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# REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

on

# PUBLIC SECTOR UNDERTAKINGS

for the year ended 31 March 2013

GOVERNMENT OF KERALA

Report No. 3 of the year 2014

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## ANNEXURES

# *Preface*

This Report deals with the results of audit of Government companies and Statutory corporations and has been prepared for submission to the Government of Kerala under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. Audit of the accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956.

3. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2012-13 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

4. Audit has been conducted in conformity with the Auditing Standards issued by the CAG.

# Overview

## 1. Overview of State Public Sector Undertakings

***The State Public Sector Undertakings (PSUs), consisting of State Government companies and Statutory corporations, are established to carry out activities of a commercial nature, while keeping in view the welfare of the people. Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government Companies are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG, as per the provisions of Section 619 of the Companies Act, 1956. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2013, the State of Kerala had 101 working PSUs (96 companies and 5 Statutory corporations) and 16 non-working PSUs (including four under liquidation), which employed 1.27 lakh employees. The working PSUs registered a turnover of ₹18486.21 crore as per their latest finalised accounts. This turnover was equal to 5.09 per cent of State GDP indicating the important role played by State PSUs in the economy. The PSUs had accumulated profit of ₹289.81 crore as per their latest finalised accounts.***

*Investment in PSUs*

***As on 31 March 2013, the total investment (capital and long term loans) in 117 PSUs was ₹10863.25 crore.***

*Performance of PSUs*

***Of the 78 PSUs which had finalised their accounts during 2012-13, 45 PSUs earned profit of ₹666.86 crore and 31 PSUs incurred loss of ₹607.34 crore. The major profit making PSUs were; Kerala State Beverages(Manufacturing and Marketing) Corporation Limited (₹ 149.79 crore), Kerala Financial Corporation (₹67.73 crore), The Kerala Minerals and Metals Limited (₹35.89 crore) Malabar Cements Limited (₹34.59 crore) and Kerala State Industrial Development Corporation Limited (₹18.97 crore).***

***Though Kerala State Electricity Board showed a profit of ₹240.72 crore in compliance with the requirements of Central Electricity Regulatory Commission, its operations actually resulted in a loss of ₹3758.17 crore.***

*Quality of accounts*

***During the year, out of 114 accounts of companies finalised, the Statutory Auditors had given unqualified certificates for 25 accounts, qualified certificates for 82 accounts, adverse certificate (which means that accounts do not reflect a true and fair position) for one account and disclaimer (meaning the Auditors are unable to form an opinion on accounts) for six accounts. Additionally, CAG gave comments on 28 accounts during the supplementary audit. The compliance of companies with the Accounting Standards remained poor as there were 105 instances of non-compliance in 38 companies during the year.***

*Arrears in accounts*

***75 working PSUs had arrears of 194 accounts as of 30 September 2013. The extent of arrears was one to twelve years.***

## 2. Performance Audit relating to Government company

The Report includes observations emanating from the Performance Audit on the **Working of The Kerala Minerals and Metals Limited**

*Introduction*

***The Kerala Minerals and Metals Limited is a PSU under the administrative control of Industries Department, Government of Kerala, engaged in the business of mining and processing of minerals and metals. The main product of the Company is Titanium Dioxide Pigment (TDP).***

***A Performance Audit covering the period 2008-13 was conducted to assess the economy, efficiency and effectiveness in production, procurement, marketing and financing activities of the Company.***

*Operational Performance*

***The profit of the Company decreased from ₹92.45 crore in 2009-10 to ₹62.59 crore in 2010-11 and from ₹154.08 crore in 2011-12 to ₹75.94 crore in 2012-13. The sales in quantity terms were steadily declining during the review period.***

*Cost of production*

***The cost of production showed an increasing trend during the five years ended March 2013. The cost of production per MT of TDP increased by 90 per cent from 2008-09 to 2012-13.***

*Production performance*

***Under-utilisation of the available capacity of the plants led to increased cost of production, declining market share, and accumulation of stock.***

*Procurement*

***The Company violated its own purchase procedure and procured materials of high value on limited tender basis, instead of inviting competitive open tenders and failed to ensure supply of ordered quantity at quoted price by the suppliers.***

*Marketing*

***The Company failed to take timely decision for determining prices with reference to available cost data and market trends. Retaining a higher price over a prolonged period led to reduction in sales and accumulation of stock.***

*Human Resources*

***Total production decreased during 2011-12 and 2012-13 compared to 2008-09 to 2010-11. However, the man hours utilised were 33 and 32 hours per MT during 2011-12 and 2012-13 as against 27 hours per MT of earlier years. The unproductive wages paid by the Company on account of lower labour productivity worked out to ₹18.71 crore.***

*Financial Management*

***The Company was extending loans and contributing equity to other loss making PSUs which were not recoverable.***

## 3. Performance Audits relating to Statutory corporation

The Report includes observations emanating from the Performance Audits of **Kerala State Electricity Board.**

### 3.1 Performance Audit on Power Purchase transactions of Kerala State Electricity Board

*Introduction*

***Kerala State Electricity Board (KSEB) is the distribution licensee for power for the State of Kerala.***

*Planning*

***The peak demand of power of the State ranged from 2765 Mega Watts (MW) to 3348 MW during 2008-13. Deficit ranged from 222 MW to 528 MW during 2008-13. KSEB planned to meet the deficit in demand and energy requirement mainly by commissioning Hydel schemes which was a cheaper source of energy. However, as against the required capacity addition of 1380.39 MW, actual addition in generation capacity was only 214.20 MW from 2008-09 to 2012-13. Considering the uncertainties in Hydel projects and price fluctuation in the international crude oil market for the fuel used by Independent Power Producers (IPPs), KSEB envisaged the necessity for purchasing sufficient power from Coal based Inter-State Projects on medium/long term. However, due to failure in implementing medium/long term power purchase plans (Case I), KSEB had to purchase costly power from short term market at extra cost of ₹244.07 crore.***

*Power Swap Agreement*

***KSEB resorts to swap mechanism to supply power when there is a comfortable position of power and arrange for return of power during deficit period. KSEB entered into swap arrangement though they had no surplus power to offer on swap which led to purchase of power (₹43.29 crore) to fulfill the commitment. Traders did not supply the entire agreed swap quantity forcing KSEB to purchase power on Short Term basis thereby incurring extra expenditure of ₹30.95 crore.***

*Monitoring Mechanism*

***Ministry of Power decides the entitlement of energy from Central Generating Stations (CGS) to each State. Failure to initiate action in getting compensation for shortfall in energy supplied from CGS resulted in extra expenditure of ₹163.96 crore.***

***The approval of Aggregate Revenue Requirement and Expected Revenue from Charges (ARR) for each year was based on norms for Transmission & Distribution(T&D) loss fixed by Kerala State Electricity Regulatory Commission (KSERC). KSEB failed to achieve T&D loss norms fixed by KSERC and had to make up excess loss by procuring additional power at higher cost on short term basis at a cost of ₹172 crore.***

*Recommendations*

***Audit has made seven recommendations which include need for setting up of a separate Trading Wing to arrange SWAP transactions and purchase from Traders and Power Exchanges through Short Term basis, adherence to regulations and guidelines while floating tenders, review of purchase from costly IPPs, monitoring in receipt of allocated power from CGS, etc.***

## 3.2 Performance Audit on Implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana

### *Introduction*

***The Government of India (GoI) notified (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), a Scheme for rural electricity infrastructure development and household electrification in the country within a period of five years. As per the Scheme, 90 per cent of the total implementation cost was to be financed by GoI as capital subsidy through Rural Electrification Corporation Limited (REC) and the remaining 10 per cent was to be contributed by the respective State Governments. Kerala State Electricity Board (KSEB) was designated as Project Implementing Agency (PIA) of the Scheme in the State.***

### *Planning*

***KSEB did not conduct detailed survey which resulted in revision of Detailed Project Reports (DPRs) and consequent delay in implementing the Scheme. Electrification of public places as envisaged in the Scheme was not taken up and they were deprived of the benefits of the Scheme.***

***Out of the DPRs for the total 14 districts submitted by KSEB at the commencement of the Scheme, REC sanctioned (August 2005) DPRs for only seven districts and rejected (October 2005) DPRs of the remaining seven districts due to deviations from REC guidelines. In respect of the seven districts, revised proposals were submitted after a gap of five years from the original proposal.***

### *Financial Management*

***Government of Kerala (GoK) did not contribute 10 per cent of the total implementation cost of the projects as required under the Scheme. Hence KSEB had to arrange the same by way of loan from REC which resulted in financial burden of ₹7.56 crore.***

### *Execution*

***Out of the 14 projects taken for implementation, only one project (Idukki district) had been completed so far (March 2013) as against scheduled completion date of March 2010 for the whole State. There were abnormal delays in the implementation of the Scheme due to defective DPRs, incorrect estimation of project quantity and consequent revision of DPRs. Though electrification of 1274 villages was targeted, 37 villages in Idukki district alone were completed so far.***

### *Project Monitoring*

***The State and District Level Co-ordination Committees were set up by the State Government for reviewing rural electrification. The State level Committee held only three meetings during entire period of the Scheme and District level Committees held meetings which ranged from one to eleven in the Northern districts.***

### *Impact*

***Deficient DPRs and delays in implementation at various stages reduced the coverage and benefits of the Scheme by providing electricity connection only to 0.55 lakh Rural Households (RHHs) as against 4.68 lakh RHHs proposed. Further, there was a loss of capital subsidy of ₹46.30 crore due to departmental execution of work, exclusion of substations in the DPRs and rejection of increase in cost due to additional quantities.***

### *Recommendations*

***KSEB should fix responsibility for the deficiencies in the DPRs and delay in***

***various stages of implementation. KSEB should take steps to avoid delay in completion of the Scheme to provide access to electricity for all RHHs as envisaged in the Scheme. The meetings of the Committees should be regularly conducted to resolve bottlenecks and constraints. The State Government may reimburse loans taken by KSEB from REC as required under the Scheme.***

## 4. Compliance Audit observations

Compliance audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

*Loss of ₹134.70 crore due to non-complaince with rules, directives, procedures, terms and conditions of Acts/contracts.*

***(Paragraphs 4.2, 4.3 ,4.5, 4.6, 4.7, 4.9 and 4.10)***

*Loss/extra expenditure ₹128.53 crore due to non-safeguarding the financial interests of the organization.*

***(Paragraphs 4.1 and 4.8)***

*Unproductive investment of ₹115.57 crore due to deficient planning and implementation.*

***(Paragraph 4.4)***

**Gist of some of the important audit observations is given below:**

- Procurement of Raw Cashew Nuts by **The Kerala State Cashew Development Corporation Limited** in an adhoc and arbitrary manner disregarding directions of COPU and Expert Committee and without ensuring transparency, fairness and competitiveness resulted in loss/extra expenditure of ₹93.93 crore.

  ***(Paragraph 4.1)***

- The Government entered into Chitty business in 1969 by establishing **The Kerala State Financial Enterprises Limited** to bring in social control over the Chitty business and to protect the public from the clutches of unscrupulous private chit fund operators, through adhering to applicable rules and regulations. However, unscrupulous subscribers were found to be still taking away prize money through dubious methods such as submitting bogus salary certificates towards security, substituting their defaulted chitties by spouse/relatives, not honouring cheques submitted towards monthly instalments, etc. The Company also violated the rules and regulations governing the conduct of Chitty business and enrolled defaulters/subscribers without realising first instalment, allowed defaulters to participate in auction and get prize money. It also failed to refund the instalments of the subscribers who were removed from the chitty.

  Thus, the Company by running the Chitty business suffered a loss of ₹114.72 crore and by violating all rules and regulations also defeated the very purpose that they were supposed to achieve.

  ***(Paragraph 4.2)***

- The e-tendering and LCS techniques adopted by **Kerala State Civil Supplies Corporation Limited** envisaged objectivity, transparency and fair play in the procurement of essential commodities, but the Company resorted to extensive negotiations leading to unhealthy competition, collusion and cartel formation thereby defeating the ostensible gains of the e-tendering system.

***(Paragraph 4.3)***

- The investment of ₹115.57 crore by **Kerala State Textile Corporation Limited** in Green Field Projects became unproductive due to poor implementation of the projects, violation of procedures and fixation of unrealistic milestones.

***(Paragraph 4.4)***

- **Kerala State Industrial Development Corporation Limited** suffered a loss of ₹2.00 crore due to one time settlement of outstanding loan in violation of laid down OTS Policy.

***(Paragraph 4.5)***

- Short remittance of advance income tax due to wrong estimation of current income by **Transformers and Electricals Kerala Limited** resulted in avoidable payment of interest of ₹1.17 crore.

***(Paragraph 4.6)***

- OTS policy of **Kerala State Electricity Board** did not yield the envisaged result, as it could settle only ₹85.98 crore (32 consumers) out of the total arrears of ₹1383 crore (1094 consumers) as on March 2013. In two cases settled, KSEB suffered a loss of ₹34.60 crore due to extension of concession over and above OTS scheme and waiver of dues without ensuring reimbursement from Government.

***(Paragraph 4.8)***

# CHAPTER I

## OVERVIEW OF PSUs

# Chapter I

## 1.1 Overview of State Public Sector Undertakings

### Introduction

**1.1.1** Government of Kerala (GoK) undertakes commercial activities through its business undertakings referred to as State Public Sector Undertakings (PSUs) which are owned, managed and controlled by the State. They are basically categorised into Statutory corporations and Government companies. Statutory corporations are public enterprises that came into existence by special Acts of the Legislature. Government companies refer to companies in which not less than 51 *per cent* of the paid up capital is held by Government(s). Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government is treated as if it were a Government company (deemed Government company) as per Section 619B of the Companies Act 1956.

**1.1.2** The PSUs operate in six major sectors of the economy viz., Power, Finance, Manufacturing, Infrastructure, Services and Agriculture & allied. In Kerala, the PSUs occupy an important place in the State economy and provide employment to about 1.27 lakh[1] persons as of 31 March 2013. There were 117 PSUs of which 101 were working and 16 non-working[2] as on 31 March 2013. Of these, three companies[3] were listed on the stock exchange(s). During the year 2012-13, two PSUs[4] were established. A sector-wise summary of the PSUs is given below:

**Table 1.1.1: Sector-wise summary of the investment in the PSUs**

| Name of sector | Government companies[5] | | Statutory corporations | | Total | Investment (₹ in crore) |
|---|---|---|---|---|---|---|
| | Working | Non working | Working | Non working | | |
| Power | 03 | ... | 01 | ... | 04 | 3717.53 |
| Finance | 15 | ... | 01 | ... | 16 | 1965.98 |
| Manufacturing | 34 | 15 | ... | ... | 49 | 1587.90 |
| Infrastructure | 14 | ... | 01 | ... | 15 | 1247.57 |
| Agriculture & allied | 14 | 01 | 01 | ... | 16 | 514.01 |
| Services | 16 | ... | 01 | ... | 17 | 1830.26 |
| **Total** | **96** | **16** | **05[6]** | **...** | **117** | **10863.25** |

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[1] As per the details provided by 103 PSUs.

[2] Non-working PSUs are those which have ceased to carry on their operations.

[3] Keltron Component Complex Limited, The Travancore Cements Limited and The Travancore Sugars and Chemicals Limited.

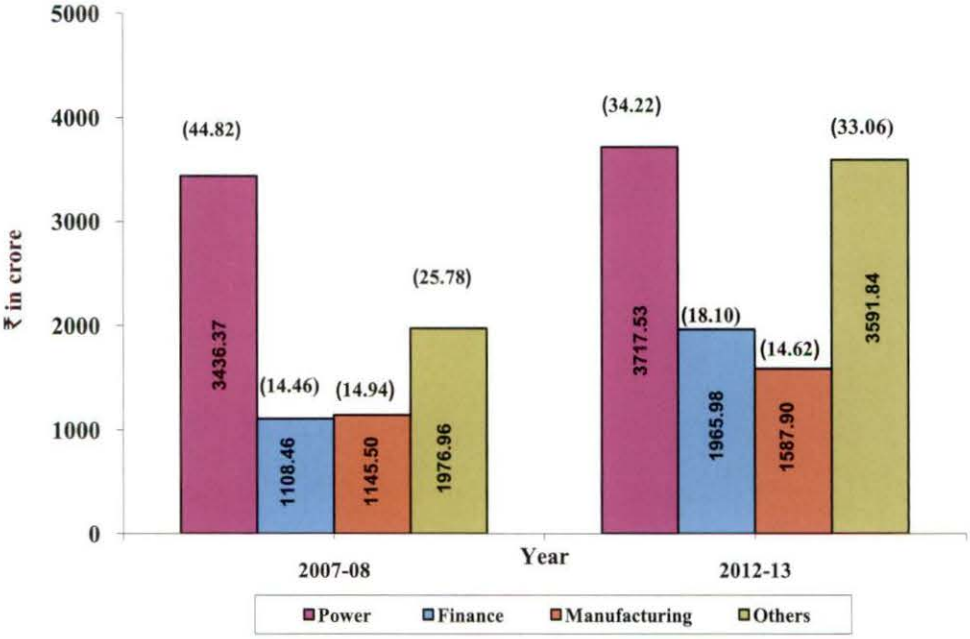
[4] Vision Varkala Infrastructure Development Corporation Limited, Kerala Monorail Corporation Limited.

[5] Includes 619 B companies.

[6] Kerala State Electricity Board has been shown as Statutory corporation as the vesting of assets and liabilities with the newly formed Company, Kerala State Electricity Board Limited was done only on 31 October 2013.

**1.1.3** The investment in PSUs in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2013 are indicated below in the bar chart.

**Chart 1.1.1: Sector-wise investment in PSUs**




**(Figures in brackets show the sector percentage to total investment)**

## Accountability framework

**1.1.4** The accounts of the Government companies/Statutory corporations for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by 30 September.

***Statutory audit***

**1.1.5** The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. The Statutory Auditors submit their Audit Report to the various stakeholders.

**1.1.6** The audit of Statutory corporations follow different pattern as provided by their respective legislations. Thus,

- CAG is the sole auditor for Kerala State Electricity Board, Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation.

- Chartered Accountant appointed by the Government in consultation with CAG is the auditor for Kerala State Warehousing Corporation, and
- Chartered Accountant appointed by the Corporation out of the panel approved by the Reserve Bank of India is the auditor in the case of Kerala Financial Corporation.

***Supplementary audit of CAG***

**1.1.7** The accounts of State Government companies are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956. In respect of the two Statutory corporations *viz.*, Kerala State Warehousing Corporation and Kerala Financial Corporation also CAG conducts supplementary audit.

***Role of Legislature and Government***

**1.1.8** State Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The accounts of these PSUs are also subjected to scrutiny by the Finance department of the State Government.

**1.1.9** The State legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Report together with the Statutory Auditors' Report and Comments of CAG, in respect of State Government companies and Separate Audit Report in case of Statutory corporations are to be placed before the Legislature within three months of its finalisation/as stipulated in the respective Acts. The audit reports of the CAG are submitted to the Government under Section 19 A of the CAG's (DPC) Act, 1971.

## Investment in PSUs

**1.1.10** GoK has huge financial stake in the PSUs. This stake is of mainly three types:

- Share capital and loans – In addition to the share capital contribution, GoK also provide financial assistance by way of loans to the PSUs from time to time.
- Special financial support – GoK provide budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees – GoK also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

**1.1.11** As on 31 March 2013, the total investment (capital and long term loans) in 117 PSUs (including 619-B companies) was ₹10863.25 crore as shown below:

**Table 1.1.2: Investment (capital and long-term loans) in PSUs**

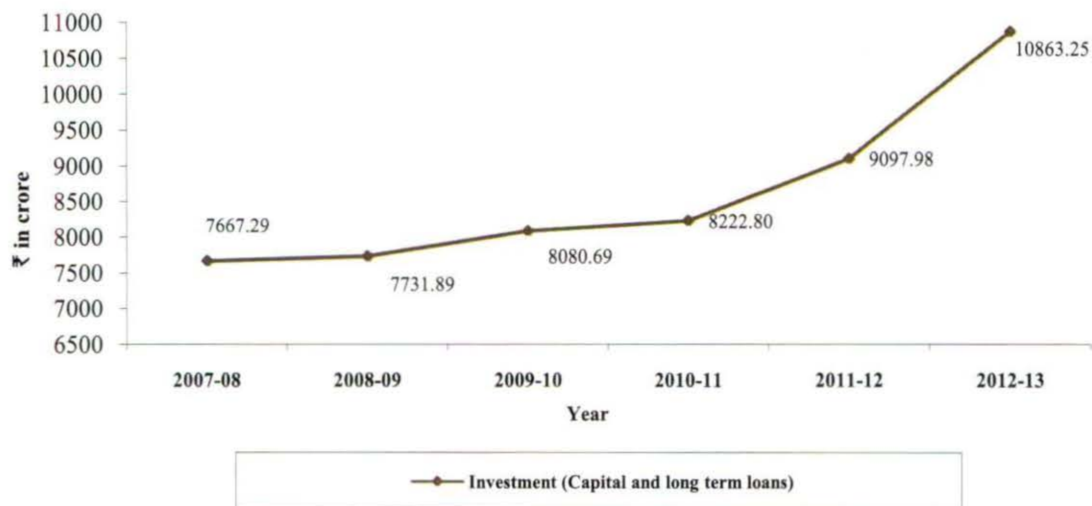
(*₹ in crore*)

| Type of PSUs | Government companies | | | Statutory corporations | | | Grand Total |
|---|---|---|---|---|---|---|---|
| | Capital | Long Term Loans | Total | Capital | Long Term Loans | Total | |
| Working | 2763.49 | 1479.65 | 4243.14 | 2373.96 | 4140.79 | 6514.75 | 10757.89 |
| Non-working | 47.72 | 57.64 | 105.36 | ... | ... | ... | 105.36 |
| **Total** | **2811.21** | **1537.29** | **4348.50** | **2373.96** | **4140.79** | **6514.75** | **10863.25** |

The details of Government investment in State PSUs is given in ***Annexure 1.***

**1.1.12** The total investment in working PSUs consisted of 47.76 *per cent* towards capital and 52.24 *per cent* in long term loans. The total investment in PSUs had increased by 41.68 *per cent* from ₹7667.29 crore in 2007-08 to ₹10863.25 crore in 2012-13 as shown in the graph below:

**Chart 1.1.2: Total investment in PSUs**




**1.1.13** The capital investment and long term loans increased by ₹1603.25 crore and ₹1592.71 crore respectively during 2008-2013. There was overall increase in investment and long term loans by ₹3195.96 crore during the period.

## Special support to PSUs and returns during the year

**1.1.14** Each year, GoK provides additional investment and support to PSUs in various forms through annual budget. During the year 2012-13, the GoK extended budgetary support of ₹1526.71 crore to 53 PSUs. The details of budgetary outgo towards equity, loans and grants/subsidies as well as support by way of loans written off, loans converted into equity and interest waived in respect of PSUs are given in ***Annexure 3***. The summarised details for the three years ended 2012-13 are given below:

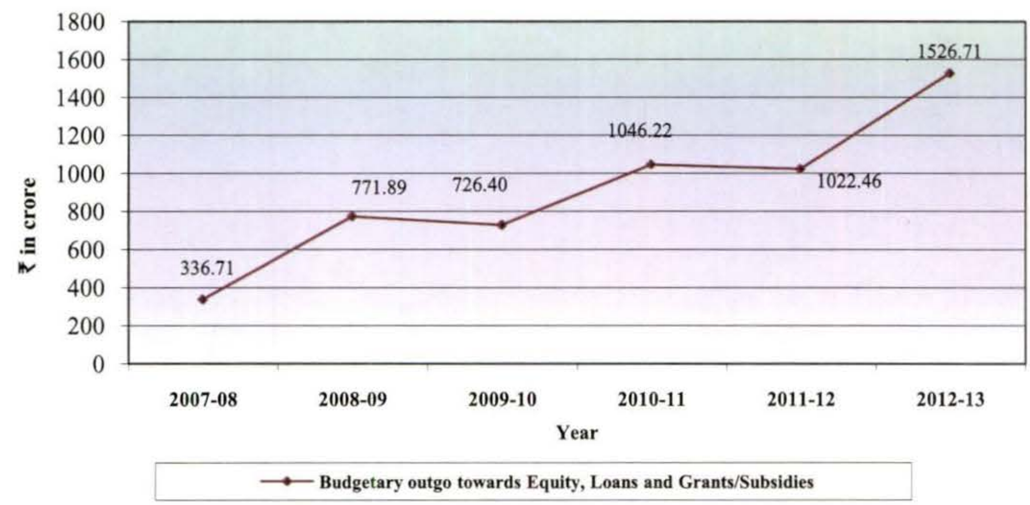
**Table 1.1.3: Details regarding budgetary support to PSUs**

*(Amount ₹in crore)*

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|---|---|---|---|---|---|---|---|
| | | No. of PSUs | Amount | No. of PSUs | Amount | No. of PSUs | Amount |
| 1. | Equity Capital outgo from budget | 27 | 257.95 | 19 | 68.66 | 22 | 388.24 |
| 2. | Loans given from budget | 16 | 322.56 | 18 | 258.81 | 17 | 333.00 |
| 3. | Grants/Subsidy given | 28 | 465.71 | 28 | 694.99 | 29 | 805.47 |
| 4. | Total outgo (1+2+3) | | 1046.22 | | 1022.46 | | 1526.71 |
| 5. | Loans converted into equity | 4 | 66.87 | 2 | 2.25 | ... | ... |
| 6. | Loans written off | 4 | 38.67 | 1 | 0.08 | 2 | 2.92 |
| 7. | Interest/Penal interest written off | 4 | 34.65 | 3 | 2.06 | 2 | 1.62 |
| 8. | **Total waiver (6+7)** | | 73.32 | | 2.14 | | 4.54 |

**1.1.15** The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2012-13 are given in the graph below:

**Chart 1.1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies**




**1.1.16** The above chart indicates that the budgetary assistance in the form of equity, loan and grant/subsidy by the GoK to PSUs had increased from ₹336.71 crore in 2007-08 to ₹1526.71 crore in 2012-13. During 2012-13, the GoK had waived loans and interest/penal interest of ₹4.54 crore due from three PSUs[7] as against ₹2.14 crore waived during the previous year.

***Guarantees for loans and outstanding guarantee commission***

**1.1.17** Guarantee for loans availed by PSUs is the third form of support to PSUs. As per the provisions of the Kerala Ceiling on Government Guarantee Act, 2003 the Government shall guarantee only loans taken by PSUs. During the year, GoK had guaranteed ₹3767.26 crore and commitment stood at ₹3699.40 crore at the end of the year (***Annexure 3***).

**Table 1.1.4: Guarantees issued and committed by GoK**

*(₹ in crore)*

| Particulars | Government companies | | Statutory corporations | | Total |
|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | |
| Guarantees issued | 9 | 3117.26 | 2 | 650.00 | 3767.26 |
| Commitment as on 31 March 2013 | 10 | 3136.99 | 5 | 562.41 | 3699.40 |

**1.1.18** In return for the guarantees provided by GoK, PSUs shall pay guarantee commission not less than 0.75 *per cent* and payable on the actual balance, outstanding interest/penal interest, etc., as on 31 March of previous year. The amount due shall be paid in two equal instalments on 1 April and October of every financial year. The guarantee commission payable to GoK by Government companies and Statutory corporations during 2012-13 was ₹122.92 crore, out of which ₹33.80 crore was paid and balance ₹89.12 crore was outstanding as on 31 March 2013. The PSUs which had major arrears were Kerala State Electricity Board (₹75.41 crore), Kerala State Electronics Development Corporation Limited (₹5.37 crore), The Kerala State Cashew Development Corporation Limited (₹3.92 crore), United Electrical Industries Limited (₹1.56 crore) and Kerala State Road Transport Corporation (₹1.18 crore).

## Failure to ensure proper accountability of the Government stake in PSUs

**1.1.19** As stated above GoK has huge financial stake in PSUs. Audit, however, found that the PSUs/Government did not ensure proper accountability of this investment. The lapses were mainly in three areas:

- To provide an accurate figure of investment;
- To prepare annual accounts and get them audited;
- To submit the separate audit reports to the legislature in respect of Statutory corporations.

[7] **Kerala State Development Corporation for Christian Converts from Scheduled Castes and Scheduled Tribes Limited, The Kerala State Backward Classes Development Corporation Limited, SAIL-SCL Kerala Limited.**

These lapses have wide ranging implications including adverse impact on legislative financial control.

## Absence of accurate figure of investment in PSUs

**1.1.20** The Finance Accounts of GoK prepared by the Principal Accountant General (Accounts & Entitlement) and certified by CAG depicts the Government stake in PSUs in respect of equity, loans and guarantees. These figures as per records of PSUs should agree with that appearing in the Finance Accounts. In case of difference, it should be reconciled immediately by the PSU concerned and the Finance department. This, however, was not done. As a result, there was wide variation in the figures. The position in this regard as at 31 March 2013 is stated below.

**Table 1.1.5: Equity, loans and guarantee outstanding as per Finance Accounts and records of PSUs**

*(₹ in crore)*

| Outstanding in respect of | Amount as per Finance Accounts | Amount as per records of PSUs | Difference |
|---|---|---|---|
| Equity | 3113.23 | 4822.33 | 1709.10 |
| Loans | 5099.44 | 1747.45 | 3351.99 |
| Guarantees | 5457.30 | 3699.40 | 1757.90 |

**1.1.21** These differences were in respect of 91 PSUs. The Accountant General-Economic & Revenue Sector Audit (AG) had taken up this matter from time to time with the Chief Secretary, Principal Secretary (Finance), Secretaries of concerned departments of GoK and individual PSUs so as to reconcile the differences in a time-bound manner.

## Arrears in finalisation of accounts

**1.1.22** The accounts of the Companies/Statutory corporations for every financial year are required[8] to be finalised within six months from the end of the relevant financial year. Thus, accounts for 2012-13 were to be finalised by 30 September 2013. However, only 24 PSUs had finalised their accounts by this date. The table below indicates the details of progress made by working PSUs in finalisation of accounts as of 30 September 2013.

[8] Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956 in case of companies and provisions of respective Act in case of Statutory corporations.

**Table 1.1.6: Position relating to finalisation of accounts of working PSUs**

| Sl. No. | Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|---|
| 1. | Number of Working PSUs | 95 | 96 | 96 | 99 | 101 |
| 2. | Number of PSUs finalised accounts for the current year | 24 | 23 | 20 | 21 | 24 |
| 3. | Number of PSUs having arrears | 71 | 73 | 76 | 77 | 75[9] |
| 4. | Number of arrear accounts finalised during the current year | 75 | 70 | 66 | 76 | 94 |
| 5. | Number of accounts in arrears | 198 | 197 | 209 | 207[10] | 194 |
| 6. | Average arrears per PSU **(5/3)** | 2.79 | 2.70 | 2.75 | 2.69 | 2.59 |
| 7. | Extent of arrears (in years) | 1 to 13 | 1 to 12 | 1 to 13 | 1 to 14 | 1 to 12 |

**1.1.23** In respect of PSUs where accounts were in arrears starting from 2000-01 onwards, the progress in finalisation of the accounts was poor. For example, 21[11] working PSUs did not finalise even a single account during 2012-13.

**1.1.24** Of the 75 PSUs with arrears of accounts, GoK had extended financial support to 46 PSUs having arrears ranging from 1 to 12 years. The support extended was ₹2368.31 crore (equity: ₹280.76 crore, loans: ₹296.80 crore, and grants: ₹1790.75 crore) during the years for which accounts have not been finalised as detailed in ***Annexure 4***.

## Arrears in respect of Statutory corporations

**1.1.25** Of the five Statutory corporations, Kerala Financial Corporation, Kerala State Electricity Board and Kerala Industrial Infrastructure Development Corporation had finalised their accounts for the year 2012-13. The accounts of the remaining two Statutory corporations *viz.* Kerala State Warehousing Corporation and Kerala State Road Transport Corporation were in arrears from 2011-12 and 2012-13 respectively.

**1.1.26** Separate Audit Reports (SARs) are audit reports of CAG on the accounts of Statutory corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The Statutory corporations, however, did not submit the SARs on time to the Legislature as shown below:

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[9] **Excluding Kerala Monorail Corporation Limited, Vision Varkala Infrastructure Development Corporation Limited for which the first accounts are not due.**

[10] **Including one arrear account of Norka Roots and excluding two arrear accounts each of Kerala Venture Capital Fund Private Limited and Kerala Venture Capital Trustee Private Limited which were closed.**

[11] **Kerala State Horticultural Products Development Corporation Limited, Oil Palm India Limited, The State Farming Corporation of Kerala Limited, Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited, Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited, Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited, Kerala Transport Development Finance Corporation Limited, The Kerala State Financial Enterprises Limited, Kerala Police Housing and Construction Corporation Limited, Roads and Bridges Development Corporation of Kerala Limited, The Kerala Land Development Corporation Limited, Kanjikode Electronics and Electricals Limited, Keltron Component Complex Limited, Malabar Distilleries Limited, Trivandrum Spinning Mills Limited, Kerala State Electricity Board Limited, Kerala Medical Services Corporation Limited, KTDC Hotels & Resorts Limited, Kerala State Coastal Area Development Corporation Limited, Road Infrastructure Company Kerala Limited and Kerala State Warehousing Corporation.**

**Table 1.1.7: Position relating to submission of SARs to the Legislature**

| Sl. No. | Name of Statutory corporation | Year up to which SARs placed in Legislature | SAR issued by CAG but not placed in the Legislature | Remarks |
|---|---|---|---|---|
| 1. | Kerala State Electricity Board | 2010-11 | 2011-12 | SAR issued in August 2013. Not yet placed. |
| 2. | Kerala State Road Transport Corporation | 2009-10 | 2010-11 | SAR issued in April 2013. Not yet placed. |
| 3. | Kerala Financial Corporation | 2010-11 | 2011-12 | SAR issued in November 2012. Not yet placed. |
| 4. | Kerala State Warehousing Corporation | 2009-10 | 2010-11 | SAR issued in October 2012. Not yet placed. |
| 5. | Kerala Industrial Infrastructure Development Corporation | 2010-11 | 2011-12 | SAR issued in February 2013. Not yet placed. |

Delay in placing the SARs weakens the legislative control over Statutory corporations and dilutes the latter's financial accountability. The Government should ensure prompt laying of SARs in the Legislature.

## Failure of administrative departments

**1.1.27** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period.

**1.1.28** As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts to finalise the latest two years' accounts and clear the backlog within five years. The persisting huge arrears of accounts revealed that the PSUs did not avail of this concession to make their accounts up to date.

**1.1.29** The AG also addressed (May 2013, August 2013) the Administrative departments and the Managements of the PSUs whose accounts were in arrears for more than three years.

## Impact of non-finalisation of accounts

**1.1.30** Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

**1.1.31** In the absence of timely finalisation of accounts and their subsequent audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved. Thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

**1.1.32** Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2012-13 could not be ascertained. Further, the result of operation of these PSUs for the year 2012-13 and their contribution to State exchequer was also not reported to the State Legislature.

**1.1.33** Hence it is recommended that the Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

## Performance of PSUs

***Problems in assessing performance***

**1.1.34** In view of the heavy backlog in finalisation of accounts, the actual performance of the PSUs could not be ascertained. Hence the performance of PSUs was assessed on the basis of their latest finalised accounts.

***Performance based on finalised accounts***

**1.1.35** The financial results of PSUs, financial position and working results of Statutory corporations are detailed in ***Annexures 2, 5*** and ***6*** respectively. The ratio of PSUs' turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSUs' turnover and State GDP for the period 2007-08 to 2012-13.

**Table 1.1.8: Details of working PSUs' turnover vis-à-vis State GDP**

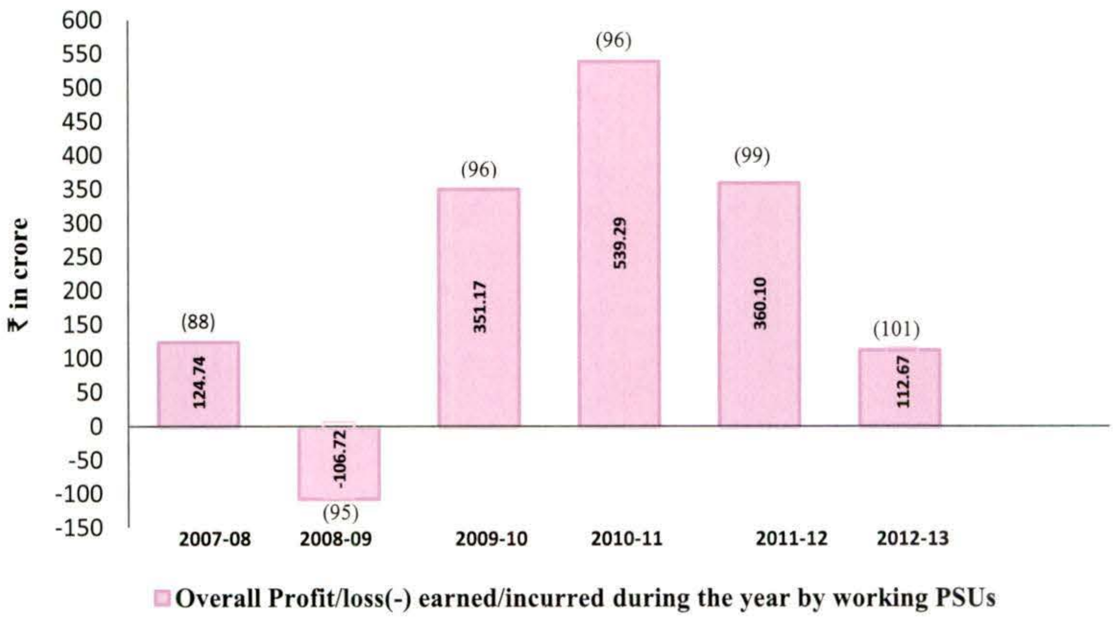
*(₹ in crore)*

| Particulars | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|---|
| Turnover[12] | 10082.22 | 10877.80 | 12349.97 | 14579.38 | 16171.31 | 18486.21 |
| State GDP[13] | 175141 | 202783 | 231999 | 269474 | 315206 | 363305 |
| Percentage of Turnover to State GDP | 5.76 | 5.36 | 5.32 | 5.41 | 5.13 | 5.09 |

The percentage of turnover of PSUs to the State GDP had been declining steadily excepting marginal increase during 2010-11.

**1.1.36** Profits earned/losses incurred by working PSUs during 2007-08 to 2012-13 are given below in a bar chart.

**Chart 1.1.4: Profit/loss of working PSUs**




***(Figures in brackets show the number of working PSUs in respective years)***

As evident from the above chart, profit earned by working PSUs is showing a decreasing trend from the year 2011-12.

**1.1.37** Out of 78 PSUs which finalised their accounts during 2012-13 for periods ranging from one to seven years, 45 PSUs earned profit of ₹666.86 crore and 31

[12] Turnover as per the latest finalised accounts as of 30 September of every year.

[13] Figures furnished by Directorate of Economics & Statistics, Kerala.

PSUs incurred loss of ₹607.34 crore as per their latest finalised accounts. Remaining two[14] PSUs had not commenced commercial activities.

The major profit making PSUs were:

- Kerala State Beverages (Manufacturing and Marketing) Corporation Limited (₹ 149.79 crore – 2010-11),
- Kerala Financial Corporation (₹67.73 crore – 2012-13),
- The Kerala Minerals and Metals Limited (₹35.89 crore – 2012-13),
- Malabar Cements Limited (₹34.59 crore – 2011-12) and
- Kerala State Industrial Development Corporation Limited (₹18.97 crore – 2012-13).

Heavy loss incurring PSUs were:

- Kerala State Road Transport Corporation (₹412.78 crore – 2011-12),
- The Kerala State Cashew Development Corporation Limited (₹77.74 crore – 2008-09).

***KSEB- Concealing the losses***

**1.1.38** As per the notification issued by Central Electricity Regulatory Commission, electricity utility of every state has to show a return of 15.5 *per cent* on equity. In compliance with this, the accounts of KSEB for the year 2012-13 showed a profit of ₹240.72 crore whereas the operations resulted actually in a loss of ₹3758.17 crore. The differential amount (₹3998.89 crore) was shown as revenue gap/regulatory asset. As on 31 March 2013, the regulatory asset thus created over the years amounted to ₹9326.88 crore. This is not an asset, but only an accounting adjustment. Due to this adjustment, the real losses made by KSEB are concealed.

***Reasons for the losses***

**1.1.39** A test check of records of PSUs revealed that their losses are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG for the period 2010 to 2013 had indicated that the State PSUs incurred losses to the tune of ₹2652.21crore and infructuous investment of ₹174 crore which were controllable with better management. The actual controllable losses would be much more. Year-wise details of such losses pointed out in the Audit Reports are stated below:

[14] **Kannur International Airport Limited and Kerala Irrigation Infrastructure Development Corporation Limited**

**Table 1.1.9: Controllable losses and infructuous investment commented in Audit Reports**

*(₹ in crore)*

| Particulars | 2010-11 | 2011-12 | 2012-13 | Total |
|---|---|---|---|---|
| Net Profit | 521.47 | 348.33 | 100.74 | 970.54 |
| Controllable Losses as per CAG's Audit Report | 484.89 | 551.62 | 1615.70 | 2652.21 |
| Infructuous Investment | 48.87 | 8.59 | 116.54 | 174.00 |

**1.1.40** The above table shows that with better management, the losses can be minimised or the profits can be enhanced. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

**1.1.41** Some other key parameters pertaining to the 24 working PSUs which finalised their accounts for the year 2012-13 are given below:

**Table 1.1.10: Key parameters of working PSUs which finalised accounts for the year 2012-13**

| Particulars | 2012-13 |
|---|---|
| Return on Capital Employed (*per cent*) | 6.06 |
| Debt (₹ in crore) | 3435.89 |
| Turnover (₹ in crore) | 9302.37 |
| Debt/Turnover Ratio | 0.37:1 |
| Interest Payments (₹ in crore) | 580.73 |
| Accumulated profit/loss(-) (₹ in crore) | 3283.42 |

**1.1.42** GoK had formulated (December 1998) a Dividend Policy under which all PSUs are required to pay a minimum return of twenty *per cent* on the paid up share capital contributed by it. As per the latest accounts finalised during 2012-13, 45 working PSUs earned an aggregate profit of ₹666.86 crore and 16 PSUs declared a dividend of ₹44.58 crore. The State Government Policy on dividend payment was, however, complied with only by seven[15] companies.

## Non-working PSUs

**1.1.43** The number of non-working companies at the end of each year during past five years is given below :

[15] **The Kerala Minerals and Metals Limited, Kerala State Industrial Enterprises Limited, Kerala Agro Machinery Corporation Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala Urban & Rural Development Finance Corporation Limited, Malabar Cements Limited and Rehabilitation Plantations Limited.**

**Table 1.1.11: Number of non-working companies**

| Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|
| No. of non-working companies | 28 | 27 | 24 | 17 | 16 |

**1.1.44** There were 16 non-working companies as on 31 March 2013 having a total investment of ₹105.36 crore towards capital (₹47.72 crore) and long term loans (₹57.64 crore). There were also arrears in finalisation of accounts by non-working PSUs. During 2012-13, two non-working PSUs[16] had finalised four accounts. Out of 16 non-working PSUs, 15 non-working PSUs had arrears of accounts for one to 28 years.

**1.1.45** Liquidation process had commenced in four PSUs. The stages of closure, total investment and accumulated loss in respect of the 16 non-working PSUs are given below:

**Table 1.1.12: Stages of closure of non-working PSUs**

*(Amount ₹ in crore)*

| Sl. No. | Particulars | No. of Companies | Investment | Accumulated loss |
|---|---|---|---|---|
| 1. | Liquidation by Court/Voluntary winding up (Liquidator appointed) | 4[17] | 52.68 | 76.76 |
| 2. | Closure, i.e. closing orders/ instructions issued but liquidation process not yet started. | 9 | 45.97 | 93.66 |
| 3. | Others | 3 | 6.71 | 12.67 |

**1.1.46** The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/pursued vigorously. The Government may make an early decision regarding winding up of nine non-working PSUs where closing orders/instructions have been issued but liquidation process has not yet started. The Government may consider expediting closing down of its non-working companies.

## Comments on the Accounts and Internal Audit of PSUs

**1.1.47** Seventy four working companies forwarded their 114 audited accounts to AG up to September 2013. Of these, 65 accounts of 53 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

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[16] **Kerala State Detergents and Chemicals Limited (2011-12,2012-13),Kerala Special Refractories Limited (2010-11, 2011-12).**

[17] **Keltron Power Devices Limited, Keltron Counters Limited, Keltron Rectifiers Limited, Kunnathara Textiles Limited.**

**Table 1.1.13: Details of aggregate money value of comments**

*(Amount ₹ in crore)*

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|---|---|---|---|---|---|---|---|
| | | No. of Accounts | Amount | No. of Accounts | Amount | No. of Accounts | Amount |
| 1. | Decrease in profit | 24 | 29.05 | 26 | 152.30 | 17 | 141.98 |
| 2. | Increase in loss | 20 | 21.15 | 18 | 47.00 | 10 | 39.79 |
| 3. | Non-disclosure of material facts | 11 | 82.33 | 1 | 0.06 | 8 | 26.38 |
| 4. | Errors of classification | 5 | 7.09 | 1 | ... | 9 | 27.60 |

**1.1.48** During the year 2012-13, the Statutory Auditors had given unqualified certificates for 25 accounts, qualified certificates for 82 accounts, adverse certificate (which means that accounts do not reflect a true and fair position) for one account and disclaimer (where the Auditors are unable to form an opinion on accounts) for six accounts. Additionally, CAG gave comments on 28 accounts during the supplementary audit and four[18] accounts were revised based on supplementary audit observations. The compliance of companies with the Accounting Standards (AS) remained poor. There were 105 instances of non-compliance of AS in accounts of 38 companies during the year.

**1.1.49** Some of the important comments in respect of accounts of companies are stated below:

**Kerala State Backward Classes Development Corporation Limited (2011-12)**

- Profit for the year, ₹14.94 crore was overstated by ₹15.40 crore (Prior period ₹14.70 crore and current year ₹0.70 crore) due to non-accounting of interest on accrual basis on NBCFDC/NMDFC loans.

**Transformers and Electricals Kerala Limited (2012-13)**

- Profit for the year, ₹1.59 crore would turn out to be a loss of ₹1.11 crore due to recognition and accounting of income in violation of Accounting Standards 9 (₹1.67 crore) and 10 (₹0.11 crore), non-provision of Liquidated Damages (₹0.46 crore), treating unrealised Liquidated Damages written off during previous year as income (₹0.66 crore) and overstatement of prior period income (₹0.20 crore).

