



GOVERNMENT OF KERALA

Abstract

Industries Department - Coconics Pvt. Ltd. - Alteration of Share holding pattern of Coconics Pvt. Ltd. - Sanction accorded - Orders issued.

INDUSTRIES (D) DEPARTMENT

G.O.(Ms)No.20/2023/ID Dated,Thiruvananthapuram, 20-03-2023

Read 1 G.O(Ms) No. 29/2018/ID dated 10/04/2018

2 G.O(Ms) No. 45/2018/ID dated 11/06/2018

3 Letter No. KSEDC/CS/COC/2019/52 dated 09/01/2020 from the Managing Director, Keltron.

4 Letter No. CMD/KCC-COCONICS/2022-23/61 dated 29/09/2022 from the Chairman & Managing Director, Keltron.

5 Minutes of the 265th Director Board Meeting of KSEDC Ltd. held on 24/09/2022.

6 Minutes of the 24th Director Board Meeting of Coconics Pvt. Ltd. held on 03/11/2022.

ORDER

As per the GO read as 1st paper above, KELTRON was authorised to form an SPV to set up a manufacturing facility for laptops and servers using Intel processors for creating an electronics - manufacturing ecosystem in the State by limiting the equity contribution of Keltron to 26 % and maximum exposure of the SPV to 10 Crores.

2. The share proportion of the SPV was fixed at 26% of shares with Keltron, 23% of shares with KSIDC, 49% of the shares with UST Global and the remaining 2% with any Start Up Companies working in the Hardware manufacturing field recommended by IT Department, which later fixed as Acceleron Labs Pvt Ltd. Keltron was also permitted to lease the land and building at Manvila, Thiruvananthapuram to the SPV.

3. As per the letter read as 3rd paper above, the Managing Director, Keltron informed Government that the Board of Directors of Coconics Pvt. Ltd. in its 6th Board Meeting held on 13/08/2019 has decided to increase the share capital of

the Company to INR 20 Crores in 1:1 ratio to the present capital structure, due to the financial necessities.

4. Several meetings in this regard were held to discuss the matter of increasing the share capital of Coconics Pvt. Ltd. Meanwhile, the CMD, Keltron as per the letter read as 4th paper above, has furnished a viable proposal for the revival of Coconics Pvt Ltd. The proposal is intended to revive Coconics Pvt. Ltd. in order to make Coconics a Kerala Laptop Brand under Keltron by converting the rent outstanding to Keltron to the tune of Rs. 40,86,000/- into equity capital and allotting 40,860 equity shares to Keltron there by increasing the shareholding of Keltron from 26% to 28.90% in Coconics Pvt. Ltd. After the proposed shareholding restructuring, the ownership pattern of Coconics Pvt. Ltd. will be as follows:

| SPV Partner | Existing Shares | | Shares after alteration | |
|-------------|-----------------|-----|-------------------------|-------|
| | (No. of Shares) | % | (No. of Shares) | % |
| KELTRON | 2,60,000 | 26 | 3,00,860 | 28.90 |
| KSIDC | 2,30,000 | 23 | 2,30,000 | 22.10 |
| UST Global | 4,90,000 | 49 | 4,90,000 | 47.08 |
| ACCELERON | 20,000 | 2 | 20,000 | 1.92 |
| | 10,00,000 | 100 | 10,40,860 | 100 |

5. The Board of Directors of KSEDCL Limited approved the proposal of converting Rs.40,86,000/- rent outstanding from Coconics Pvt. Ltd. into equity share capital of Coconics Pvt. Ltd, thereby increasing the stake in the Coconics from 26% to 28.90% as per the minutes read as 5th paper above. The Board of Directors of Coconics Pvt. Ltd. also recommended to change the shareholding pattern of the Company in line with the proposal furnished by CMD, Keltron as per the minutes of the Director Board meeting read as 6th paper above.

6. In the above circumstances, Government are pleased to accord sanction to convert a portion of the outstanding rent of Keltron to the tune of Rs. 40,86,000/- into equity share in Coconics Pvt. Ltd. so that the share holding of KSEDCL in Coconics Pvt. Ltd. will increase from 26% to 28.90% there by restructuring the shareholding of the company as detailed in the above table. Thus the maximum exposure of Coconics Pvt. Ltd. will be increased to Rs.

