



# KERALA STATE ELECTRICITY BOARD LIMITED

(Incorporated under the Companies Act, 1956) CIN: U40100KL20115GC027424

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## Abstract

Execution of E&M works of Bhoothathankettu (3x8MW) Small Hydro Electric Project- completion of project in approved schedule time - Sanctioned - Orders issued.

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

B.O. (FTD)No. 700 /2020 (513/AE3/2013/CE(PED)) Thiruvananthapuram. Dated: 19 - 11 - 2020

- Read:-
1. Agreement No. CEPED/5/2014-15 dated 18-03-2015 of Chief Engineer (Projects- Electrical Designs).
  2. B.O. (FTD) No. 899/2019 (D(GE)/G2/BTNK/2019-20) dated 03 - 12 - 2019.
  3. B.O. (FTD)No. 355 /2020 (D(GE)/G2/BTNK /2020-21) dated: 26 - 05 - 2020.
  4. Note No. LA&DEO/R/104/2019 dated 22-10-2020 of the LA&DEO.
  5. Note No. 513/AE3/2013/CE(PED)/ 997 dated 12-11-2020 of the Chief Engineer (Generation&PED) to the Full Time Directors (Agenda No. 53/11/20).

### ORDER

As per B.O(DB)No.3384/2014 (D(SCM&GE)/G2/BTNK /2014-15) dated 24-12-2014, the contract for the Execution of Electro-Mechanical works of Bhoothathankettu SHEP (3X8MW) was awarded to M/s. Sree Saravana Engineering Bhavani Pvt. Ltd.- Hunan Zhaoyang Generating Equipment Company Ltd. Consortium (M/s SSEB- ZHAOYANG Consortium) for a contract amount of Rs. 81,80,01,000/- (Supply- Rs. 80.59Cr, Service- Rs.1.21Cr) and the Agreement was executed by the Chief Engineer (Projects- Electrical Designs) as per Agreement No. CEPED/5/2014-15 on 18-03-2015. The overall Physical Progress of the E&M work is 86.17% (E&M supply is 87.4% and erection is 8.33 %) and Financial Progress is 70.33%.

As per the Agreement, the scheduled period of completion of contract was 18 months which expired on 03-08-2016. As per B.O read as 3<sup>rd</sup> above, sanction was accorded to extend the period of completion of the E&M contract, up to 31-12-2020, with applicable penalty excluding the period of applicability of force majeure (Flood and Covid) and clear delay on the part of KSEBL which is to be decided by the Chief Engineer (Gen & PED).

As per the contract, the tests on the turbine, generating units and auxiliaries are to be witnessed by KSEBL representatives at manufacturer's works before despatch of the equipment. Accordingly, two Nos. of foreign consignments were offered for inspection and test witnessing by Mr. Ou Yang Hong, General Manager, Hunan Zhaoyang Generating Equipment Co. Ltd. and the same were tested by KSEBL Engineers as per B.O (FTD) No.1061/2017 (D(GE)/G2/BTNK/2017-18) dated 24-04-2017 and B.O(CMD) No. 3165 /2017 (D(GE)/G2/ BTNK/2017-18) dated 16 -12 -2017 and the equipment delivered to site.

During October 2018, the contractor had informed that the Chinese Consortium partner had invited KSEBL officials for inspection & test witnessing of the 3<sup>rd</sup> consignment (Inspection of Runner, Rotor, Stator of all the three Units) at China. KSEBL on 16.11.2018 waived the inspection and test witnessing by the KSEBL officials subject to the condition that M/s SSEBPL Engineers will inspect and test witness and furnish the test certificates for approval.

Even after a lapse of about 6 months, the contractor was not committing a specific schedule for delivery of the 3<sup>rd</sup> foreign consignment. Hence the office of Chief Engineer (Gen.&PED) had taken up the matter with Mr. Liao ShiMing, Chairman, M/s. Hunan Zhaoyang Generating Equipment Co. Ltd. who had executed the consortium agreement.

Against this, Mr. Liao ShiMing informed that they had abandoned the contract with M/s SSEB long ago and that his company did not receive any money and that some other company had delivered the goods and it has nothing to do with their company. From above events it is strongly felt that some serious manipulations had been committed by the Indian lead partner M/s. SSEBPL in connection with the Chinese consortium partner with whom he has entered into a consortium agreement for bidding for the 3x8 MW Bhoothathankettu SHEP.