**Kerala Shipping and Inland Navigation Corporation Limited (2010-11)**

- Profit for the year, ₹0.97 crore was overstated by ₹0.86 crore due to non recognition of estimated loss (₹0.79 crore) in the construction of 600 HP 6

[18] **Kerala Small Industries Development Corporation Limited, Kerala State Handloom Development Corporation Limited, The Kerala State Civil Supplies Corporation Limited, Kerala State Women's Development Corporation Limited.**

Ton Bollard Pull Tug, by non-complying with the provisions of para 35 of Accounting Standard 7 and due to the short provision (₹0.07 crore) of Earned Leave Salary of employees as a result of reckoning of lower dearness allowance rates.

**Steel and Industrial Forgings Limited (2012-13)**

- Profit for the year, ₹0.85 crore was overstated by ₹0.19 crore on account of recognition of sales amounting to ₹0.92 crore against the provisions of Accounting Standard 9 - Revenue Recognition.

**Kerala State Information Technology Infrastructure Limited (2009-10)**

- Profit before tax for the year, ₹1.24 crore was overstated by ₹0.89 crore due to recognition of interest earned on the unutilised Government grants as income of the Company.

**1.1.50** Similarly, the four working Statutory corporations had forwarded their five accounts to AG up to 30 September 2013. Of these, four accounts[19] pertained to corporations where CAG was the sole auditor, of which the audit of two accounts were completed and Separate Audit Reports (SARs) issued. The audit of two accounts was in progress. The remaining one account[20] was selected for supplementary audit and SAR was issued. Of the three[21] SARs issued, all were qualified certificates. The audit reports of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of Comments of Statutory Auditors and CAG are given below:

**Table 1.1.14: Details of aggregate money value of Comments**

*(Amount ₹in crore)*

| Sl. No. | Particulars | 2010-11 | | 2011-12 | | 2012-13 | |
|---|---|---|---|---|---|---|---|
| | | No. of Accounts | Amount | No. of Accounts | Amount | No. of Accounts | Amount |
| 1. | Decrease in profit | 2 | 2580.81 | 2 | 1355.18 | .... | .... |
| 2. | Increase in loss | 1 | 3.98 | 1 | 1.07 | .... | .... |
| 3. | Non-disclosure of material facts | 3 | 251.45 | 2 | 51.28 | 3 | 111.97 |
| 4. | Errors of classification | 1 | 126.37 | 2 | 133.13 | 1 | 32.04 |

[19] Kerala Industrial Infrastructure Development Corporation (2011-12,2012-13), Kerala State Electricity Board (2012-13) and Kerala State Road Transport Corporation (2011-12).

[20] Kerala Financial Corporation (2012-13).

[21] Kerala Industrial Infrastructure Development Corporation (2011-12,2012-13), Kerala Financial Corporation (2012-13)

**1.1.51** Some of the important comments in respect of accounts of Statutory corporations are stated below.

**Kerala Industrial Infrastructure Development Corporation (2012-13)**

- Fixed Assets (₹145.43 crore) were understated by ₹7.89 crore due to non-accounting of cost incurred for acquisition of land for external infrastructure development.
- Current Assets-Land Development and Other Contract Works (₹81.99 crore) were overstated by ₹23.32 crore being cost incurred for construction of 110 KV Substation, installation of Compact Substation and laying of 11 KV UG cable, originally met from grant received from Government of India under ASIDE Scheme.

**1.1.52** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 42 companies for the year 2011-12 and 42 companies[22] for the year 2012-13 are given below:

**Table 1.1.15: Major comments of Statutory Auditors on the internal audit/internal control systems of companies**

| Sl. No. | Nature of comments made by Statutory Auditors | Number of companies | |
|---|---|---|---|
| | | 2011-12 | 2012-13 |
| 1. | Non-fixation of minimum/ maximum limits of stores and spares | 3 | 19 |
| 2. | Absence of internal audit system commensurate with the nature and size of business of the company | 22 | 23 |
| 3. | Non-maintenance of cost records | 5 | 4 |
| 4. | Non-maintenance of proper records showing full particulars including quantitative details, identity number, date of acquisition, depreciated value of fixed assets and their locations | 31 | 33 |

## Recoveries at the instance of audit

**1.1.53** During the course of propriety audit in 2012-13, recoveries to be made amounting to ₹32.99 crore were pointed out to the Managements of various PSUs, of which an amount of ₹10.04 crore was admitted and recovered.

[22] A-1,2,3,5,6,8,9,11,15,16,18,21,22,23,24,25,31,35,45,49,50,52,54,55,56,58,62,63,64,65,66,67,68,70,71,72, 74,75,84,87,90,92.

## Disinvestment, Privatisation and Restructuring of PSUs

**1.1.54** With a view to restructuring Kerala State Electricity Board, all interests, rights in properties, all rights and liabilities were vested with the GoK. These properties and liabilities are administered by GoK through a Special Officer and a managing committee. A new company *viz*., Kerala State Electricity Board Limited was incorporated on 14 January 2011. Government of Kerala has revested (31 October 2013) all assets, rights and liabilities of KSEB in the newly formed Company and further process is on.

# 1.2 Governance of Public Sector Undertakings in Kerala

### 1.2.1 Introduction

Good Corporate Governance practices ensure accountability of companies to all the stakeholders. The absence of good governance and lack of adherence to the governing laws, rules and regulations increases the risk of corruption and misuse of entrusted power by the management. Corporate Governance in listed companies is regulated through mandatory compliance of the provisions of clause 49 of the listing agreement issued by Securities and Exchange Board of India (SEBI). The Corporate Governance initiatives for State PSUs has been dictated mainly by the Companies Act, 1956 and the various orders issued by the State Government from time to time. The Companies Act, 1956 (Act) through various provisions *viz.* Section 166 (Annual General Meeting - AGM), Section 217(2AA) (Directors' Responsibility Statement), Section 285 (meeting of Board of Directors) and Section 292A (constitution of Audit Committee by companies having paid up share capital not less than ₹5 crore), etc., prescribes practices that go to building a robust Corporate Governance structure in companies.

### 1.2.2 Audit Scope

As on March 2012, there were 116 State Public Sector Undertakings including 17 non-working companies and three Companies listed on Stock Exchange(s). Out of 94 working companies registered under the Companies Act, 1956, Audit selected 53[23] companies (***Annexure** 7*) having a paid up capital of ₹ five crore or more; or turnover of ₹25 crore or more as per their latest finalised accounts as on 30 September 2012. Of these, 36 PSUs earned profit of ₹486.84 crore and 17 PSUs had incurred loss of ₹93.56 crore as on 31 March 2012. These 53 companies were under the administrative control of 18 different departments of Government of Kerala (GoK). With a view to assess the effectiveness of the system of governance of these PSUs, Audit reviewed the composition of Board of Directors (BoD), their participation in Board meetings, functioning of various sub committees, etc.

### 1.2.3 Audit Findings

Good governance involves commitment of a company to run its business in a legal, ethical and transparent manner- a dedication that must come from the highest level of management i.e, Board of Directors. Audit noticed various deficiencies in the composition and functioning of the Board as discussed in succeeding paragraphs.

[23] **59 companies fall under this category. Of these, 53 companies were selected as per details made available by the companies.**

### 1.2.4 Composition of Board of Directors

The Board being the apex decision making body is the most significant instrument of Corporate Governance. The BoD of a PSU shall have an optimum combination of functional, nominee (including Government officials nominated as Directors) and independent Directors. The presence of independent and professional representatives on the Board, with a variety of experience and core competence, capable of challenging the decisions of the management, is widely considered as a means of protecting the interests of shareholders and other stakeholders.

A review of the composition of the BoD of the selected companies, however, revealed that more than 50 *per cent* of the total number of Directors were Government officials nominated by the concerned administrative departments (in 19 Companies number of official Directors were more than non-official Directors and out of a total of 495 Directors 248 were Government officials).

### 1.2.5 Meetings of the Board of Directors

Section 285 of the Companies Act, 1956 provides that in the case of every company, a meeting of its BoD shall be held at least once in every three months and at least four such meetings shall be held in every year. Audit noticed that BoD of 21 out of the 53 selected companies failed to meet at least once in a quarter in compliance with this provision during the three years ending March 2013 as below.

**Table 1.2.1: List of companies failed to conduct required number of meetings of BoD**

| Sl No. | Name of the Companies | Quarter[24] of the financial year in which no meetings were held | | |
|---|---|---|---|---|
| | | 2010-11 | 2011-12 | 2012-13 |
| 1 | KLDB | | II | II |
| 2 | KAICO | | II | |
| 3 | KSCCL | II | II,III | III |
| 4 | PCKL | | III | |
| 5 | SIDCO | | II,III | I |
| 6 | KSDCCCSCRCL | | | IV |
| 7 | KSFDCL | | I,II | |
| 8 | KPHCCL | III | I,IV | |
| 9 | KLDCL | | I,II | |
| 10 | KSITIL | | III | |
| 11 | FOMIL | | II,III | II |
| 12 | KSDPL | II | II | |
| 13 | KSTCL | | II | |
| 14 | STL | | I,II | I |
| 15 | KMML | IV | | |
| 16 | TCL | | I,II | II |

[24] I Quarter - April to June, II Quarter - July to September, III Quarter - October to December, IV Quarter - January to March

| | | | | |
|---|---|---|---|---|
| **17** | TRACO | II | | |
| **18** | TTPL | | I | II |
| **19** | BRDCL | | IV | |
| **20** | KSMDCL | I,III | I,III | I |
| **21** | KTIL | | II | I |

### 1.2.6 Participation of Directors in the Board meetings

Secretaries/Experts in various fields are/were appointed/nominated to the BoD of the company so that the enterprise would be benefited by way of their active participation in the decision making process. GoK directed (1998) that the nominees of Government in the BoD of PSUs should effectively exercise their duties and responsibilities as Directors.

Audit noticed that participation of the Directors in the Board meetings of various companies was poor as 26 Directors of 16 companies did not attend any of the meetings conducted during the year 2010-11 while 18 Directors of 10 companies failed to attend any meetings during the year 2011-12. Similarly 18 Directors of 13 companies absented themselves from all the meetings conducted during the year 2012-13. This indicated lack of commitment on the part of the Directors towards governance of the PSUs.

### 1.2.7 Tenure of Managing Director

Managing Director (MD) being the chief executive is responsible to the BoD as well as to the shareholders for the executive actions of the management. Stability of tenure of the chief executive is of utmost importance for ensuring accountability and continuity of the management policies. Audit noticed that in respect of 19 companies[25], MDs were changed frequently, as much as 4 to 8 times, within a period of five years ending March 2013.

### 1.2.8 Appointment of Company Secretary

As per Section 383 A (1) of the Act, every company having a paid up capital of not less than ₹ five crore shall have a whole time Company Secretary. However, if a company had taken all reasonable efforts to comply with this proviso but failed or financial position of the company was such that it was beyond its capacity to engage a whole time secretary, it was not compulsory to appoint a secretary.

As per the above provisions, 44 companies were required to appoint a Company Secretary. Of these 20 companies[26] did not appoint Company Secretaries. The common reason cited by these companies was that they had tried to appoint a

[25] KLDB, PCKL, KSFDCL, KSFE, KPHCCL, KCCL, KAL, KMML,TCL, KSITIL, KSBCL, KSDPL, SIFL, SCL Autokast, TRACO, TTPL, KSPIFCL, KSINCL

[26] KFDC, KLDB, KSCDCL, KSCCL, PCKL, SIDCO, KSDCCCSCRCL, KSFDCL, KLDCL, Autokast, KCCL, KAL, KEL, KSDPL, KSTCL, STL, SILK, BRDCL, KSMDCL, KTIL

Company Secretary but could not find a suitable candidate. Many of the companies were resorting to hire the services of Practicing Company Secretaries as consultants for secretarial work.

***Board Committees***

### 1.2.9 Constitution and functioning of Audit Committee

Section 292A of the Companies Act, 1956 stipulates that every public company having paid-up capital of not less than ₹ five crore shall constitute an 'Audit Committee' which shall consist of not less than three Directors and such number of other Directors as the Board may determine and two-thirds of the total number of members shall be Directors other than managing or whole-time Directors. Further, the Chairman of the Audit Committee is required to attend the AGM of the company and provide any clarification on matters relating to audit.

As part of strengthening the Corporate Governance in State PSUs, GoK issued (November 2008) circular directing all PSUs to set up independent and qualified Audit Committee. It was further directed that the Committee shall meet at least three times in a year out of which one meeting shall be before finalisation of Annual Accounts and another one to review half yearly accounts.

On scrutiny of the data furnished by the 53 selected companies the following deficiencies were noticed:

- Audit Committees were not constituted in nine[27] companies.
- Though Audit Committees were constituted, the Committee did not meet even once during 2012-13 in respect of five[28] companies.
- The committee failed to conduct the stipulated minimum three meetings during 2012-13 in respect of 29 companies.
- The Audit Committee did not review the annual financial statements before submission to the BoD in respect of four companies.
- The Audit Committee did not review the adequacy of internal control system in respect of 11 companies.
- In two companies there was no mechanism for follow up of the recommendations of the Audit Committee.
- In 42 companies there was no system of preparation of annual report on the working of Audit Committee.
- In 26 companies Chairpersons of the Audit Committees did not attend the Annual General Meetings held in 2011-12.

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[27] KAMCO, KLDB, OPIL, KAICO, KSCDCL, KSCCL, KSDCSCSTL, TCL, KTIL

[28] KFDC, KLDCL, KSITIL, KSDPL, KTDC

These highlight the need for strengthening the functioning of the Audit Committees to the desired level to ensure good governance in the State PSUs.

***Transparency and Disclosure Compliances***

### 1.2.10 Whistle Blower Policy

A whistle blower mechanism provides a channel to the employees to report to the management concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy. This mechanism could also provide for adequate safeguards against victimisation of employees who avail of the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases.

Among the 53 companies except KTDFC and OUSHADHI, no other company reported to have established a formal whistle blowing mechanism.

### 1.2.11 Adoption of Integrity Pact

To improve the integrity, transparency, equity and competitiveness of transactions in PSUs, the Central Vigilance Commission has brought out the concept of 'Integrity Pact'. The Integrity Pact essentially envisages an agreement between the prospective vendors/bidders and the PSUs, committing the persons/officials of both sides, not to resort to any corrupt practices in any aspect/stage of the contract. The signing of such an agreement shall form part of the prequalification criteria of the tenders floated.

Industries Department, Government of Kerala directed (November 2011) all the PSUs under their administrative control, which makes capital purchases, to implement Integrity Pact.

Among 53 companies selected, 25 companies were under the administrative control of Industries Department, of which only four companies (Autokast, SILK, KMML,Traco) reported to have signed Integrity Pact with prospective vendors/bidders. The Industries Department failed to monitor or pursue the companies under its administrative control to ensure compliance with the above directions.

### 1.2.12 Corporate Social Responsibility and other aspects

Corporate Social Responsibility (CSR) is an evolving concept whereby companies not only consider their profitability and growth, but also the interests of the society and the environment by taking responsibility for the impact of their activities on stakeholders, environment, consumers, employees, communities and all other members of the public sphere. Corporate Social Responsibility Voluntary Guidelines, 2009 was also issued by the Ministry of Corporate Affairs, Government of India.

It was reported that majority of the companies did not have a policy nor spent any amount on CSR activities. Thirteen[29] companies reported that they had framed a policy on CSR; of which six[30] companies had reported that they had spent/had a budget on CSR activities, which was a welcome move.

Finance Department, GoK convened (November 2012) a meeting of the representatives of the important administrative departments and decided to issue comprehensive guidelines covering all the recommendations of Audit taking into consideration the guidelines on corporate governance issued by Department of Public Enterprises, Government of India and to ensure its strict compliance.

[29] **KFDC, KTDFC, OPIL, KSBCDC, KPHCCL, KSIDC, FOMIL, KCCL, BEVCO, KSDPL, KMML, OUSHADHI TRACO**

[30] **OPIL, KFDC, KTDFC, KSBCDC, BEVCO and KMML**

# CHAPTER II

## PERFORMANCE AUDIT RELATING TO GOVERNMENT COMPANY

## WORKING OF THE KERALA MINERALS AND METALS LIMITED

# Chapter II

## PERFORMANCE AUDIT ON THE WORKING OF THE KERALA MINERALS AND METALS LIMITED

### Executive Summary

*Introduction*

***The Kerala Minerals and Metals Limited is a PSU under the administrative control of Industries Department, Government of Kerala, engaged in the business of mining and processing of minerals and metals. The main product of the Company is Titanium Dioxide Pigment (TDP).***

***A Performance Audit covering the period 2008-13 was conducted to assess the economy, efficiency and effectiveness in production, procurement, marketing and financing activities of the Company.***

*Operational Performance*

***The profit of the Company decreased from ₹92.45 crore in 2009-10 to ₹62.59 crore in 2010-11 and from ₹154.08 crore in 2011-12 to ₹75.94 crore in 2012-13. The sales in quantity terms were steadily declining during the review period.***

*Cost of production*

***The cost of production showed an increasing trend during the five years ended March 2013. The cost of production per MT of TDP increased by 90 per cent from 2008-09 to 2012-13.***

*Production performance*

***Under-utilisation of the available capacity of the plants led to increased cost of production, declining market share, and accumulation of stock.***

*Procurement*

***The Company violated its own purchase procedure and procured materials of high value on limited tender basis, instead of inviting competitive open tenders and failed to ensure supply of ordered quantity at quoted price by the suppliers.***

*Marketing*

***The Company failed to take timely decision for determining prices with reference to available cost data and market trends. Retaining a higher price over a prolonged period led to reduction in sales and accumulation of stock.***

*Human Resources*

***Total production decreased during 2011-12 and 2012-13 compared to 2008-09 to 2010-11. However, the man hours utilised were 33 and 32 hours per MT during 2011-12 and 2012-13 as against 27 hours per MT of earlier years. The unproductive wages paid by the Company on account of lower labour productivity worked out to ₹18.71 crore.***

*Financial Management*

***The Company was extending loans and contributing equity to other loss making PSUs which were not recoverable.***

## 2.1 Introduction

The Kerala Minerals and Metals Limited (Company) was incorporated in February 1972 with the objective of carrying on the business of mining and processing of minerals and metals. The main product of the Company is Titanium Dioxide Pigment (TDP) which constitutes 88 *per cent* of total production and other minerals like Rutile, Zircon and Sillimanite constitute remaining 12 *per cent*. TDP is mainly utilised in the industries engaged in manufacture of paints, printing inks, plastic, paper, rubber, textile, ceramics, etc. Approximate annual demand of TDP is two lakh MT. The Company is the sole producer of Rutile grade TDP in India.

There are two Units in the Company *viz.*, Mineral Separation (MS) Unit and Titanium Dioxide Pigment (TP) Unit. The Company uses beach sand from which Ilmenite is separated in the MS Unit and this Ilmenite is used for manufacturing TDP in TP unit. The installed capacity of the TP unit is 40,000 MT per annum.

## 2.2 Organisational Setup

The Company is managed by a Board of Directors (BoD) consisting of 10 Directors nominated by Government of Kerala (GoK). The Managing Director is the Chief Executive Officer of the Company who is assisted by three Executive Directors. General Managers, Deputy General Managers and Assistant General Managers assist the Executive Directors.

## 2.3 Financial Position and Working Results

The financial position and working results of the Company for the five years from 2008-09 to 2012-13 is shown in ***Annexure 8.*** The authorised share capital of the Company as on 31 March 2013 was ₹35 crore against which the paid up capital stood at ₹30.93 crore wholly subscribed by the State Government. The accounts of the Company have been finalised up to 2012-13 and the reserves and surplus as on 31 March 2013 was ₹577.27 crore. The net profit of the Company was fluctuating from ₹46.74 crore in 2008-09 to ₹154.08 crore in 2011-12 and then declined to ₹75.94 crore in 2012-13.

## 2.4 Scope of Audit

The working of the Company was last reviewed and the results were included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 (Commercial), Government of Kerala. The Report was discussed by the Committee on Public Undertakings (COPU) and its recommendations were included in its 53rd Report (2006-2008). This Performance Audit was conducted to assess whether the Company was carrying out its production, procurement, marketing and financing activities in most efficient, economic and effective manner. The present Performance Audit covered the activities for five years from 2008-09 to 2012-13.

Deficiencies and operational issues are mentioned in the paragraphs related to respective functions.

## 2.5 Audit Objectives

The main objectives of the Performance Audit were to ascertain whether:

- Prudent material, marketing and financial management was in place;
- Utilisation of available resources including human resources and infrastructure was efficient, effective and economical and
- The execution of new projects was effective, efficient and economical.

## 2.6 Audit Criteria

The audit criteria, derived from the following, were adopted to assess the audit objectives:

- Annual Performance Budgets/Capital Budgets/Plan documents of the Company;
- Detailed Project Reports in respect of major capital works;
- Guidelines/norms prescribed for Materials Management;
- Marketing/Human Resource Policy of the Company;
- Policies and guidelines prescribed for Management Information System (MIS)/Internal Control/Internal Audit/Corporate Governance and
- Best practices prevailing in the industry.

## 2.7 Audit Methodology

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of Review of Agenda notes, Board Minutes and minutes of other committee meetings, tender files and procurement files, pricing and discount schemes, etc. MIS reports/Internal Audit Reports/Project Reports/Cost Audit Reports/Cost Records, financial statements, target and achievement and norms prescribed for performance of different streams of production were also analysed. In addition, an IT audit of the information system of the Company[1] was carried out using IDEA software. Audit also interacted with the functional heads and key officials of the different units/departments and issued audit queries for their comments.

[1] **The Company developed several need based Applications by using Development tool Power Builder and Oracle database from 1999-2000 onwards. It had computerized purchase, stores, production, marketing, finance, HR management, payroll and costing functions.**

An Entry Conference was held with the Company/Government in April 2013, wherein the scope, objectives and approach of the Performance Audit were discussed. Field audit involving scrutiny of Company's records was conducted during March-August 2013. The findings were reported to the Management and GoK besides discussing in the Exit Conference held in November 2013. The reply of the Company has been received in November 2013 and considered while finalising this performance audit report.

## 2.8 Acknowledgement

Audit acknowledges co-operation and assistance extended by the staff and management of the Company in conducting this performance audit.

## 2.9 Audit Findings

The Audit findings are discussed in succeeding paragraphs.

## 2.9.1 Operational Performance

### *2.9.1.1 Analysis of operating performance*

The production and sales performance of TDP for the five years ending 2012-13 is indicated in the following *Table*:

**Table 2.1 : Production and Sales Performance**

| Year | Production (MT) | Sale of TDP | | Gross Sales of all minerals (₹ in crore) | Net Profit (₹in crore) |
|---|---|---|---|---|---|
| | | Qty in MT | Amount (₹ in crore) | | |
| 2008-09 | 35486 | 39158 | 442.45 | 463.59 | 46.74 |
| 2009-10 | 35908 | 37266 | 489.08 | 519.04 | 92.45 |
| 2010-11 | 36879 | 36614 | 552.13 | 584.69 | 62.59 |
| 2011-12 | 29117 | 24812 | 519.08 | 617.01 | 154.08 |
| 2012-13 | 26974 | 24883 | 511.07 | 610.93 | 75.94 |

From the above *Table* it could be seen that though the Company earned profit during these years, the sales in quantity of TDP was steadily declining except during 2012-13 when it increased marginally.

The Company's sales volume decreased from 39,158 MT in 2008-09 to 24,883 MT in 2012-13. The amount earned from the sale of TDP fell from 2011-12. The profit fluctuated touching a high of ₹154.08 crore in 2011-12 before again falling drastically to ₹75.94 crore in 2012-13.

The Company's share in domestic market also declined from 31,820 MT (63.16 *per cent*) in 2008-09 to 22,437 MT (12.38 *per cent*) in 2012-13 though demand of TDP in India increased from 62,000 MT in 2008-09 to 200,000 MT in 2012-13. The poor market share of the Company despite enjoying monopoly in domestic production is another indicator of its poor performance in keeping its production cost within competitive level.

The Company stated (July 2013) that the competition due to increase in imports as a result of reduction in import duties led to reduced sales. The reply was not acceptable as the rate of customs duty for TDP was five *per cent* during 2008-09 and enhanced to 10 *per cent* in 2009-10 which remained the same up to the period 2012-13.

#### *2.9.1.2 Analysis of cost of production*

The sharp decline in profit during 2012-13 by more than 50 *per cent* when compared to the previous year was due to high cost of production of TDP. Though the selling price per MT increased from ₹86,000 in April 2008 to ₹2,12,000 in September 2011, the cost of production per MT also increased from ₹88,685 (2008-09) to ₹1,68,351 (2012-13). The cost incurred to generate one rupee of sale increased from ₹0.86 (2009-10) to ₹0.96 (2012-13).

Audit analysed the elements of cost per MT as per the cost statements for the period 2010-11 to 2012-13 and noticed that cost of production per MT increased by 45.87 *per cent* during the period and power, fuel and utilities alone increased 70.15 *per cent* during the same period.

To find out the minimum production required to match the cost with revenue (Breakeven Point-BEP) Audit worked out the contribution per MT of TDP and did a cost-volume-profit analysis from the Cost statements pertaining to TDP for the above three years and found that the production above the breakeven level, which leads to profit, has come down drastically from 13,987 MT to 6,114 MT. Any further reduction in production beyond BEP level would lead to loss. Audit observed that reduced production coupled with underutilisation of available capacity in turn increased cost per MT and reduced profit as discussed in detail in succeeding paragraphs.

Audit noticed that the recommendations of the COPU, while considering the Audit Report for the year 2004, to ensure regular functioning of the existing Cost Reduction Committee was not adhered to and Committee was not functioning during the period covered in the present audit.

### 2.9.2 Production Management

#### *2.9.2.1 Capacity utilisation*

The Company produces five different grades[2] of TDP using raw Ilmenite obtained from MS unit and outside purchase. The capacity utilisation level of 40,000 MT was decreasing from 2011-12 onwards as shown below:

[2] RC800, RC800PG, RC808, RC813 and RC822.

**Table 2.2: Capacity utilisation**

| Year | Installed Capacity[3] (MT) | Targeted production (MT) | Actual Production (MT) | Percentage of actual production to | |
|---|---|---|---|---|---|
| | | | | Installed capacity | Targeted production |
| 2008-09 | 40000 | 38779 | 35486 | 88.72 | 91.51 |
| 2009-10 | 40000 | 38082 | 35908 | 89.77 | 94.29 |
| 2010-11 | 40000 | 41167 | 36879 | 92.20 | 89.58 |
| 2011-12 | 40000 | 34640 | 29117 | 72.79 | 84.06 |
| 2012-13 | 40000 | 32250 | 26974 | 67.44 | 83.64 |

The major reasons for shortfall in production were inefficient operation of plants and excessive down time[4] as discussed in paragraph 2.9.3. The low capacity utilisation increased the cost per MT as explained below:

### *2.9.2.2 Under-absorption of fixed cost due to underutilisation of capacity*

Fixed cost like depreciation, employee costs, administration overheads remain the same irrespective of the quantity produced. Therefore, capacity utilisation needs to be maximised to minimise cost of production per MT. Audit, however, noticed that the capacity utilisation during 2011-12 and 2012-13 was 72.79 *per cent* and 67.44 *per cent* respectively as compared to the average capacity utilisation of 90.23 *per cent* during the three years from 2008-09 to 2010-11. The low capacity utilisation resulted in increase in cost per MT of TDP and consequent unabsorbed cost of production amounting to ₹65.36 crore during the two years 2011-13.

Analysis of consumption of power during the review period revealed that during the first three years the power consumption was 1817 units per MT on an average but during 2011-12 and 2012-13 the power consumption per MT increased to 2141 units and 2235 units respectively due to low capacity utilisation. This resulted in excess consumption of 20.65 Million Units (MU) at a cost of ₹ nine crore[5].

The Company replied (November 2013) that the decrease in production during 2011-12 and 2012-13 was due to shortage of raw Ilmenite and that extra cost was not incurred in absolute terms.

The reply was not acceptable as the Management is responsible for timely procurement of Raw Ilmenite/Beneficiated Ilmenite so as to avoid plant shut down. Further, the low capacity utilisation was also due to break-down of different plants in the TP Unit. The under-absorption of fixed overheads due to low capacity utilisation ultimately resulted in increase in unit cost of production.

[3] **Based on the capacity of U 400 Plant from which raw pigment converted to finished pigment.**
[4] **Breakage of production.**
[5] **Worked out on the basis of average cost of power.**

## 2.9.3 Production Performance

### *2.9.3.1 Performance of Mineral Separation Unit*

The Company had a Mineral Separation (MS) Unit with a capacity to produce 53,000 MT of Raw Ilmenite per annum from the raw sand. Heavy minerals like Rutile, Zircon and Sillimanite are also recovered.

The Company had its own laboratory to analyse the recoverable mineral content in the raw sand fed into the Wet/Dry Mills. The Company, however, had not fixed any standard for recovery of the minerals from the raw sand processed. Audit worked out the quantity of recoverable minerals from the total quantity of 5,31,993 MT raw sand processed in the Dry Mill based on laboratory report prepared at the time of loading different lots and compared it with the actual recovery. Audit found that there was gross under recovery of different minerals valuing ₹670.48 crore.

The Company replied (November 2013) that there was no short recovery of Ilmenite as the plant was designed for 90 *per cent* recovery of Ilmenite. But based on the design parameters of the Plant, the shortfall in recovery of other minerals resulted in loss of ₹45.89 crore.

However, with better production measures, loss of ₹45.89 crore could have been avoided.

### *2.9.3.2 Performance of Titanium Dioxide Pigment plant*

The production of TDP from raw Ilmenite involves the following four different processes and routed through following four plants:

**Table 2.3: Production process and Capacity**

| Name of plant | Process involved | Production capacity per annum in MT |
|---|---|---|
| IBP | Beneficiation of raw Ilmenite. This consists of equipment for reduction of raw Ilmenite in Roaster, leaching of reduced Ilmenite in Digesters and conversion of leached Ilmenite to Beneficiated Ilmenite (BI) in Calciner | 55000 |
| U 200 | Chlorination of BI to Titanium Tetrachloride (Tickle) | 90000 |
| U 300 | Oxidation of Titanium tetrachloride to raw pigment | 38000 |
| U 400 | Conversion of raw pigment to finished pigment | 40000 |

The deficiencies noticed by Audit in the functioning of these plants[6] are summarised below:

[6] except U300

➢ ***Chlorination Unit (U 200)***

In the Chlorination unit (U 200) of TDP, Beneficiated Ilmenite is routed through chlorine and calcined petroleum coke at $800^{o}$ – $900^{o}$ to obtain Titanium Tetrachloride (Tickle). Impurities are removed and further treated with mineral oil and distilled to obtain pure Tickle.

As per norms, 0.535 MT of BI is to be fed in to U200 plant to produce 1 MT of Tickle. Based on this, out of 1,20,755 MT of BI processed, the Company should have produced 2,25,709 MT of Tickle during the three years period from 2010-11 to 2012-13. Due to increase in impurities in BI the actual production was, however, only 2,19,739 MT resulting in loss of production of 5,970 MT of Tickle valued at ₹22.77 crore[7].

It was replied (November 2013) that the norm for tickle production was based on consumption of Q Grade Ilmenite having low percentage of metallic impurities. The decline in rate of production of tickle was attributed to procurement of raw Ilmenite having higher percentage of impurities from private parties when compared to Q Grade raw Ilmenite obtained from Company's mine.

The fact, however, remained that the Management failed to explore procurement from other sources like Indian Rare Earths Limited having better quality of raw Ilmenite for processing in the Plant.

➢ ***Titanium Dioxide Pigment Finishing Unit (U400)***

In the TDP finishing Plant, the raw pigment slurry obtained from Oxidation Unit (U300) is passed through different sub-sections *viz.,* sand milling and classification, treatment with various chemicals, filtration, drying, micronisation, scrubbing, cooling and bagging the finished TDP.

There was low capacity utilisation of the U400 Plant. The major reason was shortage of input feed resulting from shortage of Raw/Beneficiated Ilmenite as well as shutdown in the upstream plants. The loss of margin due to lack of input feed of raw pigment slurry for the five years ending 2012-13 was ₹96.84 crore as shown below:

[7] **Valued at the rate of ₹38,145 being average of cost of production of Tickle during the period 2010-11 to 2012-13**

**Table 2.4 : Loss of margin**

| Period | Loss of stream hours[8] due to lack of input feed | Equivalent Loss of Production (@ 5.75 MT per hour) | Average Margin (₹ per MT) | Loss of Margin (₹ in crore) |
|---|---|---|---|---|
| 2008-09 | 813 | 4675 | 15597 | 7.29 |
| 2009-10 | 715 | 4111 | 27652 | 11.37 |
| 2010-11 | 700 | 4025 | 19712 | 7.93 |
| 2011-12 | 2270 | 13053 | 40927 | 53.42 |
| 2012-13 | 3863 | 22212 | 7578 | 16.83 |
| **Total** | **8361** | **48076** | | **96.84** |

The Company accepted (November 2013) that the major reason for the low capacity utilisation of the U400 Plant was shortage of feed material as well as shut down in the upstream plants.

### *2.9.3.3 Inefficiencies in the operation*

On analysing the operational performance, Audit found several operational inefficiencies contributing to increase in cost of production as detailed below:

- **Excessive down-time**

A detailed analysis of the down time of each of the production plants, from IBP to U400 with reference to the actual stream hours[9] available during the five years up to 2012-13 revealed excessive down time in each of the plants. Considering the achievable 297 days per annum of operation of IBP Calciner, normal downtime worked out to 68 days[10] per annum. Similarly, achievable operation of Pigment Production Plant (U200, U300 and U400) was 311 days per annum and normal downtime worked out to 54 days per annum. As the Company had to incur fixed overheads irrespective of the number of hours the plant operated, the unproductive fixed overheads incurred amounted to ₹64.21 crore[11] as detailed in ***Annexure 9.***

The reasons for excessive down times were shortage of BI, frequent repairs and problems in U200 Plant.

- **Shut down of U300 on account of problems in U200**

Chlorine gas liberated during oxidation in U300 is used in U200 for chlorination.

[8] Amount of time that the stream remains inoperative.
[9] There are two production lines in all plants except U400. The Company works in three shifts and stream hour per day is 24 x 2 = 48 hours.
[10] 365-297
[11] ₹25.55 crore in IBP, ₹9.02 crore in U200, ₹10.34 crore in U300 and ₹19.30 crore in U400 Plant.

In the absence of storage, both these plants have to be operated simultaneously and any problem in U200 forces to shut down U300 also.

Audit noticed that the shutdown in U300 plant due to problems in U200 plant had a generally increasing trend during the five years ended 2012-13. The total down time in U300 plant during the review period due to problems in U200 was 6995 hours resulting in loss of production of 17,086 MT Raw pigment valued at ₹192.61 crore. This was attributed to the increase in frequency of the bed draining[12] of chlorinators due to impurities/high silica content in BI. Audit, on further verification, noticed that the downtime in U300 Plant was disproportionate to the downtime in U200 plant due to bed draining of chlorinators.

Audit recommends that the Company should explore the possibility of creating facilities for liquefying and storing chlorine gas liberated from U300 plant.

The Company while acknowledging the audit recommendation stated (November 2013) that the chlorine gas liberated at U 300 is a mix of gases such as chlorine, nitrogen, oxygen, carbon dioxide etc and the mix cannot be technically liquefied.

The reply was not acceptable since the Company was purchasing liquid chlorine.

- **Failure to replace Tickle Pre-Heaters**

The Central Power Research Institute (CPRI), Bangalore, after conducting energy audit reported (February 2008) that the thermal efficiency of the Tickle Pre-Heaters used in U300 Plant was as low as 4.35 *per cent* and recommended to replace the existing with energy efficient ones to achieve considerable reduction in LPG consumption.

The Original Equipment Manufacturer (OEM) for the tickle pre-heaters, Selas Fluid Processing Corporation (SFPC), USA, offered (August 2010) furnace with guaranteed thermal efficiency of 76 *per cent* which would enable savings of 975 tons of LPG per annum and the landed cost of two furnaces was around ₹8.90 crore. Ignoring the possibility of huge savings in the consumption of LPG, the Company did not initiate effective action for replacement of the tickle pre-heaters even after a lapse of more than five years. The failure in replacement of the pre-heaters deprived the Company of the benefit of savings in cost of LPG to the extent of ₹13.24 crore[13] from August 2010 to March 2013.

It was replied (November 2013) that the e-tender for the tickle pre-heaters was floated (August 2013) and due to lack of offers the validity of the same has been extended up to December 2013.

### *2.9.3.4 Excess Consumption of Chemicals*

- **Hydrochloric Acid**

The raw Ilmenite is first processed in the Rotary Roaster in the Ilmenite

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**[12] Removal of impurities from the chlorinator vessel.**

**[13] 975 MT x 2 years 8 months x (average rate of ₹ 50945) = ₹13.24 crore.**

Beneficiation Plant (IBP) to get reduced Ilmenite. The reduced Ilmenite is then leached in the Digesters using Hydrochloric Acid. The spent Hydrochloric acid is regenerated in the Acid Regeneration Plant and is used again in the Digesters. As the regenerated acid would be of lesser concentration, Hydrochloric acid with higher concentration procured from external sources is used as makeup acid to improve the concentration of acid used for leaching.

The norm fixed for usage of makeup Hydrochloric acid for the production of one MT of Beneficiated Ilmenite (BI) was 0.65 MT whereas the actual consumption during the year 2008-09 was 0.84 MT. The Company raised the norm to 0.85MT in the subsequent year. Even after revision of the norm, the actual rate of consumption during 2009-10 to 2012-13 ranged from 0.94 MT to 1.30 MT which far exceeded the norm. The excess consumption for the four years from 2009-10 to 2012-13 was 34,160 MT resulting in extra expenditure of ₹9.94 crore[14].

The Company stated (November 2013) that higher consumption of Hydrochloric Acid was due to low quality of outsourced Ilmenite and action has been initiated to overcome the raw material shortage.

Audit noticed that during the four years period upto 2012-13, the Company processed 2,18,241 MT of Ilmenite. Out of this, purchase from outside was only 46,312 MT (21 *per cent*) and rest was met from own production of MS Unit. Further the Company was aware of excess iron content in outsourced Ilmenite and had fixed higher norms.

- **Liquid Chlorine**

The BI obtained from IBP is subjected to chlorination in the U 200 Plant to produce Titanium Tetrachloride (Tickle). The Tickle when subjected to oxidation in the U 300 Plant produces raw Titanium Pigment. The gaseous chlorine liberated during the oxidation process is recycled to U 200 Plant.

The norm fixed by the Company for usage of makeup chlorine[15] for the production of one MT of tickle is 0.10 MT. The actual rate of consumption of the chlorine exceeded the norm showing an increasing trend during the last five years ending 2012-13 and ranged from 0.11 MT to 0.14 MT. The excess consumption during the above period was 7135 MT of Liquid Chlorine resulting in extra expenditure of ₹4.90 crore[16].

The Company replied (November 2013) that the naturally occurring ferrous form of iron in the outsourced raw Ilmenite which was carried over in the BI led to the excess consumption of makeup chlorine. The fact, however, remains that the failure of the Management in procuring raw Ilmenite having required quality resulted in the excess consumption of chemicals.

**[14] Worked out on the basis of weighted average purchase rate.**
**[15] Chlorine purchased from external sources.**
**[16] Worked out on the basis of weighted average purchase rate.**

### *2.9.3.5 Other deficiencies*

**Premature failure of new Refractory lining for Chlorinator**

The U200 Plant consists of three chlorinators. The refractory lining of the chlorinators was being done using indigenous bricks of silica and alumina costing ₹14.40 lakh. In order to extend the life of the refractory linings and to ensure simultaneous and continuous operation of the three chlorinators, the Company decided to replace the indigenous bricks with electro cast zirconia based bricks on experimental basis without ascertaining its technical suitability. The Company procured the zirconia based bricks at a cost of ₹96.95 lakh from SEPR Refractories, Palakkad on nomination basis and the relining was completed in March 2012. Though the firm assured a minimum life of one year, the Company did not obtain any guarantee from the firm.

On putting the chlorinator into operation (April 2012), there was increase in internal temperature and the chlorinator could be operated only at a lesser load. Consequently, the average production rate was only 6.34 MT of tickle per hour as against the rate of 6.67 MT per hour from other chlorinators. During the above period (April – October 2012) the chlorinator was under shut down for 55 days. The refractory lining failed prematurely in October 2012. Request of the company to replace the defective material was also not acceded to by the supplier. Thus, the operational life obtained from the new refractory lining was only 150 days as against the minimum assured life of one year. Thus going for the new refractory lining without assessing its technical suitability and without insisting on performance guarantee resulted in unproductive investment of ₹96.95 lakh.

The Company replied (November 2013) that the new refractory lining for chlorinators was only an experimental effort and that legal action was proposed against SEPR.

Audit, however, observed that the selection of the refractory material as well as the supplier was purely arbitrary without resorting to global tender. The progress in legal action proposed against SEPR was awaited (December 2013).

## 2.9.4 Project Management

The Company had implemented following three projects during the period covered in audit:

**Table 2.5: New projects**

| Sl. No | Name of project | Total cost (₹ in crore) | Objective |
|---|---|---|---|
| 1 | Capacity Augmentation of IBP | 29.41 | Self-sufficiency in BI |
| 2 | Zircon Silliminate Plant | 16.99 | Improvement in Recovery of Heavy Minerals |
| 3 | Effluent Treatment Pond | 37.24 | Effluent storage |

Audit findings on the above projects are summarised below:-

### *2.9.4.1 Capacity Augmentation of Ilmenite Beneficiation Plant*

The plant was initially equipped with a stream of one Roaster, one Calciner and four Digesters with a total production capacity of 37,000 MT per annum of Beneficiated Ilmenite (BI).

During the period 2003-2008, four more Digesters were procured and commissioned. As the number of Digesters in operation became eight, the Company initiated (October 2008) a project for augmentation of capacity by procuring one Roaster and one Calciner and allied equipments at an estimated cost of ₹32.37 crore (actual cost ₹29.41 crore). Though additional stream of one Roaster, one Calciner and four Digesters had enhanced the production capacity to 74000 MT of BI, the Company restricted the capacity augmentation to 55,000 MT due to limitation in the capacity of the existing Acid Regeneration Plant (ARP) for processing spent Acid. Though the capacity augmentation was targeted by January 2010, the project could be commissioned only in February 2011 mainly due to the delay in completion of civil and structural works. The delayed commissioning of the additional stream resulted in extra expenditure of ₹6.13 crore[17] due to procurement of 11,266 MT of BI from private firms.

A review of production performance of the plant during the five years ending 2012-13 revealed that the capacity utilisation of the plant in 2008-09 was 32,125 MT (86.82 *per cent)*. While operating the plant with two streams during 2011-12 and 2012-13, actual production of BI was only 32,301 MT and 36,126 MT respectively and remained less than 50 *per cent* of the production capacity. Moreover, the Company had to procure 5611 MT of BI from outside sources at an average cost of ₹50,675 per MT against which the cost of production was ₹35,089 per MT only even after the capacity augmentation resulting in extra expenditure of ₹8.75 crore[18].

The underutilisation of the IBP after the capacity augmentation also resulted in steep increase in consumption of furnace oil during the last two years ending 2012-13. The excess consumption of furnace oil during 2011-12 and 2012-13

**[17] 11266 MT x ₹ 5444 ( difference between external purchase price and variable cost of BI from IBP).**

**[18] 5611 MT x ₹ 15586 (being the difference between external purchase price and variable cost of BI from IBP).**

compared to that during 2010-11 worked out to 974.67 KL resulting in extra expenditure of ₹3.56 crore.

It was stated (November 2013) that the original plant had a capacity to produce 30,000 MT of BI only. The Company also admitted the excess consumption of furnace oil.

The above contention was not acceptable. As per the Detailed Project Report (DPR) for the capacity augmentation, the IBP Calciner had the total capacity to produce 37,000 MT of BI. Further, procuring 5611 MT of BI from outside sources was not justified after augmentation of the capacity.

#### *2.9.4.2 Zircon Silliminate Plant.*

The Company initiated (October 2008) the project for modification of the existing Zircon plant at an estimated cost of ₹21.05 crore to increase the rate of recovery of Zircon from 8-12 *per cent* to 40 *per cent* and for recovery of Silliminate. Audit found that the Zircon-Silliminate Plant scheduled to be completed by April 2010 was put into operation only in December 2010 due to delay in completion of civil and structural works by the contractor and consequent delay in installation of plant and equipments. Further, problems in the froth floatation system were also occurred. The short recovery of Zircon and Silliminate resulted in loss of ₹67.84 crore.

The Company replied (November 2013) that the Plant was completed within a period of 14 months as against the scheduled time of completion of 15 months.

The reply was not tenable as the targeted period of 15 months was to be reckoned from the award (December 2008) of consultancy agreement.

### 2.9.5 Effluent Treatment

Wastes in the form of liquid, gas and solid are generated during the manufacturing process of Titanium Dioxide. The major wastes in terms of volume are (i) slurry generated from Effluent Treatment Plant (ETP) and (ii) iron oxide slurry from the ARP.

When the ponds for storing iron oxide and ETP slurry were on the verge of filling up, the Company constructed new secured landfills (ponds constructed above surface) at the instance of Kerala State Pollution Control Board (KSPCB) and Supreme Court Monitoring Committee (SCMC). The new ponds for the storage of iron oxide generated in the ARP and the ETP sludge were commissioned in March 2009 at a cost of ₹37.24 crore.

As the pH value of the water samples taken from around the factory premises was low and the area has become acidic, the Chairman, KSPCB directed (July 2011) the Company to take preventive measures. However, the measures were yet (December 2013) to be fully taken by the Company.

Many public interest litigations have been filed against the Company alleging that its functioning was without necessary safeguards for environmental protection, without compliance to statutory directions and that the Company was causing hazard of radiation, depletion of ground water, deprivation of the water for local people and pollution of surface, sub-surface and groundwater.

Further, the Central Pollution Control Board (CPCB) had directed (September 2012) the Company to carry out an environmental investigation through a reputed institution on the four non-capped old ponds to assess environmental risks, damages occurred and the need for rehabilitation. The environmental investigation was not yet completed (December 2013).

The iron oxide pond and more particularly the ETP pond are on the verge of filling up within one or two years. Effective steps have to be taken at the earliest for disposing of the iron oxide (hazardous waste) and ETP wastes stored in its premises as otherwise the accumulation would create serious risks on sustainability of the Company.

The Company replied (November 2013) that efforts were taken for disposal of iron oxide to competent end users by inviting tenders and action initiated for installation of a suitable filter system for dewatering iron oxide for dumping it to the new pond. Further efforts were also underway for marketing ETP solids.

Considering the adverse environmental impact and pending litigations, Company needs to address the issue urgently.

## 2.9.6 Purchase and Inventory Management

### *2.9.6.1 Procurement of raw material and stores*

**System of procurement**

The Purchase procedure approved by the BoD in September 2001 regulates the purchase of raw materials, stores and spares so as to make purchases at the most competitive rates through fair competition. As per the purchase procedure, an exhaustive vendor list shall be prepared covering all the 38,608 items of materials required by the Company. The Company follows limited as well as open tenders based on the nature of purchase.