10,41,00000 (Rupees Ten Crore Forty One Lakh only) in line with the rent capitalization, and the share capital contribution and maximum exposure mentioned in the GO read as 1st and 2nd paper above is modified to that extent only. The Board of Directors of Coconics Pvt. Ltd. shall take necessary action to increase the authorised share capital of Coconics Pvt. Ltd. by Rs. 41/- Lakhs for the accommodation of the paid up capital increase to the tune of Rs . 40,86,000/-.

(By order of the Governor)
A P M MOHAMMED HANISH
PRINCIPAL SECRETARY

To:

The Chairman & Managing Director, Keltron, Vellayambalam.

The Managing Director, KSIDC, Vellyambalam.

The Chief Operating Officer, Coconics Pvt. Ltd., Attipra, Manvila,
Thiruvananthapuram.

Director Board Members of Coconics Pvt. Ltd. (Through COO,
Coconics Pvt. Ltd.)

Accountant General, Kerala, Thiruvananthapuram.

General Administration (SC) Department

Planing & Economic Affairs Department

Finance Department.

Web & New Media

Stock File / Office Copy

Forwarded /By order

Signed by

Divya Y V

Date: 21-03-2023 10:53:55

Secretary



രഹസ്യം

കേരള സർക്കാർ

മന്ത്രിസഭായോഗത്തിന്റെ നടപടിക്കുറിപ്പുകൾ

തീയതി : 15-03-2023

ഫയൽ നം. വ്യവ-ഡി3/245/2017/വ്യവ.പാർട്ട് 4

ഇനം നം: 1434

വിഷയം : വ്യവസായ വകുപ്പ് - കോക്കോണിക്സ് പ്രൈവറ്റ് ലിമിറ്റഡിലെ ഓഹരി മൂലധന അനുപാതത്തിൽ മാറ്റം വരുത്തുന്നത്.

തീരുമാനം : കുറിപ്പിലെ നിർദ്ദേശങ്ങൾ അംഗീകരിച്ചു.

(ഒപ്പ്)

പിണറായി വിജയൻ

മുഖ്യമന്ത്രി

(ശരിപ്പകർപ്പ്)

ഡോ. വി പി ജോയ്
ചീഫ് സെക്രട്ടറി

പ്രിൻസിപ്പൽ സെക്രട്ടറി, വ്യവസായ വകുപ്പ്.

GOVERNMENT OF KERALA
(SHRI.PINARAYI VIJAYAN MINISTRY)
NOTE FOR THE COUNCIL OF MINISTERS

1. File No. : IND-D3/245/2017/ID Part 4
2. Department : Industries (D) Department
3. Subject : Industries Department – Alteration of Share Capital contribution in Coconics Pvt. Ltd. – Reg.

4. Date of Chief Minister's order for placing before the Council : 28/11/2022
5. (i) Does the case involve financial commitments / implications : Yes
(ii) If the answer to the above is in the affirmative, whether Finance Department has been consulted and their remarks incorporated in the Council Note : Yes
6. Are any other Departments concerned with the case and if so, have they been consulted and their remarks incorporated in the Note for the Council? : Yes
7. Name of Additional Secretary who submitted the Draft Note : Smt. M.A. Rajeena Beegum
8. Name of the Principal Secretary who approved the Draft Note : Sri. APM Mohammed Hanish
9. Date of approval of the Draft Note for the Council by the Principal Secretary : 10/03/2023
10. Name of Chief Secretary who approved the Draft Note : Dr. V. P. Joy.
11. Date of approval of the Draft Note for the Council by the Chief Secretary : 15/03/2023
12. Name of Minister who approved the Draft Note : Shri .P. Rajeeve
13. Date of approval of the Draft Note for the Council by the Minister : 15/03/2023
14. Date of Submission of Fair Copies : 15/03/2023
15. Date of decision by the Council of Ministers :
16. Number and date of the G.O / Letter communicating the decision

NOTE FOR THE COUNCIL OF MINISTERS

This note deals with alteration of share capital contribution in Coconics Pvt. Ltd.

2) As per GO (Ms) No. 29/2018/ID dated 10/04/2018, sanction was accorded to form an SPV to set up a manufacturing facility for laptop and servers using intel processors for creating an Electronics – Manufacturing Eco System in the state by limiting the equity of Keltron to 26 % and its maximum exposure to Rs. 10 Crores. As per GO (Ms) No. 45/2018/ID dated 11/06/2018, Government have revised share proportion of the stakeholders of the SPV, named Coconics Pvt. Ltd., at 26% with KELTRON, 23% of shares with KSIDC, 49% of shares with UST Global and the remaining 2% by the Start Up Companies working in the Hardware manufacturing field recommended by IT Department (Acceleron Labs Pvt Ltd.)