Though M/s. SSEBPL was requested to provide explanation on the various allegations raised by the consortium partner, they failed to provide the same. Subsequently, a meeting was convened by the Director (GE& SCM) on 22-10-2019. In the meeting, Mr. Liao ShiMing has stated that the emails regarding the allegations raised against the lead consortium partner as mentioned above were not sent by him, and he was hospitalized at that period. Also, it was added that, the materials (foreign consignments) which had already been delivered at site and the 3<sup>rd</sup> foreign consignment, which is to be delivered, belongs to his company only.

The Chief Engineer (Gen & PED) observed that, the statement given by Mr. Liao ShiMing during the meeting dated 22-10-2019 is not fully convincing. As it is of non-technical matter, it is noted that O/o Chief Engineer (Gen & PED) is not competent to ascertain whether any misinterpretation or fraud had been happened on the issue as suggested by LA & DEO.

Considering this, KSEBL as per B.O read as 2<sup>nd</sup> above accorded sanction, to conduct a very detailed factory inspection by a team of expert Engineers of KSEBL with a Translator (Chinese) to identify and confirm that the earlier equipments were supplied by the original Consortium Partner and he has a factory, his credentials as per the original quote are genuine and the balance equipments is offered by the original Consortium Partner since there is a confusion regarding the Consortium Partner from China who supplied the Electromechanical equipments. Also to constitute a team of 2 to 3 expert Engineers with high communication skill and field experience in erection of electromechanical equipment by a Committee of Director (Generation - Civil), Director (Distribution, IT &HRM) and Director (GE& SCM) for the above purpose. And to request the Secretary (Power) to get Embassy/Consulate support in China through Ministry of External Affairs, Government of India for successfully accomplishing the above task, to inspect and approve for despatch all the balance equipments ready for dispatch if the Consortium Partner is identified and confirmed that he is the genuine supplier.

And also further resolved that in case it appears that the Consortium Partner is not the one who supplied the original items and/or offered the balance electromechanical equipments, then action shall be initiated by Director (Generation Ele. &SCM) to terminate the electromechanical contract at the risk and cost of the original contractor, M/s. Sree Saravana Engineering Bhavani Pvt. Ltd.- Hunan Zhaoyang Generating Equipment Company Ltd. Consortium.

The issue regarding genuineness of the consortium partner was taken up with Power Secretary, and as per D.O letter No. 139/B1/19/PD dated 13-01-2020 of Power Secretary, the matter had been taken up with the Foreign Secretary, Ministry of External Affairs, New Delhi, wherein it was requested to examine and inform the genuineness of identity of the consortium partner M/s Hunan Zhaoyang Generating Equipment Co. Ltd, in China on following points:

- I. Legal entity and composition of the company.
- II. Legal representative and office bearers of the company.
- III. Legal registration and legal partnership between the two companies in the consortium.

In accordance with B.O read as 2<sup>nd</sup> above, the Chief Engineer (Generation & PED) as per letter No. 513/AE3/2013/CE(PED)/796 dated 31-12-2019 has furnished a tentative inspection schedule for the inspection and test witnessing of 3<sup>rd</sup> consignment consisting of Runners, Rotor, Stator etc at China from 07-02-2020 to 15-02-2020. But, M/s SSEBPL had informed, that the existing circumstance is not permitting either KSEBL or M/s SSEBPL officials to go for the inspection (for 3<sup>rd</sup> consignment

inspection) at China as from December 2019 onwards there was an outbreak of COVID 19 Pandemic in China and still continuing hence inspection at China is not possible.

Even though the report of genuineness of the Chinese consortium partner through the Indian Embassy has not been yet received, Mr. Liao ShiMing, Chairman, M/s Hunan Zhaoyang Generating Equipment Co. Ltd (consortium partner) was asked to submit required documents for 1. Legal entity and composition of the company 2. Legal representative and office bearers of the company and 3. Legal registration and legal partnership between the two companies in the consortium, for the entire period from the date of executing consortium agreement and get attested by the Embassy of India in China after its authentication duly notarized by notary and attested by Foreign Affairs Ministry of China and send the originals to the office of Chief Engineer (Gen.&PED) at the earliest to dilute the ambiguity of genuineness of the Chinese Company.