- Limited tenders - for purchase of items valuing less than ₹10 lakh with minimum three quotations.
- Open tenders –for all annual contracts and all purchases above ₹10 lakh or if the approved vendor list for an item to be procured by limited tender is not sufficient to get competitive response.

For all major purchases, the Company assesses the annual requirement and orders are placed for staggered delivery in 12 months. The Materials department invites tenders and the Tender Committee consisting of representatives from Materials, Finance and user Departments evaluates the bids and finalise the tender. The

Materials department places orders with the successful bidder with the approval from the Managing Director. This is not required to be approved by the BoD.

**System deficiencies**

The Procurement activities of the Company were managed by a computerised system using Oracle software and Power Builder application. Audit analysed 65,584 enquiries, 87,360 quotations, 37,437 purchase orders and 84,874 Stores Receipt Notes using IDEA software to check the effectiveness of the controls in the system which revealed the following deficiencies:

***2.9.6.2 Failure to develop Vendors for all items***

The Vendors list prepared by the Company contains vendors for only 15,287 items as against 38,608 items of materials required by the Company. Further, only one vendor each was registered for 4,903 items and two each for 1,929 items. The Vendor lists were not being updated periodically. Due to the absence of sufficient Vendors, competition could not be ensured. Audit noticed that out of the 13,950 limited enquiries issued to approved vendors during the period covered in audit, 3,181 enquiries were send to one vendor only and 1151 enquiries were send to two vendors only. Against 3181 single enquiries made, 3108 quotations were received of which 2609 quotations were accepted and purchase orders were issued. Thus, purchases worth ₹45.04 crore were made on single quotations without ensuring competitiveness of the rates.

The Company replied (November 2013) that many items in the Management Information System had become redundant and updation of the same was in progress and vendor development was also given priority. It was further stated that the purchases were made on single bid basis where only Original Equipment Manufacturer (OEM) supply could be possible.

However, the fact remained that the Company was violating its own purchase procedure and competitiveness was not ensured in all purchases.

***2.9.6.3 Procurement through limited tenders violating the monetary limit***

Though the monetary limit for limited tenders was restricted to ₹10 lakh, out of 2609 purchase orders placed on the basis of limited tenders, value of 69 Purchase Orders placed ranged between ₹10 lakh and ₹203.07 lakh as per database maintained in Oracle, violating the purchase procedure and total purchase value stood at ₹23.94 crore. Thus, these purchases were made without ensuring competitiveness of the rates obtained and resulted in irregular procurement of materials.

Company replied (November 2013) that spare equipments/subsequent replacements for spare parts supplied by OEMs were to be procured from the same party on limited tender basis for interchangeability even though the value exceeds ₹10 lakh.

However, Audit noticed that the Company did not have an approved policy for such procurement and even the spares having approved drawings and high value equipments like motors, front-end loaders etc, were also purchased from single sources without floating open tenders.

### *2.9.6.4 Extra expenditure due to deficient procurement*

On scrutiny of records relating to procurement of raw material, stores and spares, Audit noticed various deficiencies leading to extra expenditure of ₹21.14 crore in the procurement as discussed below:

- **Failure to execute agreement and consequent non-recovery of extra cost on risk purchase**

Audit noticed that the Company did not have a system of executing agreement with the suppliers and as a result some of the suppliers, after supplying a portion of the ordered quantity, stopped supplies citing increase in market prices. Resultantly, the Company procured the short/non-supplied material at higher rates from alternate sources incurring extra expenditure of ₹16.53 crore in the procurement of raw materials and chemicals during the period 2008-09 to 2011-12 as detailed in ***Annexure 10.***

The Company while accepting the audit finding intimated that valid agreements would be executed with suppliers in future.

- **Undue delay in finalisation of tender and consequent non-acceptance by the party**

The offers were valid for a specific period stipulated in the bid and the Company should have finalised the tenders and place orders within the validity of the offers. Audit, however, noticed instances where the Company failed to finalise the tender within the validity period and orders were placed after the expiry of the validity period. As a result the bidders refused to accept the order and the Company had to procure the material at higher rates obtained in subsequent tender/next higher bidder. Failure of the Company to place orders within the validity period of the offers resulted in extra expenditure of ₹3.38 crore in purchase of four items as detailed in ***Annexure 10.***

The Company replied (November 2013) that the Company with a unique process and the resultant requirement for raw materials with stringent specifications had to maintain an ethical and cordial relationship with the available suppliers to ensure that all the sources are accessible at all times. In case of sodium silicate, the order could be placed only after the completion of supply in the previous order and in case of Calcined Petroleum Coke (CPC), the party provided a limited validity period for the prices. In respect of magnesium, it was stated that the offer of Minerals and Metals Trading Corporation (MMTC) was not valid for three months as stipulated in the bid and that the stipulated technical specifications were not confirmed by MMTC.

However, the fact remained that the Company could not obtain the validity period extended so that a valid purchase order could be placed. In respect of procurement of magnesium, Company could have obtained confirmation regarding the technical specifications after clarifying with MMTC.

- **Extra expenditure due to allowing price increase though the prices were firm**

The purchase orders stipulated that the prices were firm during the tenure of the contract. The Company, however, allowed enhancement in prices as demanded by the suppliers of petroleum coke and liquid oxygen during the validity period. The extra expenditure incurred on account of this worked out to ₹1.23 crore as detailed in ***Annexure 10.***

It was replied (November 2013) that the price revision for NPF grade petcoke was allowed on the basis of the terms of agreement and based on the price of M/s Reliance, the only producer of the material in the country. Price revision for Liquid oxygen was made for a major additional quantity required on urgent basis due to break down of the captive oxygen plant.

Audit, however, noticed that the terms of tender with respect to validity of price had been subsequently reduced from 12 months to three months and repeat orders were given without floating fresh tender and also the Company has not instituted any mechanism to monitor the price of M/s Reliance. The price revision for liquid oxygen was not on any additional quantity but on the original ordered quantity.

- **Deficiencies in vendor updation and vendor evaluation**

Audit noticed instances where the registered vendors backed out from their offer citing errors in their original offer. As a result the Company had to procure the spares at higher rates from the same/alternate vendors incurring extra expenditure of ₹ 3.42 crore as shown below:

**Table No 2.6: Extra expenditure on purchase of spares**

| Item | Original offer | | Actual procurement | | Quantity | Extra expenditure (₹ in crore) |
|---|---|---|---|---|---|---|
| | Name of Vendor | Rate (₹ in lakh) | Vendor | Rate (₹ in lakh) | | |
| Radiant coil assembly | UNI Abex Alloy products | 22.01 | UNI Abex Alloy products | 45.21 | 2 nos. | 0.46 |
| Inlet stand pipes | Titanium Tantalum Products | 26.08 | ASE Apparatebau Gmbh | 100.10 | 4 nos. | 2.96 |
| **Total** | | | | | | **3.42** |

The management while accepting the observation stated (November 2013) that the purchases were made from OEMs.

However, the fact remained that the original lower prices were quoted by the listed vendors and the purchase of radiant coil assembly was made from the same firm at higher rates and in case of inlet stand pipes, the lower rates offered by the listed vendor was not honoured by the firm and hence extra expenditure had to be incurred.

### *2.9.6.5 Failure to ensure quality of Calcined Petroleum Coke for regulating payment*

The Company uses Calcined Petroleum Coke (CPC) as fuel in the chlorination plant and the average consumption during the last five years was 9,926 MT per annum. During the five years ended 2012-13, the Company procured 49,631 MT of CPC with 3.5 *per cent* Sulphur and 1 *per cent* Ash at a total cost of ₹110.48 crore. Audit noticed that though the price of CPC was determined by the sulphur and ash content in it, the Company did not have a mechanism to ascertain the same in the CPC supplied and to regulate payments accordingly. Increase in the sulphur content and slippage to the lower grade having high sulphur and ash content would give a minimum price advantage of ₹3364 per MT to the supplier and the financial impact of the same would be ₹16.70 crore in respect of 49,631 MT procured.

The Company while accepting the observation stated (November 2013) that the Company did not have the facility to analyse sulphar content and action for outsourcing the same was in progress.

### *2.9.6.6 General lapses in procurement*

Audit noticed following general lapses and deficiencies in the finalisation of tender and issuing of Purchase Orders:

- In the IT system, the lab module was not integrated with other modules to enable the system to generate the payment advices/debit notes to the suppliers based on the actual quantity accepted and the quality parameters as per the lab report.
  The Company while endorsing the audit observation replied (November 2013) that the existing system was designed in such a way that lab module was not integrated for the incoming materials. In the proposed higher end ERP integration would be possible.
- Penalty was not imposed on suppliers delivering inferior quality materials resulting in rejection after quality analysis so as to recover the expenditure incurred by the Company on chemical analysis and handling and storage of the materials.

The Company replied (November 2013) that in case of rejection of consignments the loading/unloading and transportation charges, if any, incurred by the Company are recovered from the supplier.

However the fact remained that no specific clause for penalising the supply of inferior quality supplies were incorporated in the terms and conditions of purchase order in order to restrict the supply of substandard materials which had to be accepted with deviations in times of scarcity for the continuous operation.

### *2.9.6.7* Inventory control

On an analysis of master table of materials, stores and spares, Audit observed that out of the 38,608 items:

- Stock levels (maximum/minimum and reorder levels) were not fixed for 28,118 items.
- Stock of 2170 items for which stock levels were fixed exceeded the maximum level. The cost of the excess stock worked out to ₹4.98 crore.
- Stock of 2306 items for which minimum level was fixed fell short of the minimum level.
- Classification based on the consumption value of inventory was not specified for 22,022 items.
- Classification based on the criticality of inventory such as Vital, Essential and Desirable (VED Classification) was not specified for 21,937 items
- 12,672 items valuing ₹13.44 crore were not issued for consumption for the last five years and 1345 items valuing ₹2.71 crore were not issued for consumption for the last three years.
- Paper bags were overstocked and the stock as on 31 March 2013 was sufficient to cater to the requirement upto 13 years as per the current level of production.

The Company while accepting the audit findings replied (November 2013) that a committee has been formed for reviewing all non-moving items and the stock of paper bags could be depleted within two-three years based on projected sales and further purchases will be made only after considering the present stock.

## 2.9.7 Marketing Management

The Company is the only producer of Rutile grade TDP in India and has been selling five grades of pigment in the domestic as well as foreign market. The low import duty (10 *per cent*) on TDP caused increased competition from multinational companies in the domestic market. In domestic market the products are being sold through Stockists as well as directly.

### *2.9.7.1 Sales Performance*

The Company has not adopted any long term marketing policy and did not have a system of marginal costing for facilitating effective marketing and pricing decisions. The marketing measures including the price fixation is being generally reviewed and fixed on a monthly basis by Marketing Promotion Committee[19] (MPC). The Company's marketing can be broadly classified into domestic and exports.

The table below compares the Company's actual sales with budgeted sales of TDP for five years ended 2012-13.

[19] **Consisting of The Managing Director, Executive Directors (Finance/TSP/MS), Joint General Manager (T), HOD(Finance) and HOD(Marketing)**

**Table No 2.7: Comparison of actual and budgeted sales**

| Year | Budgeted sales (MT) | Production (MT) | Actual Sales (MT) | | | Percentage of actual sales to budgeted sales |
|---|---|---|---|---|---|---|
| | | | Domestic | Export | Total | |
| 2008-09 | 44352 | 35486 | 31820 | 7338 | 39158 | 88.28 |
| 2009-10 | 40452 | 35908 | 32982 | 4284 | 37266 | 92.12 |
| 2010-11 | 40452 | 36879 | 30760 | 5854 | 36614 | 90.51 |
| 2011-12 | 39064 | 29117 | 20721 | 4091 | 24812 | 63.52 |
| 2012-13 | 39064 | 26974 | 22437 | 2446 | 24883 | 63.70 |

*Source: Annual Accounts of the Company for respective years*

As could be seen from the above *Table*, total sales showed a decreasing trend. The actual sales *vs* the budgeted sales also recorded gradual decline and reached 63.70 *per cent* in 2012-13 from 88.28 *per cent* in 2008-09.

The shortfall in achievement of target was mainly due to absence of an effective pricing policy, lack of synchronisation of sales plan with actual production, which ultimately led to non-execution of sales orders as discussed in paragraphs 2.9.7.2 to 2.9.7.4.

The Company replied (November 2013) that in a volatile market, it is bound to adopt flexible marketing strategies rather than long term policy and non achievement of target was not attributable to lack of synchronization of sales plan with production but due to the melt down of global economy in the recent times.

The reply was not acceptable as the demand for Titanium Dioxide in the domestic market increased from 61785 MT in 2008-09 to 2,00,000 MT in 2012-13 and Company's sales decreased from 39,158 MT to 24,767 MT.

### *2.9.7.2* Absence of pricing policy

The Company did not have a well defined pricing policy to regulate the prices considering the profit margin based on cost data available with the Company to achieve maximum sales. The MPC failed to analyse the variable/fixed cost and the profit margin per MT to take timely decision on fixation of selling price and instead fixed the prices after ascertaining the selling price of the competitors in the domestic market.

On an analysis of monthly sales and stock position, Audit noticed that the price of RC 822[20] registered an increase of 146.51 *per cent* from ₹86,000 (April 2008) to ₹2,12,000 (September 2011). However, the monthly domestic sales declined from 3378 MT (April 2008) to 1596 MT (September 2011). The MPC, however, pegged the price at ₹2,12,000 for a long period i.e. upto July 2012 and the monthly sales further declined to the minimum of 897 MT (September 2012) which led to piling up of stock upto 6785 MT (March 2013). When the price

[20] **This grade constituted 80 *per cent* of total sales.**

started declining in August 2012, the monthly domestic sales increased from 1021 MT to 3605 MT (March 2013).

Audit further noticed that the Company had a profit margin of ₹ 61,532 per MT at the selling price of ₹2,12,000 (2011-12) and the MPC should have reckoned this fact in order to avoid steep fall in sales and consequent accumulation of stock. In order to liquidate the stock the Company sold 684 MT (March 2013) at a negotiated average selling price of ₹1,39,314 per MT to three parties[21] as against the normal selling price of ₹1,60,000 per MT resulting in a loss of ₹1.41 crore.

The Company replied (November 2013) that to be competitive in market it requires market to market pricing strategy than a marginal cost/cost plus approach.

The reply was not acceptable since the Company had a profit margin of ₹61,532 per MT at the selling price of ₹2,12,000, and it could have further reduced the selling price to maintain the sales volume. When the Company reduced price in August 2012 to ₹2,06,000 and continued price reduction up to ₹1,60,000 in March 2013, the sales volume increased from 1021 MT to 3605 MT during the corresponding period.

### *2.9.7.3 Failure to plan production in line with sales order*

The U200 plant is having an installed capacity of producing 90,000 MT of Titanium Tetrachloride (Tickle) per annum. Though the Company produces tickle mainly for its captive use in the production of TDP, it also sells tickle to other firms based on the orders received. Audit noticed that though there was sufficient profit margin as well as spare capacity for producing Tickle, the Company did not execute the orders in full. The profit margin of Tickle, as per Cost Audit Report, during the review period ranged between ₹23,000 to ₹48,800 per MT. The position of actual production and sale of Tickle during the five years ended 2012-13 was as below:

**Table No 2.8: Production and sales of tickle**

| Year | Installed Capacity | Actual Production | Under utilised capacity | Targeted sales | Sales order Received | Sales order Executed | Sales order Cancelled | Margin (₹ per MT) | Loss (₹ in crore) |
|---|---|---|---|---|---|---|---|---|---|
| | (in MT) | | | | | | | | |
| 2008-09 | 90000 | 82857 | 7143 | 2000 | 919.61 | 909.36 | 10.25 | 36916 | 0.04 |
| 2009-10 | 90000 | 83642 | 6358 | 1200 | 738.35 | 717.5 | 20.85 | 33636 | 0.07 |
| 2010-11 | 90000 | 86232 | 3768 | 1200 | 2410.98 | 1822.54 | 588.44 | 23207 | 1.37 |
| 2011-12 | 90000 | 69235 | 20765 | 4400 | 3765.11 | 1893.31 | 1871.8 | 48836 | 9.14 |
| 2012-13 | 90000 | 64272 | 25728 | 4400 | 2215.95 | 2063.82 | 152.13 | 48954 | 0.74 |
| **Total** | **450000** | **386238** | **63762** | **13200** | **10050.00** | **7406.53** | **2643.47** | | **11.36** |

[21] M/s Chimica, Italy, ESSAR International, Mumbai and Chemcoat India Limited, Thane

The Company was not able to achieve 60 *per cent* of the sales target for Tickle. Failure of the Company to plan production in line with the orders in hand despite sufficient capacity resulted in cancellation of orders and consequent loss to the extent of ₹11.36 crore.

The Company replied (November 2013) that though they could not sell tickle as per the sales orders received, that quantity was converted in to Titanium Dioxide Pigment.

The reply was not acceptable as the production capacity of Tickle was 90,000 MT per annum and actual production was only 69,235 MT and 64,272 MT during the last two years and the average stock of TDP was 5937 MT. In view of the tight competition in TDP market and good margin available from tickle sales, the cancellation of sales orders lacked justification.

### *2.9.7.4* Failure to maintain minimum stock

On a test check of sales orders received by the Company, Audit noticed that the customers in their orders clearly mentioned delivery schedules (date-wise), the grade, quantity and location. Company, however, failed to plan production in line with the orders leading to cancellation of orders for 4286 MT of TDP during the five years ended 2012-13 as below:

**Table No 2.9: Demand and sales of TDP**

| Grade | Orders received (MT) | Sales (MT) | Orders not Executed (MT) |
|---|---|---|---|
| RC822 | 118159 | 115732 | 2427 |
| RC813 | 7094 | 5716 | 1378 |
| RC800PG | 14862 | 14486 | 376 |
| RC808 | 1511 | 1430 | 105 |
| **Total** | **141626** | **137364** | **4286** |

The cancellation of orders was due to insufficient stock. Although RC 822 and RC 800 PG grades constituted more than 90 percent of the sales volume, the monthly stock of RC 822 ranged between 18 MT and 872 MT for 36 months and that of RC 800 PG ranged between 0 MT and 99 MT for 30 months during the period covered in audit. In respect of RC813 the monthly stock varied from 0 MT to 99 MT for 41 months during the review period.

Failure to maintain minimum stock of the TDP resulted in cancellation of sales orders to the tune of ₹11.53 crore during the last five years.

The Company replied (November 2013) that during a period of high demand it would be difficult to cater to the requirements of customers in a uniform manner and difficult to maintain buffer stock as required.

The reply was not acceptable as the Company was holding huge volume of stock of RC 822 during the last two years without maintaining minimum stock for the other grades which ultimately resulted in cancellation of confirmed sales orders and loss to the Company.

#### *2.9.7.5 Domestic vis-à-vis Export Sales*

The Company had been exporting TDP and details of quantity sold, price per MT, margin per MT, etc., for domestic and export sales for the five years ending 2012-13 are as below:

**Table No. 2.10 Export and domestic sales**

| Particulars | 2008-09 | | 2009-10 | | 2010-11 | | 2011-12 | | 2012-13 | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Export | Domestic | Export | Domestic | Export | Domestic | Export | Domestic | Export | Domestic |
| Quantity sold (MT) | 7338 | 31820 | 4284 | 32982 | 5854 | 30760 | 4091 | 20722 | 2330 | 22437 |
| Average selling price/MT (in ₹) | 96137 | 104201 | 107701 | 124264 | 134494 | 140759 | 156971 | 198843 | 148627 | 184491 |
| Cost of sales (in ₹) | 89838 | 88204 | 99538 | 96612 | 121924 | 121047 | 155449 | 156058 | 176913 | 176913 |
| Margin per MT (₹) | 6299 | 15997 | 8163 | 27652 | 12570 | 19712 | 1522 | 42785 | (-)28286 | 7578 |

*Source: Compiled by audit from the Cost Audit Reports.*

The margin on export sales was much lower as compared to the domestic sales. The export of TDP during 2012-13 resulted in cash loss to the extent of ₹6.59 crore[22] as the export margin was negative during the year.

Company admitted (November 2013) the audit observation and stated that it was decided to partially meet the requirement of their export clients in order to maintain overseas presence that was already established.

### 2.9.8 Financial Management

#### *Loans /investment in other Public Sector Undertakings*

The Company extended loans to the tune of ₹43.05 crore to four PSUs and investments to the extent of ₹35 crore in two PSUs as per the directions of the State Government during the period from 2008-09 to 2012-13. The total amount outstanding as on 31 March 2013 was ₹98.72 crore[23].

Of the above, loan amounting to ₹3.05 crore was interest free. Though loan of ₹30 crore extended to Kerala State Textile Corporation Limited (KSTC) carried interest at seven *per cent*, KSTC had not paid any amount towards interest or principal so far. The loss of interest (at seven *per cent*) to the Company on this account worked out to ₹2.10 crore per annum.

[22] ₹ 28286 x 2330 MT.

[23] Loan – ₹ 63.55 crore and Investment – ₹ 35.17 crore.

Further, loan of ₹23.52 crore extended to different PSUs are doubtful of recovery, especially those[24] advanced to Kerala State Cashew Development Corporation Limited (₹9.78 crore) and Kerala State Cashew Workers Apex Industrial Cooperative Society Limited (₹2.36 crore). The Company had already written off ₹0.34 crore and provided ₹1.86 crore towards doubtful loans. The Company availed a Cash credit of ₹50 crore (availed ₹21.58 crore in May 2013) from Banks during the year 2012-13 for meeting its working capital requirements and incurred ₹0.87 crore towards interest.

The Company replied (November 2013) that the financial assistances were extended as per the direction of the Government and actions were already initiated to recover the amounts from the PSUs. It was also stated that though the sanctioned cash credit was ₹50 crore, the average availment was around ₹10 crore only.

However the fact remained that a major portion of the cash balance of the Company was eroded due to Government directions which was against the financial interest of the Company.

## 2.9.9 Human Resource Management

### *2.9.9.1 Payment of excess wages due to poor productivity*

The Company had deployed 1125 employees on an average in TP Unit during the period covered in audit who were distributed among production, maintenance and administrative departments.

Audit reviewed the utilisation of manpower in Production department and found that the labour productivity had decreased in the last two years as detailed below:

**Table No. 2.11: Excess wages paid**

| Year | Production of TDP (MT) | Capacity utilisation (per cent) | Normal man hours worked | Overtime hours worked | Total man hours | Man hours utilised per MT | Total wages paid (₹ in crore) | Excess wages (₹ in crore) |
|---|---|---|---|---|---|---|---|---|
| 2008-09 | 35486 | 88.72 | 822056 | 145924 | 967980 | 27 | 30.06 | 0 |
| 2009-10 | 35908 | 89.77 | 782813 | 161197 | 944010 | 27 | 34.60 | 0 |
| 2010-11 | 36879 | 92.20 | 797712 | 190564 | 988276 | 27 | 40.91 | 0 |
| 2011-12 | 29117 | 72.79 | 786751 | 170202 | 956953 | 33 | 53.41 | 9.53 |
| 2012-13 | 26974 | 67.44 | 722060 | 150316 | 872376 | 32 | 55.57 | 9.18 |
| **Total** | | | **3911392** | **818203** | **4729595** | | **214.55** | **18.71** |

As could be seen, the man hours utilised per MT of production was 27 during the first three years. When the production was reduced during 2011-12 and 2012-13 the man hours utilised increased to 33 and 32 hours per MT respectively. The

[24] These entities were incurring losses and running on budgetary support

unproductive wages paid by the Company on account of lower labour productivity worked out to ₹18.71 crore.

The Company accepted the audit observation and stated that the increase in man hours utilised was mainly due to the low throughput from the pigment production unit which was due to various reasons like raw material shortage and technical issues.

However, the fact remains that the management's failure in arranging the required raw materials and utilising the plant in optimum level has resulted in excess wages and the engagement of workmen on overtime could have been avoided.

### *2.9.9.2 Other deficiencies/irregularities*

A review of the position of manpower revealed that as on April 2013 there was a shortage of 368 employees in TP Unit and excess of 225 employees in MS Unit in workmen category. The pay rolls are managed using COBOL data base of THP system. Audit analysed 14,46,942 records using IDEA software and noticed the following deficiencies/irregularities:

As per the provisions of the Factories Act, 1948 and Kerala Factories Rules 1957, the total hours of work in any day shall not exceed 10 hours, total hours in a week including overtime shall not exceed 60 hours and total hours of overtime in a quarter shall not exceed 50 hours. If a worker is engaged for shift work continuously for three shifts, his next shift shall not commence before a period of 16 hours has been elapsed. The Company, however, engaged its employees on overtime violating the above provisions as detailed below:

- Out of the 1393 employees, 1156 employees worked on 2,42,848 days in excess of the prescribed maximum working hours of 10 per day.
- Overtime of 1,35,065 hours was allowed to 905 workers in 13,652 man days during off days.
- During the period of five years 1979 days compensatory off for continuous four or more shifts working was given to 134 employees. This had resulted in overtime of 31,664 hours.
- Instances of workers working for more than 56 hours in a week, overtime exceeding more than 50 hours in a quarter were also noticed.
- Overtime wages were to be calculated on the basis of 240 hours of work in a month whereas the Company reckoned 180 hours only. This was pointed out in the Report of Comptroller and Auditor General (Commercial) for the year 2009. This mistake has not been rectified so far (November 2013). The non-rectification of the method of calculation had resulted in an extra expenditure of ₹10.53 crore during these five years.

The Company replied (November 2013) that the restrictions imposed by the Factories Act on overtime work is not fully workable in the absence of leave reserve and off reserve and the requirement of manning the operation continuously. The mistake in method of calculation of the overtime wages could not be rectified as the trade unions did not agree for any change in the existing practices.

The reply was not acceptable as the management failed to abide by the provisions of Factories Act and to deploy the available man power optimally.

## Conclusion

- Under-utilisation of the available capacity led to increased cost of production, declining market share and stock accumulation.
- The existing infrastructure could not ensure the extraction of heavy minerals at the optimum levels.
- The Company violated its own purchase procedure and procured materials of high value on limited tender basis, instead of inviting competitive open tenders.
- The Company failed to ensure supply of ordered quantity at quoted price by the suppliers and allowed short/non supply of materials resulting in procurement of same at enhanced prices even from same suppliers.
- The Company failed to comply with the provisions of Factories Act and Rules while engaging employees on overtime and could not regulate the expenditure on this head in accordance with the level of production.
- The Company failed to synchronise the production according to sale orders and lost margin due to disposal of accumulated stocks at negotiated prices.
- There was lapse on the part of the Company in taking timely decision in fixation of price. Despite having a cost data it prolonged the higher price which adversely affected the sales and resulted in reduction in sales and accumulation of stock.
- Extension of loans to and investment in other PSUs resulted in blocking up of its funds in unproductive manner.

## Recommendations

The Company may:

- develop a mechanism for periodical assessment of cost of production with cost data and investigate the reasons for increase in cost of production;
- utilise the capacity of plants at optimum level to avoid under absorption of elements of cost especially in view of increasing power cost and employees cost;
- ensure that employees are engaged on overtime to utmost necessity and benefits are derived from such additional expenditure;

- make periodical revision of registered vendors and explore possibility of finding new vendors with price advantage through wide publicity or using of web enabled e-tendering system;
- incorporate a clause in open tenders and limited tenders for raw materials, stores and spares insisting the successful bidders to execute an agreement for uninterrupted supply and also make a provision for imposing penalty in case of breach and to keep the price fixed during the validity of agreement;
- should scrupulously follow the approved purchase procedures of 2001 and take action to make required modifications to ensure most competitive tenders, using of software for evaluation of tenders, etc. and
- should utilise the available cost data effectively, price the products to optimise the sales in view of competition and to avoid accumulation of stocks.

# CHAPTER III

## PERFORMANCE AUDITS RELATING TO STATUTORY CORPORATION

## POWER PURCHASE TRANSACTIONS OF KERALA STATE ELECTRICITY BOARD

## IMPLEMENTATION OF RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA

# Chapter III

## PERFORMANCE AUDITS RELATING TO STATUTORY CORPORATION

## KERALA STATE ELECTRICITY BOARD

## 3.1 POWER PURCHASE TRANSACTIONS OF KERALA STATE ELECTRICITY BOARD

### Executive Summary


*Introduction*

***Kerala State Electricity Board (KSEB) is the distribution licensee for power for the State of Kerala.***

*Planning*

***The peak demand of power of the State ranged from 2765 Mega Watts (MW) to 3348 MW during 2008-13. Deficit ranged from 222 MW to 528 MW during 2008-13. KSEB planned to meet the deficit in demand and energy requirement mainly by commissioning Hydel schemes which was a cheaper source of energy. However, as against the required capacity addition of 1380.39 MW, actual addition in generation capacity was only 214.20 MW from 2008-09 to 2012-13. Considering the uncertainties in Hydel projects and price fluctuation faced in the international crude oil market for the fuel used by Independent Power Producers (IPPs), KSEB envisaged the necessity for purchasing sufficient power from Coal based Inter-State Projects on medium/long term. However, due to failure in implementing medium/ long term power purchase plans (Case I), KSEB had to purchase costly power from short term market at extra cost of ₹244.07 crore.***

*Power Swap Agreement*

***KSEB resorts to swap mechanism to supply power when there is a comfortable position of power and arrange for return of power during deficit period. KSEB entered into swap arrangement though they had no surplus power to offer on swap which led to purchase of power (₹43.29 crore) to fulfill the commitment. Traders did not supply the entire agreed swap quantity forcing KSEB to purchase power on Short Term basis thereby incurring extra expenditure of ₹30.95 crore.***

*Monitoring Mechanism*

***Ministry of Power decides the entitlement of energy from Central Generating Stations (CGS) to each State. Failure to initiate action in getting compensation for shortfall in energy supplied from CGS resulted in extra expenditure of ₹163.96 crore.***

***The approval of Aggregate Revenue Requirement and Expected Revenue from Charges (ARR) for each year was based on norms for Transmission & Distribution (T&D) loss fixed by Kerala State Electricity Regulatory Commission (KSERC). KSEB failed to achieve T&D loss norms fixed by KSERC and had to make up excess loss by procuring additional power at higher cost on short term basis at a cost of ₹172 crore.***

*Recommendations*

***Audit has made seven recommendations which include need for setting up of a separate Trading Wing to arrange swap transactions and purchase from Traders and Power Exchanges through Short Term basis, adherence to regulations and guidelines while floating tenders, review of purchase from costly IPPs, monitoring in receipt of allocated power from CGS, etc.***

## Introduction

### *3.1.1 Power scenario in Kerala.*

The consumption of domestic sector has been increasing and now it accounts for approximately 49 *per cent* of total energy consumed in the State. As a consequence, State energy demand corresponds to the domestic consumption pattern and the demand during peak hours (6 pm - 10 pm) in the State is about 50 *per cent* higher than that during off-peak hours, forcing Kerala State Electricity Board (KSEB) to purchase power. KSEB meets power requirement of the State through generation and purchase in the following manner:

- through Hydel Power Plants which contribute 70 *per cent* of the total Installed Capacity;
- through power allocation from CGS as decided by the Ministry of Power (MoP) in advance;
- purchase from Independent Power Producers (IPPs) set up in the State with whom KSEB has entered into long term Power Purchase Agreements (PPAs) and
- Emergency purchases from Power Exchanges (Indian Energy Exchange (IEX) and Power Exchange India Limited (PXIL)) and various Traders.

KSEB purchased 56,529 Million Units (MU)[1] at a cost of ₹22,098 crore during the five year period up to 2012-13 through long term agreements, Letters of Intent (LoI) and on contingency basis. There were 56 long term agreements of which 16 pertained to CGS, 37 pertained to small IPPs and three pertained to major IPPs as detailed in ***Annexure 11***. In addition, KSEB purchased power on short term basis from various traders through issue of LoIs and from power exchanges on Day Ahead/contingency basis.

## Power Purchase Management

***3.1.2*** KSEB proposes its annual demand forecast, Hydel/Thermal Generation plan and Power Purchase plan in the form of Aggregate Revenue Requirement and Expected Revenue from Charges (ARR) submitted to Kerala State Electricity Regulatory Commission (KSERC) for approval. After obtaining approval for ARR, Chief Engineer (Commercial & Tariff) (CE/C&T) manages purchases for long, medium and short term. Purchase in the nature of contingencies, day ahead and purchase from Power Exchanges to meet the daily deficits are managed by Chief Engineer (Transmission – System Operation) (CE/T-SO). The power position scenario is reviewed on a monthly basis by the Power Position Committee chaired by the Member (Transmission and Generation Operations). In addition, Core Committee constituted (15 January 2010) under the supervision of CE/(C&T) also reviews the power position of the State on weekly basis and provides creative suggestions on power purchase activities.

[1] **As per Annual Accounts up to 2012-13 (Accounts for 2012-13 are Provisional)**

## Scope of Audit

*3.1.3* The Performance Audit conducted during May-July 2013 covers the power purchase transactions of KSEB during April 2008 to March 2013. The records of KSEB relating to planning of purchase of power and payments were examined with a view to analyse the economy, efficiency and effectiveness of power purchase in KSEB. All the long term agreements and LoIs and Day Ahead purchases were also examined in audit.

## Audit Objectives

*3.1.4* The objectives of the performance audit were to ascertain whether:

- KSEB planned the purchase of power in accordance with forecast/demand/availability;
- KSEB complied with the legal requirements, procedures and policy guidelines laid down by the Government, Central Electricity Regulatory Commission (CERC)/Kerala State Electricity Regulatory Commission (KSERC) regarding purchase of power;
- the PPAs entered into by KSEB were in line with the established guidelines;
- the provisions in the PPAs were in the interest of KSEB;
- the PPAs were operationalised as per its terms and conditions and
- there were adequate internal controls to monitor the activities relating to purchase of power.

## Audit Criteria

*3.1.5* The audit criteria flowing from the following records were adopted:

- The provisions of the Electricity Act, 2003;
- National Electricity Policy;
- Electric Power Survey Report of Central Electricity Authority (CEA);
- Policy documents of the State Government on IPP projects;
- Regulations and Guidelines issued by MoP,CEA, CERC, KSERC, Southern Region Load Despatch Centre (SRLDC) relating to purchase and scheduling of power;
- $11^{th}$ and $12^{th}$ Five Year Plans, Guidelines/Orders issued by KSEB and the decisions taken by KSEB and
- Terms and Conditions in the Tender documents and Agreements.

## Audit Methodology

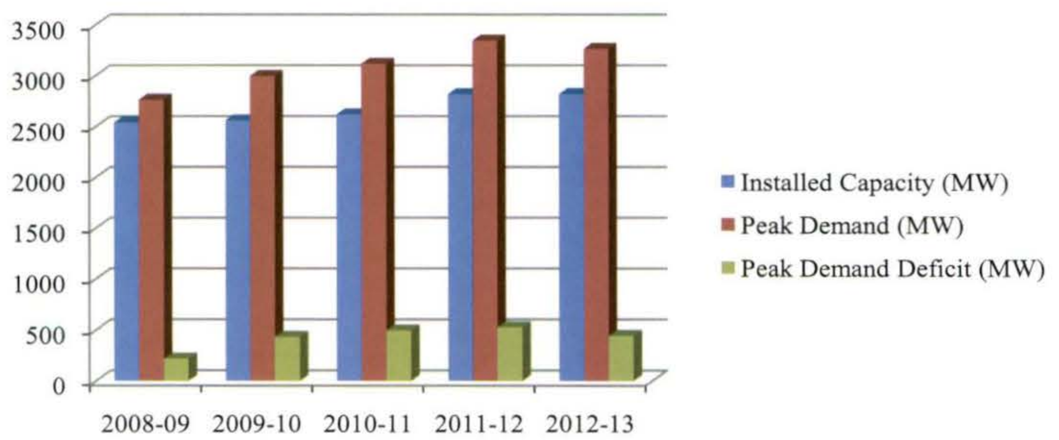
*3.1.6* The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of Draft Performance Audit Report to KSEB/Government for comments. The entry conference to explain the audit objectives was held in May 2013. Subsequently, audit findings were reported to KSEB and the State Government (October 2013) and discussed in an Exit Conference (November 2013). The Exit Conference was attended by representatives of KSEB/State Government. KSEB replied (November 2013) to audit findings and reply from Government is awaited (January 2014). The replies have been considered while finalising this Performance Audit Report.

## Audit Findings

### *3.1.7.1 Peak demand, Generation capacity and purchase of power*

Peak Demand, Installed Generation Capacity and Peak Deficit of Power in the State is depicted in the following chart:

**Chart 3.1.1: Details of Installed Capacity, Demand and Deficit**




*(Source: Annual Accounts of KSEB)*

Own generation of KSEB from Hydel and Thermal Plants increased from 6440 MU in 2008-09 to 8290 MU in 2011-12 and decreased to 5328 MU in 2012-13. The purchase was mainly to meet the peak demand deficit. There was peak demand deficit throughout the period ranging from 222 to 528 MW and KSEB resorted to purchase of power from various sources under short/medium/long term basis. Purchase of power from various sources such as CGS, IPPs, Power Exchanges, Unscheduled Interchange (UI) and Traders increased from 16,069 MU in 2008-09 to 20,245 MU in 2012-13. The following factors also led to purchase:

- Insufficient installed capacity to meet peak demand and failure to commission new projects for capacity addition as envisaged in five-year plans.

- Low availability of water at Hydel Stations due to poor monsoons.
- The general strategy followed by KSEB for optimisation of generation and power purchase, as disclosed in the ARR 2011-12, was to conserve maximum water in the reservoir during monsoon season by limiting generation and purchasing power from outside sources at cheaper rate.
- Failure of CGSs to supply power as agreed upon.
- Transmission and Distribution loss in excess of norms fixed by KSERC.

## Planning

### *3.1.7.2 Long term plans to meet power demand deficit*

Based on the approach papers released by the Planning Commission of India, national objectives in Power Sector and State Planning Board, KSEB prepared its approach paper for 11th Plan Period 2007-12. It consisted of three areas – Generation, Transmission and Distribution. Generation Plan was evolved based on the objective to provide electricity to all at an affordable price and to meet the projected demand during the 11th Plan period by developing Hydro Electric Projects in the State and ensuring share from upcoming Inter-State Projects.
The Demand projection made by CEA, as a part of the 17th Electric Power Survey (EPS) was also considered while formulating the 11th Five year Plan of KSEB. With the implementation of the Plan, KSEB expected to fully meet the energy demand as projected in the 17th EPS.

The installed capacity existing at the beginning of the plan period was 2650 MW (11,950 MU). The projected demand and energy requirements as per 17th EPS vis-à-vis capacity addition planned by KSEB to meet the deficit during the five year period up to 2011-12 was as follows:

**Table 3.1.1: Details of projected demand and energy requirement**

| Projected demand | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | Total |
|---|---|---|---|---|---|---|
| Peak Demand (MW) | 2856 | 3004 | 3159 | 3335 | 3528 | - |
| Total Energy Requirement (MU)[2] | 15217 | 16096 | 17025 | 18077 | 19230 | - |
| **Capacity Addition Requirement** | | | | | | |
| Demand (MW) | 540.39 | 185 | 193.75 | 220 | 241.25 | 1380.39 |

The capacity addition requirement was arrived at by including the installed capacity deficit as well as the power purchased from IPPs which is much more costly.

To achieve the goal of capacity addition, a Project Monitoring Cell was constituted under Chief Engineer (Corporate Planning). KSEB considered the following in formulating Plan for Demand Deficit Management:

[2]**Including T&D Losses.**

- As the Hydel Power was the only commercially viable source for power generation within the State, it was proposed to add an installed capacity of 610.15 MW/1640.73 MU through the completion of five[3] ongoing hydel schemes and 25[4] new schemes.
- Expansion of Rajiv Gandhi Combined Cycle Power Plant (RGCCPP)[5] and reducing generation cost of power from existing liquid fuel stations of KSEB[6], both dependent upon long term availability of LNG in Kerala at affordable prices.
- Coal based Inter-State Projects on long term basis.

Audit noticed that as against the required capacity addition by 1380.39 MW, KSEB planned capacity addition of 610.15 MW only during the 11th Plan. However, actual addition in generation capacity was only 214.20 MW leaving a total deficit of 1166.19 MW. Considering the uncertainties in Hydel projects and price fluctuation in the international crude oil market affecting the cost of power purchased from IPPs, KSEB envisaged the necessity for purchasing sufficient power from Coal based Inter-State Projects on medium/long term.

**Baitarni Coal based Inter-State Project**

As per the new Coal Block Allocation Policy of the Government of India, Ministry of Coal (MoC) allotted (July 2007) the Baitarni West Coal block in Talcher Coal fields in Orissa to KSEB jointly with Orissa Hydro Power Corporation (OHPC) and Gujarat Power Corporation Limited (GPCL) with one third share for each of the allottees. The estimated reserve of Baitarni was 602 Million Metric Tonnes (MMT) and the share of KSEB was 200.67 MMT at an annual production of five MMT which was sufficient to run a plant for 25 to 30 years. A Joint Venture for setting up a power plant of 2000 MW capacity was created (April 2008) for this purpose. However, the power plant did not materialise because of which the said coal mine has been de-allocated.

KSEB replied (November 2013) that the shortfall in capacity addition was mainly due to the hurdles in implementation of Hydro Projects on account of Forest and Environmental clearances, litigation on land acquisition, etc,. which were beyond the control of KSEB. In the case of Baitarni project, the High Court of Odisha has stayed the order of de-allocation and invoking of bank guarantee and it is expected that the coal block would be re-allocated to Kerala.

Thus, the actions initiated by KSEB for purchase of power on long term basis has not materialised so far (January 2014).

### *3.1.7.3 Medium Term Power Purchase Plan*

Since existing capacity was insufficient and long term plans of adding to the generation capacity were not fructifying KSEB had been procuring power from CGSs based on allotment fixed by MoP and from IPPs by executing long term

[3] 128.75 MW/407.27 MU.
[4] 481.40 MW/1233.46 MU.
[5] An IPP owned by NTPC at Kayamkulam, Kerala.
[6] Brahmapuram Diesel Power Plant (BDPP) and Kozhikode Diesel Power Plant (KDPP.).

agreements. The average purchase prices of power from CGS and IPPs during the period 2008-13 ranged from ₹2 to ₹3.13 and ₹7.72 to ₹12.62 per unit respectively. Even these arrangements were not sufficient to meet the peak demand deficit. KSEB had therefore to resort to purchase on emergency/short term basis through traders and power exchanges. The cost of purchase was even higher, ranging from ₹4.41 to ₹7.73 per unit from May 2008 onwards. As the purchase price of power from short term market was higher, KSERC directed (August 2008) that procurement of power shall be for longer duration through competitive bidding process.

Accordingly, KSEB planned for procuring power for a period of five years on medium term basis. Board accorded sanction (November 2009) for initiating Case I route[7] bidding process for procuring 300 MW Round the clock (RTC) power and 100 MW Peak power (6 pm - 10 pm) for a period of five years from January 2012 to December 2016. The approval of KSERC was received on 5 October 2010 and CE (C&T) invited (11 April 2011) two part bids. As only two offers[8] were received (06 July 2011), the Core Committee (18 and 22 July 2011) and Evaluation Committee (21 July 2011) discussed various aspects of bids received and expressed their apprehensions over less number of participants. The price bids were not opened as the quantum of power offered on RTC basis was only 240 MW as against 400 MW tendered. Based on suggestion of the Evaluation/Core Committees, Board decided (August 2011) to re-tender Case I bidding for which KSEB filed petition for approval before KSERC on 2 June 2012, after a lapse of 10 months. Approval of KSERC for re-tender was received on 15 October 2012 and revised tender notice for procuring 300 MW RTC power and 100 MW peak power for three years through Case I bidding was issued on 12 November 2012. KSEB finalised (22 April 2013) the Case I bidding for procuring 400 MW power (300 MW RTC power from NTPC Vidyut Vyapar Nigam Limited at the rate of ₹4.49 per unit and 100 MW RTC power from PTC India Limited at the rate of ₹4.45 per unit) for a period of three years from March 2014 to February 2017.

Audit observed that:

(i) Process of bidding under Case I for medium term power based on the decision of the Board (May 2009) initiated in April 2011 could be finalised only in April 2013 as against the time schedule of four months by August 2011 fixed for the whole process. A detailed chronology of events indicating undue delay in processing the bid under Case I is summarised in ***Annexure 12***.

(ii) As per existing CERC Regulations[9], transmission corridor was available at a stretch only for a period of three years. Ignoring this fact the Board went ahead with Case I route bidding for procuring power for a period of five years which proved to be unsuccessful and resulted in a retendering process. A mere

**[7] Under Case I bidding route location of the power station and fuel are not specified.**

**[8] JSW Power Trading Company Limited, New Delhi (offered 200 MW) and Vandana Vydyuth Limited, Raipur (offered 40 MW).**

**[9] CERC (Grant of Connectivity, Long-term Access and Medium-term Open Access in Inter-State Transmission and related matters) Regulations, 2009.**

amendment of limiting the period of supply to three years in the revised tender issued in November 2012, led to KSEB receiving proposals from nine bidders and finalising (22 April 2013) of the Case I bidding for procuring 400 MW.

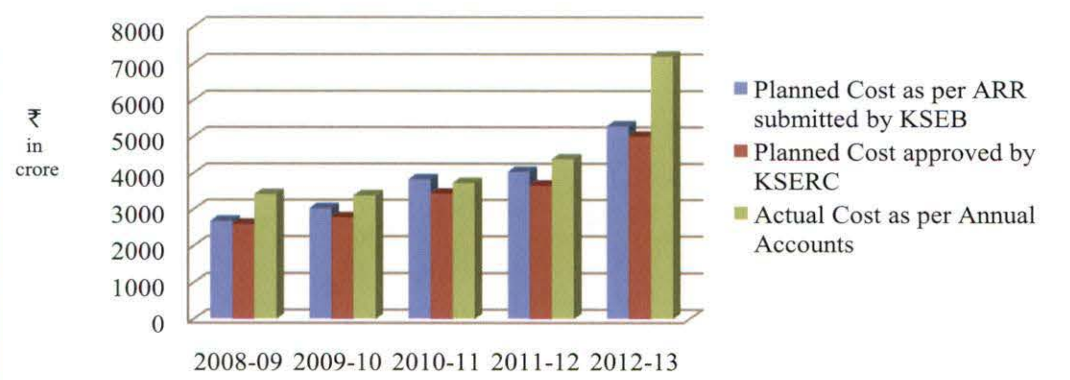
(iii) On account of undue delay in arranging power supply on medium term basis through Case I bidding route, KSEB had to purchase costly power from short term/day ahead market through power exchanges, traders, etc. The avoidable extra expenditure even at the weighted average rate of both Indian Energy Exchange (IEX) (day ahead/term ahead) and UI worked out to ₹244.07 crore ***(Annexure 13)*** during the period from January 2012 to March 2013[10] as compared to Medium Term Open Access (MTOA) rate.