3) The Board of Directors of Coconics Pvt. Ltd. in its 6th Board Meeting held on 13/08/2019 decided to increase the share capital of the Company due to the financial necessities and the Board of Coconics Pvt. Ltd. has advised the shareholders to increase the share capital to INR 20 Crores in 1:1 ratio. The Managing Director, Keltron reported Government that Keltron is ready to increase their share capital in Coconics Pvt. Ltd. only if the fund is allotted by the Government as a

● grant. Whereas the Managing Director, KSIDC reported that there is no advantage for them by increasing the equity share as the company is running in losses.

4) Several meetings at Minister Level and at Principal Secretary level were conducted to discuss the matter of increasing the share capital of Coconics Pvt. Ltd. Meanwhile, CMD, Keltron vide his letter dated 29/09/2022 has furnished a viable proposal for the revival of Coconics Pvt Ltd. The proposal is intended to revive Coconics Pvt. Ltd. in order to make Coconics a Kerala Laptop Brand under Keltron through its information Technology Business Group (ITBG) by providing market opportunity and infusing appropriate working capital. Keltron proposes to increase its share capital by capitalizing a portion of the rent receivable from Coconics, so that the combined share holding of Govt. entities (Keltron and KSIDC) in the SPV shall be 51%, making the Coconics a "Deemed Government Company" or a Government Sector PSU, within the interpretation of Sec.619B of Companies Act, 1956. After the proposed shareholding restructuring, - the ownership pattern of Coconics. Pvt. Ltd will be as follows:

| SPV Partner | Existing | | After | |
|-------------|-----------------|----|-----------------|-------|
| | (No. of Shares) | % | (No. of Shares) | % |
| KELTRON | 2,60,000 | 26 | 3,00,860 | 28.90 |
| KSIDC | 2,30,000 | 23 | 2,30,000 | 22.10 |
| UST Global | 4,90,000 | 49 | 4,90,000 | 47.08 |

| | | | | |
|----------|-----------|-----|-----------|------|
| ACCELERO | 20,000 | 2 | 20,000 | 1.92 |
| N | | | | |
| | 10,00,000 | 100 | 10,40,860 | 100 |

5) While introducing the above change the combined total share holding of KSIDC and Keltron would be 51 %, which will make Coconics Pvt. Ltd. a "Deemed Government Company". For effecting this Coconics Pvt. Ltd. has to convert the rent outstanding to Keltron to the tune of Rs.40,86,000/- into equity capital and allot 40,860 equity shares to Keltron (40,860 shares of Rs.100/- each = Rs.40,86,000/-). Further, in order to increase the paid-up capital, the authorised share capital of Coconics has to be increased by Rs.41 Lakhs.

6) The 265 th Meeting of Board of Directors of KSEDC Ltd held on 24/09/2022 discussed and recommended to increase the the shareholding of Keltron from 26% to 28.90% in Coconics Pvt. Ltd. by conversion of rent outstanding from Coconics Pvt. Ltd. The Board of Directors of Coconics Pvt. Ltd. held on 03/11/2022 has discussed the proposal put forward by Keltron to increase the shareholding of Keltron in Coconics Pvt. Ltd. by 2.90 % (26 % to 28.90%) and recommended to change the share holding pattern of company as per the direction from Government. The Board Directors of of KSIDC has also agreed to modify the shareholding pattern of KSIDC in Coconics Private Limited by dilution of shares from the existing 23% to the proposed 22.10% as per the revival

● proposal of Keltron.

7) CMD Keltron vide his letter dated 04/02/2023 has furnished a Due Diligence Report prepared by Chartered Accountants as to whether acquisition of COCONICS Pvt. Ltd. would be beneficial after examining the assets and liabilities of COCONICS Pvt. Ltd. The Due Diligence Report is added as Annexure I.

8) In the report it is detailed that Coconics Private Ltd is a company with immense potential to grow and Coconics can become iconic brand of Kerala with proper and assured support of Government of Kerala. It is reported that though company is facing acute financial difficulties presently, the turnaround will be much faster with Government's timely intervention.

9) The following points are mainly incorporated in the report regarding the revival of Coconics Pvt. Ltd.

- Deemed Government Company status shall enable Coconics to get an assured market of Government Procurement of Centralised Procurement and Rate Contract System (CPRCS). Actions may be initiated to ensure atleast 50% of Government Procurements is reserved for Coconics. Getting orders from Government Sector will contribute dynamically to the revival of the Company.
- Immediate liquidation of stock in hand, so that normal activities can be resumed.

