay in the project. Accordingly, they requested compensation for the losses suffered by them.

M/s. SSIPL has informed that at the time of submission of tender, the rate of 1 USD was Rs. 59.35. They have requested price adjustment for the supplies completed beyond the stipulated completion period of 24 months. Material Dispatch Clearance Certificate for the same was issued on 23.09.2016 before the actual period of completion and the contractor could have supplied the materials without waiting for the completion of civil works. The contractor had informed as per their letter dated 02.11.2017 that they had not dispatched the generators as service bay was not ready. The contractor also informed that they were keeping the stator and rotor at the works of their consortium partner M/s. Hunan Allonward with proper storage to avoid corrosion and moisture formation in windings. Also, the generator barrel and generator floor were not ready at that time.

The matter was placed before the Full Time Directors as per the note read as 2nd above. The Full Time Directors in the meeting held on 15.06.2023 has deferred the matter to submit a detailed report related with the request of E&M contractor (M/s SSIPL) to compensate the losses due to prolonged extended period of contract. The details of the non-completion of various civil works affected the project in various stages were collected from the agreement authority of Civil Works, Chief Engineer (Civil Investigation & Construction Central) and the Executive Engineer (Project Manager), SHEP Poringalkuthu.

The Executive Engineer (Project Manager), Poringalkuthu SHEP as per the letter read as 3rd above has reported that as per Clause 5.1.6, 5.2.16 of General Conditions of Contract, the E&M contractor is not eligible for any price adjustment or escalation. Design of civil structures can be started only after getting requisite specific details of the machine and General Powerhouse Layout drawing from E&M Contractor. Even though the E&M contractor had submitted general Powerhouse Layout drawing on 14.11.2014, due to difference of 1m in the center line of turbine from the approved drawing submitted along with bid, it got approved by Chief Engineer (PED) on 06.04.2015 with a delay of 3 months for the revised drawing submitted by the contractor on 25.03.2015. When the machine floor was ready, the contractor imported the Generator in December 2018. Manual rotation of machine was achieved on 21.12.2019. The tunnel filling work started on 20.03.2022 and completed on 23.03.2022 and the mechanical spinning of machine was done on 26.03.2022. Some materials like firefighting equipment, oil handling system parts, spares etc. are supplied after commissioning of machine. Regarding erection part, delay had occurred for want of availability of work fronts.

The Chief Engineer (Civil Investigation & Construction Central) as per the letter read as 4th above has reported that the Forest clearance from MOE&F for the project was received only on 17.03.2014 (after 30 months of award of civil work). The delay in submission of General Powerhouse Layout drawing and Valve House drawing by the E&M contractor and getting approval is one of the major reasons for the delay in initial stages of the project. Introduction of GST and the financial crisis suffered by the lead partner of the consortium of civil works M/s. GVR Infra Projects Ltd, Chennai due to National Company Law Tribunal (NCLT) procedures, demonetization, heavy loss due to flood occurred in 2018, loss of workman days due to Covid 19 are the reasons for the delay in civil works. As per Clause 1.2 of technical specifications, 5.7.3 of General conditions of contract, it is the responsibility of the contractor to provide storage of materials at site. Even if the Powerhouse is not ready, the contractor should have supplied the machinery. If the contractor had demanded Price adjustment/ escalation when the machines were ready to supply, sufficient space could have been provided by the Board (at PLBE Powerhouse nearer to the project site). The contractor had not

supplied the Exciter spares till date even after 15 months of completion. In view of the above, it is evident that delay in erection of E&M works occurred is not due to the delay in execution of civil works alone.

As per the note read as 5th above, the Deputy Chief Engineer (PED) with FPO Chief Engineer remarked that initial delay of 3 months in submission of General Powerhouse Layout drawing and getting approval cannot be attributable to the E & M contractor alone. Powerhouse Layout drawing can be finalized only after incorporating the comments from civil wing. The Contractor had submitted the Penstock Protection Valve House drawing on 01.06.2015. Delay of 5 months in submission of Penstock Protection Valve House drawing is attributable to E&M contractor. The Material Dispatch Clearance Certificate for the foreign consignment was issued on 23.09.2016 well before the actual date of completion of work. Regarding Supply part, the E&M contractor could have supplied all the materials except Generator for which dust free atmosphere is necessary. During the historic floods in August 2018, PLBE Powerhouse nearer to the project site was also severely affected. At the time of submission of tender, the US Dollar rate was Rs.59.35. The maximum Dollar rate during the original contract period of 04.10.2014 to 27.02.2016 was Rs. 69.0854. The US Dollar rate during September 2016 was Rs. 67.0346.