KSEB replied (November 2013) that LoI issued for 3155 MU of power during the said period did not materialise due to non-availability of corridor, which was beyond their control. The reply was not acceptable due to the fact that as on January 2012, corridor was available under MTOA basis which could not be availed by KSEB due to non-finalisation of the tender in time.

**Poor planning leading to emergency purchases**

***3.1.7.4*** Purchase cost planned by KSEB, approval given by KSERC and actual purchase cost during the five year period 2008-13 is depicted in the following chart:

**Chart 3.1.2: Details of Planned, Approved and Actual Cost**




*(Source: Annual Accounts of KSEB)*

In all these years except 2010-11, actual purchase cost exceeded planned and approved cost.

The high purchase cost referred to above was mainly due to poor monsoon and consequent reduction in Hydel generation and in case of 2012-13, actual purchase cost far exceeded the planned and approved cost as there was supply curtailment by CGS. However, Audit noticed that poor planning also contributed to the high purchase cost as described below.

[10] **KSEB invited first tender for supply of power from January 2012 onwards and loss worked out upto the period covered in audit.**

As per annual accounts, KSEB purchased 56,529 MU at a cost of ₹22,098 crore during the period from 2008-09 to 2012-13. Details of power purchased as per plan by the CE (C&T) and the contingency purchases made by CE (T-SO) are shown in table below:

**Table 3.1.2: Details of power purchased as per plan and contingency purchase**

| Year | Purchase by CE (C&T) | | | | Purchase by CE (T-SO) | | | | Total Power Purchase (MU)[11] |
|---|---|---|---|---|---|---|---|---|---|
| | Long Term (IPP+CGS) (MU) | Short Term (MU) | Total (MU) | % | Power Exchanges (MU) | Unscheduled Interchange (MU) | Total (MU) | % | |
| 2008-09 | 8662 | 166 | 8828 | 94 | 267 | 305 | 572 | 6 | 9400 |
| 2009-10 | 8855 | 230 | 9085 | 92 | 394 | 371 | 765 | 8 | 9850 |
| 2010-11 | 8229 | 661 | 8890 | 88 | 392 | 796 | 1188 | 12 | 10078 |
| 2011-12 | 8594 | 862 | 9456 | 88 | 811 | 533 | 1344 | 12 | 10800 |
| 2012-13 | 10483 | 1761 | 12245 | 84 | 1316 | 958 | 2274 | 16 | 14519 |
| Total | 44823 | 3680 | 48504 | | 3180 | 2963 | 6143 | | 54647 |

As seen from the above *Table*, purchases made by CE (C&T) decreased from 94 *per cent* in 2008-09 to 84 *per cent* in 2012-13 with corresponding increase in costly Day Ahead purchase by CE (T-SO) from six *per cent* to sixteen *per cent* within the five years ended 2012-13.

### *3.1.7.5 Swapping of power by deviating from Power Purchase Plan for 2011-12*

As per system in vogue, KSEB resorts to swap mechanism to supply power when there is a comfortable position of power and enough transmission arrangements for return of power. KSEB, however, in 2011-12 swapped power when there was deficit and without ensuring availability of corridor for return of power.

The Generation and Power Purchase Plan of KSEB for 2011-12 projecting the annual energy requirement at 18,534.53 MU and peak demand at 3280 MW against which anticipated availability of energy from Hydel stations and CGS was 15,418.61 MU was submitted to KSERC in February 2011. In order to meet the balance requirement of 3115.92 MU, KSEB proposed to schedule 1819.96 MU from RGCCPP of NTPC, other liquid fuel stations and small IPPs and remaining deficit of 1295.96 MU to be purchased from short term market. The month-wise deficit in energy and peak demand anticipated by KSEB was as follows:

**Table 3.1.3: Details of month-wise deficit in energy and peak demand**

| 2011-12 | Apr | May | June | July | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Energy Deficit (in MU) | 91.52 | 154.68 | 69.19 | 78.87 | 97.57 | 76.85 | 70.95 | 111.69 | 120.62 | 136.28 | 154.73 | 132.99 | **1295.96** |
| Peak Demand Deficit (in MW) | 240 | 291 | 207 | 102 | 104 | 163 | 155 | 34 | 105 | 157 | 188 | 43 | -- |

[11] **Figures are as per Monthly Power Purchase statement of CE (C&T). The difference of 1882 MU was stated to be due to External Transmission loss (PGCIL loss).**

The anticipated shortage increased from 1295.96 MU to 2210.96 MU as KSEB came to know that there would be delay in commissioning of new CGS stations and expected consequent reduction in availability of power during the first half of 2011-12 by 915 MU. KSEB therefore sought permission of KSERC in May 2011 to purchase the additional quantity of 915 MU also from short term markets.

While the Power Purchase Plan with anticipated deficit in energy was pending approval of KSERC[12], an offer for swapping 100 MW RTC power in the month of July 2011 and 30 MW RTC power in the month of August 2011 from a Trader - GMR Energy Trading Limited (GMRETL) was received in March 2011. The Full Time Members (FTM) accorded sanction[13] for banking (swapping) of power based on the recommendation of CE (C&T) without inviting tenders. The Full Board ratified (12 May 2011) the swapping of 100 MW RTC power through GMRETL to a Northern Region Utility (NRU) for supply in July and 30 MW in August 2011 subject to following conditions:

- NRU shall return 105 *per cent* of the quantity supplied by KSEB in the month of February and March 2012 respectively.
- NRU and GMRETL shall execute a tripartite agreement with KSEB to ensure return of power.

Accordingly, a tripartite agreement among KSEB, GMRETL and BSES Rajdhani Power Limited (BRPL) a NRU, was executed on 23 May 2011 incorporating the above conditions.

On receipt of another offer (3 May 2011) from GMRETL for swapping of power in May and June 2011 the CE (C&T) invited (18 May 2011) tender to swap 100-200 MW off peak power in June 2011 to be returned during peak/RTC in March 2012. Against this, three offers including GMRETL were received. The offer of GMRETL was accepted and a tripartite agreement executed on 26 May 2011[14] for swapping 100 MW firm power through GMRETL to BRPL for supply in the month of June 2011 subject to condition that BRPL shall return 101 *per cent* of the quantity supplied by KSEB in March 2012 and GMRETL shall pay at the rate of ₹8.60 per unit for any shortfall in return power.

Thus, KSEB had made swap arrangement with BRPL for about 230 MW of power (100 MW in June, 100 MW in July and 30 MW in August 2011) in total under above two Power Swap Agreements (PSA) with return of power during February and March 2012. Against the quantity of 121.94 MU supplied, 126.96 MU was to be received. However, quantity returned was only 41.54 MU leaving a shortfall of 85.42 MU.

Audit observed following lapses in execution and monitoring swap agreements:

**[12]Approval was received on 1 June 2011.**
**[13] Vide Board Order (FM) No.1146/2011 (Comml/SWAP/2011-12) dated 07.05.2011 .**
**[14] Ratification of the Full Board was obtained only on 30 May 2011.**

- KSEB decided (May 2011) to swap power during the months June, July and August 2011 wherein it anticipated peak deficit of 69.19 MU, 78.87 MU and 97.57 MU respectively. Further, KSEB's decision to swap while the power plan was pending approval would vitiate the KSERC's tariff fixation.
- During the period from June to August 2011, 121.94 MU of power was given on swap through GMRETL. However, there was no surplus power to offer on swap. This was therefore arranged from purchased power and the cost of power given on swap worked out to ₹43.29 crore. It is pertinent to note that the CE (T-SO) had foreseen the situation of non-availability of surplus power but this was ignored.
- Actual swap return by NRU was only 41.54 MU leaving a shortage of 85.42 MU (64.96 MU in February and 20.46 MU in March 2012) due to non-availability of sufficient corridor. As sufficient corridor was not available during February and March 2012 GMRETL requested the permission of CE (C&T) for participating in the e-bidding for access of corridor. KSEB however, did not give permission to the Trader for participating in e-bidding for obtaining corridor.
- Due to non-receipt of agreed quantity of power, KSEB was forced to purchase costly power from short term market at ₹7.27 per unit in February and ₹6.87 per unit in March 2012. The extra expenditure on this account worked out to ₹30.95 crore (64.96 MU at the rate of ₹3.72[15] per unit and 20.46 MU at the rate of ₹3.32[16] per unit).

KSEB replied (November 2013) that there was no energy deficit when swapping was done. The reply was not acceptable as KSEB had anticipated purchase of high cost power from IPPs and Traders to the extent of 88 MW, 313 MW and 113 MW during June, July and August 2011 respectively to make good the deficit in peak demand. Even after considering purchase, there were deficits in peak demand during June (230 MW), July (157 MW) and August 2011 (393 MW).

Thus, the imprudent decision to swap power during June to August 2011 ignoring the actual power position and without ascertaining the availability of the corridor resulted in extra expenditure of ₹30.95 crore.

## Finalisation and signing of PPA

### *3.1.7.6 Power Purchase Agreements with Private IPPs*

KSEB executed long term PPAs with following two private IPPs in Kerala in order to mitigate the power crisis in the State. The installed capacity, date of agreement, etc., are given below:

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**[15] Short term rate of ₹7.27 less cost of power given on swap @ ₹3.55.**
**[16] Short term rate of ₹6.87 less cost of power given on swap @ ₹3.55.**

**Table 3.1.4: Details of private IPPs**

| Name of IPP | Date of agreement and expiry | Installed capacity | | Date of commencement of commercial operation |
|---|---|---|---|---|
| | | in MW | in MU | |
| Kasargod Power Corporation Ltd., (KPCL) | 20.08.1998 & 31.03.2016 | 21.178 | 185.52 per annum | 14.05.2001 |
| BSES Kerala Power Limited (BKPL) | 03.05.1999 & 31.10.2015 | 157 | 1387 per annum | 23.11.2001 |

As per the agreement, KSEB was bound to pay monthly fixed charges to the IPPs even if there was no purchase of power till the expiry of agreements. Since the production of power by above IPPs was based on petroleum products[17] the cost per unit was higher compared to Hydel power and power from CGS. Hence, purchase of power from IPPs was restricted to minimum quantity.

Meanwhile, two Power Exchanges, Indian Energy Exchange (IEX) Power Exchange India Limited (PXIL) came into existence in June 2008 and October 2008 respectively. As the purchase price of power from above Exchanges was lower, KSEB purchased more power from them and reduced the purchase from two IPPs to the considerable extent as shown below:

**Table 3.1.5: Details of average purchase cost per unit from IPPs**

| Year | Unit in MUs | Fixed charges (₹ in crore) | Variable charges (₹ in crore) | Total cost (₹ in crore) | Average cost per unit (₹ in crore) |
|---|---|---|---|---|---|
| **KPCL** | | | | | |
| 2008-09 | 97.28 | 8.72 | 108.01 | 116.73 | 12.00 |
| 2009-10 | 75.06 | 9.76 | 50.67 | 60.43 | 8.05 |
| 2010-11 | 27.06 | 7.58 | 21.44 | 29.02 | 10.72 |
| 2011-12 | 10.05 | 6.79 | 11.25 | 18.04 | 18.00 |
| 2012-13 | 2.60 | 3.25 | 3.24 | 6.49 | 24.90 |
| **BKPL** | | | | | |
| 2008-09 | 847.25 | 89.35 | 552.97 | 642.32 | 7.58 |
| 2009-10 | 576.70 | 88.41 | 369.19 | 458.00 | 7.93 |
| 2010-11 | 222.96 | 86.43 | 189.46 | 275.89 | 12.37 |
| 2011-12 | 45.44 | 59.05 | 44.32 | 103.37 | 22.75 |
| 2012-13 | 131.34 | 88.33 | 148.51 | 236.84 | 18.03 |

From the above *Table* it could be seen that purchase from KPCL drastically reduced from 97.281 MU in 2008-09 to 2.60 MU in 2012-13 due to which average unit cost of power stood at ₹24.90 per unit in 2012-13 as against ₹12 per unit in 2008-09. Similarly, purchase from BKPL decreased from 847.25 MU to 131.34 MU during the five years ended 2012-13 and average cost per unit stood at

[17] High Speed Diesel Oil, Low Sulpher Heavy Stock and Naphtha.

₹18.03 per unit in 2012-13. At the same time, purchase of power from Exchanges increased steeply from 267.11 to 1315.99 MU as the average cost of power from Exchanges was much lower than that of the IPPs which ranged from ₹3.98 to ₹7.47 per unit.

In the above circumstance, renewal of PPAs with KPCL and BKPL after validity period may be reviewed considering high cost and availability of power from other sources at lower prices.

KSEB replied (November 2013) that renewal of PPAs would be done after detailed discussions at various levels and observing statutory regulations for purchase of power.

## Provisions in the PPA

*3.1.7.7* IPPs are power plants within the State of Kerala with whom KSEB has entered into long term PPA. As on March 2013 there are three major IPPs using non-renewable energy resources and 37 small IPPs using renewable energy resources of which 33 are wind power projects.

➢ **Non-compliance of renewable energy purchase norms**

Electricity Act, 2003[18] mandates KSERC to promote co-generation and generation of electricity from renewable sources by providing suitable measures for connectivity with the grid and sale of electricity. It also requires that specified percentage of total consumption of electricity in the area of a Distribution Licensee should be from such sources. Accordingly, KSERC fixed (June 2006) norms for purchase of renewable energy vide Power Procurement from Renewable Sources by Distribution Licensee Regulations, 2006 whereby each Distribution Licensee shall purchase a quantum of five *per cent* of its total consumption of energy from renewable sources. Out of five *per cent*, two *per cent* shall be from Small Hydro Projects, two *per cent* from Wind and one *per cent* from all other sources. Audit noticed that KSEB could not achieve the norms fixed for wind energy for the years 2008-09 and 2009-10 as detailed below:

**Table 3.1.6: Details of wind energy consumption *vis a vis* norms**

| Year | Total Consumption (Purchase & generation) by KSEB (MU) | Wind Energy purchased/ generated (MU) | Percentage of norm fixed | Actual percentage achieved |
|---|---|---|---|---|
| 2008-09 | 15451.35 | 33.68 | 2 | 0.22 |
| 2009-10 | 17094.76 | 69.45 | 2 | 0.41 |

KSEB replied (November 2013) that though targets for purchasing renewable energy were prescribed by the KSERC, it did not compel KSEB to fulfill the Renewable Purchase Obligation (RPO) nor was any penal action initiated for the non-compliance. KSEB further stated that it has been taking efforts to meet the RPO targets stipulated by KSERC.

[18] Section 86(1)(e) .

However, the fact remains that KSEB as a State utility should have complied with Regulations of KSERC issued from time to time in this regard.

➢ **Non-availing of Carbon Credit**

The United Nations Framework Convention on Climate Change had introduced Clean Development Mechanism (CDM) as part of Kyoto Protocol which came into effect from 2005. The CDM, defined in Article 12 of the Protocol, allows a country with an emission-reduction or emission-limitation commitment under the Kyoto Protocol to implement an emission-reduction project in developing countries. Such projects can earn saleable Certified Emission Reduction (CER) credits, each equivalent to one tonne of Carbon Dioxide, which can be counted towards meeting Kyoto targets. In India, National Clean Development Mechanism Authority (NCDMA), under the Ministry of Environment and Forests, receives projects for evaluation and approval as per the guidelines and general criteria laid down in the relevant rules and modalities pertaining to CDM.

The KSERC in its Tariff Order for the year 2007-08 directed (November 2007) KSEB to explore the opportunity to earn Carbon Credits derived from reduction in emissions of green house gases achieved through renewable sources in its proposed hydroelectric and wind power projects. As per CERC (Terms and Conditions for Tariff determination from Renewable Energy Sources) Regulations, 2012 issued by Central Electricity Regulatory Commission, the benefits of CDM may be shared between the generator and the buyer as follows:

i) 100 *per cent* of the gross proceeds on account of CDM benefit to be retained by the project developer in the first year after the date of commercial operation of the generating station.

ii) In the second year, the share of the beneficiaries shall be 10 *per cent* which shall be progressively increased by 10 *per cent* every year till it reaches 50 *per cent*, whereafter the proceeds shall be shared in equal proportion, by the generating company and the beneficiaries.

Audit noticed that NCDMA had approved following projects of the IPPs in Kerala with whom KSEB had entered into PPAs, and had issued CER credits as detailed below:

**Table 3.1.7: Details of Certified Emission Reduction credits**

| Name of IPP | Source of Power | No. of CERs issued (up to December 2012) |
|---|---|---|
| Energy Development Company Limited. (Ullunkal Hydro Power Project) | Small Hydro | 51,514 |
| Viyyat Power Private Limited. (Iruttukanam Small Hydro Electric Project, Kerala) | Small Hydro | 50,955 |
| Zenith Energy Services (P) Limited | Wind | 85,052 |
| **Total** | | **1,87,521** |

*Source: Website of NCDMA*

Audit observed that eventhough, KSEB purchased power to the tune of 585 MU from renewable sources during the period 2008-09 to 2012-13, CDM benefits availed by the IPPs were not shared with KSEB so far (March 2013). On being pointed out about non-sharing of benefits accruing out of carbon credit for the project, KSEB replied (November 2013) that action was being taken to collect the CDM benefits from Wind as well as Small Hydro IPPs.

## Monitoring Mechanism

### *3.1.7.8 Short supply of power by Central Generating Stations*

State of Kerala was getting power from Central Generating Stations (CGS) which is comparatively cheaper and average cost per unit ranged between ₹2 and ₹3.13 during the period 2008-09 to 2012-13. The power allocation from CGSs is decided by the MoP in advance with the approval of CERC. MoP makes periodical revisions in the share of power allotted to States and accordingly CGSs finalise the share (Drawal Schedule) for each State. Based on this Schedule, KSEB assesses the demand deficit and plans purchase of power from Traders/IPPs/Exchanges, etc. During the period from July 2012 to March 2013, there was shortfall in receipt of 852.96 MU (15 *per cent*) power from CGSs. As against scheduled quantum of 6644.70 MU (net entitlement[19] of 5831.45 MU), KSEB received only 4978.49 MU.

In this connection it was noticed in audit that the CE (T-SO) had intimated (August 2012) the Member Secretary, Southern Region Power Committee (SRPC), Bangalore the concern over forced outages of CGSs units from July 2012. The CE (T-SO) requested (September 2012) the Member (Transmission and Generation Operations) to take up the matter at appropriate level as short supply of power by CGSs caused huge financial burden to KSEB due to purchase of costly power coupled with scarce hydro reserve.

In order to make good the shortfall, KSEB had to purchase high cost power by incurring an extra expenditure of ₹163.96 crore reckoned at the purchase rate from traders (***Annexure 14***) from July 2012 to March 2013. Moreover, KSEB had to impose power restrictions through load shedding during the period from 15 December 2012 to 31 May 2013.

KSEB, however, has not initiated any action against CGSs under Clause 'Settlement of Disputes' of the PPAs to get compensation for the loss sustained due to shortfall in supply of allocated/entitled quantity.

KSEB replied that the shortfall in receipt of 852.96 MU of power from CGS was a result of policy decision of the GoI/MoP. Hence, the issue did not come under the purview of the Settlement of Disputes of the PPA.

Reply was not acceptable as the MoP decides only the entitled quantity (allocation) for each State and the shortfall of 852.96 MU referred to was the difference between allocated quantity (net entitlement) by MoP and actual

[19] **Scheduled quantum after Transmission Loss, Auxiliary Power and Plant Load Factor.**

quantity supplied by CGSs to KSEB. Since, the shortage was not due to review of allocation by MoP/GoI, the issue comes under the purview of Settlement Dispute Clause of the PPAs and KSEB should have initiated action to make good the extra expenditure of ₹163.96 crore.

### *3.1.7.9* Excess Transmission and Distribution Losses

KSEB could not achieve the norms fixed by KSERC resulting in excess T&D losses of 451.88 MU amounting to ₹172 crore during the period 2008-09 to 2012-13.

KSEB stated (November 2013) that KSERC had been fixing ambitious but unrealistic loss reduction targets without any scientific study or considering the ground realities of size and complexities of the system and investment requirements. It was stated that loss reduction depends not only on controllable factors such as faulty meter replacement, installation of transformer, etc., but also have a strong footing on the energy sales, line loadings, etc., and consequently there is always mismatch between the loss reduction approved by KSERC and the same achieved by KSEB.

The reply of KSEB was not acceptable as they were aware that KSERC while approving the ARR for the year 2013-14 had observed that in the absence of reliable supporting materials on the T&D loss level, KSERC was not in a position to arrive at more reasonable estimates on the loss reduction or loss level. KSEB failed to provide supporting materials of the T&D loss to determine the actual power requirement. Therefore KSEB had to make up excess loss by procuring additional power at higher cost on short term basis.

## Internal Audit

***3.1.7.10*** As per the Manual on Commercial Accounting System, Volume X (Auditing) for Internal Audit in KSEB, various aspects of all purchases, including trade/cash discounts given are properly availed, whether emergency purchases are really needed or not, budgetary control, etc., are to be checked.

It was seen in audit that total expenditure on purchase of power ranged from ₹3384.52 crore (2009-10) to ₹7199.61 crore (2012-13) during the five years upto 2012-13, which constituted about 57 *per cent* of total expenditure on an average. However, Internal Audit did not conduct pre/post audit of invoices and vouchers of power purchase with reference to agreement conditions defeating the very purpose envisaged in setting up of Internal Audit wing. Thus, deficiencies in internal audit led to following lapses:

- KSEB executed (12 August 1998) a Power Purchase Agreement (PPA) with Kasargode Power Corporation Limited (KPCL) for construction and operation of a power plant with net generating capacity of 21.178 MW. Plant started commercial operation on 14 May 2001 and was supplying power to KSEB since then. As per the PPA, there was a foreign loan (Dutch Guilder) component of ₹35 crore with an interest rate of 10 *per cent* per annum and the exchange rate agreed in the PPA was ₹19.15 per Dutch Guilder. As per Clause 7.2(i) of the PPA, KPCL was eligible to recover the variation on exchange rate for the actual foreign debt service payment made by KPCL by producing documentary evidence. KPCL, however, claimed ₹11.69 crore upto March 2008 towards the exchange rate variation on the loan component of ₹35 crore without producing any documentary evidence.

In the meantime, KPCL admitted before KSERC that they had not availed any foreign loan and hence could not produce the foreign loan payment details. Consequent to this disclosure, KSEB had been retaining 10 *per cent* of the admitted fixed charges from December 2006 onwards and retained ₹5.79 crore upto February 2013. Further, an amount of ₹5.90 crore was receivable from KPCL on this account (March 2013). It indicated inadequacy of internal audit.

- Draft agreements relating to power purchase/trading transactions and other related activities were not being vetted by Internal Audit wing before execution of agreement to ensure that financial interest of KSEB is fully secured.

KSEB replied (November 2013) that due to time constraints and urgency of work, pre-audit of power purchase bills for payment was not practical. Reply further stated that vetting of draft PPAs by internal audit wing would be brought to the notice of Board for consideration.

## Impact

### *3.1.7.11 Revenue realisation from purchased power*

The per unit cost of power purchased from each category during 2008-09 to 2012-13 is given in the following *Table*:

**Table 3.1.8: Details of per unit cost of power purchased**

*(Amount in ₹)*

| Period | CGS # | IPPs # | UI # | Purchase from Traders/ Exchanges # | Sale[20] through Traders/ Exchanges # | Consolidated Purchase Cost* | Average Realisation* |
|---|---|---|---|---|---|---|---|
| 2008-09 | 2.00 | 7.72 | 5.23 | 7.73 | 10.08 | 3.55 | 3.59 |
| 2009-10 | 2.12 | 7.30 | 2.59 | 4.41 | 8.51 | 3.32 | 3.35 |
| 2010-11 | 2.50 | 8.90 | 1.53 | 4.66 | 11.20 | 3.54 | 3.48 |
| 2011-12 | 3.02 | 12.62 | 2.50 | 5.07 | 10.83 | 3.88 | 3.46 |
| 2012-13 | 3.13 | 12.44 | 3.36 | 6.17 | 12.89 | 4.83 | 4.29 |

*#Source: Monthly power purchase statement of CE (Commercial &Tariff)*
**Source: Annual Accounts of KSEB*

[20] **KSEB had sold power at higher rates as and when surplus power was available and the same was deducted from purchase cost for working out consolidated purchase cost.**

Thus, the net realisation of revenue from purchased power, which ranged from 58 to 74 *per cent* of total supply was hardly sufficient to bridge the revenue gap of KSEB. Further, from 2010-11 onwards, the average realisation of revenue from purchased power was less than the cost adversely affecting the financial position of KSEB.

***3.1.7.12*** KSEB met 58 to 74 *per cent* of power requirement through purchase from various sources during the period 2008-09 to 2012-13 and had to spend about 53 to 62 *per cent* of the total revenue for power purchase as shown below:

**Table 3.1.9: Total revenue *vis a vis* expenditure on power purchase**

| | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|
| Total Revenue (₹ in crore) | 6098.99 | 6411.38 | 6925.06 | 7978.05 | 11658.10 |
| Expenditure on Power Purchase (₹ in crore) | 3417.23 | 3384.52 | 3721.59 | 4375.31 | 7199.61 |
| Percentage | 56 | 53 | 54 | 55 | 62 |

*(Source: Annual Accounts of KSEB)*

Since the purchase cost per unit was increasing the margin from supply of purchased power had decreased over the years leading to a loss of ₹1272.84 crore for the five year period 2012-13 as shown below:

**Table 3.1.10: Margin from supply of purchased power**

| Period | Consolidated Purchase Cost per unit* (₹) | Average Realisation per unit* (₹) | Margin per unit (₹) | Energy Purchased (MU) | Profit /(-)Loss (₹ in Crore) |
|---|---|---|---|---|---|
| 2008-09 | 3.55 | 3.59 | 0.04 | 9628.98 | 38.51 |
| 2009-10 | 3.32 | 3.35 | 0.03 | 10199.96 | 30.60 |
| 2010-11 | 3.54 | 3.48 | (-) 0.06 | 10512.29 | (-) 63.07 |
| 2011-12 | 3.88 | 3.46 | (-) 0.42 | 11270.71 | (-) 473.37 |
| 2012-13 | 4.83 | 4.29 | (-) 0.54 | 14916.79 | (-) 805.51 |
| **Total** | | | | | **(-) 1272.84** |

**Source: Annual Accounts of KSEB*

In addition, Audit has found deficiencies/irregularities causing extra expenditure/loss amounting to ₹610.98 crore as detailed in earlier paragraphs.

## Conclusion

**KSEB failed to manage its power deficit well which led to purchase of costly power from IPPs and short term markets. As it did not plan well, it led to delays in execution of projects and imprudent swapping of power decisions leading to extra expenditure. KSEB also could not adhere to norms of actual**

**T&D loss reduction and renewable energy norms nor could take up cases of short supply by Suppliers in time.**

**Recommendations**

- **Long term power purchase plans should be implemented in a time bound manner.**
- **Short term power purchase activities may be streamlined by constituting a separate Trading Wing at System Operation, Kalamassery to arrange swap transactions, purchase from Traders and Power Exchanges through Short Term Open Access.**
- **KSEB should adhere to provisions in regulations and guidelines issued by MoP/CERC/KSERC while floating tenders.**
- **Uneconomic purchase of power from IPPs (BKPL and KPCL) may be reviewed after the expiry of the existing PPAs.**
- **Shortfall in receipt of allocated power from CGS may be taken up with appropriate authorities.**
- **A scientific study may be conducted to determine optimum transmission and distribution loss targets so that power procurement can be done in a planned manner.**
- **The scope of Internal Audit may be widened to include power purchase activities and vetting of Draft PPAs.**

## 3.2 IMPLEMENTATION OF RAJIV GANDHI GRAMEEN VIDYUTIKARAN YOJANA IN KERALA

### Executive Summary


*Introduction*

***The Government of India (GoI) notified (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), a Scheme for rural electricity infrastructure development and household electrification in the country within a period of five years. As per the Scheme, 90 per cent of the total implementation cost was to be financed by GoI as capital subsidy through Rural Electrification Corporation Limited (REC) and the remaining 10 per cent was to be contributed by the respective State Governments. Kerala State Electricity Board (KSEB) was designated as Project Implementing Agency (PIA) of the Scheme in the State.***

*Planning*

***KSEB did not conduct detailed survey which resulted in revision of Detailed Project Reports (DPRs)and consequent delay in implementing the Scheme. Electrification of public places as envisaged in the Scheme was not taken up and they were deprived of the benefits of the Scheme.***

***Out of the DPRs for the total 14 districts submitted by KSEB at the commencement of the Scheme, REC sanctioned (August 2005) DPRs for only seven districts and rejected (October 2005) DPRs of the remaining seven districts due to deviations from REC guidelines. In respect of the seven districts, revised proposals were submitted after a gap of five years from the original proposal.***

*Financial Management*

***Government of Kerala did not contribute 10 per cent of the total implementation cost of the projects as required under the Scheme. Hence KSEB had to arrange the same by way of loan from REC which resulted in financial burden of ₹7.56 crore.***

*Execution*

***Out of the 14 projects taken for implementation, only one project (Idukki district) had been completed so far (March 2013) as against scheduled completion date of March 2010 for the whole State. There were abnormal delays in the implementation of the Scheme due to defective DPRs, incorrect estimation of project quantity and consequent revision of DPRs. Though electrification of 1274 villages was targeted, 37 villages in Idukki district alone were completed so far.***

*Project Monitoring*

***The State and District Level Co-ordination Committees were set up by the State Government for reviewing rural electrification. The State level Committee held only three meetings during entire period of the Scheme and District level Committees held meetings which ranged from one to eleven in the Northern districts.***

| *Impact* | *Recommendations* |
|---|---|
| ***Deficient DPRs and delays in implementation at various stages reduced the coverage and benefits of the Scheme by providing electricity connection only to 0.55 lakh Rural Households (RHHs) as against 4.68 lakh RHHs proposed. Further, there was a loss of capital subsidy of ₹46.30 crore due to departmental execution of work, exclusion of substations in the DPRs and rejection of increase in cost due to additional quantities.*** | ***KSEB should fix responsibility for the deficiencies in the DPR and delay in various stages of implementation. KSEB should take steps to avoid delay in completion of the Scheme to provide access to electricity for all RHHs as envisaged in the Scheme. The meetings of the Committees should be regularly conducted to resolve bottlenecks and constraints. The State Government may reimburse loans taken by KSEB from REC as required under the Scheme.*** |

## 3.2.1 Introduction

The Government of India (GoI) notified (March 2005) Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY), a Scheme for rural electricity infrastructure development and household electrification in the country within a period of five years. Ministry of Power (MoP), GoI framed the guidelines for the implementation of the Scheme and appointed Rural Electrification Corporation (REC) as the nodal agency. The Scheme envisaged overall rural electrification by creating distribution network in each village which would be adequate to provide access to electricity to all Rural Households (RHHs) and cater to requirement of other sectors of village.

The Scheme envisaged electricity connections of 40/60 watts only be provided free of cost to BPL households. Households above poverty line would have to pay for their connections at prescribed connection charges. The Scheme contemplated to provide electric connections to unelectrified public places like schools, Panchayath offices, community/Government health centres/dispensaries, etc. To support these connections, the Scheme also provided for creation of infrastructural facilities *viz* Rural Electricity Distribution Backbone (REDB), Village Electrification Infrastructure (VEI) and Decentralised Distributed Generation (DDG) and supply for transmission and distribution of electricity. The Scheme was to be implemented by the electricity utility through turnkey contractors and the management of rural distribution was to be done through franchisees.

Kerala State Electricity Board (KSEB) targeted (April 2005) to electrify 4.68 lakh RHHs with a projected cost of ₹438.36 crore. The target was reduced to cover 0.91 lakh BPL households with a revised project cost of ₹224.35 crore[21].

[21] **Idukki – ₹ 19.95 crore, six Northern districts – ₹ 114.57 crore and seven Southern districts – ₹ 89.83 crore.**

### 3.2.2 Structure for implementation of the Scheme

KSEB, being the sole utility for generation, transmission and distribution of power in the State, was designated as the Project Implementing Agency (PIA) of the Scheme in the State. The Chief Engineers (Corporate Planning, Distribution-North/South/Central) and the Deputy Chief Engineers of Circle Offices were entrusted with the responsibility of implementation of the Scheme.

### 3.2.3 Scope of Audit

The present performance audit conducted from July 2012 to December 2012 and from April 2013 to June 2013 covers implementation of RGGVY during the period 2008-09 to 2012-13. The records of KSEB maintained with Chief Engineers (Corporate Planning, Distribution- North/Central), Circle Offices and Section Offices were examined with a view to analyse the economy, efficiency and effectiveness in implementation of the Scheme.

### 3.2.4 Audit Objectives

The objectives of the performance audit were to ascertain whether:

- Detailed Project Reports (DPRs) were prepared on the basis of model DPR and included all parameters necessary to achieve the objectives of the Scheme;
- the execution of RGGVY works including procurement and award of turnkey contracts were managed economically, effectively and efficiently in a timely manner and in compliance with guidelines and
- there was an adequate and effective mechanism for monitoring and evaluation of implementation of the Scheme.

### 3.2.5 Audit Criteria

The following audit criteria, flowing from the following records, were adopted:

- Rural Electrification Policy 2006;
- Scheme Guidelines issued by Ministry of Power and additional guidelines issued by REC regarding Quality Control and Procurement of Goods and Services etc.;
- Tripartite/Quadripartite agreements among REC, State Government, State Power Utilities;
- Board Minutes and Agenda Notes of KSEB;
- Sanction for payment of capital subsidy of MoP and
- Detailed Project Reports.

## 3.2.6 Audit Methodology

The methodology adopted for attaining audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, scrutiny of records at Head Office and selected units, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of Draft Report to KSEB/ Government for comments.

## 3.2.7 Audit Findings

We explained the audit objectives to the Management of KSEB during an Entry Conference (August 2012) and audit findings were discussed in an Exit Conference (January 2013). The Entry Meeting was attended by the Additional Secretary (Power Department), Government of Kerala (GoK) and representatives of KSEB. The Exit Conference was attended by representatives of KSEB. KSEB replied (January 2014) to audit findings and same have been considered while finalising this Performance Audit Report. The audit findings are discussed in subsequent paragraphs.

### Component-wise Physical progress

***3.2.7.1*** Based on implementation, 14 projects in the 14 districts of the State were grouped into three phases i.e, Phase-I (Idukki district), Phase-II (six northern districts) and Phase-III (seven southern districts) and progress of implementation of four components is shown below:

**Table 3.2.1: Details of progress of implementation**

| Component | Phase I (Idukki District) | | Phase II (6 Northern Districts) | | Phase III (7 Southern Districts) | | Total | | Per-centage |
|---|---|---|---|---|---|---|---|---|---|
| | Target | Achievement | Target | Achievement | Target | Achievement | Target | Achieve-ment | |
| **1.REDB**[22] | Nil | Nil | 3 | Nil | 1 | Nil | 4 | Nil | |
| **2.VEI Works:** a)LT Single phase (KMs) | 258.35 | 368.69 | 2113.39 | 710.95 | 419.57 | Nil | 2791.31 | 1079.64 | 39 |
| b) LT 3 Phase (KMs) | 62.14 | 63.51 | 358.57 | 136.32 | 269.67 | Nil | 690.38 | 199.83 | 29 |
| c) 11KV Line(KMs) | 350.90 | 249.94 | 995.16 | 442.82 | 796.52 | Nil | 2142.58 | 692.76 | 32 |
| d) Transformer (Nos.) | 308 | 275 | 1050 | 366 | 1159 | Nil | 2517 | 641 | 25 |
| **3.Electrification of Households** | 16097 | 17238 | 55965 | 37904 | 18839 | Nil | 90901 | 55142 | 61 |
| **4. DDG** | Nil | Nil | Nil | Nil | Nil | Nil | Nil | Nil | |

[22] **Targeted for four districts – Malappuram, Wayanad, Ernakulam and Palakkad.**

The Scheme scheduled for implementation during the period of five years from April 2005 to March 2010 could not be completed till date (March 2013) due to delays in planning and execution in an extremely lackadaisical manner. Moreover, the focus of KSEB was only on providing VEI (component 2) and household connections (component 3); while the development of infrastructure through REDB and DDG necessary to support electrification of the households was grossly neglected. The overall physical progress of implementation of the various components in the State even after eight years averaged 31 *per cent* in respect of creation of infrastructure and 61 *per cent* in respect of electrification of BPL households. The electrification of unelectrified public places like schools, Panchayath offices, Government health centers, etc., was totally ignored. Mishandling at various stages of the project is explained in subsequent paragraphs.

**Financial Progress**

*3.2.7.2* As per the guidelines issued, REC had to release Capital Subsidy in four instalments as follows:

- First instalment - 30 *per cent* of sanctioned project cost within 15 days from the date of execution of loan documents and fulfillment of all requirements.
- Second instalment - 30 *per cent* within 15 days from submitting the expenditure details to REC by implementing agency after obtaining necessary concurrence of State Government for 80 *per cent* of expenditure of first instalment.
- Third instalment: 30 *per cent* of the sanctioned project cost within 15 days from submitting the expenditure details to REC by implementing agency after obtaining necessary concurrence of State Government for 80 *per cent* of expenditure of first and second instalments.
- Fourth and final instalment: 10 *per cent* of the sanctioned project cost within 30 days from submitting the expenditure details and completion details to REC by State Power Utility after obtaining necessary concurrence of State Government and after final monitoring by REC.

KSEB could obtain only ₹104.33 crore (47 *per cent*) against total project cost of ₹224.35 crore from REC due to slow progress in implementation. Further, the actual utilisation for the last eight years was only ₹66.57 crore (64 *per cent*) as shown below:

**Table 3.2.2: Fund receipt from REC and its utilisation**

***(₹ in crore)***

| Year | Opening Balance | Fund Received from REC | Total | Fund Utilised | Unspent fund at the end of the year |
|---|---|---|---|---|---|
| **2005-06** | 0 | 0 | 0 | 0 | 0 |
| **2006-07** | 0 | 5.02 | 5.02 | 1.50 | 3.52 |
| **2007-08** | 3.52 | 0.10 | 3.62 | 1.99 | 1.63 |
| **2008-09** | 1.63 | 0.84 | 2.47 | 8.18 | -5.71 |
| **2009-10** | -5.71 | 10.59 | 4.88 | 7.33 | -2.45 |
| **2010-11** | -2.45 | 31.89 | 29.44 | 1.45 | 27.99 |
| **2011-12** | 27.99 | 0 | 27.99 | 21.67 | 6.32 |

| | | | | | |
|---|---|---|---|---|---|
| **2012-13** | 6.32 | 55.89 | 62.21 | 24.45 | 37.76 |
| **Total** | | **104.33** | | **66.57** | |

*Source: Details furnished by Chief Engineer (Corporate Planning), KSEB*

As per the Scheme, 90 *per cent* of the total implementation cost would be financed by GoI as capital subsidy through REC and the remaining 10 *per cent* was to be contributed by the respective State Governments. As GoK did not contribute its share of 10 *per cent* of the project cost, KSEB had to arrange the same by way of loan from REC which resulted in financial burden of ₹7.56 crore.

Audit noticed that the delay in implementation of the Scheme was due to the following factors:

- Submission of DPRs not in accordance with RGGVY guidelines;
- delay in getting sanction from REC and 'No Objection Certificate' from the Forest Department and
- delay in tendering, awarding and execution of works in northern districts.

### *3.2.7.3 Loss of central assistance due to deficient DPRs*

Deficient DPRs and delays in implementation at various stages further reduced the coverage and benefits of the Scheme by providing electricity connection only to 0.55 lakh RHHs. Because of this there was reduced Central assistance under RGGVY as shown below:

**Table 3.2.3: Details of reduction in coverage**

| **Impact in coverage** | | | |
|---|---|---|---|
| **Proposal** | **Households** | **Outlay (₹ in crore)** | **Period** |
| Original proposal for 14 districts (April 2005) | 4.68 lakh (including 2.09 lakh BPL) | 438.36 | 5 years |
| Revised proposal for 14 districts (April 2005 to December 2012) | 1.66 lakh (including 0.91 lakh BPL) | 224.35 | 8 years but only 31 *per cent* completed. |
| Loss of benefit to the State | 3.02 lakh not electrified | 214.01 | |

KSEB replied that revised DPRs were prepared based on actual survey and number of BPL service connections as per actual survey was lesser than that proposed earlier. REC has rejected 24 numbers of substations proposed under REDB in the DPR and hence the sanctioned amount was lesser than the proposed amount. The reply does not hold good as reduction in Central assistance was mainly due to delay in the implementation of the Scheme and in the meantime various works were executed by KSEB utilising its funds.

## Planning

Deputy Chief Engineers (Dy CEs) of Circle Offices were entrusted to prepare the DPRs for all the 14 districts. Audit noticed that the DPRs prepared by the

Dy CEs were not as per REC guidelines[23], had technical flaws and did not target all the BPL households as envisaged in the scheme.

### *3.2.7.4 Delays in preparation and submission of DPRs*

Audit noticed that when the Scheme envisaged to complete the project within a period of five years from April 2005, KSEB took eight years (April 2005 – March 2013) for submitting several proposals to REC as the DPRs submitted by KSEB had several deficiencies. The latest proposal for DDG was submitted only in March 2013.

### *3.2.7.5 Deficiencies in the DPRs*

Out of the DPRs for the 14 districts submitted by KSEB at the commencement of the scheme, REC sanctioned (August 2005) DPRs for only seven districts and rejected (October 2005) DPRs of the remaining seven districts due to deviations from REC guidelines as indicated below:

- In the DPRs of the five southern districts[24] rejected by REC, KSEB had submitted two DPRs per district, instead of single DPR as envisaged in the guidelines.
- In respect of other districts,[25] REC requested to submit justification for the number of distribution transformers and habitations included in the DPR.

KSEB resubmitted the DPRs for seven southern districts in October 2005. REC did not consider the revised DPRs submitted by KSEB up to 2008 and then it was shifted (June 2008) to second phase of the XI Plan. This delay in getting the projects approved by REC at the first instance in August 2005 was the most important factor that led to the delays in implementation of the scheme. There were further delays in the submission of DPRs. Chronology of events is given in ***Annexure 15***.

KSEB's unsuccessful attempt to entrust the work of revision of DPRs to NTPC Electric Supply Company Limited (NESCL) (September 2006 – September 2009) was another source of delay as NESCL withdrew due to its preoccupation with ongoing RGGVY projects of various States. During this period (2005-2009), KSEB executed some of the works proposed earlier under the Scheme in the six northern districts. Hence fresh DPRs had to be submitted for these six northern districts between September and October 2009 which was sanctioned in March 2010 at a total project cost of ₹114.57 crore. Similarly, in respect of seven southern districts, revised proposals were submitted (between September 2010 and May 2011) after a gap of five years from the original proposal (2005). REC approved the revised DPRs in December 2011 and February 2012 at a project cost of ₹89.83 crore.

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**[23] As per para 4.1(a) of RGGVY guidelines, the jurisdiction of the project should normally be co-terminus with an administrative district with block wise identification of infrastructure to provide access to electricity to all rural households in all the villages. Thus the project shall contain district wise list of villages which shall include tribal villages as well as dalit bastis together with correct information and data as per census 2001 regarding population, number of household, BPL household and the revenue villages.**

**[24] Thiruvananthapuram, Kollam, Kottayam, Ernakulam, Thrissur.**

**[25] Pathanamthitta and Alappuzha.**

Though the Scheme stipulated four components[26], KSEB mainly focused on two components (VEI and household electrification) ignoring the remaining two components (REDB and DDG).

KSEB replied (January 2014) that there was no specific direction in the guidelines regarding preparation of district wise scheme. It was also stated that the delay was due to the reasons beyond the control of KSEB. After consultations with REC, the final proposal under DDG package was submitted during March 2013. The reply was not acceptable as there were specific directions to prepare DPR district wise. Further, KSEB prepared DPRs that were not in accordance with guidelines and submitted DPRs for DDG belatedly which had resulted in delay in implementation of the Scheme.

Audit test checked three northern districts (Kozhikode, Malappuram and Wayanad) where REC had approved the projects in March 2010. Audit noticed that Dy CEs failed to conduct the detailed survey, as envisaged in the REC guidelines. Instead, they opted for the easy way of compiling information collected from various Section Offices under them. As a result, the actual infrastructure requirement was much more in some '*karas*'[27] than what was projected in the DPRs.

KSEB replied that as some of the works proposed earlier had been executed under other Schemes like Normal development, Voltage Improvement Scheme, etc., re-survey has been conducted to find out new households to be electrified which necessitated additional infrastructure in some *karas*. The reply does not hold good as requirement of increased quantum of materials for infrastructure indicated absence of proper survey at the time of preparing original DPRs.

### *3.2.7.6 Inadequate coverage of beneficiaries*

As against 12.40 lakh unelectrified households which existed[28] (2005) in the 14 districts in the State, KSEB proposed electrification of 4.68 lakh (38 *per cent)* households only under the Scheme which shows that 62 *per cent* households would remain without power connection.

In respect of the seven districts in phase I and II, electrification was proposed for 2.27 lakh households only as against 5.05 lakh households identified. Thus, KSEB had targeted only about 50 *per cent* of the target group. To justify the inadequate coverage in these districts, Chairman, KSEB informed (August 2006) REC that the remaining households would be electrified in future.

KSEB justified (January 2014) inadequate coverage stating that the proposal was restricted so as to adhere to the REC stipulations *viz,*

- VEI was for electrification of 100 household per village and
- the benchmark cost fixed for VEI was ₹ four lakh in normal terrain and ₹ six to eight lakh in hilly terrain.

**[26] REDB,VEI, DDG and Household electrification**
**[27] A small area in a village is referred as *'Kara'***
**[28] As per the report of Accelerated Rural Electrification project -2005**

The reply was not acceptable as KSEB failed to consider all unelectrified RHHs in the proposal submitted to REC. Further, all the projects in Kerala were sanctioned above the bench marked limits.

### *3.2.7.7 Exclusion of Scheduled Tribe beneficiaries*

Audit noticed that KSEB omitted 91 beneficiaries in four Scheduled Tribe (ST) Colonies[29] in Malappuram district in the revised DPR submitted to the REC, the estimated cost of which worked out to ₹50.30 lakh.

KSEB replied (January 2014) that the four ST colonies were included in the sanctioned scheme. Further, some of the beneficiaries had already remitted the OYEC charge[30] and service connections were effected to these beneficiaries. The reply does not hold good as KSEB omitted these beneficiaries in the revised DPRs and from the reply it is evident that some beneficiaries were forced to remit connection charges to get electricity due to non-inclusion of these beneficiaries under Scheme.

### Delay in Tendering and awarding of works

***3.2.7.8*** Due to various delays/issues in the tendering process, KSEB took 16 months to award the work in Phase I and 66 months to award the works in Phase II, which were approved by REC in August 2005. REC permitted KSEB for direct execution for the Phase III in September 2012. Audit noticed delays in every stage of tendering and award of contract as shown in ***Annexure 16***.