In reply to above letter Mr. Liao ShiMing, Chairman has mentioned that they can provide Business License document duly notarized by notary and attested by Foreign Affairs Ministry of China and attested by consulate of India in Guangzhou to establish the legal entity and composition of the company and Legal representative and office bearers of the company. And to establish the Legal registration and legal partnership between the two companies in the consortium, he had replied that consortium agreement was notarized in India for the participation in the bidding process as per the conditions of tender and consortium did not register as legal entity in India.

Meanwhile the Chinese Consortium Partner M/s Hunan Zhaoyang Generating Equipment Co. Ltd, has sent via E-Mail certain documents duly notarized as advance document and its original will be sent through Chinese foreign affairs department for certification and the Indian embassy for attestation. The advance document received was submitted to the LA&DEO for remarks, whether these documents satisfy to examine the genuineness of identity of the Chinese Consortium Partner and to acquire details regarding 1. Legal entity and composition of the Company and 2. Legal representatives and Office bearers of the Company. The LA&DEO as per Note read 4 above had expressed their comments "In order to verify the legitimacy of a foreign company, there is no better way than to depend on the Indian Embassy in the foreign country and hence let's wait for the offered documents, to act further on this matter".

From the correspondence made with Chinese company, it is understood that there is some delay to get the documents attested from Consulate of India at Guangzhou and as per present condition the documents have finished notarization, and are attested by Foreign Affairs Ministry of China. Hence it is understood that, delay may be anticipated in getting documents attested from Consulate of India at Guangzhou.

The Chief Engineer (Generation & PED) has as per note 5 above reported that there is provision in the agreement to waive the inspection and test witnessing by KSEBL Engineers. Considering the Covid-19 pandemic situation, the inspection at China by KSEBL Engineers may be waived and the contractor may be instructed to conduct the test and submit the test reports for verification and approval.

After delivery of the material at KSEBL site, a detailed inspection and testing by KSEBL team and possible tests can be arranged even with the help of firms like CPRI or other authorized agencies. All test as per ITP & QAP shall be conducted by M/s. Hunan Zhaoyang Generating Equipment Company Ltd at their factory and it has to be clearly video graphed and if possible KSEBL Engineers can witness the testing through video conferencing. (Like Skype, Zoom, Team etc.).

Bhoothathankettu SHEP is one of the major projects which can be commissioned during this financial year itself as KSEBL have already completed 86% of the project work and spent about Rs. 161.38 Crore (including civil portion). For early completion of the E&M work of Bhoothathankettu SHEP and for further proceeding of this project certain decisions are to be taken and the matter was placed before the Full Time Directors as per Note read as 5<sup>th</sup> above.

Having considered the matter in detail, the Full Time Directors in the meeting held on 17-11-2020 resolved to accord sanction to accept the Business License Document duly notarized by Notary, certified by Chinese Foreign Affairs Department and attested by Consulate of India in Guangzhou, if these documents satisfy the information sought to establish the legal entity and composition of the Company and Legal representative and office bearers of the Company and to consider M/s. Hunan Zhaoyang Generating Equipment Company Ltd (consortium partner) as genuine as per the Contract agreement and supplied the first and second consignment and permit them to export the third foreign consignment.

Further resolved to waive the physical inspection and test witnessing of 3<sup>rd</sup> foreign consignment at M/s. Hunan Zhaoyang Generating Equipment Company Ltd at factory in China by KSEBL officials and to instruct the supplier to conduct testing of the equipment and if possible to arrange for test witnessing of the 3<sup>rd</sup> foreign consignment by KSEBL officials through Video Conferencing as per approved QAP & ITP and to submit Test Reports for verification and approval.

Further resolved to instruct the supplier to take video graph of the testing and send them to KSEBL through the lead contractor.

Further resolved to issue MDCC after getting attested documents from Indian Consulate at China and after receiving factory test report and video graph of testing at China.

Further resolved that payment shall be made after satisfactory testing of the equipments done by KSEBL team and if required, tests conducted by authorized firm viz; CPRI etc, after the arrival of equipments at our site.

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.  
The Deputy Chief Engineer (Projects-Electrical Designs).

Copy to:

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)/ Director (D,IT&HRM) /Director (Planning&Safety).  
The PA to Director (Finance).

Forwarded / By Order

*Santhi K...*  
Asst. Exe. Engineer

DESPATCHEL

No. 232

20.11.2020