

**GOVERNMENT OF INDIA
HEAVY INDUSTRIES AND PUBLIC ENTERPRISES
LOK SABHA**

UNSTARRED QUESTION NO:4435
ANSWERED ON:26.08.2004
AGREEMENT FOR SUPPLY OF GAS AND STEAM TURBINES
Singh Shri Prabhunath

Will the Minister of HEAVY INDUSTRIES AND PUBLIC ENTERPRISES be pleased to state:

- (a) whether BHEL (company) entered into an agreement in March 1999 with M/s. Sujana Power Co. Limited (customer) for the supply of four gas turbine and two steam turbine for the 2 x 100 MW Naptha based power project to be executed by the latter for Tamil Nadu Electricity Board at Tuticorn with the condition that the customer would issue a notice to proceed (NTP) and if the NTP is not issued by December 31, 1999, either party would have the right to terminate the contract;
- (b) whether the company initiated (March 1999) advance manufacturing action without receiving the NTP from the customer who finally terminated the contract resulting in locking of Rs.6.27 crore;
- (c) if so, whether any action was taken against the authorities responsible for importing the material and for blocking Government's money; and
- (d) if so, the details thereof?

Answer

MINISTER OF STATE (INDEPENDENT CHARGE) OF THE MINISTRY OF HEAVY INDUSTRIES AND PUBLIC ENTERPRISES(SHRI SONTOSH MOHAN DEV)

(a) Yes Sir.

(b) Yes Sir.

(c) & (d): Against a normal cycle time of 17-18 months for the manufacture of Gas and Steam Turbines, BHEL had only 8-12 months from Notice to Proceed (NTP) for supply of these materials to the customer. This time constraint was further accentuated by a provision of heavy Liquidated Damages in case of delayed supply. On account of these reasons, the company resorted to advance manufacturing action. Out of the material worth Rs.6.27 crore procured for the Sujana Project, materials worth Rs.3.18 crore have already been utilised and the balance materials worth Rs.3.09 crore are being used for Kutch Lignite Project, which is under implementation.

The whole issue was examined by the Board Level Audit Committee (BLAC) of BHEL. The BLAC felt that such losses are unavoidable business risks in the present highly competitive environment.