For the projects in the six northern districts (Phase II) approved by REC in March 2010 at a total project cost of ₹114.57 crore, the Full Board immediately accorded (March 2010) sanction for implementation of the Scheme and to invite turnkey tenders for the six northern districts. Accordingly, the Chief Engineer (TC & M) invited (April 2010 to August 2010) turnkey tenders. Lowest quoted rates for the component VEI works ranged from 1.64 *per cent* to 15.59 *per cent* below Probable Amount of Contract (PAC).

Though the Chief Engineer (TC & M) issued work orders between August 2010 and March 2011 (***Annexure 17***), none of the works under the VEI component were completed within the stipulated period. The average progress (March 2013) was 38 *per cent* in respect of infrastructure creation and 68 *per cent* in respect of electrification of households.

[29] Kodumphuzha, Nelliyayi, Kureeri and Mankulam
[30] Own your electric connection

KSEB replied that the delay was due to reasons beyond their control and executions of work are expected to be completed on 31 January 2014. However, the fact remains that the Scheme could not be implemented within the stipulated time.

**Execution of work**

***3.2.7.9*** Audit examined the component-wise execution of the Scheme in Phase I, II and III and it was observed that there was abnormal delay and the work was completed in one district only after a delay of more than three years. Though the electrification of 1274 villages was targeted, 37 villages in Idukki district alone were electrified during the period 2007-2010. The component-wise audit findings in respect of the three phases are given below:

***3.2.7.10 Rural Electricity Distribution Backbone***

REDB component of the Scheme was intended for establishment of new/augmentation of existing 33/11 KV (or 66/11 KV) substations of adequate capacity and lines to strengthen the electricity supply backbone in blocks where these facilities did not exist. KSEB's original proposal (2005) for construction of 25 substations of both capacities in 10 districts was rejected by REC as the proposals were for constructing new substations in blocks where the facilities already existed. Later, KSEB submitted the revised proposal (September 2009 to May 2011) for construction of only four substations in four districts under component 1 and REC sanctioned the same for ₹16.45 crore. This was very negligible (*7 per cent*) compared to the total sanctioned cost (₹224.35 crore) of the project. Thus, the State lost an opportunity to develop a robust electrical transmission backbone for rural areas at the cost of GoI. Among the four projects sanctioned[31] for construction of 66/11 KV Substations/enhancement of 33 KV Substations, only one project (Malappuram) has been started and even this project is badly delayed.

KSEB replied that REC sanctioned only three REDB works and the other projects were rejected by REC as the substations were proposed in the Block where the facility already existed. REDB work at Wayanad, Palakkad, Malappuram and Ernakulam are expected to be completed before 31 March 2014. The reply was not acceptable as KSEB did not explore the chances to include more number of blocks where there were no substations in the REDB proposals by analysing proper block wise requirement of substations. Further on a test check, Audit observed that KSEB omitted to include two substations[32] proposals which were eligible for capital subsidy under the Scheme as brought out in subsequent paragraph (***3.2.7.19***).

**Progress of the Malappuram REDB Project**

The sanctioned cost for Malappuram was ₹7.16 crore. The work was awarded (August 2011) to the lone bidder, Aster Pvt. Ltd., Hyderabad at the quoted rate of

[31] **Malappuram,Wayanad,Palakkad and Ernakulum**

[32] **Thodannur Block and Tanur Block**

₹8.27 crore and scheduled for completion within 12 months i.e. by August 2012. Even after a lapse of 19 months from the date of award, the land development has not been completed (December 2013). Dy CE, Transmission Circle, Malappuram who was responsible for the implementation of the project failed to take suitable action for ensuring timely completion of the work.

KSEB replied that it had proposed construction of 66/11 KV substation and 66 KV DC line in the DPR. During the Load Flow Study at the period of sanction it was found that the Substation and Line with 110 KV parameter was viable at that area. Hence, Board requested REC to issue approval for the construction of Substation and Line with 110 KV parameter. After obtaining sanction from REC, turnkey tenders were invited and work was awarded. This process had taken time and consequentially the project got delayed. The reply was not tenable as KSEB cannot escape the responsibility of preparing a faulty DPR.

### *3.2.7.11 Village Electrification Infrastructure*

Village Electrification Infrastructure (VEI) component of the Scheme was intended for constructing 11 KV lines and single and three phase lines with provision of distribution transformers of appropriate capacity to support electrification of unelectrified villages and habitations. The requirement of Distribution Transformer was to be fixed as per the ground requirements and keeping voltage regulations within the permissible limits. Audit noticed the following issues in the implementation of VEI component.

**Phase 1 – Idukki district**

KSEB awarded (January 2007) the work of VEI in Idukki district to ICSA India Ltd., Hyderabad on turnkey basis for ₹17.65 crore (19.45 *per cent* above PAC of ₹14.78 crore). The LoA stipulated that the execution of work shall be done in such a manner so as to complete the erection, testing and commissioning of the entire work within 18 months from the date of issue of LoA. Thus, the entire work was to be completed by June 2008. The work was, however, completed after a delay of 24 months in June 2010 at a cost of ₹20.41 crore.

Audit observed that while preparing the initial DPR, KSEB limited the length of LT line to be drawn under the Scheme to one kilo meter per *kara*, whereas there was no such condition stipulated in the Scheme guidelines. During execution, KSEB noticed that the length proposed in the DPR was not sufficient for electrification of all the scattered BPL households in the district. Hence KSEB had to draw LT lines beyond one kilo meter which necessitated revision of DPR enhancing the cost to ₹19.95 crore. This resulted in delay of two years from the stipulated date in completion of the project.

KSEB admitted (January 2014) that there was no such mandatory condition in the guidelines. The lack of proper study while preparing DPR led to the delay and cost overrun.

**Phase II- Six northern districts**

**Technical flaws in project formulation**

KSEB has been following the standard practice of using Aluminium Conductor Steel Reinforced (ACSR) Raccoon conductor for 11 KV line works. In the RGGVY works, however, ACSR Rabbit conductors were used for 11 KV line works (except for Kasargode District). The cost of Raccoon and Rabbit conductors per km was ₹58,500 and ₹39,600 respectively. As the network created under the Scheme was to be ultimately interlinked to KSEB network, usage of Rabbit conductors would result in higher distribution losses and compatibility issues as pointed by the Chief Engineer (North). Hence, the segment of 11 KV lines drawn with Rabbit conductor will have to be replaced with Raccoon conductor which may result in additional financial burden on KSEB. A test check of three districts[33] revealed that KSEB erected (March 2013) 514.80 kms of rabbit conductors in 11 KV lines.

KSEB replied that selection of conductors depended on the prevailing load conditions. However, in Kasargode District ACSR Raccoon conductors for 11KV line works were used by KSEB in similar conditions.

**Phase III -Seven southern districts**

In respect of the seven southern districts, REC approved (during December 2011/ February 2012) the DPRs for a project cost of ₹72.89 crore and permitted (September 2012) KSEB to execute the works departmentally fixing one year time for completion. REC released (January/February 2013) ₹25.62 crore towards first instalment. KSEB had not completed the works till date (January 2014).

### *3.2.7.12 Decentralised Distributed Generation and supply*

DDG (Component 4) intended supply of energy from non-conventional sources for villages where grid connectivity was either not feasible or not cost effective. But KSEB did not propose any such projects. Thus there were no DDG projects in Kerala.

Later, KSEB identified such areas and submitted proposals for 17 DDG projects in Palakkad and Wayanad districts targeting 870 beneficiaries with a project cost of ₹24.25 crore during December 2012 to March 2013 to REC. Approval of these projects was awaited (March 2013).

In Idukki District, KSEB could not electrify two villages under VEI component due to forest clearance issues. KSEB could have proposed these two villages under DDG component of the scheme in order to achieve the objectives of the scheme.

KSEB replied that steps were taken for submitting proposal under DDG packages. After investigation and analysis, it was found that only Special Purpose Vehicle (SPV) projects are viable in the identified remote areas far away from the grid connectivity. As per the guidelines for DDG projects, area having population

[33] Kozhikode, Malappuram and Wayanad

more than 100 could be considered for the proposal. After consultation with REC, the final proposal has been submitted to REC during March 2013. Reply was not acceptable as KSEB should have done this study in advance in a time bound manner.

### *3.2.7.13 Household connections*

The Scheme envisaged electrification of unelectrified BPL Households in all rural habitations with 100 *per cent* capital subsidy. Households above poverty line would pay for their connections at prescribed connection charges. On completion of the project (June 2010) 17,238 service connections were provided in Idukki district (Phase I). Audit, however, noticed that 2,821 BPL households still remain to be electrified. In the six northern districts (Phase II) KSEB provided 37,904 service connections as of March 2013 against the target of 55, 965 households.

KSEB replied that electrification of unelectrified BPL households in Idukki district will be proposed in the second phase of the scheme. The six northern district schemes have execution period up to 31 March 2014 and all the targeted BPL connections will be effected within this period.

## Management of Rural distribution system

***3.2.7.14*** As per the Scheme guidelines and tripartite agreement executed among KSEB, GoK and REC, KSEB had to deploy non-Governmental organisations (NGOs), Users association, Panchayath institutions, co-operatives or individual entrepreneurs as franchisee for the management of rural distribution to make the system revenue sustainable by reducing the Aggregate Technical and Commercial losses (AT&C losses). It envisages Bulk Supply of power to the franchisee relieving KSEB of the responsibilities of feeder maintenance, meter reading, billing, revenue collection, etc. KSEB, diluting the above provisions, engaged "kudumbasree units," [34] self-help groups, as franchisee for meter reading work alone in Idukki district, while ignoring all other aspects of the management.

Even this did not materialise as the Hon'ble High Court of Kerala directed (June 2011) that qualified persons be engaged for the work. KSEB, however, failed to deploy franchisees so far (March 2013) which would entail conversion of the project subsidy of ₹16.37[35] crore into loan.

In the Full Time Members meeting held in February 2013, KSEB decided to take up the matter with GoK to request GoI to exempt the introduction of franchisee system.

KSEB replied that as per the existing distribution system, deployment of franchisee was not viable and the matter had been taken up with Government of India and REC.

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**[34] Kudumbasree is one of the largest women empowerment projects in the state of Kerala. Kudumbasree units undertakes collective works such as micro enterprises, lease land farming, cleaning of public places, collection of garbage etc, through concerted community action under the leadership of Local self Governments.**

**[35] 90% of ₹18.19 crore (Idukki district).**

### *3.2.7.15 Project Monitoring*

GoK constituted (June 2008) District Level Co-ordination Committee (DLCC) and (December 2008) State Level Co- ordination Committee (SLCC) for monitoring and ensuring the smooth execution of the Scheme. The above Committees were to meet once in every month to resolve the bottlenecks and constraints such as delay in receipts of forest clearance, identification of beneficiaries etc. Audit noticed that SLCC held only three meetings during entire period of the Scheme. As regards DLCC, meetings held ranged between one and eleven[36] in selected district. Thus the Committees failed to meet regularly to resolve the bottlenecks.

The failure to conduct regular meetings of the Committees to sort out issues regarding forest clearance, etc., contributed to non-electrification of some colonies in Idukki, Wayanad and Malappuram districts for want of forest clearance. KSEB replied that SLCC was headed by the Chief Secretary and not under KSEB's Control. The reply was not acceptable as KSEB failed to convene regular meetings of various Committees for monitoring and smooth implementation of the Scheme. Further, in respect of SLCC, KSEB could have requested the Chief Secretary to convene regular meetings for the effective implementation of the Scheme.

## General Deficiencies in Project Implementation

### *3.2.7.16 Failure to levy liquidated damages in Wayanad District*

The Deputy Chief Engineer, Electrical Circle, Kalpetta did not recover liquidated damages[37] of ₹51.36 lakh from the contractor[38] of Wayanad district though the works were not completed within the stipulated time. On this being pointed out by Audit in December 2012, ₹13.40 lakh was recovered from the contractor and the balance amount was stated to be recovered from his subsequent bills.

KSEB replied that REC had extended the execution period up to September 2013. Hence KSEB also extended the execution period accordingly and penalty recovered was refunded. The reply was not acceptable as the extended time allowed by the REC to KSEB should not have related with contract conditions. Refund of liquidated damages to the Contractor in spite of poor implementation of the project lacked justification.

### *3.2.7.17 Failure to recover Labour Welfare Cess[39] from the Contractor*

As per section 3 (1) of the Building and Other Construction Workers Welfare Cess Act 1996, labour welfare cess at the rate of one *per cent* of the cost of works from the contractor's bill was to be recovered by the employer. In Idukki district, Dy CE, Electrical Circle, Thodupuzha failed to recover ₹0.16 crore while releasing payments of ₹16.21 crore to the contractor.

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[36] **Kasargode -8, Kannur- 11, Kozhikode-4, Malappuram-1, Palakkad-5 and Wayanad- 4.**

[37] **Liquidated damages - a sum of 0.5 *per cent* of the contract price for each calendar week of delay or part thereof subject to a maximum of 5 *per cent* of the contract value.**

[38] **Aravalli Infra Power Limited, New Delhi**

[39] **Labour welfare cess @1 *per cent* of the cost of works from the contractor's bill**

KSEB replied (January 2014) that recovery of Building and other Construction Workers Welfare Cess was not applicable as there was no new construction of building. In Kerala, there was only intensive electrification in the existing electrified villages, which envisaged extension of existing infrastructure and not the creation of new distribution network. The reply was not acceptable as recovery of the cess from the contractor's bill was mandatory and the same was recovered in Wayanad district.

**Impact**

### *3.2.7.18 Inadequate coverage of the target group and not covering public places*

As against 12.40 lakh unelectrified households existed (2005) in the State, the original proposal was to cover only 4.68 lakh households. There was no proposal for electrifying public places though envisaged in the Scheme.

While accepting the audit observations, KSEB replied that the DPRs were prepared in consultation with the local authorities. Infrastructure required would be provided to those public places as per their request. However, the facts remain that capital subsidy for these works would not be available as those works are not part of the DPR and public places like schools, Panchayath offices, Government health centers, etc., remain unelectrified.

### *3.2.7.19 Loss of capital subsidy*

Failure of KSEB to include all the requirements for setting up infrastructure in the original DPRs and execution of works from KSEB's own funds in anticipation of sanction from REC resulted in loss of capital subsidy of ₹46.30 crore as shown below:

**Table 3.2.4: Details of reasons for loss of capital subsidy**

*(₹ in crore)*

| | Loss of capital subsidy due to: | Amount |
|---|---|---|
| 1 | Departmental execution of works and exclusion of substations in the DPR[40] | 14.45 |
| 2 | Failure to include VEI works in the DPRs of six northern districts | 29.85 |
| 3 | Rejection of increase in cost due to additional quantities (Idukki district) | 2.00 |
| | **Total** | **46.30** |

Detailed audit observations are as under:

- As the implementation of the Scheme was delayed, KSEB had to execute (2006-07 to 2009-10) many of the works under normal developmental works during the period between the earlier sanction and preparation of revised DPR

[40] **Due to execution of work under its own fund as normal development works - ₹ 10.52 + ₹ 3.93. augmentation/construction of Sub Station at Thodannur and Tanur.**

in anticipation of sanction from REC. KSEB incurred ₹11.69 crore on this account during 2006-07 thereby losing capital subsidy of ₹10.52[41] crore.

- KSEB proposed the work of augmentation of a Sub Station at Thodannur Block and construction of one Sub Station at Tanur Block costing ₹4.37 crore with its own funds. Failure of KSEB in identifying and including these works under RGGVY resulted in forgoing of capital subsidy of ₹3.93[42] crore.
- KSEB awarded (August 2010 to March 2011) the VEI works in six northern districts on turnkey basis at a total contract price of ₹82.09 crore. Subsequently, based on joint survey with the contractor, KSEB enhanced the contract price from ₹82.09 crore to ₹115.26 crore and submitted (July 2012) the same to REC for approval. REC, however, did not approve the revised estimate stating that no quantity variation would be allowed as per the Scheme. Full Board of KSEB decided (March 2013) to bear the additional cost of ₹33.17 crore which resulted in loss of subsidy of ₹29.85 crore[43].
- KSEB incurred an expenditure of ₹20.41 crore for implementing the Scheme in Idukki district. Out of this, ₹2.22 crore, was on account of rate revision granted for extra quantities and was rejected by REC. As a result a capital subsidy of ₹ two [44] crore (90 *per cent*) was lost.

KSEB stated (January 2013) that (a) the implementation of the Scheme was delayed as GoI had neither accorded sanction for execution of the projects at the quoted rates nor permitted execution of the works departmentally. They had therefore to be got finally executed departmentally; (b) for augmentation/construction of substations, REC would not sanction proposal for substation in the Revenue Block where substation already exists; (c) enhancement in contract price was necessitated due to the peculiar terrain conditions and scattered households and (d) rate revision in Idukki scheme was necessitated as estimates were prepared during April 2005 based on then existing rate and rate revision was warranted due to increase in cost of material.

The reply of KSEB that REC would not sanction proposal for substation where it already exists was factually incorrect as both the revenue blocks had no sub stations at the time of proposal. Similarly, enhancement of contract price for VEI works in six northern districts and rate revision in Idukki scheme could have been avoided had the estimates were properly prepared.

[41] **90 *per cent* of ₹ 11.69 crore.**
[42] **90 *per cent* of ₹4.37 crore.**
[43] **90 *per cent* of ₹ 33.17 crore.**
[44] **90 *per cent* of ₹ 2.22 crore.**

## Conclusion

- **RGGVY, launched in April 2005 had envisaged providing electric connections to all RHHs and to BPL households free of charge within a period of five years. However, the Scheme could be implemented only in Idukki district till date (March 2013). The deficiencies in DPRs contributed to delay in implementation.**
- **There was a loss of capital subsidy of ₹46.30 crore due to departmental execution of work, exclusion of substations in the DPRs and rejection of increase in cost due to additional quantities.**
- **Electrification of public places as envisaged in the Scheme was not taken up in the State and they were deprived of the benefits of the Scheme.**
- **There was delay in identifying villages for supply of energy from non-conventional sources where grid connectivity was not feasible.**
- **Lackadaisical manner in execution led to poor coverage of villages under the Scheme.**

## Recommendations

**KSEB should fix responsibility for the deficiencies in the DPR and delays in various stages of implementation. KSEB should also take steps to avoid delay in completion of the Scheme to provide access to electricity for all rural households as envisaged in the Scheme. The meetings of the Committees should be regularly conducted to resolve bottlenecks and constraints. As GoK has not contributed the required share of 10 *per cent* of the project cost (₹7.56 crore) KSEB had to arrange the same by way of loan from REC and this may be reimbursed.**

# CHAPTER IV

# COMPLIANCE AUDIT OBSERVATIONS

# Chapter IV

# 4. COMPLIANCE AUDIT OBSERVATIONS

Important audit findings emerging from test check of transactions made by the State Government companies/corporations have been included in this Chapter.

## Government companies

### The Kerala State Cashew Development Corporation Limited

### *4.1 Procurement of Raw Cashew Nuts*

#### 4.1.1 Introduction

The Kerala State Cashew Development Corporation Limited (Company) was functioning from July 1969 with 10 factories with the objective of processing Raw Cashew Nuts (RCN) and its trading. Subsequently, Government of Kerala (GoK) took over (July 1988) 36 factories in private sector which were locked out and entrusted with the Company for operating and providing employment to the workers. At present the Company is operating 30 cashew factories, two Value Addition Units and has 776 employees and 14994 factory workers in its rolls as on 31 March 2013. During the period from April 2008 to March 2013 the Company purchased 1,33,380 MT of RCN worth ₹771.44 crore through 22 tenders and 46 purchase agreements, besides procurement directly from farmers.

#### 4.1.2 Background and Scope of audit

The Company is incurring losses continuously and the accumulated loss as on 31 March 2009 (latest finalised accounts) was ₹812.92 crore. One of the major reasons for the loss was deficiencies/irregularities in the purchase of RCN. Based on the Audit Reports for the years 1996 and 2008 the Committee on Public Undertakings (COPU) had recommended (July 2003 / June 2012) to do away with the post tender negotiations and streamline the procurement of RCN in a transparent and cost effective manner. The Expert Committee (EC) appointed (April 2007) by GoK had also made (August 2007) similar recommendations.

The Board of Directors (BoD), however, continued with the prevailing practice after obtaining (December 2007) approval from Industries Department, GoK. Based on quick verification (November 2012) by Vigilance and Anti-corruption Bureau (VACB), the Vigilance Department was requested (March 2013) by VACB for according sanction to conduct a detailed enquiry to unearth the irregularities in the procurement of RCN. The Vigilance Department, however, denied sanction stating that a vigilance enquiry was not necessary.

In view of the above state of affairs, Audit decided to conduct a detailed study covering a period of five years up to 2012-13 to assess the transparency and fairness, equity and economy, efficiency and effectiveness of the prevailing system of procurement of RCN by the Company besides a review of the follow up action on the earlier audit findings and COPU recommendations.

### 4.1.3 Audit Findings

Audit analysed all the 22 tenders and 46 purchase agreements from 2008-09 to 2012-13. It was noticed that the purchases were made disregarding the COPU and EC recommendations and were plagued by various deficiencies in planning, tendering and award of contracts as discussed in succeeding paragraphs.

#### 4.1.3.1 Excessive dependence on a local trader for procurement

The average annual production of RCN in Kerala was estimated at 72000 MT[1]. Instead of procuring maximum quantity of Kerala RCN, the Company also imported cashew nuts from African countries viz. Tanzania (CDJKL), Guinea Bissau (GB), Ivory Coast (IVC), and Mozambique (MOZ). During the period covered in audit the Company procured 17, 636 MT (13.22 *per cent*) of domestic nuts and 1,15,744 MT (86.78 *per cent*) of African nuts as detailed below:

**Table 4.1: Details of supply of RCN from each origin**

| Country of Origin | African origin (MT) | | Kerala origin (MT) | | Total (MT) | Percentage of total supply from each origin to total supply |
|---|---|---|---|---|---|---|
| | International traders | Local traders | Directly from farmers | Local suppliers | | |
| CDJKL | 2164 | 29118 | | | 31282 | 23.45 |
| GB | 4454 | 14651 | | | 19105 | 14.32 |
| IVC | 9339 | 41312 | | | 50651 | 37.98 |
| MOZ | 9414 | 5292 | | | 14706 | 11.03 |
| Kerala | | | 1086 | | 1086 | 0.81 |
| Kerala | | | | 16550 | 16550 | 12.41 |
| **Total** | **25371** | **90373** | **1086** | **16550** | **133380** | **100.00** |
| **Percentage** | **19.02** | **67.76** | **0.81** | **12.41** | **100** | |

The most prevalent method was indirect purchase through traders – for both domestic as well as imported RCN and the direct purchase from domestic farmers was negligible at 1086 MT (0.81 *per cent*). Imported nuts were procured from:

- International traders (19.02 *per cent*) who procure RCN from international markets and sell directly to the Company. The major traders were Olam International, Sayeed Mohammed & Sons Traders, PTE Ltd, Valency International and Swiss Singapore Ocean Enterprise.
- Local traders (80.17 *per cent*), who procure RCN imported by international traders and resell to the Company. The major local traders were JMJ Traders (JMJ), Kailas Cashew, DM Traders, CEE BEE Commodities, CKD (Mr.Alavi) Traders, INDAF and Asia Commodities.

[1] **Source : Data of Directorate of Cashew nut & Cocoa Development**

The details of the 46 purchase orders issued for domestic (nine orders) and imported (37 orders) RCN during the period from 2008-09 to 2012-13 were as follows:-

**Table 4.2: Purchase Orders issued**

| Year | No of POs issued | | | Ordered Quantity (in MT) | | | Supplied quantity (in MT) | | | Total payments | | | Percentage of quantity placed on JMJ |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | JMJ | Others | Total | JMJ | Others | Total | JMJ | Others | Total | JMJ (₹ in crore) | others (₹ in crore) | Total (₹ in crore) | |
| 2008-09 | 7 | 4 | 11 | 15000 | 8000 | 23000 | 15042 | 7761 | 22803 | 71.82 | 35.59 | 107.41 | 65.22 |
| 2009-10 | 5 | 9 | 14 | 16500 | 20750 | 37250 | 18014 | 20186 | 38200 | 78.77 | 84.57 | 163.34 | 44.30 |
| 2010-11 | 7 | 2 | 9 | 26500 | 7000 | 33500 | 24426 | 4277 | 28703 | 157.86 | 31.20 | 189.06 | 79.10 |
| 2011-12 | 6 | 0 | 6 | 24250 | 0 | 24250 | 25585 | 0 | 25585 | 194.38 | 0 | 194.38 | 100 |
| 2012-13 | 4 | 2 | 6 | 17500 | 2500 | 20000 | 15625 | 1378 | 17003 | 106.10 | 5.10 | 111.20 | 87.50 |
| **Total** | **29** | **17** | **46** | **99750** | **38250** | **138000** | **98692** | **33602** | **132294** | **608.93** | **156.46** | **765.39** | **72.28** |
| **Percentage** | **63.04** | **36.96** | | **72.28** | **27.72** | | **74.60** | **25.40** | | **79.56** | **20.44** | | |

Analysis of these purchases revealed that out of the 46 orders for 1.38 lakh MT RCN, 29 orders for 0.99 lakh MT (72.28 *per cent*) valuing ₹608.93 crore were placed on JMJ, which was a local trader and supplied either already imported RCN[2] or through High Sea Sale[3] (HSS). It was also noticed that during the year 2011-12, 100 *per cent* orders and in 2012-13, 87.50 *per cent* orders were placed on JMJ. Audit found that the Company's procurement process violated recommendations of COPU/EC and favoured indirect purchase over direct procurement to the advantage of a few traders.

The Company, while accepting the audit observation, stated (November 2013) that private processors procure maximum quantity of Kerala origin by making flexible payment to the farmers. It was further stated that the suppliers' credit was their main source of working capital. The reply was not acceptable as domestic nuts comprise only 13.22 *per cent* of the procurement and the Government releases grants to give fair price to farmers and avoid exploitation by intermediaries.

### 4.1.3.2 Unauthorised diversion of grants and furnishing incorrect utilisation certificates

The average annual production of RCN in Kerala was estimated at 72000 MT and quality-wise the Kerala origin was one of the best in the world[4]. In order to save the cashew farmers from the exploitation of middlemen and ensure good quality

[2] The African origin RCN, which was already imported to Kerala, in the name of local supplier and held in stock.

[3] Orders are placed with a local firm which in turn procures RCN from another international supplier when the container carrying the RCN from exporting countries reaches the High Sea, a High Sea Sale agreement is executed between the local firm and the Company and the local firm clears the shipment in the name of the Company.

[4] As the outturn of exportable grade kernel from processing Kerala origin RCN was 25 *per cent*.

of RCN, GoK released grant of ₹137.62 crore during the period 2008-2013 to the company for the following purposes:-

**Table 4.3: Details of GoK Grant**

| Sl no | Purpose | ₹ in crore |
|---|---|---|
| 1 | Procurement of Kerala Origin RCN directly from farmers | 80.00 |
| 2 | Modernisation of Existing facilities in Cashew Factories | 57.62 |
| | **Total** | **137.62** |

Audit noticed that only a meagre portion of the grants was actually utilised for the intended purposes as out of ₹80 crore provided for direct procurement it had utilised only ₹0.35 crore (0.44 *per cent*) for procurement of Kerala origin RCN directly from farmers and balance amount was diverted for the procurement of Kerala and African origin RCN through traders (African for ₹44.36 crore and Kerala for ₹35.29 crore) defeating the very purpose of provision of funds.

Similarly, out of ₹57.62 crore of grant released for modernisation and renovation, ₹39.30 crore (68 *per cent*) was diverted for the procurement of African RCN through local traders. It was further observed that this diversion was without the approval of the GoK. More serious issue was the Utilistion Certificate (UC) submitted to the GoK, stating that the grants were utilised for the purpose for which the same were sanctioned. Thus, UCs were factually incorrect, misleading and violated Articles 210 (1) and 211 of the Kerala Financial Code, Volume I (KFC).

The Company stated (November 2013), that the local season runs from March to June of each year and the grant of ₹80 crore was released on different dates only after the local procurement season. The reply was not acceptable as the funds released as grant should have been utilised only for the purpose for which it was released or the unspent balance should have been surrendered. Further, the funds received after the season could have been utilised for procurement during next season.

The Company also admitted that significant portion of the grant of ₹57.62 crore released for modernisation, renovation, etc., was utilised for procurement of RCN. Thus, the grant intended for helping farmers and for reducing imports were utilised for generating business to private traders and for procuring African RCN and false UCs were submitted for the same.

### 4.1.3.3 Purchase of inferior quality Kerala RCN through traders

The quality of the RCN procured is assessed through a cutting test[5] which measures the outturn[6]. An analysis of outturn of Kerala RCN procured directly

[5] Commonly followed testing practice to assess the quality of RCN by collecting samples from each lot of supply. RCN samples are cut and the kernals are sorted into acceptable and unacceptable and weighed. The weight of acceptable kernels is averaged to find out weight of outturn per MT.

[6] Expressed in lbs. It is the output obtained after processing each bag of 80 KG RCN (1 kg =2.2046 lbs).

from farmers and through traders made in audit revealed that the Company sustained huge loss due to poor quality of RCN procured through traders.

Outturn obtained from processing RCN procured directly from farmers was much higher than that from the RCN procured through traders during the same periods. The Exportable Grade Whole Nuts (EWN) obtained per 80 kg bag of Kerala RCN procured directly from farmers ranged from 14.59 to 16.36 kg as against 11.56 to 14.57 kg obtained from that procured from traders and the resultant loss to the Company on this account worked out to ₹17.89 crore (***Annexure 18***). Though these indicate poor quality of Kerala RCN supplied by traders, the Company continued procurement through traders ignoring the Government's specific direction to procure RCN directly from farmers.

The Company stated that it could not purchase directly from farmers completely avoiding intermediaries. The reply was not acceptable as it contradicts the proposal submitted by the Company to Government to promote direct purchase from farmers. Further, the reply was silent about the lower output of EWN from Kerala RCN procured from traders and the resultant loss.

### 4.1.3.4 Deficiencies in the purchase process of African RCN

A detailed analysis of 37 orders placed for procurement of African RCN revealed that 10 orders were placed on international traders and 27 on local traders including 23 on JMJ as detailed below:

**Table 4.4: Details of Purchase Orders for African RCN**

| Year | International Traders | | JMJ | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|
| | orders | Qty (MT) | orders | Qty (MT) | Orders | Qty (MT) | Orders | Qty (MT) |
| 2008-09 | 3 | 6770 | 5 | 11934 | 1 | 991 | 9 | 19695 |
| 2009-10 | 6 | 16437 | 3 | 15267 | 1 | 1190 | 10 | 32894 |
| 2010-11 | 1 | 2164 | 7 | 24426 | 1 | 2113 | 9 | 28703 |
| 2011 -12 | 0 | 0 | 5 | 21185 | 0 | 0 | 5 | 21185 |
| 2012 -13 | 0 | 0 | 3 | 12433 | 1 | 834 | 4 | 13267 |
| **Total** | **10** | **25371** | **23** | **85245** | **4** | **5128** | **37** | **115744** |

The deficiencies noticed in audit are summarised below:

***Failure to use Memorandum of Understanding to import directly from Tanzania***

The Secretary to Government, on behalf of GoK entered (November 2008) into a Memorandum of Understanding (MoU) with the United Republic of Tanzania for the direct import of 75000 MT of RCN every year for the Company and CAPEX[7] at mutually agreed quality and price. The MoU was valid initially for six months (November 2008-April 2009) which could be extended further by mutual consent.

Audit scrutiny revealed that Tanzanian (CDJKL) origin RCN was available at a negotiated price of $ 900 per MT and the Board in its meeting held on 14 January

[7] **Cashew Workers Apex Industrial Co-operative Society.**

2009 decided to procure the same. The Company, however, procured 2000 MT of MOZ origin RCN at $ 925 per MT through an international trader (Sayeed Mohammed & Sons) as decided by the Board on 28 February 2009 stating that CDJKL RCN was not likely to be available due to delay in completion of formalities under the MoU. The extra expenditure on this account was ₹24.60 lakh [8]. Moreover the output from the MOZ origin RCN was also less (cutting outturn 50.35lbs) compared to that (52-53 lbs cutting outturn) of CDJKL RCN. The details of the formalities to be completed were not made available to Audit. As the Company did not extend the validity of the MoU to subsequent years Audit could not compare the price and assess the loss.

The Company stated that the MoU was signed between GoK and Tanzania and there was no further instruction from the Government in this regard. The reply was not acceptable as the MoU was signed by GoK for procurement of RCN by the Company and CAPEX and hence further action was to be initiated by the Company for procurement of the same in order to avoid traders.

***Failure to import through State Trading Corporation of India Limited***

The Company entered (17 April 2009) into a five years' agreement with State Trading Corporation of India Limited (STC) for import of nuts, whereby STC would either directly import RCN for the Company or facilitate financing for the import of RCN through the traders selected by the Company. In consideration for this, the Company has to pay to STC a maximum of 2.5 *per cent* of the value of imports including payment towards interest on Usance Letter of Credit[9] (LC).

Audit found that out of 37 purchase orders issued for African RCN, the Company utilised the financing facility of STC in eight orders and did not avail the option for direct procurement through STC and instead placed orders with traders. Out of the 85,245 MT of African RCN procured from JMJ through HSS mode, Audit verified the available Bill of Entry and Foreign Bill Transaction Advice (FBTA) for 7836MT (nine *per cent*) and found that JMJ used upto two intermediaries to procure from the foreign supplier. Each level of intermediary hiked the price and the total price hike was about three to 54 *per cent* over and above the original cost. Audit worked out the extra charges paid *vis a vis* the STC charges of 1 to 2.5 *per cent* of the import price. The avoidable extra expenditure worked out to ₹8.77 crore (***Annexure 19***). The extra expenditure on the balance 77409 MT could not be assessed, as the related documents were not produced to Audit.

The Company stated that agreement with STC was for the utilisation of STC's LC facilities by the Company for consideration of trade margin and payment of related expenses like LC opening and retiring charges. It was further stated that it was not mandatory to purchase through STC. The reply did not address the issue

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**[8] ($ 925 - $ 900 X 1974.843 MT (being the actual supply) X ₹ 49.82 (being the exchange rate at which the payment was given).**

**[9] It is a kind of LC in which payment is not made immediately but only after an agreed period as accepted by the buyer and seller.**

as to why the Company could not have purchased RCN through STC and thereby avoid extra expenditure

***Lack of purchase planning***

As the price of RCN in the international market is subject to high fluctuation, the Company should have devised a strategy to ensure procurement of quality RCN at most favorable prices considering the recommendations of EC. Audit analysed 15 major purchase orders (nine GB and six CDJKL) which constituted about 55 *per cent* of the total procurement of African RCN during the period. It was noticed that the Company failed to avail the seasonal price advantage as 13 out of the 15 orders were placed when the prices were higher. As per the data[10] of import of RCN to India, the price trend and the number of orders issued during 2008-2013 are detailed below:

**Table 4.5: Price trend and the number of orders issued during 2008-2013**

| Country of Origin | Increasing trend in import price | | | Decreasing trend in import price | | |
|---|---|---|---|---|---|---|
| | Period | No of Orders issued | | Period | No of Orders issued | |
| | | JMJ | Others | | JMJ | Others |
| CDJKL | November-February | 5 | 1 | March- May | 0 | 0 |
| GB | July- November | 7 | 0 | May-June | 0 | 2 |
| **Total** | | **12** | **1** | | **0** | **2** |

Audit observed that the Company placed five orders for CDJKL origin RCN during the high price period and the delivery was to be completed before the end of February[11] with a view to get new crop of the season. JMJ, however, supplied the RCN during the low price period. Thus in four out of the above five orders, JMJ supplied 13 to 100 *per cent* of ordered quantity during March to May when the price was very low. Audit compared the actual purchase price with the import rate prevailed during the month of supply and found that the trader obtained undue financial advantage to the extent of ₹8.30 crore ***(Annexure 20).*** Absence of sufficient provision in the purchase agreement for recovery of penalty for belated supply enabled the supplier to delay the delivery and take advantage of the price fluctuations and the Company could not initiate any penal action.

Similarly, the company placed (July to November) seven orders on JMJ for GB origin RCN and procured it when the prices were high. Audit observed that the prices were lower during May and June. Failure of the Company to place order when prices were advantageous resulted in avoidable extra expenditure of ₹19.91 crore ***(Annexure 21).***

The Company stated that an assertive policy could not be formulated at times due to non-availability of timely working capital. The reply was not acceptable as one of the terms of the agreement with STC was that they would facilitate financing for import of RCN and therefore the facility should have been utilised by the Company.

**[10] Compiled by Cashew Export Promotion Council for the five years from 2008-09 to 2012-13**

**[11] Except in one case where delivery period was given up to 31st March.**

### 4.1.3.5 Deficiencies in Tendering

During the period covered in audit the Company had issued 22 tenders[12]. The Company started e-tendering with effect from 15 September 2012 and three e-tenders were invited. The following deficiencies were noticed in tendering:

***Inadequate publicity***

As per the stipulation in Store Purchase Manual as well as the recommendations of EC, in the case of purchase through import, the requirement should be published nationally/globally and intimation had to be given directly to the international suppliers of the commodity with a view to generate maximum competition. In contravention to the above, the Company published the tender notices only in local dailies as well as in Kerala Edition of one to three English dailies. Thus, the tenders got only limited publicity and local bidders alone participated in the tender.

The Company replied that it was not in a position to follow the Store Purchase Manual of the Government in total but the same was being followed as far as practical. It was further stated that as the purchase had became a routine process and parties were well aware of the development/possibility of a new tender, which they would come to know before publishing. Company started e-tendering since September 2012. The reply was not acceptable as it being a Government owned Company, Store Purchase Manual should have been scrupulously followed. Awareness among local parties on routine tender invitation was not a valid reason for not inviting tenders nationally/globally with wide publicity.

***Issue of tender documents without specifications and award of contract without cost benefit analysis***

In order to ensure transparency in procurement and to get RCN with required specification it is essential to mention clearly in the tender document the required quantity, origin and quality of the raw nuts along with other terms and conditions of procurement. The Company, however, did not mention these details and the bidders quoted for different quantity of different origin with different rates. Thus, the bidders in the 22 cases mentioned above, quoted different origins of RCN that varied widely in the outturn, mode of delivery and quantity offered. Hence, there was no uniformity in the offers received rendering them incomparable cost, quality, outturn wise and BoD while finalising the tenders was left with no option other than to select one among the available offers. The BoD, however, should have considered the financial interest of the Company by analysing various factors like cost, outturn, etc.

Audit noticed that the Company did not conduct any cost benefit analysis before awarding the contract (22 August 2011) for high priced RCN of GB origin by rejecting the offer of low priced IVC origin obtained in same tender. Audit further noticed that prior to August 2011 the Company obtained a maximum additional outturn of 2.80 kg on processing each bag of GB origin RCN over that of IVC

[12] **Out of 24 tenders issued in total two tenders were cancelled due to participation by none/one bidder**

origin. In the present procurement (August 2011) also the average outturn from GB origin was 2.89 kg higher than IVC origin. Though the outturn was higher the price of GB origin ($ 1790 per MT) was also very high compared to IVC origin ($ 1290 to $ 1325 per MT) and the Company had not compared the procurement cost of IVC origin and additional cost to be incurred for justifying the procurement of GB origin as the selling price of processed cashew nuts was same. Thus, the purchase of 4000 MT of GB origin RCN by rejecting the offer of IVC origin RCN resulted in a loss of ₹4.57 crore due to extra expenditure for the GB origin over IVC origin after adjusting the additional gain obtained from additional outturn.

The Company stated that:

- while making purchase decision, the primary objective was giving maximum employment rather than profitability;
- the GB origin could fetch an additional output of 3.01 kg EWN per bag over the IVC origin and
- IVC origin was generally inferior quality so its processing cost was very high.

The reply of the Company that primary objective was to give maximum employment rather than making profit was not acceptable as COPU recommended not to procure RCN which result into negative contribution. Further, Audit noticed that the additional purchase cost incurred for the procurement of GB origin was over and above the earnings obtained from the sale of the additional output of three kilogram of EWN. The Company's plea as to inferior quality of IVC origin was also factually incorrect as the procurement of IVC origin was highest (37 *per cent*) during the period covered in audit.

#### 4.1.3.6 Deficiencies in contract terms and conditions

On scrutiny of the terms and conditions of the agreements entered into with the suppliers, Audit noticed absence of the following standard terms and conditions to safeguard the financial interest of the Company which resulted in extra expenditure and losses:

**Table 4.6: Deficiencies in contract terms and conditions**

| Deficiency | | i) Absence of Penalty clause for belated Supply |
|---|---|---|
| Effect | i | In 25 out of 56 orders 12 to 90 *per cent* of the quantity was delivered after the delivery schedule. All suppliers were benefited due to this deficiency. |
| | ii | The operations of the Company were suspended for three months (November 2012 to January 2013) due to the non-supply of 4000 MT by JMJ within the delivery period (30 August 2012). |
| | iii | All Additional cost for belated supply by JMJ had to be borne by the Company. |

| | | |
|---|---|---|
| **Impact** | i | Liquidated damages could not be recovered in spite of delay of one to five months. |
| | ii | The fixed cost for three months was not recovered. |
| | iii | Company incurred ₹1.05[13] crore on account of exchange rate hike. |
| **Reply and further remarks** | | Company replied that terms of the contract had adequate provision to recover the loss, sustained by the company due to violation of any of the condition subject to force majeure clause. The reply was not tenable as Audit found that there was no specific provision for the action to be taken in event of belated supply. Further, during the review period the company had not recovered any damages from any party for the belated supply. Hence in majority of the cases the suppliers were getting the undue advantage of low international prices during the months of belated supply. |
| **Deficiency** | | **ii) Absence of Risk purchase clause** |
| **Effect** | | The suppliers did not supply the entire ordered quantity. So the Company had to procure the undelivered quantity at higher rate from subsequent tenders (30 June 2008 and 5 November 2011). |
| **Impact** | | Company could not recover the extra expenditure of ₹2.35[14] crore incurred for the procurement of 8000 MT in the subsequent tenders due to the failure of Unicorp International and Olam International. |
| **Reply and further remarks** | | It was replied that adequate penalty clauses were incorporated in the agreement to protect the interest of the Company. It was also stated that even though Unicorp International had executed preliminary contract with the Company after remittance of EMD, they had not executed the tripartite contract, so in legal sense Unicorp International could not be held responsible for keeping out from the contract. The reply indicates failure of the Company to execute a legally binding contract incorporating risk purchase clause with the suppliers on awarding the contract. Further, in the case of Olam International though formal agreement was executed the Company did not initiate action for risk purchase despite termination of contract due to supply of inferior quality RCN. |
| **Deficiency** | | **iii) Absence of bench marks for actual output** |
| **Effect** | | The actual outturn obtained after processing RCN varied widely irrespective of the cutting outturn. Out of 47 purchases through all traders, actual outturn above 88 *per cent* (deducting 12 *per cent* processing loss) of the cutting outturn was obtained only in four cases. |
| **Impact** | | Loss due to shortfall in actual output below 88 *per cent* worked out to ₹22.97[15] crore. |
| **Reply and further remarks** | | It was replied that the 88 *per cent* of cutting outturn was not at all acceptable and the normal range of the shortage would be 8 lbs to 10 lbs (20 *per cent* loss) from cutting outturn. The reply was not acceptable as in many instances the Company got the optimum outturn of 88 *per cent.* Further, in the tender/agreement, the Company did not stipulate any benchmark for actual outturn. |
| **Deficiency** | | **iv) Non stipulation of the source of exchange rate for making payment** |
| **Effect** | | The suppliers claimed payment applying the exchange rate obtained from their Banker which was higher than RBI reference rate. Further, the exchange rate adopted by the Company for making payment to the supplier and the actual rate at which the suppliers made payment to the international seller varied widely. |

[13] **The actual delivery of 3840 MT against ordered (24-11-11) quantity of 10000 MT CDJKL RCN was delivered after the agreed delivery date ( 28-02-12) and the company settled the bills of belated delivery at higher exchange rate (@ ₹51.69 for 1668 MT and ₹ 52.03 for 2172 MT) against the exchange rate of ₹ 49.14 prevailing on 28-02-12.**

[14] **Ordered (April 2008) rate of 3000 MT RCN to Unicorp International was only ₹44 /kg but the rate in the subsequent tender was ₹48.88/kg. Similarly the ordered (August 2011) rate of 5000 MT RCN to Olam International was $1290/MT but the rate in the subsequent tender was $1585/MT.**

[15] **The shortage in the final outturn in respect of 41 purchases were calculated and it was multiplied with the average selling price.**

| | |
|---|---|
| **Impact** | The undue favour to the suppliers on account of this worked out to ₹0.20 crore compared to the RBI reference rate in three contracts[16] with JMJ test checked by Audit. |
| **Reply and further remarks** | It was replied that the RBI reference rate was only an average rate of the buying and selling rates of selected banks, hence it was only a 'reflection of market activity' for general users. The reference rate of RBI widely vary with the exchange rate of banks so it was incorrect and unfair to use the RBI reference as benchmark. However, the Company had not stated the accepted exchange rate of any particular bank in the agreement for effecting the payment. |
| **Deficiency** | **v) Right for increasing or decreasing the ordered quantity** |
| **Effect** | The right to increase or decrease the ordered quantity should vest with the buyer. But in the contracts awarded by the Company the right (10 *per cent* of ordered quantity) was vested with the suppliers. The suppliers did not supply 10 *per cent* of the ordered quantity when there was increasing trend in prices and supplied additional 10 *per cent* quantity when the prices were decreasing. |
| **Impact** | In one order (29 September 2010) quantity of 456 MT of RCN short supplied by JMJ was procured from the same firm at higher rate by incurring additional expenditure of ₹0.52 crore[17]. |
| **Reply and further remarks** | It was replied that since inception the right for increasing or decreasing the ordered quantity by 10 *per cent* was the exclusive right of the supplier and at times the clause was beneficial either to the supplier or to the Company, in case the parties supplied additional quantities on the request of the Company when the prices were on rising trend. However, Audit noticed that the suppliers were reluctant to supply the ordered quantity when the international prices were on the rising trend and supplied 10 *per cent* extra when the international prices were lower. Thus the suppliers were availing the undue advantage. |
| **Deficiency** | **vi) Provision for remedies for breach of contract** |
| **Effect** | There was no provision for blacklisting the supplier in case of non supply/partial supply of the ordered quantity within the stipulated time. |
| **Impact** | In one order (August 2012) for supply of 4000 MT of GB origin RCN at $ 1235 per MT with scheduled delivery up to 30 September 2012, JMJ did not commence supply within the delivery period. But the firm participated in the next tender (December 2012) and got order for the supply of CDJKL origin at higher rate ($1375). After getting new order the firm supplied 1849 MT leaving a balance of 2151MT which was procured incurring extra expenditure of ₹1.64 crore[18]. |
| **Reply and further remarks** | It was stated that there was no breach of contract which happened deliberately from the sellers (JMJ) point of view. Due to the unavailability of Government funds, the company could not settle pending dues amounting to ₹13 crore to JMJ traders with respect to RCN delivered against previous orders, hence the supplier could not supply the ordered quantity. The reply was not acceptable because Government did not give any fund for the purchase of African origin RCN. Further, the procurement of RCN through traders was carried out through supplier credit and buyers advance hence financial crunch could have been avoided through existing fund management mechanism. Since JMJ was a regular supplier, average amount payable in every month to JMJ was ₹10 crore and such dues were existing while JMJ entered into a contract to supply 4000 MT of GB origin also, so the non-delivery of agreed quantity citing the reason of old dues were against the spirit of the contract. Giving another order while earlier order was pending for delivery was not a sound business practice. |

**[16] 13 HSS invoices from order issued on 16-4-12 for IVC, six invoices from orders issued on 23-8-11(GB &IVC).**
**[17] (456MT X ($ 1430- $ 1175) x ₹ 45.42 being the average exchange rate at which the payment was made).**
**[18] (4000 MT – 1848.99 MT) x ($1375 - $ 1235) x ₹ 54.62 being the exchange rate on 17-12-2012.**

The Legal section of the Company, which was responsible for finalising the standard terms and conditions of the agreement, failed to incorporate conditions protecting the financial interests of the Company resulting in loss/extra expenditure.