- ➤ It will be difficult for Coconics to move ahead without orders from Government of Kerala for the next four to six years. If this support is received, in the form of solid orders Company can slowly but steadily grow in the open market.
- With the profit generated from business, the Company can confidently invest more in Marketing to establish the brand. Three to Five franchise model exclusive shops in every district with proper service facility will bring in good retail sales.
- The collaboration of KELTRON with Coconics will have the advantage of synergy in terms of diversification of products. Huge demands are there in the market for mini-PCs and tablets. Feasibility of Contract manufacturing of laptops/MiniPCs/Desktops for other vendors may analysed and such areas are also to be explored. Technical know-how and production facilities of both the companies can be amalgamated with more working capital infusion and achieve product diversification.
- With KELTRON taking lead role, negotiations with other State Governments/Government Institutions/Government funded organizations etc. will be easy.
- It is indeed a matter of pride for Kerala State that this kind of manufacturing facility is not available both in private and public sector in any other state.

10) Due Diligence Report mentions that with little more capital increase and with the experience gained by the company during the past 4 years, Coconics Pvt. Ltd. will re-emerge strongly. It is also reported that the above information are solely based on the Due Diligence Review conducted on the Company by N. S. Sarma Associates.

11) When the file was circulated to Hon'ble Chief Minister, through Hon'ble Minister for Law Industries & Coir, for orders on altering the share holding pattern of Coconics Pvt. Ltd. as proposed by the CMD, Keltron with due amendments in GO (Ms) No. 29/2018/ID dated 10/04/2018 and GO (Ms) No. 45/2018/ID dated 11/06/2018, the Hon'ble Chief Minister was ordered to place the matter before the Council of Ministers with the remarks of Planning & Economic Affairs Department and Finance Department.

12) When the file was forwarded to Planning & Economic Affairs Department for remarks on the proposal and that Department remarked as follows:

“Administrative Department is informed that Planning (BPE) Department agrees with the recommendation made by the Board of Directors of KELTRON in their 265th meeting held on 24/09/2022 to increase the shareholding of KELTRON in Coconics from 26% to 28.09% by conversion of the outstanding rent.”

13) The remarks of Finance Department in this regard is as follows.

“Administrative Department (AD) is informed as follows:

COCONICS was formed with private participation to manufacture Intel chip based products, Laptops, to begin with. Government hold only 49%, and remaining is held by private companies, thus this entity is a private company and hence can function with the autonomy of a private company. By making it a Government company, the ills which plague this company cannot be resolved. A model where the product has only one market, i.e. the Government, is not a sustainable model, rather, it has to compete with the market forces and manufacture a product that is acceptable by the consumer market. The present company has failed squarely on this front. Further, there has been no tangible inputs operationally by the majority shareholders from the private sector. *Instead of infusing funds and increasing shareholding to make it a Government company, the effort should be to divest Government stake and bring in more equity from the private sector.*

This has the approval of Hon'ble Minister(Finance).”

14) Planning & Economic Affairs Department concurs with the proposal of increasing the shareholding of Keltron in Coconics from 26% to 28.90% by conversion of the outstanding rent as proposed by CMD, Keltron. But Finance Department offered adverse remarks in the proposal put forward by CMD, Keltron by pointing out that the effort should be to divest Government stake and bring in more equity from the private sector.

15) The Hon'ble Chief Minister has ordered to place the matter before the Council of Ministers.

POINT FOR DECISION

i) Whether sanction may be accorded to convert a portion of the outstanding rent of Keltron to the tune of Rs. 40,86,000/- into equity share in Coconics Pvt. Ltd. so that the share holding of Keltron in Coconics Pvt. Ltd. will increase from 26% to 28.9% which in turn convert Coconics Pvt. Ltd. into a deemed Government Company.

ii) If agreed, whether the revised share holding pattern of Coconics Pvt. Ltd. as enumerated in Annexure 2 may be approved subject to modification in GO (Ms) No. 29/2018/ID dated 10/04/2018 & GO (Ms)

● No. 45/2018/ID dated 11/06/2018 in view of the remarks of Planning & Economic Affairs Department and by over ruling the remarks of Finance Department.

iii) Whether sanction may be accorded to increase the authorised share capital of Coconics Pvt. Ltd. by Rs. 41/- Lakhs (Total authorised capital 10 Crore 41 Lakhs) for increasing the paid up capital to the tune of Rs . 40,86,000/- ?