CALCULATION OF DOLLAR VARIATION

Name of Equipment		Generator
Invoice No/Date	A	93/ 17.10.2018
Invoice Value in Rs	B	45416760
Invoice value in USD considering 1USD = Rs 67.0346	C = B/67.0346	677512
Invoice value in USD considering 1USD = Rs 69.0854	D = B/69.0854	657400
US Dollar exchange value at Invoice date	E	74.7
Invoice value in Rs corresponding to value in column 'C' considering USD value at invoice date	F = CxE	50610146.00
Price Variation Amount (considering 1USD = Rs 67.0346) (Best rate in Sep 2016)	G = F-B	51,93,386.00
Invoice value in Rs corresponding to value in column 'D' considering USD value at invoice date	H = Dx E	49107780.00
Price Variation Amount considering 1USD = Rs 69.0854 (Best rate among 2014, 2015, 2016)	I = H-B	36,91,020.00

Supply of Turbine was completed in time and the contractor is not eligible for US Dollar Variation. Though the Powerhouse was not ready, the contractor could have imported the spares and stored elsewhere. The contractor is eligible for price variation for the supply of Generator for want of dust free atmosphere. It is better to consider the maximum Dollar rate, during the original contract period of 04.10.2014 to 27.02.2016. When it is considered the price variation amount for Generator is Rs.36,91,020/-.

There is no provision in the E&M contract for providing price adjustment to compensate the losses. As per the agreement condition clause no. 5.2.16 escalation / revision of rates the rates agreed and forming part of the contract shall be firm during the period of contract. No escalation will be allowed on whatever reasons and grounds. The contractor is not eligible for any escalation or other wise of the rates other than that quoted, accepted and agreed to. No claim for revision of rates will be allowed on any account during the period of contract or during the extended period of contract if any.

The Price Variation has been calculated based on PV Clause of Central PSU's like THDC limited, NHPC which has Price adjustment Clause for adjustment of prices for onsite erection, testing and commissioning. As per the Price Adjustment Formula of THDC India Limited, for Installation of

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Plant and Equipment, the amount calculated as $\Delta P = P_0 (0.15 + 0.85 L_1/L_0) - P_0 = \text{Rs. } 2, 37, 052 /-$. Considering the delayed erection portion of Contract, $P_0 = \text{Rs. } 65, 04, 000 /-$. As per the Price Adjustment Formula of NHPC LIMITED, for Installation of Plant and Equipment, the amount calculated as $P_1 = P_0 \times (0.20 + 0.60L_1/L_0 + 0.15 F_1/F_0 + 0.05M_1/M_0) - P_0 = \text{Rs. } 9, 25, 589 /-$. Considering the delayed erection portion of Contract, $P_0 = \text{Rs. } 65, 04, 000 /-$. As per the Price Adjustment Formula of KSEB Civil Works, Price adjustment for Labour will be calculated as $VL_A = 0.85 \times 24/100 \times (R_A \times (I-I_0)/I_0) = \text{Rs. } 56, 904 /-$. Considering the delayed erection portion of Contract, $R_A = \text{Rs. } 65, 04, 000 /-$.

The Project was commissioned on 16.04.2022 and dedicated to the nation on 04.05.2022. 185.4685 Million Units had been generated from the date of commissioning as on 31.12.2023. On examining the Project Monitoring Committee (PMC) meeting minutes, it is observed that the price variation issue is not raised by the contractor in any of the PMC Meetings. The remarks of the Financial Advisor for the Price Escalation issue was received as per the Note read as 6th above. The Director Generation (Electrical, REES, SOURA, Sports and welfare) has recommended to give Rs. 36,91,020/- as dollar variation and Rs.9,25,589/- as per price variation formula for NHPC.

The matter was placed before the Board of Directors as per the Note read as 7th above.

After detailed discussion, the Board of Directors

RESOLVED TO decline the proposal seeking the compensation for losses as there is no provision in the E&M contract for providing price adjustment to compensate the losses.

RESOLVED FURTHER to authorize Director (Generation-Electrical) to seek legal opinion on allowing the claim for US Dollar exchange rate variation by studying the cause of delays of civil works resulting into delay in importing the equipment which ended up in dollar exchange rate variation and if legally tenable, negotiation with the contractor can be carried out for Rs. 36.91 Lakhs subject to the verification of period of delay attributable to execution of civil work and delay attributable to KSEBL in the calculation of exchange rate fluctuation.

Orders are issued accordingly.

By Order of the Director Board

Signed by

Lekha G

COMPANY SECRETARY

Date: 15-04-2024 17:24:48

To:

The Deputy Chief Engineer (PED) with full powers of Chief Engineer

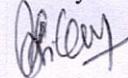
Copy to:

The Company Secretary / Chief Engineer (IT,CR&CAPS) / Financial Advisor / LA&DEO / Chief Internal Auditor / Chief Vigilance Officer

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The TA to the Chairman & Managing Director / Director (Generation-Civil) / Director
(Distribution, Safety, SCM & IT) / Director (Transmission, SO & Planning) / Director (Generation -
Electrical, REES, SOURA, Sports & Welfare)
The PA to the Director (Finance & HRM)
The Sr.CA to the Secretary (Administration)
The RCAO/ RAO
Stock File.

Forwarded / By Order



Assistant Executive Engineer