#### 4.1.3.7 Irregularities in award of contract

*Post tender negotiations and its impact*

As a best practice, post tender negotiations are to be avoided. The COPU as well as EC directed to stop the practice of negotiation with all bidders and if required negotiation was to be held only with the lowest bidder. The BoD of the Company, however, negotiated with all the bidders after opening tenders. During negotiations, the bidders are given another chance to amend their quoted price, offered quantity, quality (outturn and count), mode of delivery, etc., defeating the very objective of tendering procedure. Based on the negotiations the BoD selected the bidder, decided the price and quantity for which orders were to be issued and authorised the MD to place orders.

On scrutiny of the negotiation proceedings of the Company, Audit noticed that the tendered rate of JMJ in seven tenders[19] were not the lowest but in subsequent negotiation JMJ got orders by agreeing to supply the RCN at rates lower than the rates quoted by the then lowest bidder. In one instance (27 December 2012), JMJ quoted rates to be on par with the rate quoted by the lowest bidder and the BoD awarded the contract to JMJ ignoring the other lowest bidder. It was seen in audit that in two tenders[20] during negotiations JMJ reduced the quoted rates together with the guaranteed outturn by one lbs. The Company failed to assess the impact of this reduction in the outturn which amounted to ₹1.58 crore[21] resulting in extension of undue benefit to the supplier and loss to the Company.

Company replied that the recommendations of COPU and EC were adopted and it had started e-procurement since September 2012. However, the fact remained that the recommendations of COPU (July 2003) were ignored by the Company due to which it suffered loss of ₹1.58 crore. There was also gross violation of integrity of the contract procedure.

*Executing HSS agreement before finalising the tender*

As per the prevailing practice the tender finalisation and award of contract is done by the BoD at its meeting. During the meeting, the BoD negotiates with bidders on the rate and selects a bidder. After obtaining the contract, the successful bidder executes a General Purchase Agreement (GPA) with the Company. In HSS type of purchases, when the ship reaches the High Seas, subsidiary agreements called HSS agreements for each consignment showing the details of Bill of Lading,

**[19] Tender negotiation held on 1/11/08, 12/5/10, 13/7/10, 6/11/10, 7/1/11, 22/11/11 & 27/12/12.**
**[20] Tender negotiation held on 12-05-2010 and 07-01-2011.**
**[21] (1 LBS could generate the output of 0.88 LBS from each bag hence the total shortage from processing 171643 (104079 + 67564) bags was 151045 LBS which is equivalent to 68513 Kg(151045 / 2.2046) so the total monetary impact was 68513 KG X ₹ 230 (being the average selling price per Kg of EWN and EBN) = ₹ 1,57,57,990).**

quantity, etc., in addition to GPA are entered into with the supplier to enable clearing of the consignment at port.

It was noticed in audit that in the tender invited on 20 July 2011, the Company executed three HSS agreements with JMJ on 20 August 2011 for the delivery of 716.98 MT RCN of the GB origin and 191 MT of IVC origin though tender finalisation and award of contract by the BoD was made on 22 August 2011 and the successful bidder (JMJ) had executed the GPA on 23 August 2011. Thus, the Company agreed to purchase the tendered quantity from JMJ at the quoted rate before finalisation of tender by the Board.

The Company stated that the date (20 August 2011) mentioned in the HSS agreement was a typographical error. The reply was not acceptable as the computerised invoice was also generated by JMJ on 20 August 2011.

***Delayed and untimely procurement of IVC origin RCN***

The harvest season for IVC origin RCN was March to July and as per data available with the Company, quality (outturn) of the RCN procured during this season was best. Though the BoD was aware of this, it decided to procure 10,000 MT of IVC origin RCN and placed orders (October 2009) on JMJ for local supply of the same. The firm supplied 10,994 MT up to January 2010. Audit noticed that as against the average outturn of 19.02 kg per 80 kg bag obtained from IVC origin RCN ordered during the harvest season, the outturn obtained from the RCN supplied by JMJ was only 17.87 kg and the consequent loss worked out to ₹3.63[22] crore.

The Company admitted that season of IVC origin RCN was March to July and the yield of the IVC origin RCN was less in comparison to other origins because of "*puzhukuthu*" (infestation). It was further stated that as it was off seasonal purchase, its guaranteed outturn was only 46 lbs and the actual outturn obtained in grading was 39.40 lbs which was within limit.

The reply was not acceptable. To assure better quality and better price, procurement should have been planned in-season.

#### 4.1.3.8 Payment of ineligible clearing and forwarding charges

In the case of HSS purchase, clearing of imported RCN at port was done in the name of the Company and hence the agreement provided for reimbursement of the clearing and forwarding (C&F) charges incurred by the supplier. But in the case of local procurement of already imported nuts, reimbursement of C&F charges does not arise. Audit, however, noticed that the Company reimbursed ₹0.55 crore to JMJ towards clearing charges for 3,269 MT of GB Origin RCN purchased (August 2011) locally.

Company admitted that no C&F charges were payable for local purchase and further stated that the first agreement (1000 MT) was HSS at the rate of US$ 1790

[22] **Under recovery from each bag was 1.15kg (19.02-17.87) hence the total under recovery from processing 137429 bags was 158043 kg (137429 bags X 1.15 kg) and the loss was 158043 kg x ₹ 230 (being the average selling price per KG of EWN and EBN) = ₹ 36349971**

per MT and the second agreement (3000 MT) was for local supply at the same rate. As the cargo had already arrived on port, the JMJ could not supply on HSS basis and the Company directed JMJ to supply at the same rate of HSS agreement without additional burden to the Company which necessitated payment of C&F charges. The reply was not acceptable as there was additional burden due to reimbursement of ineligible C&F charges of ₹0.55 crore which was an undue favour to the supplier.

#### 4.1.3.9 Impact of the deficiencies in the procurement of cashew nuts

Audit estimated the total avoidable loss due to above mentioned deficiencies, as per the information provided by the Company as ₹93.93 crore as detailed below:

**Table 4.7: Total of loss and additional expenditure**

| No | Details of the lapses | Impact (₹ in crore) | Para reference |
|---|---|---|---|
| 1 | Loss due to purchase of inferior quality Kerala origin RCN | 17.89 | 4.1.3.3 |
| 2 | Failure to import through STC | 8.77 | 4.1.3.4 |
| 3 | Lack of purchase planning | 28.21 | 4.1.3.4 |
| 4 | Deficiencies in tendering | 4.57 | 4.1.3.5 |
| 5 | Deficiencies in contract terms and conditions | 28.73 | 4.1.3.6 |
| 6 | Irregularities in award of contract | 5.21 | 4.1.3.7 |
| 7 | Payment of ineligible clearing and forwarding charges | 0.55 | 4.1.3.8 |
| **Total of loss and additional expenditure** | | **93.93** | |

#### 4.1.3.10 Inadequate follow up action on inquiry reports

Based on the complaints received, the Vigilance Department, Finance Department and Public Sector Restructuring and Internal Audit Board (RIAB) conducted inquiries and the recommended actions were not initiated by the Government as detailed below:

**Table 4.8: Findings/Recommendations in inquiries and Action taken**

| Name of the authority | Date | Findings/Recommendations | Action taken |
|---|---|---|---|
| Finance Department | 4 May11 to 7 May 11 | A detailed inquiry by a competent authority was proposed for unearthing all irregularities of purchases. | No further action was taken |
| | | The administrative department should conduct a detailed inquiry for accepting the incomplete bid of JMJ on tender opened on 6 January 2011 and giving orders to JMJ. | |
| RIAB | July 2012 | Pointed out undue favours extended to JMJ traders. | No action was taken on the report. Board of Directors made |
| | | JMJ had purchased poor quality item from international trader and supplied it to Company as superior grade. | |

| | | | |
|---|---|---|---|
| | | Recommended to conduct a detailed enquiry after removing the present MD from his position to ensure availability of all records to investigating agency. | an advertisement in newspapers refuting the findings in the report. |
| Vigilance & Anti-corruption Bureau | November 2012 | Made a quick verification and found wasting of public money and recommended the Industries Department to take action on the quick verification report. | No action was taken on the recommendation |

The Company stated that GoK had not initiated any action because it was of the opinion that there was no need to do so. Reply of the Government was awaited (February 2014).

### 4.1.3.11 Violation of the COPU and EC recommendations

The COPU as well as the Expert Committee (EC) recommended the Company to streamline the procurement ensuring transparency and economy. The Company, however, instead of complying with the recommendations continued the prevailing system of procurement, after obtaining permission from GoK. A gist of recommendations and its violations noticed are given below:

**Table 4.9: Recommendations of COPU/EC and violations**

| Sl No | Recommendations of COPU/EC | Violations | Para Reference |
|---|---|---|---|
| 1 | Preparation of purchase strategy and procurement policy | Not prepared. Options for direct procurement scuttled. | 4.1.3.4 |
| 2 | Procurement at best possible price | Procured when prices were high | 4.1.3.4 |
| 3 | Adequate Publicity of tenders | Inadequate publicity | 4.1.3.5 and 4.1.3.1 |
| 4 | Preparation of vendor list | Not prepared | |
| 5 | Negotiation with L1 bidder only | Negotiated with all bidders especially in the first tender opened (31 July 2012) after COPU specifically banned negotiation with all bidders on 30 June 2012. | 4.1.3.7 |
| 6 | Conduct cost benefit analysis before each purchase decision | Purchases were done without doing cost-benefit analysis. | 4.1.3.5 |
| 7 | To ensure that outturn in cutting test should be reflected in final output. | No attempt was made to fix benchmark for final output or to compare the actual output with the outturn in cutting test. | 4.1.3.6 |

The Company stated that the recommendations of COPU and EC were being complied with by the implementation of e-procurement. As there were no regular participants in bid, preparation of the vendor list was not successful. Since September 2012, after the implementation of e-procurement, only L1 is being considered for negotiation, that too on case to case basis and as situation warrants. The reply is not sufficient as the Company is yet to implement major recommendations relating to the purchase procedure and working results. The

Company has not initiated any steps to have a policy to increase direct procurement and to check windfall gain to intermediaries or to plan seasonal procurement. No framework has been established to do proper cost benefit analysis, to give adequate publicity, to prepare vendor list, to have a proper internal control and internal audit framework to check undue favour and unethical practices. Penalty for delay, risk purchase clauses are not being inserted in contracts and agreements with foreign countries to enable direct purchase are gathering dust giving opportunities to private traders for breach of contract and for undue benefits. In utter disregard to all vigilance, finance and audit findings, no action or inquiry has been initiated or responsibility fixed on findings pointing out gross irregularities leading to pecuniary gain of crores of rupees to private traders in the procurement of raw cashew nut and loss to the exchequer.

Thus, the Company continued to procure nuts in an adhoc and arbitrary manner violating all the directions of the COPU as well as EC. It failed miserably in ensuring transparency, fairness and competitiveness in the procurement of RCN.

The matter was reported to the Government in October 2013; their reply was awaited (January 2014).

**Kerala State Financial Enterprises Limited**

## *4.2 Conduct of Chitty Business*

### 4.2.1 Introduction

Chitty is a kind of monthly savings cum loan scheme conducted as a contract between the Foreman[23] and the subscribers. The Foreman collects a fixed amount every month as subscription from each subscriber. The share of subscriber in a chitty is called a *ticket* and the total amount payable by a subscriber during the tenure of a chitty, excluding auction discount, is termed as *sala*[24] or chitty amount. An individual may choose to subscribe for more than one ticket subject to a maximum of 10 *per cent* of the total tickets. Total number of tickets enrolled in a chitty will be equal to the duration of the chitty in months. The Foreman pays a discounted value of the chitty *sala* as "prize money" which is a lump sum advance after deducting the commission[25] of Foreman. The prize money received less own contribution is a loan to the subscriber and the amount foregone (auction discount[26]) is considered as the interest for the loan. The entitlement to prize money is determined by monthly auction or in such other manner as may be specified in the chitty agreement. The discount foregone by the successful bidder (maximum upto 25 *per cent*) in the monthly auction is equally shared among the

[23] Foreman is one who promotes and conducts chitty as per the regulations of the Chitty Acts and Rules and can be an institution or Company.

[24] Sala – for example ₹1000 (monthly subscription) x 50 (months) = ₹50,000.

[25] The Foreman is entitled to a commission of not more than five *per cent* of the chitty sala.

[26] Auction discount/Discount foregone means the amount foregone by the bidder to get the chitty amount in the chitty.

subscribers as "*veethapalisa*[27]" (auction discount/dividend). Foreman's commission is the major source of income from chitty business.

Chitty business is regulated by the Kerala Chitties Act and Rules 1975. After the enactment of Chit Funds Act, 1982 (Central Act)[28], the Kerala Chitties Act and Rules 1975 got repealed. The Central Act was later enforced in Kerala with effect from 30 April 2012. Under this Act, the State Government framed Kerala Chit Funds Rules, 2012[29] which was notified on 4 June 2012. Under these Rules each chitty is to be registered with the Registrar of Chitties.

The Kerala State Financial Enterprises Limited (Company) was incorporated in 1969 as a Miscellaneous Non-Banking Financial Company (MNBFC) fully owned by the Government of Kerala (GoK) with the objective to provide an alternative to the private chit operators, in order to bring in social control over the chit fund business and to protect public from the clutches of unscrupulous fly-by-night chit fund operators. Apart from chitty business, the Company also extends loan to public viz., Gold Loan, Consumer Vehicle Loan, Reliable Customer Loan, etc.

### 4.2.2 Organisational setup

The Management of the Company is vested with a Board of Directors consisting of 14 Directors including the Managing Director (MD). The MD is the Chief Executive of the Company. As on 31 March 2012, the Company has 387 branches with 28,224 chitties and 14,96,998 subscribers. Branch Managers are entirely responsible for the operations of the chitty conducted by their branches[30]. In addition to the Chitty Acts and Rules, the Company had formulated a Manual of Procedure (MoP) prescribing the procedures to be followed for conduct of chitty business.

### 4.2.3 Audit coverage

Audit analysed the operation of chitty business for four years from 2008-09 to 2011-12 to assess whether the chitty business was carried out in compliance with the provisions of Chitty Acts and Rules and MoP. Audit selected 20 out of 60 branches which were computerised prior to April 2009 and 10 more branches based on the volume of business. Thus, 441 chitties with 16,630 subscribers in 30 branches with monthly subscription of ₹20,000 and above were selected.

### 4.2.4 Performance of Chitty Business

The chitty business contributed around 80 *per cent* of the total turnover of the Company (***Annexure 22***) on an average and chitty income constituted 59 *per cent* of the total income (***Annexure 23***) during the three years ending 2010-11. The *table* below indicates growth of chitty business for the four years up to 2011-12:

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[27] Veethapalisa means the share of subscriber in the discount at each instalment of the chitty.

[28] Enacted by Government of India.

[29] Government of Kerala framed Rules in accordance with Section 89(1) of Chit Fund Act, 1982.

[30] The Branch Managers are responsible for enrolling subscribers, remitting the first instalments collected from the subscribers in treasury as security deposit, registering the chitty, collection of monthly subscriptions, conducting monthly auctions for each chitty, disbursing prize money to prized subscribers, termination of completed chitties and release of security deposit from treasury on completion of the chitty.

**Table 4.10 : Growth of chitty business**

*(₹in crore)*

| Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|
| Number of chitty | 19138 | 23536 | 26218 | 28224 |
| Number of subscribers | 1099281 | 1324770 | 1405868 | 1496998 |
| Total *sala* | 361.58 | 515.22 | 625.79 | 754.13 |
| Chitty turnover | 3680.78 | 6278.42 | 6896.45 | 8195.86 |
| **Total default** | **585.32** | **801.64** | **1116.45** | **1497.97** |
| **Default to total turnover (percentage)** | **15.90** | **12.77** | **16.19** | **18.28** |

Though there was an increase of 122 *per cent* in chitty business during the four years upto 2011-12, it has to be viewed in the context of the increase in the default in payment of instalments which increased by 156 *per cent* i.e. from ₹585.32 crore in 2008-09 to ₹1497.97 crore in 2011-12. According to the audited accounts during the three years ended March 2011, the Company earned profits in overall business of ₹31.26 crore, ₹36.79 crore and ₹52.22 crore respectively. This again needs to be viewed in the context of continuous losses in the chitty business. As per the Audit assessment, the chitty business incurred loss during 2008-09 (₹9.68 crore) and 2009-10 (₹6.76 crore) and earned a meagre profit during 2010-11 ( ₹3.10 crore)[31] .

The major deficiencies in conduct of chitty business noticed in audit are discussed below:

### 4.2.5 Over dependence on borrowed funds due to negative cash flow from chitty business

A summarised statement of cash flow from business of the Company for the three years ending 2010-11 was as follows:

**Table 4.11 : Cash Flow Statement**

*(₹in crore)*

| Particulars | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|
| Cash from operating activities including borrowings as per Accounts of the Company | 144.30 | 458.37 | -15.10 |
| Less: Borrowings (Secured and Unsecured) | 383.59 | 713.41 | 162.69 |
| Net cash flow from operating activities | **-239.29** | **-255.04** | **-177.79** |

A negative cash flow, as can be seen from the above table, reflects that the cash generated from operating activities of the Company during the above three years was insufficient to meet the activities of the Company resulting in dependence on borrowed funds. The high incidence of defaults in prized and non-prized chitties and low progress in the recovery from defaulters were the main reasons for the insufficient cash inflow from operating activities.

[31] **Accounts for the year 2011-12 were not yet finalised.**

Audit noticed that the borrowings of the Company was very much on the higher side (₹3135.60 crore) when compared to Shareholders' fund (₹191.13 crore) with a very high debt equity ratio of 16:1. Given the situation of high defaults in the remittance of monthly instalments in the running as well as completed (terminated) chitties, the high debt equity ratio would lead to working capital crunch and would force the Company to borrow more from outside sources. The Government replied (January 2014) that various stringent measures are being implemented at Branch/Regional Office/Head Office level to reduce the mounting default in non-prized and prized chitty.

### 4.2.6 Issues related to the enrolment of subscribers

The various steps to float a chitty as prescribed in Manual of Procedure (MoP) are as follows:-

- Obtain sanction from the Registrar/Government for registration of the chitty.
- Enrolment of subscribers (*Chittals*) by allotting one or more tickets by collecting the first instalment in cash/demand draft/money order along with duly filled in and signed *Variola*[32]. In exceptional cases, cheques can also be accepted subject to the condition that enrolment should take effect only after realisation of the cheques.
- Registration of the Chitty - The Registrar registers the chitty only when all the tickets specified in the Chit Agreement filed with Registrar are fully subscribed and first instalment collected. On registration the chitty is commenced.
- Security deposit – The first instalment collected from the subscribers is to be deposited as security deposit with the Registrar of Chitties. During the last three years upto 2012-13, the Company had floated 24,466 chitties and deposited ₹808.72 crore as security deposit.

Audit found that the Branch Managers in order to achieve targets failed to comply with the rules and regulations which led to huge defaults as discussed below:

#### *4.2.6.1 Fixing of target without basis*

The targets fixed by the Company for the four years up to 2011-12 were as follows:

[32] **Variola means the document containing the articles of agreement between the foreman and subscribers relating to the chitty.**

**Table 4.12 :Target for chitties**

*(₹in crore)*

| Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|
| Target for chitty business in *sala* | 330.56 | 500.00 | 592.50 | 715.19 |
| Achievement | 361.58 | 515.22 | 625.79 | 754.13 |
| Percentage of increase in target as compared to previous year | -- | 51.00 | 18.50 | 21.00 |

Audit noticed that the Company had fixed branch wise targets for new chitties without any detailed analysis of status of ongoing chitties with regard to defaults, recovery of dues, substitution[33] by new subscribers/ by Company, profitability of terminated chitties, etc. The Branch Managers achieved the targets by enrolling subscribers without realising the first instalment, enrolling defaulters in earlier chitties in same branch, etc.

The Government contended that the annual target of chitty business was reckoned based on the previous year's target and increase in default was due to non-follow up action of the default cases and not due to unscientific targets. The reply was not acceptable as targets were fixed without considering status of defaults in ongoing chitties, progress in recovery of dues, etc., which should have been reckoned while fixing targets.

***4.2.6.2 Non-maintenance of chitty subscribers register and non-implementation of KYC norms***

As per the Chitty Acts and Rules[34] it is mandatory for the Foreman to keep a register[35] containing the names and full address of the subscribers together with the number of tickets held by each subscriber and to get it endorsed and signed/sealed by the Registrar of Chitties. It was observed that out of selected branches, the aforesaid register was not maintained at Kesavadasapuram and Manacaud branches at Thiruvananthapuram. In the absence of proper records showing the details of subscribers, regularity of enrolment and substitution of defaulters could not be ensured.

The Company had prescribed (November 2008) 'Know Your Customer' (KYC) norms[36] to be followed by the Branch while enrolling customers for new chitties for correct identification and assessment of financial soundness of subscribers. Being a MNBF, it was also desirable to follow KYC norms in view of the enactment of Prevention of Money Laundering Act, 2002. However, Branch Managers were not observing KYC norms while enrolling subscribers in new chitties in any of the 30 Branches test checked which led to the various

[33] If a non-prized subscriber defaults in payment of subscription, the Foreman should remove him from the list of subscribers after issue of written notice and substitute any other person in his place.

[34] Section 23 (a) (i) of the Chit Funds Act,1982, Section 18 (1) (a) of the Kerala Chitties Act, 1975, Rule 27 (1) of Kerala Chit Funds Rules, 2012 and Rule 75 (b) of the Kerala Chitties Rules, 1975.

[35] In Form No-XIII or Form No-XVIII.

[36] KYC compliance on Chitty scheme was with instalment amount/ticket size of ₹25,000 and above.

deficiencies including enrolment of defaulters in other chitties in same/other branches as mentioned in succeeding paragraphs.

The Government stated that some of the branches were not following the directions issued and hence all units were again directed to comply with the KYC norms especially in high denomination chitties.

The Company should strictly follow the KYC norms in view of heavy defaults and consequent substitutions, stop payment of commission on defaulted chitties, ensure prompt reporting of defaults to Revenue Recovery (RR) Section by the branches and monitor the functioning of RR section.

#### *4.2.6.3 Commencement of chitties without realising first instalment*

As per the MoP, the first instalment is to be remitted either in cash or by demand draft or by money order. In exceptional cases, cheques could also be accepted subject to the condition that the enrolment should take effect only after realisation of the cheques. Audit noticed that 260 chitties were registered without realising the first instalment in respect of 940 tickets due to dishonour of cheques. This led to failure on the part of the Company to ensure that all the tickets were subscribed.

The Government replied that in most of the cheque dishonoured cases, the defaulted amount was collected subsequently from the original subscriber and admitted that in balance cases the tickets were substituted. It was also stated that strict directions were issued to branches not to start chitties without full enrolment of the tickets. The reply was not acceptable as registering the chitties without realising the first instalment was violation of the Act.

#### *4.2.6.4 Enrolling defaulted subscribers/financially unsound persons in Chitties*

A test check at 30 branches revealed that in 12 branches, subscribers who were defaulters in earlier chitties were again allotted 428 tickets. These persons had further defaulted in payment of monthly instalments. This has resulted in the Company's funds amounting to ₹19.13 crore, which could have been profitably utilised for its other activities, remaining blocked up with consequential loss of interest of ₹1.96 crore.

The Government stated that steps are being taken for implementing Centralised Liability Verification (CLV) system to ascertain and prevent the multiple chitty enrolment and liability creation.

#### *4.2.6.5 Loss due to substitution by the Company*

As per Section 24 (1) of the Kerala Chitties Act, 1975, if a non-prized[37] subscriber defaults payment of monthly instalment in time, the Foreman can, after serving a written notice of 14 days, remove his name from the list of subscribers by enrolling a suitable substitute. Such defaulter can remit the dues with interest at the rate of nine *per cent* per annum within one week from the receipt of notice to retain his ticket. If the defaulter fails to pay the dues with interest, the Company

[37] Subscriber who is yet to get the prize money.

either has to find out a new subscriber or substitute by itself. However, in case the default exceeds 60 *per cent* of monthly instalments, only Company can substitute such defaulted tickets. As the Company failed to initiate prompt action, as envisaged under Section 24(1), in finding out new subscribers who were capable of servicing chitties, considerable number of chitties were substituted by itself. In such cases, the Company incurred loss by foregoing Foreman's commission receivable at the rate of five *per cent* of chitty amount which amounted to ₹45.62 crore during the period 2008–09 to 2010-11.

Due to self-substitution, the Company fell short of funds and had to incur loss due to deployment of borrowed funds to pay prize money to regular subscribers in time. During the three years ending 2010-11 the Company had invested ₹798.94 crore in respect of 81,945 tickets in 11,916 terminated chitties at various branches. A test check of 838 tickets substituted by the Company in 141 chitties having denomination of ₹20,000 and above in 30 branches revealed that as against the reported profit of ₹1.81 crore on a total investment of ₹84.26 crore, there had been loss of ₹ 5.06 crore when cost of funds was actually considered.

The Government replied that though there was loss of Foreman's commission of five *per cent* of *sala*, the dividend earned in remaining tickets contributed by regular subscribers made good the loss on account of diversion of cost bearing funds.

The reply was not acceptable as the gain from the substituted chitties would be negative considering the cost of funds (10.51 *per cent*[38]) incurred by the Company.

#### *4.2.6.6 Undue benefit to defaulters due to substitution by relatives/friends*

A test check of substitution cases of high denomination chitties[39] in 14 branches revealed that defaulted non-prized subscribers were allowed to substitute by their spouse/children/ relatives/ friends in 90 cases enabling them to evade payment of penal interest of nine *per cent* per annum. This was detrimental to the financial interest of the Company and the Company sustained loss of ₹ 32.92 lakh towards penal interest. The Branch Managers being fully aware of relationship, permitted substitution of tickets and extended undue favour to defaulted subscribers.

The Government accepted that there were losses sustained on account of the above and instructions had been issued to the branches to avoid such substitutions.

#### *4.2.6.7 Failure to recover agency commission on defaulted instalments*

The Branch Managers are allowed to engage agents for canvassing subscribers for new chitties on a commission ranging from 10 to 13 *per cent* on the first instalment of the chitty. The Company directed[40] the Branch Managers to recover the commission paid to the agent in case the second and third instalments were

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[38] **As worked out by the Company.**
[39] **₹ 20000/- per month and above.**
[40] **Vide circular No. 19/2009 dated 31-1-2009.**

not remitted on due dates. On a test check of commission paid to canvassing agents in 14 branches, it was noticed that in 213 cases, the Branch Managers failed to comply with the above directions and did not recover commission amounting to ₹6.56 lakh paid to the agents though the subscribers did not remit the second and third instalments on due dates. This resulted in extension of undue favour to the agents and loss to the Company to the tune of ₹6.56 lakh.

The Government replied that in certain cases they had recovered the excess commission paid and strict directions would be given to avoid payment of canvassing commission on defaulted chitties in view of the audit observation.

### 4.2.7 Allowing defaulted subscribers to participate in auction without collection of dues

Auction is the process by which a non-defaulted subscriber bids for the prize money. As per the Chitty Acts and Rules, the Foreman has to conduct monthly auction of chitty and file minutes of auction of each chitty with the Registrar. Subscriber who has not defaulted the monthly instalments gets an opportunity to participate in the auction. Where more than one person offers the maximum discount[41] (upto *25 per cent*) the prized subscriber will be determined by draw of lots[42].

As per MoP[43] a defaulted subscriber was not entitled to participate in auction and a subscriber/substituted subscriber who remitted the dues by cheque should not be allowed to participate in the auction unless and until the cheque was realised. It was noticed that in 215 cases at 27 branches, the Branch Managers permitted defaulted subscribers to participate in auction by furnishing cheques on the date of auction to obtain the prize money amounting to ₹23.95 crore. Of these, in 15 cases the cheques were dishonoured on being presented for realisation. Besides violation of the Rules, this reduced the chances of the regular subscribers of getting prize money.

Audit recommends that Company should take measures to ensure that subscribers should be allowed to participate in auction only after realising the cheque amount. Disciplinary action should be initiated against the Branch Managers for violation of the Rules.

The Government replied that certain branches had allowed defaulted subscribers to participate in auction without collecting the dues. The Company noted the audit observation for future guidance and branches were being instructed for strict compliance of the norms in this regard and the failure cases would be viewed seriously.

### 4.2.8 Recovery of dues from prized subscribers

A prized subscriber is one who got the auction in his favour and was paid the prize money. Since there is an element of advance/loan, the Company releases the

[41] **Maximum discount – the maximum amount foregone by the subscriber to bid the chitty amount.**
[42] **Explanation No. (4) under Section 6 of the Chits Fund Act, 1982.**
[43] **As per Para 8.4.2 (d) and Para 8.3.2 (b) of MoP.**

prize money after obtaining sufficient security including personal surety. Audit noticed that default by prized subscribers increased substantially from ₹86.75 crore in 2009-10 to ₹195.99 crore in 2011-12.

#### *4.2.8.1 Release of Prize money based on bogus salary certificate as personal surety*

The prize money to successful bidders was released on the security of salary certificate of Government employees. Audit noticed that in 36 cases at 21 Branches the salary certificates accepted as personal surety by the Branch Managers during the period 2008-09 to 2011-12 were bogus. The fraud came to light while initiating action as all those subscribers defaulted in remittance of subsequent instalments after obtaining prize money. Out of the total prize money of ₹36.67 lakh paid, the Company could realise only ₹11.19 lakh (in eight cases) and the balance amount of ₹25.48 lakh was pending recovery in 28 cases (June 2013). The chances of recovery in balance cases are remote as no other security was available with the Company to realise dues. The Branch Managers failed to ensure the genuineness of the salary certificates besides obtaining confirmation from the concerned offices. However, no penal actions were taken against those Branch Managers.

The Government replied that strict warning had been given to all branches to be alert and extra vigilant to prevent the incidence of bogus surety cases.

The Company should initiate disciplinary action against those Branch Managers who were responsible for releasing prize money based on bogus surety thereby causing loss to the Company.

#### *4.2.8.2 Failure to initiate revenue recovery proceedings against defaulting prized subscribers*

As per the standing instruction issued (August 2011) by the Company, the Branch Managers had to initiate RR proceedings in defaulted prized chitties, both running and terminated, under Kerala Revenue Recovery Act (Act 1968). The criteria for initiating RR proceedings against defaulted prized subscribers are:

- in running Chitties with default exceeding 18 months;
- in high value Chitties having monthly instalments of ₹25000 and above with high default exceeding 12 months and
- in terminated Chitties with three or more instalments under default on termination date and having no collection in the past three months.

It was noticed in audit that the Branch Managers were not referring chronic default in prized chitties for RR action. Test check of terminated chitties having high default amount in 18 branches revealed that as of May 2013, the Branches had not initiated RR action in 208 cases with a default amount of ₹5.70 crore even though a period of two to thirty months had elapsed since the date of termination of the chitties.

The Government replied that strict directions were issued to RR Department to ensure that all pending cases of 12 months or more were referred to RR compulsorily.

### 4.2.9 Other deficiencies

In addition to above, some other deficiencies noticed by Audit are discussed below:

#### *4.2.9.1 Irregular retention of money due to subscribers removed from chitties - ₹51.31 crore*

As per Section 38 of the Kerala Chitties Act, 1975 and Section 42 of the Chit Funds Act, 1982, every non-prized subscriber shall be entitled to get back his subscriptions on termination of chitty without any deduction for dividend, if any, earned by him. Audit noticed that the Company had retained (31 March 2011) an amount of ₹51.31 crore, which was payable to subscribers who were removed from Chitty due to default (₹19.26 crore in running chitties and ₹32.05 crore in terminated chitties). On test check of amount payable to these subscribers in terminated chitties at nine branches, it was observed that contrary to the above provisions, the Branch Managers did not refund the amount payable to non-prized subscribers even after expiry of periods ranging from one to twenty three years from the date of termination of chitty. This had resulted in irregular retention of ₹51.31 crore by the Company which included ₹13.01 crore outstanding for more than 10 years.

The Government replied that the Company would be instructed to take immediate steps for the intimation and release of such amount to the concerned subscribers in compliance with the recommendation of Audit.

#### *4.2.9.2 Delay in completion of formalities for release of security deposits and resultant interest loss of ₹0.75 crore*

The Company had to deposit chit amount[44] with the Government Treasury as security deposit at the time of registering a new chitty which earns interest at the rate applicable to fixed deposit till its maturity (which is normally upto twelve months after the date of termination of chitty). The security deposit would be refunded after audit of Balance Sheet by Chitty Auditor of each chitty on termination and publication of Gazette notification in this regard.

A test check of records in 19 branches revealed that there was undue delay on the part of the Company in completing the above formalities which resulted in delay in getting refunds by the Company. The delay ranged upto 146 months beyond maturity date in 736 terminated chitties and in two cases it was still (June 2013) pending though 370 months have elapsed since maturity date. The loss of interest on the blocked up amount of ₹15.61 crore worked out to ₹0.75 crore.

The Government assured that all possible steps would be taken for speedy release of chitty security deposits in future to avoid loss of interest.

**[44] Chit amount means the sum-total of the subscriptions payable by all the subscribers for any instalment of a chit without any deduction of discount or otherwise (Section 2(d) of the Chit Funds Act, 1982)**

#### *4.2.9.3 Opening of new branches*

GoK granted (May 2008) autonomy to the Company for opening new branches subject to conducting study on commercial feasibility/economic viability before finalising the location and number of new branches to be opened in the budget proposals sent to the Government for approval.

An analysis of financial performance of 95 new branches opened during three years up to 2011-12 is given below:

**Table 4.13 : Financial performance of new branches**

| Sl.No | Period | No. of new branches opened | Cumulative Nos. | No. of loss making new Branches | Net loss incurred (₹ in crore) |
|---|---|---|---|---|---|
| 1 | 2009-10 | 44 | 44 | 41 | 2.64 |
| 2 | 2010-11 | 40 | 84 | 73 | 3.88 |
| 3 | 2011-12 | 11 | 95 | 75 | 2.91 |
| | **Total** | | | | **9.43** |

Out of 95 new branches opened between 2009-10 and 2011-12, 75 branches (79 *per cent*) were running in loss leading to a cumulative loss of ₹ 9.43 crore.

The Government assured that all prescribed procedures would be followed strictly while opening new branches.

The Company should conduct proper survey and feasibility study before opening new branches.

#### *4.2.9.4 Legal hurdles in carrying out lending business*

As per Section 12(2) of Chit Funds Act, 1982 applicable from May 2012, a Company carrying on any business in addition to chitty business, shall wind up such other business before the expiry of a period of three years from the date of effect of the Act and the State Government can extend the above period of three years by a further period not exceeding two years. The State Government permitted[45] the Company (September 2012) to carry on the existing activity of lending/loan business along with the chitty business. Audit sought clarification from Reserve Bank of India (RBI) on the status of the Company. RBI stated that it had clarified (May 2013) to the State Government that the Company could not conduct chit and lending business simultaneously and advised them to hive off the lending business of the Company into a separate entity and register it as a Non-Banking Financial Company.

The Company replied that since the permission from the Government was obtained, the issue of winding up of other business did not arise.

The reply was not acceptable as the new Chit Funds Act, 1982 stipulates that Company could not conduct chit and lending business simultaneously. Therefore, the GoK cannot permit the Company to carry on any business simultaneously

[45] Vide GO (Rt) No.644/2012/TD dated 04.09.2012

with chitty business for more than five years and the Company needs to initiate urgent action in this regard.

#### *4.2.9.5 Internal control lapse in preventing misappropriation*

The Company introduced (July 2005) Collection Agency system for door to door collection of chitty instalments. The internal audit wing of the Company during a special audit (August 2010) at Thiruvalla branch detected misappropriation of ₹1.82 lakh by a collection agent by not remitting amount collected to the branch. Though stringent action against the staff and termination of the collection agent was proposed by the Managing Director, no penal action was implemented. This helped the agent to continue with the misappropriation and in a detailed enquiry it was found (July 2012) that a total amount of ₹98.39 lakh was embezzled. The Company constituted a public grievance cell (July 2012) and accepted a claim of ₹73.62 lakh of 147 subscribers.

In reply to a questionnaire on internal control, it was stated (November 2013) that the Collection Agent should remit the amount on the next working day as first collection along with a detailed statement showing chitty number, name of subscriber and month to which it pertains to. It was also stated that cashier and concerned Assistant Manager in charge of door collection were responsible for ensuring correctness of collection and remittance of cash by the Agent.

With regard to a query as to whether Branch issued notices to defaulters, it was replied that notices were issued. The Company admitted that laxity in taking timely action might be a reason for the lapse. The reply of the Company was not tenable as the misappropriation was noticed in 2010 and allowed to escalate by not taking corrective action in time. Had the Company diligently followed its own procedures mentioned above, the misappropriation would not have occurred and this continued laxity of the Company was exploited by the Collection Agent.

The Government accepted (January 2014) that the misappropriation was due to violation and non-compliance of procedure of daily collection and supervisory lapses at all level in the branch and stated that action had been initiated to recover the loss.

Thus, the failure of control and monitoring mechanism of the Company led to financial loss as well as damage of goodwill of the Company.

### 4.2.10 Financial impact

The financial impact of audit findings are summarised below:

**Table 4.14 : Financial impact of audit findings**

| Sl. No. | Para No. | Major findings | ₹ in crore |
|---|---|---|---|
| 1 | 4.2.6.4 | Enrolling defaulted subscriber/financially unsound persons in chitty | 1.96 |
| 2 | 4.2.6.5 | Loss of foreman commission due to substitution by Company | 45.62 |
| 3 | 4.2.6.5 | Loss due to substitution by Company | 5.06 |
| 4 | 4.2.6.6 | Loss due to substitution of defaulted non-prized subscriber by close relatives/business associates | 0.33 |

| | | | |
|---|---|---|---|
| 5 | 4.2.8.1 | Payment of prize money based on bogus salary certificate | 0.26 |
| 6 | 4.2.9.1 | Non-refund of subscription of defaulters removed from Chitty | 51.31 |
| 7 | 4.2.9.2 | Loss of interest due to delayed refund of Chitty Security Deposit | 0.75 |
| 8 | 4.2.9.3 | Loss due to opening of branches without proper viability study | 9.43 |
| | | **Total** | **114.72** |

The Government entered into chitty business in 1969 to bring in social control over the chitty business and to protect the public from the clutches of unscrupulous private chit fund operators, through adhering to applicable rules and regulations. However, unscrupulous subscribers were found to be still taking away prize money through dubious methods such as submitting bogus salary certificates towards security, substituting their defaulted chitties by spouse/relatives, not honouring cheques submitted towards monthly instalments, etc. The Company also violated the rules and regulations governing the conduct of chitty business and enrolled defaulters/subscribers without realising first instalment, allowed defaulters to participate in auction and get prize money. It also failed to refund the instalments of the subscribers who were removed from the chitty.

Thus, the Government by running the Chitty business violating all rules and regulations defeated the very purpose that they were supposed to achieve.

**Kerala State Civil Supplies Corporation Limited**

## 4.3 *Centralised Procurement of Essential Commodities*

### 4.3.1 Introduction

Kerala State Civil Supplies Corporation Limited (Company) was incorporated in June 1974 with the objective of procurement and distribution of essential commodities including food grains so as to ensure their easy availability to the public at reasonable prices. The Company sells these commodities at two different rates viz., subsidised rate fixed by the Government and higher rate fixed by the Company - 'free sale subsidy rate'[46]. The Company follows the same process for procurement of commodities meant for subsidised sale as well as free sale and the purchase price is the same.

The Government of Kerala (GoK) extends financial support in the form of grants-in-aid (GIA) to the Company to compensate the loss suffered due to sale of essential commodities at subsidised rate.

For distribution of essential commodities, the Company operated 1314 outlets[47] across the State (March 2013). The activities of these outlets are coordinated and controlled by 56 depots and five Regional Offices. Audit was conducted during February to June 2013 in selected seven Depots[48] and Head Office for scrutiny of records.

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[46] The retail price fixed by the Company for subsidised and non-subsidised commodities sold without quantity restriction.

[47] 906 Maveli stores, 370 Super Markets, 19 People's Bazaars, four Hyper Markets, one Apna Bazaar and 14 Mobile Maveli Stores.

[48] Kannur, Kozhikode, Palakkad, Kochi, Kottayam, Alappuzha and Kollam depots.

### 4.3.2 Procurement process

The procurement process of the Company is governed by the Purchase Manual (2005) and the Purchase Policy (2010) approved by GoK. The Company procures essential commodities centrally at the Head Office through e-tender which is a web enabled tendering system.

The various steps involved in the procurement process are as under:

i. *Registration of vendors:* The prospective bidders have to register their name with the Company for taking part in the e-tenders.
ii. *Issuance of tender notice:* The purchase division starts the tender process by uploading of the tender documents[49] with indicative quantity requirements in the website which consists of two parts viz., technical bid and commercial bid.
iii. *Collection of Indents:* All depots are required to submit their indents, in the electronic indent form created in the website, for the commodities included in the tender prior to opening of the e-tender.
iv. *The offer and its evaluation:* The vendors have to indicate rates for each commodity for each depot and the total offered quantity. On an average, one e-tender covers 18 commodities for 56 depots. Generally the vendors quote different rates for different depots according to locations. To evaluate all the offers received, the Company uses specially designed software namely Least Cost Solution (LCS).
v. *Preparation of purchase plan:* After opening the tender, considering the rate quoted, the quantity offered by the vendors and the requirements in depots as extracted from the e-tendering website, MIS division prepares a 'purchase plan' for each commodity by uploading the above details in LCS.
vi. *Finalisation of purchase plan:* Head Office Management Committee[50] (HOMC) decides the quantity to be purchased for each depot and finalises the purchase plan. The purchase decision is placed in the next meeting of Board of Directors (BoD) for ratification.

Audit analysed procurement of 22[51] essential commodities through 43 e-tenders floated during the period from April 2010 to March 2013 from the point of view of objectivity, cost effectiveness and quality aspects and the findings are discussed in the succeeding paragraphs.

### 4.3.3 Audit Findings

Audit noticed that though the Company invited open tenders through electronic mode, finalisation of the tenders and selection of successful bidders lacked objectivity as discussed below:-

**[49]Tender notice, terms and conditions, schedules for quality specifications, offer sheet, declaration, form of warranty, etc.**
**[50] Consists of functional heads of different divisions except Internal Audit.**
**[51]Bengalgram bold, Blackgram washed (whole), Blackgram split (with husk), Blackgram dhal (washed), Lobia, Greengram, Greengram dhal, Peas dhal, Toordhal, Toordhal fatka quality, White lobia, Chillies, Coriander, Cuminseed, Fenugreek, Mustard, Bodhana rice, Jaya rice, Kurwa rice, Matta rice, Raw rice and Sugar.**

#### *4.3.3.1* Post tender negotiations without recording reasons

The tendering system in the Company envisaged complete transparency by avoiding scope for subjective decision making. Post tender negotiations and changing the price, quantity and depots offered vitiate transparency as the bidders get a chance to amend their bids and form cartels after knowing the rates quoted by other bidders. Hence the BoD had limited (March 2010) the post tender negotiations to certain specific situations like:

- when there is falling trend in the prices of a commodity in the market,
- when the variation in prices obtained in present tender compared with that of previous tender for a commodity is disproportionate to the corresponding change in prices reported in newspapers, etc., to the disadvantage of the Company,
- when there is wide gap in the range of prices in the LCS and
- when the total quantity offered by the suppliers is less than the requirement.

Further, Purchase Manual of the Company also restricts the negotiations with the lowest bidders. Negotiations with other bidders are permitted only if the expected results are not achieved in negotiations with lowest suppliers.

Audit, however, noticed that these restrictions were not followed by the HOMC. The Company followed a system of post tender negotiations which gave ample scope for arbitrariness and subjectivity at different stages.

Audit found that HOMC with respect to seven commodities in 43 e-tenders, floated during the period covered in audit, finalised 60 *per cent* of tenders after negotiations with suppliers included in LCS, as detailed below:

**Table 4.15 : Finalisation of tenders and negotiations conducted**

| Sl. No. | Commodity | No. of tenders covered for each commodity # | No. of times negotiations conducted | Percentage |
|---|---|---|---|---|
| 1 | Bengal gram bold | 39 | 22 | 56 |
| 2 | Black gram whole (Washed) | 39 | 20 | 51 |
| 3 | Chillies | 40 | 31 | 78 |
| 4 | Green gram | 39 | 28 | 72 |
| 5 | Matta rice unda sortex | 40 | 22 | 55 |
| 6 | Sugar | 42 | 24 | 57 |
| 7 | Toor dhal | 39 | 20 | 51 |
| **Total** | | **278** | **167** | **60** |

*# Out of 43 e-tenders called for during the period 2010-13, the number of times these seven commodities were included in tenders is shown against each commodity.*

Audit noticed that reasons for resorting to negotiations were not recorded in 55 cases out of 167 negotiations conducted.

#### *4.3.3.2 Revision of rates and offered quantity during negotiations*

Audit test checked 20 negotiations with 22 suppliers in 10 e-tenders for the seven commodities out of the 43 e-tenders to assess the negotiation process and its impact. Audit scrutiny revealed the following:

- Bidders got in to LCS by quoting lowest rate in any one of the 56 depots. HOMC permitted these suppliers to revise their rates, increase the offered quantity and number of depots during negotiations. Hence, the share of suppliers in the LCS was increased to 233 *per cent,* on average, in the final purchase plan and in one case offered quantity increased up to 550 *per cent* in the final purchase plan. Consequently, a few suppliers cornered the entire purchase orders with the result that only 77 *per cent* of the suppliers appearing in the LCS could get purchase orders after negotiations.
- Though these negotiations were conducted for reducing the quoted rates of the commodities, the financial benefit was negligible and ranged from 0.09 *per cent* to 3.82 *per cent* of the total purchase order value. Thus, HOMC vitiated the objectivity of the e-tendering process for a meagre margin.

