



GOVERNMENT OF KERALA

Abstract

Electronics and Information Technology Department - Kerala Fibre Optic Network (K-FON) project- Issuance of Revised Administrative Sanction and approval of Tender Acceptance- sanction accorded - Orders Issued.

ELECTRONICS & INFORMATION TECHNOLOGY (B) DEPARTMENT

G.O.(Ms)No.27/2019/ITD

Dated,Thiruvananthapuram, 11/11/2019

Read 1 G.O (Ms)No. 10/2017/ITD dated 18.05.2017
2 G.O (Ms)No. 10/2018/ITD dated 10.05.2018
3 G.O.(M s)No.14/2019/ITD dated 15.07.2019

ORDER

As per Government Order read as 1st paper above, Administrative Sanction was accorded for the implementation of Kerala Fibre Optic Network (KFON) project at an estimated cost of Rs.1028.20 Crores (excluding taxes) and to pose the project for KIIFB funding. The project envisages to provide hassle free internet access to about 30,000 Government offices and educational institutions and also to extend free and high speed internet connectivity to the economically backward families all over the State. For others, internet services will be provided at a reasonable rate. As per G.O read as 2nd paper above, Government have accorded sanction for the formation of a joint venture company named 'Kerala Fibre Optic Network Ltd (K-FON Ltd)' for the implementation of the project in the share holding pattern of 49:49:2 with respect to Kerala State Electricity Board Limited (KSEBL), Kerala State Information Technology Infrastructure Ltd (KSITIL) and Government of Kerala.

2) KSITIL had floated an open tender for the selection of an agency for the implementation of KFON project (package A) and Reliable Communication

& Data Acquisition Network (Package B) through e-procurement platform of Government of Kerala. 'Package A' was exclusively for KFON project and funded by KIIFB. 'Package B' primarily meets the requirements of KSEBL and is essential for the completion of KFON network. The project cost of 'package B' amounting to Rs.79.67 crore plus GST will be funded by KSEBL but executed by the same agency identified through the above tender process by KSITIL as in 'package A'. Out of the three valid bids, after technical evaluation, Consortium of M/s Bharat Electronics Ltd (BEL) has emerged as the L1 bidder at a quoted price (inclusive of capital and operating expenditure) of Rs:1,628.35 crore (excluding taxes).

3) Out of the total tendered value quoted by M/s. BEL, Rs.79.67 Crore was for the capital expenditure for 'package B', which has to be borne by KSEBL. Hence, out of Rs.1,628.35 Crore quoted, only the expenditure pertaining to 'package A' of Rs.1548.68 Crore is required for KFON project. On negotiations with L1 bidder, they had offered a discount of Rs.17 Crores. The bid amount for KFON project after discount of Rs.17 Crore is Rs.1531.68 Crore (excluding taxes).

4) When the original Administrative Sanction (AS) was issued vide G.O read as 1st paper above, the recurring Operational Charges of Rs.104.40 Crore per annum (for core and access network) was calculated only for one year, instead of seven years and thus limited the total AS amount to Rs:1028.20 Crore. This was done on the presumption that from the second year onwards the revenue streams of the project will be sufficient to meet the operational charges. However, since the bidder has to set up the network and maintain the same for the entire project duration, the tender was issued including both the components i.e; Capex for setting up the network and operating charges and AMC for seven years. Since the bid amount of Rs. 1531.68 Crore (excluding taxes) was arrived at by considering the operations and maintenance period of the project as seven years, resulting in variation from the amount for which Administrative Sanction was accorded earlier.

5) The Departmental Purchase Committee held on 07.06.2019 has examined the variation in the bid amount from the AS amount in detail and has approved the selection of Consortium of M/s Bharat Electronics Limited, the L1 bidder, as the agency for implementation of KFON Project.

6) As per G.O read as 3rd paper above, Government have approved the selection of Consortium of M/s BEL (System Integrator) for the implementation of the KFON project at a total cost of Rs.1531.68 Crore, excluding taxes.

7) When Administrative Sanction was issued for Rs.1028.20 Crores (excluding taxes), an amount of Rs.16.40 Crore has been allotted for the cost of establishment to SPV and operations. The tendered amount approved is Rs.1531.68 Crore (excluding taxes). In addition to this tendered value, the cost of establishment to SPV and operations of Rs.16.40 Crore is also found necessary for meeting the expenses in connection with the operations and establishment of the SPV.

8) The Board of Directors of KIIFB approved the funding proposal, subject to the specific condition that SPV shall obtain approval from the Council of Ministers for tender acceptance and shall also execute an agreement of loan repayment with KIIFB.

9) Government have examined the matter in detail and are pleased to issue revised Administrative Sanction for the Kerala Fibre Optic Network (KFON) project at a total cost of Rupees : One Thousand Five Hundred and Forty Eight Crore and Eight Lakhs only (Applicable Taxes extra) (Rs.1548.08 Crore+Applicable Taxes).

10) The flow of fund for the project is as follows:

KIIFB shall have to meet Rs:1061.73 crores for the project, being 70% of the project capital as assessed under their norms. Considering the total project cost including taxes, an amount of Rs:765 crores (Rs: 1548.08+Taxes@18% - Rs:1061.73 cr) remains to be funded. Of this, the cost of operating expenditure for seven years amounted to Rs:428.85 crores (inclusive of Taxes) shall have to be met by the SPV from the project revenues.

The remaining amount of Rs.336.15 crores (inclusive of Taxes) needs to be provided as equity to SPV over the project implementation during the financial years 2019-2020 and 2020-2021.

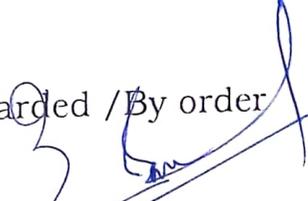
11) Government are also pleased to approve the Tender Acceptance in favour of Consortium of M/s Bharat Electronics Limited for the K-FON project including Package B.

12) The Govt order read as 1st paper above stands modified to the above extend.

(By Order of the Governor)
M . SIVASANKAR
SECRETARY

To

The Managing Director, Kerala State IT Infrastructure Limited,
7th floor, Felicity Square, MG Road, Statue, Thiruvananthapuram.
The Chairman and Managing Director, Kerala State Electricity Board,
Pattom, Thiruvananthapuram
M/s Kerala Fibre Optic Network Ltd, 7th floor, Felicity Square, MG
Road, Statue, Thiruvananthapuram.
The Chief Executive Officer, KIIFB, 2nd Floor, Felicity Square, MG Road,
Statue, Thiruvananthapuram - 695001
The Director, Kerala State IT Mission, Thiruvananthapuram
M/s Bharat Electronics Limited (Through the Managing Director, KSITIL)
.Power Department
Finance Department (vide PU-D3/137/2019/Fin dated 25.10.2019)
Store Purchase Department
Principal Accountant General(G&SSA), Kerala, Thiruvananthapuram.
Principal Accountant General(A&E), Kerala, Thiruvananthapuram.
General Administration (SC) Department (vide Council decision of item
No:3489 dated 06.11.2019)
Information Officer (Web & New Media), I&PRD
Stock File / Office copy

Forwarded / By order

Section Officer

Copy to:

The Private Secretary to Hon'ble Chief Minister
The Special Secretary to the Chief Secretary
PS to Additional Chief Secretary, Finance Department
PS to Secretary, Power Department
PS to Secretary (E & IT) Department
CA to Joint Secretary (E & IT) Department.