Government, endorsing the reply of the Company stated (January 2014) that all the vendors who qualified in the tender and became L1 in any of the depots were invited for negotiations and allowed to quote for more depots. It claimed that the increase of 233 *per cent* (average) in the share of suppliers in the ordered quantity after negotiation and reducing of the number of suppliers to 77 *per cent* from the LCS to final purchase plan showed efficiency of negotiations. The fact, however, remained that the Company invited a supplier for negotiation, who was L1 in any one of the depots, and allowed to quote for depots where he was not L1. This tantamounted to manipulation and vitiation of entire tendering process.

#### *4.3.3.3 Negotiation with bidders other than lowest*

The Company, at the time of preparing of LCS, considered quantity indented and uploaded in the e- tendering website by depots. Audit noticed that, in many of the cases, this quantity was higher than the actual requirement assessed by HOMC during evaluation of tender. This has resulted in certain suppliers with higher rates but more quantity getting into LCS who otherwise would have been left out had the LCS been prepared based on actual requirement. For instance, Dharani Sugars and Chemicals Limited had quoted higher rates for procurement of sugar but entered into LCS due to higher quantity than required given for preparation of LCS and was invited for negotiation. During negotiation the supplier reduced meagre amount ranging from two to three paise per kilogram from the lowest quoted rate of other suppliers and bagged purchase orders valuing ₹4.86 crore in two e-tenders[52].

#### *4.3.3.4 Negotiation with bidders not in LCS*

Audit found that purchase orders were issued to bidders who were not selected by LCS, but through negotiations.

[52] **No.8650/2011 (6) and 8650/2011 (8)**

HOMC held negotiations with three bidders[53] who participated in the tender (8650/2011-5) but did not find a place in the LCS and were awarded Purchase Orders (POs) valuing ₹1.22 crore for purchase of rice.

Government replied with regard to above deficiencies that regulations were followed by the Company in all the e-tenders floated during the audit period. It was also replied that all the suppliers who participated in the Tender No. 8650/2011(5) were called for negotiation for better result.

The reply was not acceptable. Inviting all the bidders for negotiation was gross violation of the sanctity of the tender procedure. The Company violated its own purchase manual and did not restrict negotiations with the lowest bidders.

#### *4.3.3.5 Direct purchases from producing centres and local traders*

Parallel to e-tendering, the Company used to depute officials to producing centres outside Kerala for collecting better offers which are also considered along with e-tenders. In addition, the Regional Managers (RMs) were also directed to collect offers from authentic local sources to compare rates received in e-tenders. This was envisaged as a means to curtail the unhealthy practices such as formation of cartels, systematic elimination of new suppliers and supply of low quality commodities at high rates, etc., by existing suppliers. However, Audit found that these checks were not at all effective as the same vendors who participated in the e-tender bagged the orders for direct purchase also. Thus, out of 107 purchase orders valuing ₹42.19 crore issued as part of the initiative to procure commodities directly, 46 purchase orders valuing ₹11.56 crore were issued to suppliers who were already registered with the Company. Further, out of these 46 POs, suppliers who won 13 POs had also participated in the same tender through e-tendering route and obtained POs under two routes (e-tender route and direct procurement route).

As this resulted in submission of multi tenders by the same bidders, collection of offers for direct procurement should be from new suppliers only.

Government stated that the intention of the Company was to make more competition in the tender and to ensure comparison of the rates received with *mandi* rates. However, the Company should not have obtained offers from registered vendors.

#### *4.3.3.6 Evaluation of commercial bids of bidders who did not qualify in technical evaluation*

The e-tender invited by the Company had two parts viz., technical bid and commercial bid. The duly filled up tender documents and Earnest Money Deposit (EMD) together with other documents constitute technical bid. The bidders are required to submit EMD separately for each commodity. Commercial bids of only technically qualified bidders are opened for further evaluation. Thus, a bid without EMD is technically invalid and cannot be considered for evaluation.

[53] St. Antonys Modern Rice Mill, Nihana Traders and Keerthi Nirmal Marketing Limited

Out of total 2973 bidders participating in the 43 e-tenders floated during the review period the details of EMD were not recorded in respect of 683 bidders. The financial bids of these bidders were, however, opened, evaluated and even POs were issued. A detailed scrutiny of technical evaluation sheets for the month of March 2013[54], revealed that details of EMD were not available in 18 price bids evaluated and four[55] POs were placed with three such non-qualified bidders.

The Government accepted the above audit finding and stated that an EMD register has since been opened with details of all EMD given by various vendors. It was also stated that most of the suppliers would keep the EMD on a permanent basis and they only report the details of EMD submitted earlier and failed to record the same in the particular column. Government further stated that necessary steps would be taken up with the software providers to show the details of permanent EMD automatically in the technical bid sheet.

#### *4.3.3.7 Undue favour to defaulted suppliers - waiver of penalty for short/ delayed supply*

In order to ensure prompt supply of commodities, delivery schedules were clearly stipulated in each purchase order and penal clauses were incorporated in the tender conditions for delayed/short supply. Further, tender conditions specified that commodities should not be accepted after 40 days from the date of purchase order. Audit, however, noticed that the Company diluted these tender conditions and favoured two suppliers by not levying penalty amounting to ₹1.22 crore for delayed/short supply as shown below:

**Table 4.16 : Details of penalty to be recovered**

| Name of supplier/PO No. & Date | Ordered quantity (in quintals) | Short supply (in quintals) | Delayed supply (in quintals) | Penalty to be recovered (₹ in crore) |
|---|---|---|---|---|
| Dharani Sugars and Chemicals Limited, Chennai (No.9504/25.3.2011) | 33500 | 18448 | Nil | 1.04 |
| Ponni Sugars (Erode) Limited (No. 10509/25.10.2011) | 11160 | 2702 | 3038 | 0.18 |
| **Total** | | | | **1.22** |

In both the cases the Company issued fresh purchase orders directly to the defaulted suppliers for the short supplied quantity without imposing penalty.

The Government replied that the tender conditions were relaxed as sugar market was a seller's market and the Company found it difficult to get more vendor participation for supply of sugar. It was further stated that penalty was not imposed on Ponni Sugars (Erode) Limited as the delay in supply was due to labour problem in the Company's own depots. The reply was not acceptable as the Company has taken stringent measures such as blacklisting against other

[54] Tender No.4675/2013

[55] PO No.12744 issued to Royal Trade Links, POs No.12766&12786 issued to KRM Ramadevi Enterprises Private Limited and PO No. 12794 issued to Kalpana Agro Mills.

suppliers of sugar (Bannari Amman Sugars Limited and Jans Ventures) during the review period and in the case of Ponni Sugars reply was not justifiable as the labour problem in the Company referred to was due to failure of supplier to supply sugar in 50 Kg bags as per the tender conditions.

It is recommended that the tender conditions should be adhered to and penalty imposed to ensure timely supply.

#### *4.3.3.8 Cost effectiveness*

To ensure cost effectiveness in purchase, the competitiveness of the rates obtained should be ensured by generating fair competition. The Company, however, failed to ensure this due to poor market intelligence, cartel formation by bidders, dependence on few suppliers and wrong assessment of requirements as discussed below:

#### *Poor market intelligence*

Available sources of market intelligence with the Company were *mandi* rates, wholesale rates reported in newspapers, local market price reported by Regional Managers (RMs), etc. However, these were not tapped fully to get the lowest price while procuring commodities as illustrated below:-

- *Mandi* rates were not collected and compared by HOMC while finalising tenders. A test check of nine tenders[56] in respect of chillies and coriander revealed that the procurement rates were higher by five to thirty eight *per cent* and six to twenty one *per cent* respectively as compared to *mandi* rates inclusive of transportation and other charges[57]. Thus, the excess cost of ordered quantity worked out to ₹11.04 crore.
- None of the RMs collected and reported local wholesale rates regularly except the RM Ernakulam, that too for nine commodities as against 18 commodities.
- The Company compared newspaper reported rates of only nine out of 18 commodities.

The Government replied that *mandi* rates were compared for verifying the price trend but these were not comparable with tender rate since the *mandi* rates are spot rates, commodities available in *mandi* needs to be cleaned, graded and bagged for transportation which was highly expensive. The reply was not acceptable as the landed cost of commodities based on *mandi* rates was comparable as transportation cost could have been arrived at and reasonableness checked thereto, after that and purchase manual provides for cross checking with wholesale prices from various sources and locations. The *mandi* rates are available in the website of 'AGMARK' on daily basis and the landed cost of the same can be arrived at for comparison with tender rates. The Government also stated that RMs failed to report wholesale market rates due to non-availability of offers and now the Company had given a revised direction to RMs to report rates even in the absence of offers.

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[56] **Tenders opened on 08/07/2010, 04/08/2010, 22/02/2011, 05/07/2011, 28/07/2011, 18/08/2011, 04/07/2012, 20/07/2012 and 09/08/2012**

[57] **Purchase cost at *mandi* plus transportation, loading charges, CST and other miscellaneous expenses.**

Audit recommends that the market intelligence system should be revamped so as to ensure competitiveness of offers received by utilising the wholesale price of different commodities prevailing in various markets available in the website of Department of Economics and Statistics, GoK on daily basis.

***Unrealistic quantity requirements shown in tenders***

The tenders were invited for supply of an "indicative quantity". Indicative quantity requirement published by the Company in e-tenders varied widely from actual requirement assessed by HOMC. In e-tenders, invited for seven commodities[58], in eight out of 14 cases the tendered quantity was higher than the actual requirement. In respect of seven cases the variation ranged from 113 *per cent* to 389 *per cent* and in one case[59] it was 1428 *per cent*. Further, tendered quantity published during July to December 2012 remained the same irrespective of variations in the assessed requirement. In the event of indicative requirement remaining lower than the assessed quantity the same led to avoidable negotiations with bidders for increasing the offered quantity and consequent delay in placing purchase orders.

While accepting the audit observations the Government stated that steps were being taken to ensure that the requirement published was more realistic.

***Collusion among vendors restricting entry of new bidders***

Section 3(3)(d) of the Competition Act, 2002 provides that any agreement entered into between or practice carried on or decision taken by bidders which directly or indirectly results in bid rigging or collusive bidding, shall be presumed to have adverse effect on competition. It explained the term 'bid rigging' as any agreement which has the effect of eliminating or reducing competition for bids or adversely affecting or manipulating the process of bidding.

To check the extent of collusion, Audit reviewed the vendors' profile as well as the communications between the Company and the vendors. Thus, 75 vendors formed 26 subgroups consisting of two to six vendors having common email-ids, addresses, contact numbers, etc., as given below:

**Table 4.17 : Details of vendors profile**

| Item | No. of Suppliers | Remarks |
|---|---|---|
| Common E-mail ids | 42 | 42 vendors, who participated in bidding and received purchase orders, had common e-mail id. The Company was aware as they used to send messages to same e-mail ids for communicating with more than one supplier. |
| Common addresses, phone numbers and liaison officials | 30 | These suppliers shared common phone numbers or contact addresses and even same liaison officials for communication. |

[58] Black gram washed (whole), Chillies, Green gram, Lobia, Matta rice unda sortex, Sugar and Toordhal
[59] Tender No.20258/2012 for Blackgram washed whole opened on 09.08.2012.

| | | |
|---|---|---|
| Disclosing rates to each other | 3 | Two suppliers[60] used to forward a copy of the e-mail containing their revised rates quoted during negotiations to the registered e-mail id of another supplier. |
| **Total** | **75** | |

These evidenced collusion and cartel formation among bidders enabling bid rigging as well as impairing fair competition. The Company was aware of this unfair practice as evident from the minutes of 44th HOMC meeting held on 11 November 2009. The Company, however, failed to initiate any action by taking up the matter with the Competition Commission of India under the Competition Act, 2002 or blacklist such bidders.

All the above 75 vendors (26 groups) together bagged orders worth ₹1076.76 crore for supply of items other than sugar which constituted 69 *per cent*[61] of total purchase order value. Further, out of the 26 groups, suppliers belonging to 10 groups together bagged 48 *per cent* of total purchase order value. It was also seen in audit that 71 suppliers were newly registered during the year 2012-13. Of these, 20 suppliers who got purchase orders during that period, seven were either sister concerns of old vendors/related with other vendors or previously registered vendors. The Company had placed 134 purchase orders for 1.41 lakh MTs of sugar valuing ₹434.42 crore during 2010-11 to 2012-13. Out of the total order value, 76 *per cent* was placed with three private sugar producers as depicted in the graph. The average number of participants in the tender process was also limited to six suppliers. As a result, the Company was not getting competitive rates and the procurement rate was even higher than the average open market wholesale prices[62]. The Company incurred additional expenditure of ₹3.23 crore during the period from 2010-11 to 2012-13 on account of procurement at rates higher than the average wholesale market price in the State.


It was also noticed that Government of India (GoI) directed (February 2010) all State Governments to advise their Civil Supplies Corporations to participate in bidding for sugar procurement directly from sugar mills located in their States/nearby States so that they could procure sugar at more economic rates. GoK, however, did not give any direction in this regard to the Company despite

[60] Shree Banke Bihari Enterprises and Sreeji Enterprises.
[61] 69 % of ₹1565.67 crore = ₹1076.76 crore.
[62] Source: www.agmarknet.nic.in

the availability of 103[63] sugar mills in Tamil Nadu (44 nos.) and Karnataka (59 nos.) including 42 mills in Government/Co-operative sectors during the year 2010-11. The Company though aware of the direction of GoI did not participate in the bidding for sugar directly from mills but depended on private suppliers for the procurement of sugar.

The Government stated that out of the 26 groups, none of the groups received more than 10 *per cent* of the total Purchase Order value and it was common practice that new firms were registered by the same persons for different purposes and appointing of same liaison officers by different firms. It was further stated that in respect of rice mills, many of the mills had two to six units under the same ownership.

The reply was not acceptable as 10 dominant groups alone had bagged 48 *per cent* of total purchase order value. The collusion and cartel formation among bidders was further evident from the boycott of tender by bidders in January 2011 and December 2013 (Tender No.7360/2010 (10) and 33434/2013 respectively).

It is recommended that the Company should streamline the vendor registration and tendering process to eliminate formation of cartels among bidders and to encourage new suppliers for increasing competitiveness in the tenders.

#### *4.3.3.9 Quality Assurance Mechanism*

The Company's Quality Manual prescribes a two stage quality assurance mechanism to ensure that the suppliers are delivering the commodities strictly as per the specifications prescribed in the tender.

- Primary examination[64]: This is done by the Depot Manager and the Stock Custodian by collecting three random samples from the consignment received at the depot. The quality is also cross checked with email reports from other depots for rejection of the same lot.
- Quality Assurance Committee (QAC) [65] : This is convened to decide on the acceptance of those with doubtful quality. In addition, QAC is required to meet fortnightly in each depot for reviewing the quality of all items in stock.

However, Audit found several deficiencies in the quality control mechanism as described below:

Test check of the records of Kottayam and Kochi depots for three years ended March 2013 revealed that these depots had received 1841[66] consignments from various suppliers. There were no records to show the details of quality checks except in 66 cases. Out of this, 64 test reports were prepared against consignments that were rejected due to poor quality. In the absence of records, Audit is not able to comment on the quality of remaining consignments.

**[63] Source: Indian Institute of Sugarcane Research, Lucknow, research institute under the Indian Council of Agriculture Research, Ministry of Agriculture, Government of India.**
**[64] Tests saleability, appearance, colour, size, aroma, no obnoxious smell, etc.**
**[65] Junior Manager (QA), Depot Manager and Junior Manager (Marketing) are the members of QAC.**
**[66] 1203 and 638 Goods Received Sheet in Kottayam and Kochi respectively.**

Audit also found that the consignments rejected due to poor quality by one depot were accepted by another as detailed below:

- Coriander supplied (February 2011) in same truck by one supplier[67] was accepted by Thalassery depot and rejected by Perinthalmanna depot due to poor quality.
- Palakkad depot accepted (7 February 2012) 111 bags of mustard supplied by Noble Distributors treating quality as 'Good' which was earlier rejected at Chavakkad and Wadakkanchery depots.

The Government replied that all the quality parameters of the accepted commodities were not entered in the Quality Assurance Register due to the difficulty in recording the parameters of large numbers of consignments. Since rejection is to be done carefully and justifiably and there is appeal provision against rejections, all the reasons for the rejections are recorded. It was also stated that there were possibilities of minor variations in quality analysis of same commodity done by two Junior Managers (QA).

The reply was not acceptable as consignments supplied in same vehicle accepted in one depot and rejected in another depot indicate wide variations in quality assessments done in depots.

#### *4.3.3.10 Other Related issues*

Audit found that there was "stock out" position of essential commodities during periods when the market prices were rising as shown below:-

**Table 4.18 : Details of stock out period vis a vis market price**

| Commodity | Stock out period | | Retail price in open market (₹ per kg) | | Percentage of increase in rate | Maximum number of depots reporting stock out | Percentage of ordered quantity against requirement |
|---|---|---|---|---|---|---|---|
| | From | To | From | To | | | |
| Lobia | Feb-12 | July-12 | 45.96 | 65.04 | 41.51 | 51 | 29 |
| Chillies | Dec-10 | Mar-11 | 75.70 | 108.66 | 43.54 | 31 | 52 |
| Toor dhal | Dec-10 | Mar-11 | 69.83 | 75.97 | 8.79 | 47 | 32 |
| Coriander | Dec-10 | Mar-11 | 51.09 | 68.70 | 34.47 | 47 | 65 |

It was also noticed that during 06 January to 15 March 2011, the Company had not purchased Green gram in four depots in spite of stock out position and where there was an aggregate requirement of 4200 quintals. The retail price of the commodity showed increasing trend in open market during this time period.

The Government replied that the Company cannot ensure unlimited quantity of the products due to its limitations and due to the complementary nature of the pulses to some extent. The reply was not acceptable as these pulses were included in the list of essential commodities by the Government and therefore had to be procured for distribution.

[67] Ambica Trading Company (PO No.9265 dated 2.2.2011)

The procurement process of the Company had several lacunae and deficiencies. It invited tenders for indicative requirements but placed orders for quantities that were vastly different from the tendered quantities and through this process allowing only a few players to get purchase orders. Though the LCS technique envisaged bringing about objectivity, transparency and fair play, HOMC resorted to extensive negotiations leading to unhealthy competition, collusion and cartel formation making the entire purpose of removing subjectivity through electronic mode of tendering ineffective. Lots rejected by one depot due to poor quality were accepted by another depot facilitating the traders to market poor quality commodities. The Company failed to ensure cost effectiveness due to poor market intelligence, cartel formation by bidders, dependence on few suppliers and wrong assessment of requirements.

## Kerala State Textile Corporation Limited

### *4.4 Implementation of Green Field Projects*

#### 4.4.1 Introduction

Government of Kerala (GoK) approved (April 2010) the budget proposal to implement three projects in textile sector at a cost of ₹72 crore. GoK declared them as Green Field Projects[68]. The three projects were as follows:

**Table 4.19 : Details of Projects in textile sector**

| Name of the mill | Project cost (₹ in crore) | Capacity | Activity |
|---|---|---|---|
| Komalapuram Hi-Tech Spinning and Weaving Mills, Alappuzha[69] | 36.00 | 18,240 spindles and 30 air jet looms | Spinning and weaving |
| Pinarayi Hi-Tech Weaving Mills, Kannur | 20.00 | 36 looms | Weaving |
| Uduma Textile Mills, Kasargod | 16.00 | 10,368 spindles | Spinning |
| **Total** | **72.00** | | |

The Industries Department entrusted (April 2010) these projects to Kerala State Textile Corporation Limited (Company) and the target date for completion was fixed[70] as December 2010. The incomplete mills at Uduma and Komalapuram were inaugurated in January 2011/February 2011 while the mill at Pinarayi was not inaugurated. The projects reached a stand still after completion of civil works and partial installation of machinery due to which investment of ₹98.68 crore was idling since 2010-12. Audit reviewed the records in the offices of the Company and the Industries Department during the period from February 2013 to June 2013. Major findings are discussed below:

[68] Green Filed Projects refers to projects where no previous facility exists.

[69] By taking over Kerala Spinners Limited, a sick textile unit in private sector.

[70] Vide letter no.253/N/M(IND)/10 dated 04.06.2010 from the office of the Minister of Industries.

### 4.4.2 Funding

The projects were to be financed from own funds of the Company and equity participation as well as soft loan (7 *per cent* interest ) from The Kerala Minerals and Metals Limited (KMML) in the ratio of 1:1:1. The Government, between February 2010 and March 2012, advanced loan of ₹35.51 crore as the Company did not have sufficient funds. Thus the project was actually funded (₹83.05 crore) by KMML (₹45 crore i.e. 54 *per cent*) and GoK (₹35.51crore i.e. 43 *per cent*) and sales proceeds (₹2.54 crore) of old machinery of Kerala Spinners Limited (KSL). Against the estimated cost of ₹72 crore, the actual expenditure up to March 2013 was ₹98.68 crore (***Annexure 24***). The increase in cost was mainly due to extra expenditure incurred on civil/electrical works and procurement of machinery.

### 4.4.3 Lack of planning

#### *4.4.3.1 Lack of planning in selecting the project and implementing agency*

The Industries Department took the decision to set up the projects without setting objectives or conducting feasibility studies, study of market potential, etc., and even the basis of the cost estimate of the projects was also absent. It entrusted (April 2010) the implementation of the project to the Company which was a sick industrial unit with a track record of incurring heavy and continuous operating losses. All the four[71] existing units of the Company were in the red.

Selecting the projects which involved huge investment and entrusting them to a Company whose track record of management has been poor and without adequate planning was not prudent. The Company replied (September 2013) that the performance of the existing mills could not be taken as a yardstick since they were all taken over as sick units. The reply was not acceptable since the Company could not make these units viable even after 35 years of takeover.

#### *4.4.3.2 Unrealistic target date set for completion*

The time frame for completion of the project had to be fixed keeping the project report in mind. The Industries Department, however, even before preparation (July 2010) of Detailed Project Report (DPR) set (June 2010) the deadline of December 2010 for completion of the project. Based on this, the Company allowed only four months to the contractors for completing civil works. The target dates fixed were grossly unrealistic. The delivery period of minimum 12-15 months quoted by the machinery manufacturers as well as the actual time of 13/14 months took for completion of civil constructions substantiated this.

The Company stated (September 2013) that the Government had fixed that target date after taking into account all aspects. The reply was incorrect as Government fixed (June 2010) the target even before preparation (July 2010) of DPR.

[71] **Prabhuram Mills, Chengannur, Kottayam Textiles, Kottayam, Edarikkode Mills, Kottakkal and Malabar Spinning and Weaving Mills, Kozhikode.**

#### *4.4.3.3 Declaring a Brown Field Project as Green Field Project for making investment*

Green Field Investment refers to investment in an area where no previous facility exists. The Government, however, took over Kerala Spinners Limited (KSL), a private sick textile unit under reference to Board for Industrial and Financial Reconstruction (BIFR) and paid compensation of ₹5.18 crore to the employees of KSL with an undertaking to provide employment to them. Thus, under the pretext of Green Field, the Government took up a Brown Field Project and invested ₹49.81 crore in a sick company.

#### *4.4.3.4 Taking over Kerala Spinners Limited without following due process*

A BIFR referred industrial unit was to be first brought out of BIFR reference before taking over and making further investments. The Industries Department, however, took over KSL through an Ordinance[72] without bringing it out of BIFR reference and transferred it to the Company for establishing the Komalapuram Hi-Tech Spinning and Weaving Mills. The Ordinance was subsequently passed as Act 4[73] of 2010 (Act).

The major stakeholders of KSL challenged the constitutional validity of the Act and the Hon'ble High Court directed (September 2010/February 2011) the Company not to alienate or bring about any encumbrance over the property of the unit and stated that all further steps being pursued would be subject to the outcome of the writ petition, which has not been pronounced so far (January 2014). Thus, the sustainability of the takeover of the unit and subsequent investment of ₹49.81 crore for the mill were at stake. The Company stated (September 2013) that the unit was taken over since there were demands from different corners for takeover. The reply was not acceptable as legal procedures should have been followed before making huge investment of Government funds.

#### *4.4.3.5 Arbitrary selection of the Consultants*

The Company nominated (March 2010) two firms, one Cost Accountant firm for Komalapuram mill and one Chartered Accountant firm for Pinarayi and Uduma mills for preparing project reports. Further, preparation of estimates and supervision of civil construction works costing ₹18.24 crore was entrusted (May 2010) to a retired Assistant Executive Engineer from Public Works Department. The Company paid ₹5.65 lakh to these consultants. The Company did not explain the basis for selection of these consultants. Thus, selection of consultants was adhoc and arbitrary.

### 4.4.4 Deficient project reports

Lack of expertise on the part of the consultants was quite evident from the deficiencies in the preparation of estimates/DPR, technology selected and market projection as discussed below:

[72] No. 24/2009

[73] The Kerala Spinners, Alappuzha (Acquisition and Transfer of Undertaking) Act, 2010.

- The consultant had not prepared estimates for the civil works at Pinarayi and Uduma mills. Thus, it was left to the contractor to finalise the estimates. During execution, the cost escalated to ₹11.95 crore as against the awarded cost of ₹5.93 crore. In the absence of estimates, Audit was not in a position to comment on the reasonability of the claim.
- Estimates prepared for the civil works at Komalapuram were not based on the actual requirements and were made without considering machine specifications. This necessitated excavation of additional trenches, construction of power house, electrical cable ducts, building for air compressor, etc., which were not envisaged at the time of estimation. Consequently, actual cost on execution increased from ₹3.51 crore to ₹6.29 crore (79 *per cent* ).
- A lump sum provision for electrical installations was made in the DPRs for three mills without any drawings and estimates. The actual requirement was left to the contractor for finalisation. As against ₹3.44 crore provided in the work order, the expenditure on actual execution increased to ₹5.44 crore due to change in the size and length of HT cables, earthing materials, installation of mild steel platform covered with chequered plates, use of copper cables in place of aluminium cables originally envisaged, etc.
- The sales turnover projected in the DPR was not supported by any market study or consumer survey.
- The consultant, for Komalapuram mill, had projected a breakeven point (BEP)[74] of 71 *per cent* of capacity utilisation expecting the project cost of ₹36 crore. The cost, however, escalated to ₹51.61 crore[75] due to the deficiencies discussed above which led to increase in depreciation and interest expenditure. Audit estimated that at this cost, the project would break even only at 97 *per cent* which is very unlikely to happen as the capacity utilisation projected in the DPR was only 95 *per cent.* Thus, the project was unviable.

  The Company stated (September 2013) that the final BEP could be calculated only after deciding the mode of investment by the Government for additional project cost. The reply was not acceptable as BEP was one of the basic criteria upon which viability of the project was assessed and approved. Hence, BEP cannot be revised during the course of execution of the project.
- The project report envisaged five *per cent* of the total requirement of power to be met out of own generation. There was, however, no provision for the cost of generator to be procured for this purpose.

#### 4.4.5 Deficiencies in implementation leading to extra expenditure of ₹2.51 crore

Civil construction, procurement and installation of machinery, recruitment of manpower, obtaining electrical connection and various statutory licences were the important aspects in the implementation. Audit found several deficiencies in these areas leading to extra expenditure of ₹2.51 crore as discussed below:

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[74] **Break Even Point is the level of production at which there is neither profit nor loss.**
[75] **Including ₹1.80 crore demanded by KSEB for construction of dedicated feeder.**

### 4.4.6 Awarding of work without tendering

The Company, without inviting competitive bids, entrusted (July/October 2010) the construction works at Uduma and Pinarayi mills for ₹2.33 crore and ₹3.60 crore respectively to the contractor[76] at mutually agreed rates. There were no prior approvals from the Board or Government. The Managing Director, however, justified his action citing urgency and the GoK ratified (October 2010) the same.

The Company stated (September 2013) that it did not incur any loss due to awarding the work without tendering. The reply, however, was not acceptable as the Company did not adhere to the prescribed procedure for awarding contract at competitive rates and as such loss was not ascertainable.

### 4.4.7 Construction of factory building without acquiring necessary land and required building permit at Pinarayi

As per Kerala Municipal Building Rules (KBR), 1999, any building should be constructed only after obtaining approval of the building plan by competent authority and the ratio of coverage area to built up area should be 60:40[77] (Rule 31).

Audit noticed that:

- Only 1.58 acre of land was acquired (September 2010) at a cost of ₹35.35 lakh instead of 2 acre envisaged in the project report. As a result, the ratio of coverage area to built up area was 45:55 as against the statutory requirement of 65:35.

The Company stated (September 2013) that they started implementing the project in anticipation of acquiring additional land required. The Company, however, did not acquire the land so far (January 2014).

- The construction of the building was completed without obtaining the building permit. The building permit applied for (July 2011) was rejected (December 2011) by the Town Planning Department due to failure in complying with statutory ratio.
- As per KBR, 2011, the width of the approach road to the premises was to be six metres for obtaining occupancy certificate. The width of the approach road constructed was only 4.5 metres. The Grama Panchayat had not issued Occupancy Certificate for the building so far (January 2014) in the absence of which the mill could not function.

The Company stated (September 2013) that additional land would be purchased to increase the width of the approach road. However, the fact remained that the Company has not acquired the additional land so far (January 2014).

### 4.4.8 Change of technology

The project report envisaged *Open End (OE) spinning* technology which was less labour intensive and less expensive. The Company while implementing the

[76] Uralungal Labour Contract Cooperative Society Ltd, Vadakara
[77] Revised as 65:35 in the Kerala Panchayat Building Rules (KBR) 2011

project, changed (October 2010) the technology to *Ring Spinning (RS)* which was costlier and stated that the suppliers were not ready to supply the machinery for the open end mill within the deadline of December 2010. The change in technology was, however, resorted to without conducting cost benefit analysis. The change in technology and consequent change in the Plant and Machinery led to extra expenditure of ₹1.67crore[78].

The Company stated (September 2013) that the approved project costs under both the technologies were same and hence, no extra expenditure was involved. This reply was not acceptable since the costs for *RS* technology was more by ₹1.67 crore than the *OE* technology as per the DPRs.

### 4.4.9 Procurement of Plant and Machinery

The project envisaged procurement of spindles, air jet looms, sectional warping, etc., at an estimated cost of ₹54.90 crore. The Company, after inviting competitive tenders, placed orders for procurement of Plant and Machinery for ₹65.75 crore from indigenous as well as foreign sources. Audit observed that:

- The suppliers of Plant and Machinery provided performance warranty for periods ranging from six months to eighteen months from the date of delivery. The Plant and Machinery received were not commissioned and tested to ensure satisfactory performance of the machines. Many of the machines (costing ₹12.07 crore) were received after the inauguration (January-February 2011) of the mills and some of the machines namely simplex machines, humidification plant, overhead travelling cleaner, splicers for cone winding machines, etc., already received were not erected or commissioned. The warranty period of all the machines expired in December 2012. Thus, the Company was deprived of the benefits under guarantee/warranty. Non-use of machinery for long periods might result in obsolescence, deterioration in quality, etc.

The Company stated (September 2013) that though the warranty/guarantee expired, they did not anticipate any obsolescence.

***Unused machinery in covered condition at Komalapuram (May 2013)and Pinarayi (April 2013)***

[78] **₹ 10.39 crore (Cost as per DPR of RS technology) - ₹ 8.72 crore (Cost as per DPR for OE technology)**

### 4.4.10 Bleak prospect of the project becoming operational

The present status of the various components of project implementation indicated bleak prospect of the project becoming operational. The major hurdles to make the mills operational are explained below:

#### *4.4.10.1 Inability to operate mills due to absence of licences*

To commence operation, the mills have to obtain licences from different authorities after complying with various legal provisions pertaining to factories. The present status (January 2014) of the licences are as shown below:

**Table 4.20: Present status of licences**

| Sl No | Name of licence | Issuing Authority | Mills | | | Remarks |
|---|---|---|---|---|---|---|
| | | | Komalapuram | Pinarayi | Uduma | |
| 1. | Factory licence | Directorate of Factories and Boilers | Received in September 2012 | Received in August 2013 | Received in June 2012 | Pinarayi mill applied in May 2013 |
| 2. | Electrical Inspectorate approval | Chief Electrical Inspectorate, Thiruvananthapuram | Received in December 2012 | Received in November 2011 | Received in June 2011 | Received after inauguration |
| 3. | Panchayat Licence | Grama Panchayat | Not received | Not received | Not received | Non receipt of Fire and Safety certificate |
| 4. | Certificate of Fire and Safety | Department of Fire and Safety | Not received | Not received | Not received | Not yet applied |
| 5. | Consent from Pollution Control Board (PCB) | Kerala State PCB | Received in November 2013 | Received in October 2011 | Received in November 2011 | Komalapuram mill applied in May 2011 |

In the absence of these licences, commencement of operations in the near future is unlikely.

#### *4.4.10.2 Absence of man power to run the mills*

The Industries Department[79] (January 2011) created 695[80] posts as per the manpower requirements envisaged in the project reports and outsourced the recruitment to Kerala State Productivity Council (KSPC). KSPC commenced the process of recruitment in January 2011 which was targeted to be completed within a short span of two months (February 2011). The Company paid ₹55.31 lakh as remuneration to KSPC.

The ex-employees of erstwhile KSL as well as other candidates challenged the fairness and transparency of the recruitment process in the Hon'ble High Court of Kerala. The major issues were:

(i) the former employees of KSL were not considered for appointment as provided in the Act[81] taking over the mill,

**[79] GO (MS) No. 1/2011/ID dated 01.01.2011 of Industries Department**
**[80] 352 for Komalapuram, 160 for Pinarayi and 183 for Uduma mills.**
**[81] Act 4 of 2010 passed for taking over KSL.**

(ii) procedural lapses like sending call letters after the conduct of written test, etc.

Accepting these contentions, the Hon'ble High Court stayed (February 2011) the selection process. Based on this, GoK cancelled (December 2011) the rank list[82]. Thus, the fee of ₹55.31 lakh paid to the recruitment agency also became unfruitful.

#### *4.4.10.3 Absence of electric power at Komalapuram*

The existing KSEB feeder line had spare capacity to provide only 400 KVA and the KSEB then advised the Company to draw a dedicated feeder for availing 2000 KVA at a cost of ₹1.80 crore. The Company, however, failed to deposit the money due to paucity of funds and in the circumstances, the power connection had not been obtained for operating the mill (January 2014).

### 4.4.11 Inauguration of mills which were not ready for commissioning

Due to issues brought out above, the Company was in no position to commence operations. Despite this, the Company took several adhoc measures to give a semblance of completion to the mills. For instance, at Komalapuram, the Company hired generator to conduct the trial run of the machines for inauguration instead of getting a permanent power connection from KSEB. Two mills - Uduma and Komalapuram - were inaugurated in January 2011 and February 2011 respectively after incurring an expenditure of ₹28.82 lakh for putting in place such temporary arrangements. After the inauguration was over, the Industries Department and the Company did not initiate any steps to make the mills operational and the position remained as such as of January 2014.

The Company stated (September 2013) that the mills were inaugurated at the instance of Government.

### 4.4.12 Financial Impact of unfruitful venture

Besides the investment of ₹98.68 crore in the project, the Company had incurred ₹5.18 crore towards compensation to employees of KSL and accrued interest of ₹11.71[83] crore upto March 2013. Thus, the total expenditure of ₹115.57 crore remained unproductive.

### 4.4.13 Drawing of ₹45 crore from the profit of KMML

As directed by the Industries Department, KMML advanced ₹45 crore (54 *per cent* of the cost) for financing the project. This advance of ₹45 crore offered by KMML, a profit making PSU to the Company which was a loss making sick industrial unit, was not a prudent financial decision as it did not yield any tangible benefit and led to diversion of scarce resource of a profitable PSU into an unproductive project.

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**[82] Out of 695 candidates in the rank list 27 candidates who had joined before the order of the Hon'ble High Court were allowed to continue.**

**[83] Interest incurred up to 31 March 2013 excluding ₹2.43 crore already capitalised.**

### 4.4.14 Failure to fulfill export obligations of machinery under EPCG Scheme

The Company availed concessional import duty of ₹8.25 crore under Export Promotion Capital Goods (EPCG) scheme on machinery and equipment imported for the period from November 2010 to March 2011, proposed to be utilised in Komalapuram (₹4.73 crore), Pinarayi (₹2.73 crore) and Uduma (₹0.79 crore) projects.

Scrutiny of records revealed that:

- As per the EPCG scheme of GoI, import of capital equipment used in manufacture of goods was permitted at concessional rates of duty. To avail this, the Company was to submit installation certificate of the imported machinery within six months from the date of such import and was also under obligation to export goods worth eight times the duty saved within eight years.
- The Company failed to submit installation certificates of machinery to foreign trade authorities within six months from the date of import.
- The export obligation to be fulfilled by the Company was ₹66 crore and 50 *per cent* of the same (₹33 crore) was to be fulfilled before November 2016 i.e. within six years of obtaining EPCG authorisation. The chances of fulfilling the export obligation were remote as the mills did not start commercial production till date (January 2014).

In the event of default in meeting the aforesaid obligations, the liability would arise to the Company to refund the concessional import duty of ₹8.25 crore availed with penal interest of 15 *per cent* (₹1.24 crore) per annum from the date of import.

The Company stated that since there was time upto November 2016, the question of refund of saved duty did not arise at this point of time.

### 4.4.15 Recurring burden on the Company

In addition to the onetime expenditure as mentioned above, the Company is saddled with a recurring expenditure of ₹7.32 crore per annum on account of the following two components *viz.* interest burden and recurring expenses.

#### *4.4.15.1 Additional interest burden*

At the time of announcement of the project, the Company was a loss making undertaking and the accumulated loss as on 31 March 2010 stood at ₹54.72 crore as against the paid up share capital of ₹58.47 crore. Further, it availed loan of ₹63.19 crore from KMML (₹22.50[84] crore) and Government (₹40.69 crore including ₹5.18 crore availed for discharging the liabilities to the employees of KSL) for implementation of the project. As the three projects were not operational, the Company could not service the loan and the debt liability on this account rose to ₹77.33 crore including accrued interest (₹14.14 crore) upto to 31 March 2013 and overburdened with additional interest liability of ₹6.27 crore[85] per annum.

[84] KMML financed a loan of ₹45.00 crore in the ratio of 50 *per cent* as equity and 50 *per cent* as loan.
[85] Interest burden per annum on loan of ₹63.19 crore.

#### *4.4.15.2 Recurring expenses*

Though the projects were not operational, the Company had engaged ten permanent personnel at the three mills incurring idle wages of ₹0.35 crore per annum. Further, it was incurring an annual expenditure of ₹0.15 crore towards expenditure on watch and ward and ₹0.55 crore towards other expenses. Thus, the Company was incurring an expenditure of ₹1.05 crore per annum for maintaining these three idle mills.

The project was taken up violating all procedures such as preparation of estimates, realistic planning, awarding contracts through tendering, etc. Government took up all liabilities of a sick textile unit, wrongly classified it as a Green Field Project and set unrealistic milestones for completion. This made the investment of ₹115.57 crore idle and the project was saddled with annual loan service/maintenance expenses of ₹7.32 crore.

The matter was reported to the Government in July 2013; their reply was awaited (January 2014).

## Kerala State Industrial Development Corporation Limited

### *4.5 Undue favour*

**Loss of ₹2.00 crore due to one time settlement of outstanding loan in violation of laid down OTS Policy.**

Kerala State Industrial Development Corporation Limited (Company) was incorporated in July 1961 as a fully owned Government Company and is presently engaged in term-loan financing of medium and large scale industrial undertakings, with loan period normally ranging from six to eight years. As per the latest finalised accounts, the non-current loans and advances outstanding as on 31 March 2012 was ₹322.04 crore, of which ₹54.30 crore fell in sub-standard[86] and ₹5.30 crore in doubtful[87] categories. The Company framed 'One Time Settlement' (OTS) Policy 2008 as a last resort to recover its dues, which was approved (October 2009) by Government of Kerala.

As per the OTS Policy, proposals for granting OTS were to be evaluated by the OTS Committee and approved by the Board of Directors of the Company. The eligibility criteria for OTS stipulated that the loanee should have completed five years after its incorporation and its net worth should have been eroded by its accumulated losses. Before arriving at the OTS amount, all the securities were to be revalued by an Approved Valuer to assess the Distress Value (DV) and interest for the entire period of the loan was to be recomputed at simple interest to arrive at the Recomputed Loan Payable (RLP), which would be lesser than total

[86] **Sub-standard: loans which were non-performing asset (NPA) for a period up to one year. A loan is treated as NPA when it is overdue for more than 90 days.**

[87] **Doubtful: Loan which remained in substandard category for more than 12 months.**

outstanding amount of the loan. Final decision on OTS would be guided by the following:

- OTS should not be given where the DV is greater than the total dues payable to the Company.
- Where the DV is less than the total loan payable, but greater than the RLP, the DV should be deemed to be payable as OTS.
- Where the DV is less than the RLP, the OTS should be the best negotiated figure between DV and RLP.

Audit noticed that Company settled (May 2011) outstanding loan amount of ₹8.33 crore of Ganam Hotels Limited, Ernakulam for ₹1.70 crore without assessing the RLP/DV. However, the loanee had itself assessed DV of assets as ₹3.70 crore in January 2010.

The Board approved the recommendations of the OTS Committee, though the same was a deviation from the OTS Policy. This resulted in extension of undue favour to the loanee and loss to the Company to the extent of ₹2.00 crore considering DV of ₹3.70 crore.

The Company replied (September 2013) that proposal was for reviving the old OTS Scheme sanctioned in March 2006 and hence valuation of assets was not considered.

The reply was not acceptable as the validity of earlier OTS scheme had already expired and Company deviated from Government approved OTS policy while extending OTS to the party.

The matter was reported to the Government in September 2013; their reply was awaited (January 2014).

## Transformers and Electricals Kerala Limited

### *4.6 Avoidable expenditure*

**Short remittance of advance income tax due to wrong estimation of current income resulted in avoidable payment of interest of ₹ 1.17 crore.**

Section 208 of the Income Tax Act, 1961 stipulates that advance tax shall be payable during a financial year where the amount of tax payable by the assessee as computed in accordance with the provisions of the Act is ₹10,000 or more (₹5,000 prior to financial year 2009-10). Further, as per Section 210 read with Section 211 of the Act, each person who is liable to pay advance tax under Section 208 shall, of his own accord, estimate his current income, compute the tax thereon and pay it in four installments during each financial year (on or before 15 June, 15 September, 15 December and 15 March). Failure of the assessee to pay advance tax or if the advance tax paid is less than 90 *per cent* of the assessed tax, or the assessee being a company, the advance tax paid in each quarter is less than the prescribed percentage, it is liable to pay simple interest at the rate of one *per cent* per month on the amount of the shortfall (Section 234B and C).

Transformers and Electricals Kerala Limited (Company) is a profit making Public Sector Undertaking (PSU) engaged in the manufacture of power transformers. The Company earned profit of ₹50.81 crore and ₹45.58 crore during the financial years 2008-09 and 2009-10 respectively and was liable to pay advance tax in four instalments between June and March of the respective financial years. The Company, however, did not remit any advance tax during the first three quarters in 2008-09 and remitted ₹7.50 crore in March 2009 which constituted only 65.39 *per cent* of the tax due (₹11.47 crore). Similarly in 2009-10, though the Company remitted advance tax quarterly, the total tax paid upto March 2010 was ₹11.92 crore which constituted only 81.59 *per cent* of the tax due (₹14.61 crore). As the Company did not remit advance tax on due dates and the advance tax remitted was less than 90 *per cent* of the total tax due in 2008-09 and 2009-10, it had to pay (December 2009 and August 2010) interest of ₹1.17 crore under Section 234B (₹0.42 crore) and 234C (₹0.75 crore) of the Act.

Government replied (July 2013) that it was difficult to estimate precisely profitability for future periods due to external factors. It was also stated that during 2008-09 and 2009-10, on account of currency fluctuations, earnings were higher and due to change in product mix material cost during these years were less than budgeted cost.

The reply was not acceptable as the Company carried out production against confirmed orders only and there was no ambiguity regarding sales turnover and profit. Moreover, the Company did not avail the opportunity to make up the shortfall in payment of advance tax, in the succeeding quarter or in the last quarter to avoid the burden of interest.

## Kerala Electrical and Allied Engineering Company Limited

### *4.7 Non - refund of Excise Duty*

**Failure to claim refund of excise duty within the time limit prescribed resulted in loss of ₹44.58 lakh**

Kerala Electrical and Allied Engineering Company Limited (Company), is a registered manufacturer and supplier of transformers of different ratings to various electricity utilities including Kerala State Electricity Board (KSEB). During 2008-2012, the Company sold 16581 transformers of various capacities (25 KVA to 5 MVA) for ₹174.92 crore to bulk consumers. As per the terms of the purchase orders, the prices of transformers were variable based on the raw material price index published by Indian Electronic and Electrical Manufacturers Association (IEEMA). The Company was remitting excise duty at the purchase order price on removal of transformers. At the time of removal of the above

16581 transformers from the factory premises, the Company remitted ₹14.91 crore towards excise duty on the purchase order value.

In respect of these transformers, however, the actual sale price was to be re-fixed at a later date as the IEEMA rates for a particular month would be known only later. Thus, the actual excise duty was assessed at a later date when the final sale price was fixed. The difference in duty had to be remitted or refund claimed, as the case may be. In case of refund, the claim had to be preferred within the time limit of one year from date of payment of excise duty as stipulated in Section 11B of the Central Excise Act, 1944.

On scrutiny of the records, Audit noticed that:

- On re-fixing the price of these transformers, based on IEEMA price index, the final price of 8322 number of transformers was lower than the purchase order price by ₹538.29 lakh[88]. The excess duty paid on this difference was ₹44.58 lakh. Thus, the Company was eligible to get the duty refund from the Central Excise Department, if claimed within one year.
- The Company, however, applied (November 2010 to June 2012) for refund of the excess paid excise duty of ₹44.58 lakh belatedly after a lapse of more than one year from the date(s) of payment of duty. All the refund claims were rejected by Central Excise Department citing delay in preferring the claims. The delay in raising claim for refund beyond the time limit fixed in the Statute cannot be condoned on any account. Therefore, the chances of allowing the refund claims even in appeals are remote. As such, failure of the Company to prefer the refund claims within the stipulated time of one year resulted in loss of ₹44.58 lakh.

The Company replied (September 2013) that there was significant delay in getting information of the refixed price from KSEB on the basis of IEEMA formula. As a result of this, time limit of one year for preferring claim for refund with Excise Department could not be complied with.

The reply was not acceptable. As the IEEMA index was publicly available the Company should have itself refixed the price without depending on KSEB and preferred the claim for refund.

The matter was reported to the Government in September 2013; their reply was awaited (January 2014).

## Statutory Corporations

## Kerala State Electricity Board

### *4.8 Deficiencies in settlement of revenue arrears of HT/EHT consumers*

#### 4.8.1. One Time Settlement Scheme

Kerala State Electricity Board (KSEB) had arrears of ₹917.54 crore of electricity

[88] As worked out by Audit from the statements provided by the Company.

charges due from High Tension/Extra High Tension[89] (HT/EHT) consumers as on 31 December 2004 which included ₹496.11 crore (54 *per cent*) from private consumers. Hence, KSEB introduced (May 2005) One Time Settlement (OTS) Scheme to facilitate speedy and efficient settlement of pending disputed cases of arrears of HT/EHT consumers. Arrears of revenue included principal and interest. OTS envisaged reduction of interest rate subject to the clearance of all the arrears either in lump sum or in instalments. The Scheme was envisaged for two months from May to June 2005 and the consumer who was desired to avail the benefit of the Scheme had to apply on or before 30 June 2005. However, the scheme was further extended up to 31 March 2013 for different category of consumers with different time frame applicability conditions (***Annexure 25***).

Audit analysed the settlement of arrears under OTS Scheme during the period 2010-11 to 2012-13 and observed that:

- As on 31 March 2013, there were 1094 consumers having arrears valuing ₹1383 crore. Of these KSEB had settled arrears of 32 cases during the period 2010-11 to 2012-13 with outstanding dues of ₹85.98 crore under its OTS Scheme. KSEB, thus, could not achieve much progress in collection of arrears as only 32 out of 1094 consumers with outstanding dues of ₹85.98 crore could be settled during the period 2010-11 to 2012-13 by collecting an amount of ₹34.51 crore (₹26.31 crore towards principal and ₹8.20 towards interest).The year-wise details of cases settled, amounts outstanding, recovered and waived are shown in ***Annexure 26.***

**Settlement of arrears as per Government directives**

### *4.8.2. Waiver of Minimum Demand Charges*

The Government of Kerala (GoK) introduced (February 2006) Minimum Demand Charges[90](MD) waiver scheme which was modified from time to time. As per the scheme, GoK had given special directives to clear the arrears of closed industrial and plantation units with the conditions that the industrial units likely to avail the benefit should have functioned for minimum three years and the cases which had been settled earlier would not be re-opened. The waiver of MD charges levied during the closure period was applicable only to consumers belonging to industrial and plantation category and was valid up to 31 December 2012. The closed unit should also reopen within 31 December 2012 and function for a minimum period of six months after reopening. KSEB had adopted (September 2010) the Government order on waiver of MD charges on the condition that the amount so waived should be reimbursed by the Government in accordance with Section 65[91] of the Electricity Act, 2003.

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[89] **HT consumers - consumers supplied with electrical energy at a voltage of 11000/22000/33000 Volts and EHT consumers at voltage above 33000 Volts.**

[90] **Minimum Demand charges means fixed charges levied on HT/EHT consumers based on their contracted demand.**

[91] **Section 65 states that if the State Government requires to grant any subsidy to any consumer in the tariff determined by SERC it shall be paid in advance in the manner as may be specified by the SERC provided no such direction of the State Government shall be operative if the payment is not paid in accordance with the provisions contained in this Section and the tariff fixed by the SERC shall be applicable.**

Audit analysed Waiver of MD charges during the period 2004-05 to 2012-13 and observed the following:

- Though the Government aimed at revival of defunct industrial/plantation units by waiver of MD charges, 12 out of 28 units were not functioning as on date (January 2014) defeating the very purpose of the Scheme.
- KSEB had waived MD charges aggregating to ₹15.78 crore in respect of 28 consumers. Though KSEB preferred (July 2013) the claim with the Government, it did not reimburse the amount so far (January 2014).

Government stated that KSEB had preferred the claim with the Government and the follow ups were going on for the reimbursement.

***Special dispensations for two companies***

KSEB settled arrears of two companies viz., Binani Zinc Limited (November 2010) and Punalur Paper Mills (August/December 2010) as per directives of GoK. In this regard Audit observed the following:

**4.8.3** Binani Zinc Limited (BZL) had arrears of ₹51.69 crore as on 28 February 2011 due to a pending litigation over the authority of KSEB to revise the tariff. The Industries Department (Department) issued directions (November 2010) to settle the dues. It directed KSEB to adjust the amounts already remitted by them on previous occasions, first against principal (as against the normal practice of KSEB to adjust the amount remitted first against the penal interest) and to collect the balance in 32 instalments with nine *per cent* interest. It assured KSEB that the Department would reimburse KSEB any concession granted over and above that offered under the OTS scheme of KSEB.

Accordingly, KSEB worked out the amount to be remitted as per the Department directive at ₹27.29 crore and treated as settled (February 2011) the arrears of ₹51.69 crore. KSEB also allowed BZL to pay this amount in 32 monthly instalments commencing from 30 March 2011 without levying interest. Had the KSEB settled the arrears under its normal scheme same should have been settled at ₹40.80crore. The loss suffered by KSEB due to extension of concession over and above its normal OTS scheme was ₹19.55 crore as detailed below:

**Table 4.21: Concession extended over and above the normal OTS Scheme**

*(₹ in crore)*

| Sl.No. | Item | Principal | Interest | Total |
|---|---|---|---|---|
| 1 | Amount to be remitted under normal OTS Scheme of KSEB | 29.81 | 10.99 | 40.80 |
| 2 | Settled amount on the basis of Department's directions* | 13.60 | 13.69 | 27.29 |
| 3 | Concession granted over and above normal OTS scheme of KSEB | 16.21 | (-)2.70 | 13.51 |
| 4 | Differential Interest (between 15 and 9 *per cent*) due on sanctioning 32 instalments | -- | 6.04 | 6.04 |
| 5 | Total dues from Government (3+4) | | | **19.55** |

*The amounts remitted by BZL during February 2004 to October 2010 which were earlier adjusted against penal interest were re-adjusted against the principal thereby bringing down the outstanding Principal of ₹29.81 crore to ₹13.60 crore.

As against the total dues of ₹19.55 crore, KSEB later claimed (August 2011) ₹6.04 crore only being loss due to differential interest on settled amount payable in 32 monthly instalments. KSEB did not claim the concession extended over and above the normal OTS Scheme amounting to ₹13.51 crore.

The Department did not reimburse even the claimed amount of ₹6.04 crore so far (January 2014) as Finance Department rejected the claim stating that the Government Order (GO) was issued without consulting them and no provision was made in the Budget for such payments.

The Power Department stated that as per GO the amount already paid by the consumer was to be adjusted against the principal, the interest was to be charged at the rate of nine *per cent* on the balance principal and the consumer be allowed to remit the arrear amount in 32 instalments. No interest was to be charged during the instalment period. Such concession granted over and above OTS would be reimbursed by Government. It disagreed with the calculation of Audit stating that it was not matching with the accounts of KSEB.

The reply was not acceptable as the Department had assured[92] reimbursement of the amount of concession granted by KSEB over and above that offered under OTS scheme of KSEB. In this case, as KSEB adjusted the payments already made against principal and applied interest rate at nine *per cent* as per GO as against 15 *per cent* permissible in cases where payment is made in instalments this deviation should have been considered by KSEB for claiming reimbursement. Further, Audit had worked out the loss on the basis of normal practice of adjusting the payments already made in the order of priority prescribed[93] in the Supply Code and by applying 15 *per cent*, interest as the settlement was made in monthly instalments and not in lumpsum.

**4.8.4** The arrears of ₹16 crore payable by Punalur Paper Mills Limited, whose service was under disconnection from October 1992 due to non-payment of electricity charges, was settled (September 2011) at ₹0.95 crore by waiving ₹15.05 crore. This settlement was made as per Government Order (August/December 2010) adopted by Full Time Members (FTM) in September 2010 and Full Board in May 2012. While adopting the GO, KSEB also decided to approach the Government to make good the loss due to implementation of the order under Section 65 of the Electricity Act 2003. Audit observed that the Government had informed (July 2011) beforehand that Section 65 would not be applicable in this case. The decision of the Board to waive the dues without ensuring reimbursement from the Government resulted in a loss of ₹15.05 crore to KSEB.

Government stated that an MOU had been signed between the Government and the Company during 2002 after a series of high-level deliberations with various departments including KSEB. Government had given waiver of MD charges,

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**[92]** GO No: 1555/2010/Industries dated 6.11.2010

**[93]** As per section 22 of Supply Code 2005, payments made by the consumer will be adjusted in the following priority. 1) Interest on duty arrears 2) Duty arrears 3) Interest on electricity charge arrears 4) Electricity charge arrears 5) Current months due.

incentive and subsidies, exemption in taxes, duties etc. in order to promote industries with a view to increase employment opportunities and such other benefit to society. The reply was not acceptable as KSEB failed to apprise the Government about the provisions of the Act and loss sustainable by giving concessions as per GO to safeguard its financial interest.

The revenue arrears as on 31 March 2013 stood at a high ₹1383 crore. Thus it can be seen from cases cited above that introduction of OTS and issue of special directives for settlement of arrears did not result in collection of even the reduced dues. Since the chance of settlement of arrears was not encouraging, stringent action against defaulters should be taken and revenue recovery proceedings initiated by KSEB as envisaged in the Codal provisions[94].

## *4.9 Undue favour*

**Undue favour of ₹0.56 crore to contractor due to non-levy of penalty**

Kerala State Electricity Board (KSEB) commissioned Neriamangalam Extension Scheme (NES) in May 2008 as an addition to the series of power development projects in Mudirapuzha Basin envisaged to utilise about 40 *per cent* (167 million cubic metre) of total spill water of existing Kallarkutty Reservoir to generate 58.27 MU per annum. The Hydro Mechanical and Electro Mechanical works of the NES (1x25MW) was carried out by a Consortium of Contractors[95] at a cost of ₹35.06 crore. The Provisional Acceptance Certificate (PAC) of the project was issued on 17 September 2008. Performance of the NES station was covered by a Bank Guarantee for ₹77.40 lakh for a period of three years up to 16 September 2011 which was further extended to 30 March 2013.

As per Clause H-47 of the tender conditions, forming part of the agreement executed (May 2003) by the KSEB, the Contractor was bound to ensure performance of the power project and to guarantee repair/rectify the defects free of charge for a period of three years from the date of completion of erection of machines and final tests or date of commercial operation whichever was later. If the defects occurring during the guarantee period were not rectified by the Contractor within reasonable time, penalty for the delayed period beyond reasonable time, at the rate of ₹50,000 per day, had to be charged for compensating the loss in generation. KSEB was empowered to fix the reasonable time for rectification, taking into account various aspects.

During the guarantee period, there were two major and three minor forced shutdowns due to machine fault. Audit noticed that, there was a delay of 111 days beyond the reasonable period of 20 days determined by KSEB after 38 days of shutdown for repair as indicated below:

[94] Clause 36 of KSEB Terms and Conditions of Supply, 2005.

[95] VA Tech Escher Wyss Flovel Limited, Faridabad, VA Tech Hydro (P) Limited, Bhopal and Asian Techs Ltd, Ernakulam

**Table 4.22: Details of shutdown and time taken to rectify defect**

| Period of shutdown | Total No. of days | Reason for shutdown | Reasonable time fixed by KSEB to rectify defect | Delay in excess of reasonable time (in days) |
|---|---|---|---|---|
| 06.09.2011 to 23.02.2012 | 169 | Water leakage through shaft seal | Within 20 days from 14.10.11 i.e. by 3.11.11[96] | 111 |

As seen from the above, the Contractor took 111 days more than the reasonable time for rectification of defects. Further, there was reported generation loss of 18.716 million units of electricity and KSEB had to incur an extra expenditure of ₹ 7.26 crore[97] towards purchase of electricity from outside sources.

The penalty recoverable as per the agreement worked out to ₹0.56 crore[98] for 111 days at the rate of ₹50,000 per day. KSEB, however, did not invoke any penalty for the delays as envisaged in Clause H-47 of the agreement even when there was reported generation loss. Further, in the absence of recorded reasons, Audit could not verify the rationale behind fixing ₹50,000 per day as penalty. In this context it is worth mentioning that in a similar contract for another project awarded to the same contractor, the penalty was fixed at ₹10,000 per day per 0.5 MW capacity of the project.

The Government stated (September 2013) that the Contractor was required to make some design changes to avoid recurrence of faults of the machine and therefore 169 days taken by the Contractor was reasonable and the design modification accrued advantages to the Board in long run. It was also stated that the Chief Engineer (Generation) had recommended for recovery of penalty to the extent of ₹12.50 lakh and same was not imposed considering the above benefits to KSEB.

The reply was not acceptable as the Contractor started rectification work only on 10 February 2012[99] (157 days after shut down) and completed the work within 14 days and the machine was synchronized to grid on 23 February 2012. This indicated modification was a minor one and necessitated due to the defect in equipment.

Thus, the Board favoured the Contractor by not levying penalty amounting to ₹0.56 crore. This was despite reported generation loss of ₹7.26 crore.

**[96] The Chairman of KSEB convened a meeting with the Contractor on 14 October 2011 (after 38 days) and ordered to complete the rectification work within 20 days (i.e. by 3 November 2011).Thus, against a total delay of 169 days, 58 days were excluded and the balance 111 days only considered**

**[97] Reckoned at the average purchase price of ₹ 3.88 per unit during 2011-12**

**[98] ₹ 50,000 x 111 days= ₹55,50,000**

**[99] As per the detailed report (March 2012) of the Deputy Chief Engineer (Generation), Meencut on second forced shutdown.**

## Kerala State Road Transport Corporation

### *4.10 Avoidable payment of interest*

**Delay in remittance of Service Tax resulted in avoidable interest payment of ₹ 31.66 lakh**

Kerala State Road Transport Corporation (Corporation), the Public Sector Transport Utility, had let out various passenger amenities like stalls, paid urinals, canteens, etc., at its 75 bus stations. Renting of immovable property was included as a taxable service with effect from 01 June 2007 vide Government of India Notification No. 23/2007 S.T dated 22 May 2007. Accordingly the Corporation was liable to collect and remit Service Tax at the rate of 12.36 *per cent* on rental income. The Chief Engineer (Project & Civil Wing) of the Corporation directed (September 2007) all Unit Officers to collect Service Tax with effect from 01 June 2007 on the rent. The Corporation collected an amount of ₹ 125.53 lakh as Service Tax on rent for the period 01 June 2007 to 31 March 2010. The Corporation, however, failed to remit it to the account of the Central Government within the time limit prescribed [100] and the delay ranged from 11 to 1028 days. As a result, the Corporation paid interest of ₹31.66 lakh.

The Chairman and Managing Director (CMD) justified the delay stating that (September 2013) the Corporation could use the tax collected for meeting its requirements of working capital and had gained by not paying Service Tax collected. The reply was not tenable as the Corporation, being a Public Sector Undertaking, all the more, should have adhered to statutory provisions in this regard.

Thus, delay in payment of tax violating the provisions of the Finance Act resulted in avoidable payment of interest of ₹ 31.66 lakh.

The matter was reported to the Government in August 2013; their reply was awaited (January 2014).

## General

### *4.11 Follow-up action on Audit Reports*

#### *Explanatory notes[101] outstanding*

*4.11.1* The Audit Reports of the CAG represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various Government companies and Statutory corporations. It is, therefore,

[100] As per Rule 6 of Service Tax Rules, 1994 Service Tax shall be paid to the credit of the Central Government by the 6th day of the month, if the duty is deposited electronically through internet banking; and by the 5th day of the month, in any other case, immediately following the calendar month in which the service is deemed to be provided as per the rules framed in this regard.

[101] Explanatory notes refer to the explanations furnished by Administrative Departments to the Legislature Secretariat, on performance audit / paragraphs contained in Audit Reports placed before the Legislature.

necessary that they elicit appropriate and timely response from the executive. Finance department, Government of Kerala issued (April 2005) instructions to all administrative departments to submit explanatory notes indicating a corrective/ remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports within two months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

The Audit Reports for the years up to 2011-12 had been presented to the State Legislature but nine departments did not furnish explanatory notes on 21 out of 186 paragraphs/performance audits relating to the Audit Reports for the year 2004-05 to 2011-12 as of September 2013 of which nine paragraphs were more than three years old.

***Compliance to Reports of Committee on Public Undertakings outstanding***

***4.11.2*** As per the Handbook of Instructions for Speedy Settlement of Audit Objections issued by the State Government the replies to paragraphs of COPU are required to be furnished within two months from the presentation of the Reports by COPU to the State Legislature. Action Taken Notes (ATNs) to 250 paragraphs pertaining to 43 Reports of the COPU presented to the State Legislature between July 2000 and July 2013 had not been received as of September 2013 as shown below:

**Table 4.23: Details of ATNs pending**

| Year of the COPU Report | Total number of Reports involved | No. of paragraphs where ATNs not received |
|---|---|---|
| 1998-2000 | 2 | 13 |
| 2001-2004 | 1 | 3 |
| 2004-2006 | 4 | 17 |
| 2006-2008 | 10 | 55 |
| 2008-2011 | 15 | 54 |
| 2011-2014 | 11 | 108 |
| **Total** | **43** | **250** |

## *4.12 Response to Inspection Reports, Draft Paragraphs and Performance Audit Reports*

Audit observations made during audit and not settled on the spot are communicated to the heads of the PSUs and the departments concerned of the State Government through Inspection Reports (IRs). The heads of PSUs were required to furnish replies to the IRs through the respective heads of departments within a period of four weeks. IRs issued up to March 2013 pertaining to 82 PSUs disclosed that 2935 paragraphs relating to 528 IRs remained outstanding at the end of September 2013. Of these, 28 IRs containing 302 paragraphs had not been replied to for one to three years. Department-wise break up of IRs and paragraphs outstanding as on 30 September 2013 is given in ***Annexure 27.***

Similarly Draft Paragraphs and Reports on Performance Audit on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that five Draft Paragraphs and three Draft Performance Audit Reports forwarded to various departments during July-November 2013 as detailed in ***Annexure 28*** had not been replied to so far (January 2014).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to IRs/Draft Paragraphs/ Performance Audit Reports and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/ overpayment in a time bound schedule and (c) the system of responding to audit observations is revamped.

**Thiruvananthapuram**
**The** 29 APRIL 2014

**(Dr. BIJU JACOB)**
**Accountant General**
**(Economic & Revenue Sector Audit)**
**Kerala**

**Countersigned**

**New Delhi**
**The** 01 MAY 2014

**(SHASHI KANT SHARMA)**
**Comptroller and Auditor General of India**

# ANNEXURES

## Annexure 1

### Statement showing particulars of up-to-date capital, loans outstanding and manpower as on 31 March 2013 in respect of Government companies and Statutory corporations

***(Referred to in paragraph 1.1.11)***

***(Figures in columns 5(a) to 6(d) are ₹ in crore)***

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| | **A. Working Government Companies** | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | |
| 1 | Kerala Agro Machinery Corporation Limited | Agriculture | March 1973 | 1.61 | ... | ... | 1.61 | ... | ... | ... | ... | ... | 661 |
| 2 | Kerala Forest Development Corporation Limited | Forest | January 1975 | 8.27 | 0.93 | ... | 9.20 | 1.25 | ... | ... | 1.25 | 0.14:1 (0.14:1) | 540 |
| 3 | Kerala Livestock Development Board Limited | Animal Husbandry | November 1975 | 7.33 | ... | ... | 7.33 | ... | ... | ... | ... | ... | 239 |
| 4 | Kerala State Horticultural Products Development Corporation Limited | Agriculture | March 1989 | 6.48 | ... | ... | 6.48 | ... | ... | 3.50 | 3.50 | 0.54:1 (0.56:1) | 208 |
| 5 | Kerala State Poultry Development Corporation Limited | Animal Husbandry | December 1989 | 1.97 (1.62) | ... | ... | 1.97 (1.62) | ... | ... | ... | ... | ... | 25 |
| 6 | Meat Products of India Limited | Animal Husbandry | March 1973 | 1.86 | ... | 0.45 | 2.31 | 0.13 | 0.20 | ... | 0.33 | 0.14:1 (0.14:1) | 78 |
| 7 | Oil Palm India Limited | Agriculture | November 1977 | 6.80 | 4.99 | ... | 11.79 | ... | ... | ... | ... | ... | 823 |
| 8 | The Kerala Agro Industries Corporation Limited | Agriculture | March 1968 | 3.05 | 1.69 | ... | 4.74 | 8.01 | ... | 0.04 | 8.05 | 1.70:1 (1.70:1) | 63 |
| 9 | The Kerala State Cashew Development Corporation Limited | Industries | July 1969 | 200.64 (83.85) | ... | ... | 200.64 (83.85) | 211.62 | ... | ... | 211.62 | 1.05:1 (1.05:1) | 15769 |
| 10 | The Kerala State Coir Corporation Limited | Industries | July 1969 | 8.05 | ... | ... | 8.05 | 1.43 | ... | 0.13 | 1.56 | 0.19:1 (0.19:1) | 61 |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 11 | The Plantation Corporation of Kerala Limited | Agriculture | November 1962 | 5.57 | ... | ... | 5.57 | ... | ... | ... | ... | .... | 2522 |
| 12 | The Rehabilitation Plantations Limited | Labour and Rehabilitation | May 1976 | 2.06 | 1.33 | ... | 3.39 | ... | ... | ... | ... | ... | 1324 |
| 13 | The State Farming Corporation of Kerala Limited | Agriculture | April 1972 | 8.43 | ... | 0.61 | 9.04 | 0.22 | ... | ... | 0.22 | 0.02:1 (0.02:1) | 802 |
| 14 | Aralam Farming Corporation (Kerala) Limited | SC and ST Development | June 2010 | 0.01 | ... | ... | 0.01 | ... | ... | ... | ... | ... | 363 |
| | **Sector-wise total** | | | **262.13 (85.47)** | **8.94** | **1.06** | **272.13 (85.47)** | **222.66** | **0.20** | **3.67** | **226.53** | **0.83:1 (0.83:1)** | **23478** |
| **FINANCE SECTOR** | | | | | | | | | | | | | |
| 15 | Handicrafts Development Corporation of Kerala Limited | Industries | November 1968 | 2.16 | 0.61 | ... | 2.77 | 2.67 | ... | ... | 2.67 | 0.96:1 (0.78:1) | 102 |
| 16 | Kerala Artisans' Development Corporation Limited | Industries | October 1981 | 3.35 (1.39) | ... | ... | 3.35 (1.39) | 0.99 | ... | ... | 0.99 | 0.30:1 (0.35:1) | 21 |
| 17 | Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited | General Education | August 1984 | 0.50 | ... | ... | 0.50 | ... | ... | 0.31 | 0.31 | 0.62:1 (0.62:1) | 3 |
| 18 | Kerala Small Industries Development Corporation Limited | Industries | November 1975 | 25.46 (2.21) | ... | 4.41 | 29.87 (2.21) | 2.05 | ... | 1.13 | 3.18 | 0.11:1 (0.19:1) | 686 |
| 19 | Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited | Backward Communities Development | December 1980 | 37.19 | ... | ... | 37.19 | 1.55 | ... | ... | 1.55 | 0.04:1 | 34 |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 20 | Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited | SC and ST Development | December 1972 | 72.06 | 50.87 | ... | 122.93 | ... | ... | 15.01 | 15.01 | 0.12:1 (0.10:1) | 168 |
| 21 | Kerala State Film Development Corporation Limited | Cultural Affairs | July 1975 | 27.62 (6.34) | ... | ... | 27.62 (6.34) | 5.07 | ... | 0.54 | 5.61 | 0.20:1 (0.31:1) | 172 |
| 22 | Kerala State Handicapped Persons' Welfare Corporation Limited | Social Justice | September 1979 | 3.60 (1.60) | ... | ... | 3.60 (1.60) | 2.63 | ... | ... | 2.63 | 0.73:1 (0.73:1) | 56 |
| 23 | Kerala State Handloom Development Corporation Limited | Industries | June 1968 | 28.95 (4.00) | ... | 0.05 | 29.00 (4.00) | 14.94 | ... | ... | 14.94 | 0.52:1 (0.58:1) | 296 |
| 24 | Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited | Industries | November 1985 | 0.87 | ... | ... | 0.87 | 0.73 | ... | ... | 0.73 | 0.84:1 (0.84:1) | 32 |
| 25 | Kerala State Women's Development Corporation Limited | Social Justice | February 1988 | 6.58 (1.05) | 0.49 | ... | 7.07 (1.05) | 0.05 | ... | 43.49 | 43.54 | 6.16:1 (6.13:1) | 26 |
| 26 | Kerala Transport Development Finance Corporation Limited | Transport | February 1991 | 43.83 | ... | ... | 43.83 | ... | ... | ... | ... | ... | 47 |
| 27 | Kerala Urban & Rural Development Finance Corporation Limited | Local Self Government | January 1970 | 0.51 | ... | 0.45 | 0.96 | 4.22 | ... | ... | 4.22 | 4.40:1 (3.90:1) | 16 |
| 28 | The Kerala State Backward Classes Development Corporation Limited | Backward Communities Development | February 1995 | 82.96 | ... | ... | 82.96 | ... | ... | 338.12 | 338.12 | 4.08:1 (3.56:1) | 208 |
| 29 | The Kerala State Financial Enterprises Limited | Taxes | November 1969 | 20.00 | ... | ... | 20.00 | ... | ... | ... | ... | ... | 5203 |
| | **Sector-wise total** | | | **355.64 (16.59)** | **51.97** | **4.91** | **412.52 (16.59)** | **34.90** | **...** | **398.60** | **433.50** | **1.05:1 (0.98:1)** | **7070** |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| **INFRASTRUCTURE SECTOR** | | | | | | | | | | | | | |
| 30 | Kerala Police Housing and Construction Corporation Limited | Home | July 1990 | 0.27 | ... | ... | 0.27 | 72.42 | ... | ... | 72.42 | 268.22:1 (226.19:1) | 107 |
| 31 | Kerala State Construction Corporation Limited | Public Works | March 1975 | 0.88 | ... | ... | 0.88 | 2.05 | ... | ... | 2.05 | 2.33:1 (2.33:1) | 115 |
| 32 | Kerala State Industrial Development Corporation Limited | Industries | July 1961 | 400.00 (98.76) | ... | ... | 400.00 (98.76) | ... | ... | ... | ... | ... (0.08:1) | 80 |
| 33 | Roads and Bridges Development Corporation of Kerala Limited | Public Works | September 1999 | 62.43 (13.00) | ... | ... | 62.43 (13.00) | 56.00 | ... | 63.23 | 119.23 | 1.91:1 (1.99:1) | 43 |
| 34 | The Kerala Land Development Corporation Limited | Agriculture | December 1972 | 6.79 | 0.34 | ... | 7.13 | 1.85 | ... | ... | 1.85 | 0.26:1 (0.26:1) | 112 |
| 35 | Kerala State Information Technology Infrastructure Limited | Information Technology | January 2008 | 157.98 (127.98) | ... | ... | 157.98 (127.98) | ... | ... | ... | ... | ... | 9 |
| 36 | Kinfra Export Promotion Industrial Parks Limited | Industries | October 1994 | ... | ... | 0.25 | 0.25 | ... | ... | 4.78 | 4.78 | 19.12:1 (42.24:1) | 4 |
| 37 | Kinfra Film and Video Park Limited | Industries | June 2000 | ... | ... | 1.50 | 1.50 | ... | ... | ... | ... | ... | 2 |
| 38 | Kinfra International Apparel Parks Limited | Industries | August 1995 | ... | ... | 0.25 | 0.25 | ... | ... | ... | ... | ... | 5 |
| 39 | Marine Products Infrastructure Development Corporation Limited | Fisheries | March 1999 | ... | ... | 5.00 | 5.00 | ... | ... | ... | ... | ... | 2 |
| 40 | Kannur International Airport Limited | Transport | December 2009 | 130.01 | ... | 90.89 | 220.90 | ... | ... | ... | ... | ... | 22 |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 41 | Road Infrastructure Company Kerala Limited | Public Works | March 2012 | 0.03 | ... | 0.02 | 0.05 | ... | ... | ... | ... | ... | 9 |
| 42 | Vision Varkala Infrastructure Development Corporation Limited | Planning & Economic Affairs | February 2013 | 0.10 | ... | ... | 0.10 | ... | ... | ... | ... | ... | 5 |
| 43 | Kerala Irrigation Infrastructure Development Corporation Limited | Irrigation | August 2000 | 0.21 | ... | ... | 0.21 | ... | ... | ... | ... | ... | 13 |
| | **Sector-wise total** | | | **758.70 (239.74)** | **0.34** | **97.91** | **856.95 (239.74)** | **132.32** | **...** | **68.01** | **200.33** | **0.23:1 (0.41:1)** | **528** |
| **MANUFACTURING SECTOR** | | | | | | | | | | | | | |
| 44 | Autokast Limited | Industries | May1984 | 19.97 (1.00) | ... | ... | 19.97 (1.00) | 67.91 | ... | 0.15 | 68.06 | 3.41:1 (3.27:1) | 205 |
| 45 | Foam Mattings (India) Limited | Industries | December 1978 | 5.15 | ... | ... | 5.15 | ... | ... | ... | ... | ... | 117 |
| 46 | Forest Industries (Travancore) Limited | Industries | August 1946 | 0.29 | ... | 0.09 | 0.38 | 2.75 | ... | 0.19 | 2.94 | 7.74:1 (7.74:1) | 91 |
| 47 | Kanjikode Electronics and Electricals Limited | Industries | March 1996 | 0.25 | ... | ... | 0.25 | ... | ... | ... | ... | ... | 21 |
| 48 | Keltron Component Complex Limited | Industries | October 1974 | 7.30 | ... | 26.93 (3.88) | 34.23 (3.88) | 1.75 | ... | 3.92 | 5.67 | 0.17:1 (0.16:1) | 610 |
| 49 | Keltron Electro Ceramics Limited | Industries | April 1974 | ... | ... | 3.18 | 3.18 | ... | ... | 1.35 | 1.35 | 0.42:1 (0.42:1) | 86 |
| 50 | Kerala Automobiles Limited | Industries | March 1978 | 10.98 (0.75) | ... | ... | 10.98 (0.75) | 14.31 | ... | 1.95 | 16.26 | 1.48:1 (1.12:1) | 230 |
| 51 | Kerala Clays and Ceramic Products Limited | Industries | June 1984 | 1.32 | ... | ... | 1.32 | ... | ... | ... | ... | ... | 303 |
| 52 | Kerala Electrical and Allied Engineering Company Limited | Industries | June 1964 | 87.15 | ... | ... | 87.15 | 35.08 | ... | 1.44 | 36.52 | 0.42:1 (0.22:1) | 749 |
| 53 | Kerala Feeds Limited | Animal Husbandry | October 1995 | 21.09 | ... | 6.32 | 27.41 | ... | ... | ... | ... | ... | 212 |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 54 | Kerala State Bamboo Corporation Limited | Industries | March 1971 | 9.35 (2.66) | ... | ... | 9.35 (2.66) | 21.92 | ... | 4.36 | 26.28 | 2.81:1 (2.47:1) | 270 |
| 55 | Kerala State Beverages (Manufacturing and Marketing) Corporation Limited | Taxes | February 1984 | 1.03 | ... | ... | 1.03 | ... | ... | | ... | ... | 3525 |
| 56 | Kerala State Drugs and Pharmaceuticals Limited | Industries | December 1971 | 9.08 | ... | ... | 9.08 | 59.74 | ... | 1.74 | 61.48 | 6.77:1 (6.19:1) | 212 |
| 57 | Kerala State Electronics Development Corporation Limited | Industries | September 1972 | 199.55 (100.19) | ... | 4.00 | 203.55 (100.19) | 92.68 | ... | ... | 92.68 | 0.46:1 (0.41:1) | 1860 |
| 58 | Kerala State Mineral Development Corporation Limited | Industries | June 1992 | 1.76 | ... | ... | 1.76 | ... | ... | ... | ... | ... | 14 |
| 59 | Kerala State Textile Corporation Limited | Industries | March 1972 | 64.27 (45.64) | ... | 32.25 (32.25) | 96.52 (77.89) | 81.93 | ... | 36.99 | 118.92 | 1.23:1 (1.04:1) | 787 |
| 60 | Malabar Cements Limited | Industries | April 1978 | 26.01 | ... | ... | 26.01 | ... | ... | ... | ... | ... | 814 |
| 61 | Sitaram Textiles Limited | Industries | February 1975 | 42.46 (36.52) | ... | ... | 42.46 (36.52) | 8.19 | ... | 0.03 | 8.22 | 0.19:1 (0.12:1) | 233 |
| 62 | Steel and Industrial Forgings Limited | Industries | June 1983 | 23.93 (8.00) | ... | ... | 23.93 (8.00) | 3.00 | ... | 5.39 | 8.39 | 0.35:1 (0.55:1) | 292 |
| 63 | SAIL-SCL Kerala Limited | Industries | December 1969 | 13.26 | ... | 13.17 | 26.43 | 6.18 | ... | 8.00 | 14.18 | 0.54:1 (1.99:1) | 101 |
| 64 | Steel Industrials Kerala Limited | Industries | January 1975 | 36.56 | ... | ... | 36.56 | 5.65 | ... | 0.95 | 6.60 | 0.18:1 (0.10:1) | 142 |
| 65 | The Kerala Ceramics Limited | Industries | November 1963 | 11.21 (8.66) | ... | ... | 11.21 (8.66) | 16.20 | ... | 2.59 | 18.79 | 1.68:1 (1.36:1) | 140 |
| 66 | The Kerala Minerals and Metals Limited | Industries | February 1972 | 30.93 | ... | ... | 30.93 | ... | ... | ... | ... | ... | 1493 |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 67 | The Metal Industries Limited | Industries | March 1928 | 1.87 | ... | 0.07 | 1.94 | 5.11 | ... | 0.01 | 5.12 | 2.64:1 (2.25:1) | 62 |
| 68 | The Pharmaceutical Corporation (Indian Medicines) Kerala Limited | Health & Family Welfare | September 1975 | 24.67 | ... | ... | 24.67 | ... | ... | ... | ... | ... | 628 |
| 69 | The Travancore Cements Limited | Industries | October 1946 | 2.47 | ... | 0.24 | 2.71 | 8.50 | ... | ... | 8.50 | 3.14:1 (0.92:1) | 416 |
| 70 | The Travancore Sugars and Chemicals Limited | Taxes | June1937 | 1.01 | ... | 0.31 | 1.32 | 0.10 | ... | ... | 0.10 | 0.08:1 (0.08:1) | 72 |
| 71 | The Travancore-Cochin Chemicals Limited | Industries | November 1951 | 16.91 | ... | 4.40 | 21.31 | 3.72 | ... | 32.80 | 36.52 | 1.71:1 (1.72:1) | 657 |
| 72 | Traco Cable Company Limited | Industries | February 1960 | 35.87 (27.06) | ... | 4.20 | 40.07 (27.06) | 7.89 | ... | 1.20 | 9.09 | 0.23:1 (0.37:1) | 544 |
| 73 | Transformers and Electricals Kerala Limited | Industries | December 1963 | 23.44 | 19.17 | 0.36 | 42.97 | ... | ... | ... | ... | ... | 672 |
| 74 | Travancore Titanium Products Limited | Industries | December 1946 | 13.43 | ... | 0.34 | 13.77 | ... | .... | 29.28 | 29.28 | 2.13:1 (2.62:1) | 800 |
| 75 | United Electrical Industries Limited | Industries | October 1950 | 3.88 | ... | 1.11 | 4.99 | 17.72 | ... | ... | 17.72 | 3.55:1 (3.16:1) | 106 |
| 76 | Malabar Distilleries Limited | Taxes | June 2009 | 2.46 (2.45) | ... | ... | 2.46 (2.45) | ... | ... | ... | ... | ... | 84 |
| 77 | Trivandrum Spinning Mills Limited | Industries | November 1963 | 9.84 (5.20) | ... | ... | 9.84 (5.20) | 10.94 | ... | 6.89 | 17.83 | 1.81:1 (1.46:1) | 44 |
| | **Sector-wise total** | | | **758.75 (238.13)** | **19.17** | **96.97 (36.13)** | **874.89 (274.26)** | **471.27** | **...** | **139.23** | **610.50** | **0.70:1 (0.65:1)** | **16592** |
| **POWER SECTOR** | | | | | | | | | | | | | |
| 78 | Kerala State Power and Infrastructure Finance Corporation Limited | Power | March 1998 | 15.83 | ... | 10.82 | 26.65 | ... | ... | ... | ... | ... | 8 |
| 79 | KINESCO Power and Utilities Private Limited | Industries | September 2008 | ... | ... | 0.36 (0.26) | 0.36 (0.26) | ... | ... | ... | ... | ... | 2 |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 80 | Kerala State Electricity Board Limited | Power | January 2011 | 0.05 | ... | ... | 0.05 | ... | ... | 3.27 | 3.27 | 65.40:1 (65:1) | ... |
| | **Sector-wise total** | | | **15.88** | **...** | **11.18 (0.26)** | **27.06 (0.26)** | **...** | **...** | **3.27** | **3.27** | **0.12:1 (0.12:1)** | **10** |
| **SERVICES SECTOR** | | | | | | | | | | | | | |
| 81 | Bekal Resorts Development Corporation Limited | Tourism | July 1995 | 49.23 (1.00) | ... | ... | 49.23 (1.00) | ... | ... | ... | ... | ... | 20 |
| 82 | Indian Institute of Information Technology and Management - Kerala | Information Technology | September 2000 | 20.00 (20.00) | ... | ... | 20.00 (20.00) | ... | ... | ... | ... | ... | 18 |
| 83 | Kerala Medical Services Corporation Limited | Health & Family Welfare | December 2007 | 0.01 | ... | ... | 0.01 | ... | ... | ... | ... | ... | 514 |
| 84 | Kerala Shipping and Inland Navigation Corporation Limited | Coastal Shipping & Inland Navigation | December 1975 | 45.21 (18.00) | ... | 0.03 | 45.24 (18.00) | ... | ... | ... | ... | ... | 171 |
| 85 | Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited | General Admn | December 2001 | 0.50 (0.50) | ... | ... | 0.50 (0.50) | ... | ... | ... | ... | ... | 14 |
| 86 | Kerala State Industrial Enterprises Limited | Industries | January 1973 | 1.20 | ... | ... | 1.20 | 1.10 | | 2.50 | 3.60 | 3.00:1 (0.97:1) | 73 |
| 87 | Kerala State Maritime Development Corporation Limited | Port | December 1994 | 9.99 | ... | ... | 9.99 | ... | ... | ... | ... | ... | 23 |
| 88 | KTDC Hotels & Resorts Limited | Tourism | December 1965 | 77.70 | ... | ... | 77.70 | 1.92 | ... | ... | 1.92 | 0.02:1 (0.02:1) | 542 |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 89 | Overseas Development and Employment Promotion Consultants Limited | Labour and Rehabilitation | October 1977 | 0.86 | ... | ... | 0.86 | ... | ... | ... | ... | ... | 15 |
| 90 | The Kerala State Civil Supplies Corporation Limited | Food and Civil Supplies | June 1974 | 8.56 | ... | ... | 8.56 | ... | ... | ... | ... | ... | 2573 |
| 91 | Kerala Tourism Infrastructure Limited | Tourism | August 1989 | 27.20 (1.00) | ... | 4.02 | 31.22 (1.00) | ... | ... | ... | ... | ... | 10 |
| 92 | Vizhinjam International Seaport Limited | Ports | December 2004 | 12.00 | ... | ... | 12.00 | ... | ... | ... | ... | ... | 15 |
| 93 | Kerala State Coastal Area Development Corporation Limited | Fisheries | December 2008 | 2.81 | ... | ... | 2.81 | ... | ... | ... | ... | ... | 55 |
| 94 | Norka Roots | NORKA | December 2002 | 0.78 | ... | 0.74 | 1.52 | ... | ... | ... | ... | ... | 46 |
| 95 | Kerala High Speed Rail Corporation Limited | Industries | September 2011 | 59.05 (59.00) | ... | ... | 59.05 (59.00) | ... | ... | ... | ... | ... | 4 |
| 96 | Kerala Monorail Corporation Limited | Public Works | December 2012 | 0.03 | ... | 0.02 | 0.05 | ... | ... | ... | ... | ... | ... |
| | **Sector-wise total** | | | **315.13 (99.50)** | **...** | **4.81** | **319.94 (99.50)** | **3.02** | **...** | **2.50** | **5.52** | **0.02:1 (0.02:1)** | **4093** |
| | **Total A (All sector-wise working Government Companies)** | | | **2466.23 (679.43)** | **80.42** | **216.84 (36.39)** | **2763.49 (715.82)** | **864.17** | **0.20** | **615.28** | **1479.65** | **0.54:1 (0.60:1)** | **51771** |
| | **B. Working Statutory Corporations** | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | |
| 1 | Kerala State Warehousing Corporation | Agriculture | February 1959 | 6.25 (0.50) | ... | 5.75 | 12.00 (0.50) | 0.50 | .... | .... | 0.50 | 0.04:1 (0.04:1) | 358 |
| | **Sector-wise total** | | | **6.25 (0.50)** | **...** | **5.75** | **12.00 (0.50)** | **0.50** | **....** | **....** | **0.50** | **0.04:1 (0.04:1)** | **358** |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| **FINANCE SECTOR** | | | | | | | | | | | | | |
| 2 | Kerala Financial Corporation | Finance | December 1953 | 215.63 (9.89) | ... | 6.23 | 221.86 (9.89) | ... | ... | 898.10 | 898.10 | 4.05:1 (4.46:1) | 232 |
| | **Sector-wise total** | | | **215.63 (9.89)** | **...** | **6.23** | **221.86 (9.89)** | **...** | **...** | **898.10** | **898.10** | **4.05:1 (4.46:1)** | **232** |
| **INFRASTRUCTURE SECTOR** | | | | | | | | | | | | | |
| 3 | Kerala Industrial Infrastructure Development Corporation | Industries | February 1993 | ... | ... | ... | ... | 190.29 | ... | ... | 190.29 | ... | 42 |
| | **Sector-wise total** | | | **...** | **...** | **...** | **...** | **190.29** | **...** | **...** | **190.29** | **...** | **42** |
| **POWER SECTOR** | | | | | | | | | | | | | |
| 4 | Kerala State Electricity Board | Power | April 1957 | 1553.00 | ... | ... | 1553.00 | ... | ... | 2134.20 | 2134.20 | 1.37:1 (0.87:1) | 31784 |
| | **Sector-wise total** | | | **1553.00** | **...** | **...** | **1553.00** | **...** | **...** | **2134.20** | **2134.20** | **1.37:1 (0.87:1)** | **31784** |
| **SERVICES SECTOR** | | | | | | | | | | | | | |
| 5 | Kerala State Road Transport Corporation | Transport | March 1965 | 563.89 | 23.21 | ... | 587.10 | 665.76 | ... | 251.94 | 917.70 | 1.56:1 (0.85:1) | 42514 |
| | **Sector-wise total** | | | **563.89** | **23.21** | **...** | **587.10** | **665.76** | **...** | **251.94** | **917.70** | **1.56:1 (0.85:1)** | **42514** |
| | **Total B (All sector-wise working Statutory Corporations)** | | | **2338.77 (10.39)** | **23.21** | **11.98** | **2373.96 (10.39)** | **856.55** | **...** | **3284.24** | **4140.79** | **1.74:1 (1.24:1)** | **74930** |
| | **Grand Total (A+B)** | | | **4805.00 (689.82)** | **103.63** | **228.82 (36.39)** | **5137.45 (726.21)** | **1720.72** | **0.20** | **3899.52** | **5620.44** | **1.09:1 (0.92:1)** | **126701** |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| | **C. Non-working Government Companies** | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | |
| 1 | Kerala State Coconut Development Corporation Limited | Agriculture | October 1975 | 2.85 | ... | ... | 2.85 | ... | ... | ... | ... | ... | 1 |
| | **Sector-wise total** | | | **2.85** | **...** | **...** | **2.85** | **...** | **...** | **...** | **...** | **...** | **1** |
| **MANUFACTURING SECTOR** | | | | | | | | | | | | | |
| 2 | The Kerala Premo Pipe Factory Limited | Local Admn | September 1961 | 1.31 | ... | ... | 1.31 | ... | ... | 0.25 | 0.25 | 0.19:1 (0.19:1) | ... |
| 3 | Kerala Garments Limited | Industries | July 1974 | ... | ... | 0.48 | 0.48 | 1.68 | ... | 0.20 | 1.88 | 3.92:1 (3.92:1) | ... |
| 4 | Kerala Special Refractories Limited | Industries | November 1985 | 2.91 | ... | ... | 2.91 | 1.07 | ... | ... | 1.07 | 0.37:1 (0.37:1) | 1 |
| 5 | The Kerala Asbestos Cement Pipe Factory Limited | Local Admn. | March 1984 | 0.06 | ... | ... | 0.06 | ... | ... | ... | ... | ... | ... |
| 6 | SIDECO Mohan Kerala Limited | Industries | August 1980 | ... | ... | 0.17 | 0.17 | ... | ... | 0.82 | 0.82 | 4.82:1 (4.82:1) | ... |
| 7 | Keltron Counters Limited | Industries | July 1964 | 4.97 | ... | 4.90 | 9.87 | 5.05 | ... | ... | 5.05 | 0.51:1 (0.51:1) | ... |
| 8 | Keltron Power Devices Limited | Industries | January 1976 | ... | ... | 15.38 | 15.38 | ... | ... | 6.38 | 6.38 | 0.41:1 (0.41:1) | ... |
| 9 | SIDKEL Televisions Limited | Industries | March 1984 | ... | ... | 0.44 | 0.44 | 0.02 | ... | 1.29 | 1.31 | 2.98:1 (2.98:1) | ... |
| 10 | Astral Watches Limited | Industries | February 1978 | ... | ... | 0.95 | 0.95 | 1.08 | ... | 1.81 | 2.89 | 3.04:1 (2.99:1) | ... |
| 11 | Keltron Rectifiers Limited | Industries | March 1976 | ... | ... | 6.63 | 6.63 | 1.65 | ... | 7.02 | 8.67 | 1.31:1 (1.31:1) | ... |
| 12 | Trivandrum Rubber Works Limited | Agriculture | November 1963 | 1.76 | ... | 0.59 | 2.35 | 7.22 | ... | 2.42 | 9.64 | 4.10:1 (4.10:1) | ... |

| Sl. No. | Sector & Name of the Company/ Corporation | Name of the Department | Month and Year of incorporation | Paid-up capital* | | | | Loans** outstanding at the close of 2012-13 | | | | Debt equity ratio for 2012-13 (Previous year) | Manpower (No. of employees as on 31.3.2013) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | State Govern-ment | Central Govern-ment | Others | Total | State Govern-ment | Central Govern-ment | Others | Total | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | 6 (a) | 6(b) | 6 (c) | 6 (d) | (7) | (8) |
| 13 | Kerala State Wood Industries Limited | Industries | September 1981 | 1.70 | ... | ... | 1.70 | ... | ... | ... | ... | .... | ... |
| 14 | Kerala State Detergents and Chemicals Limited | Industries | June 1976 | 1.55 | ... | ... | 1.55 | 8.96 | ... | 10.72 | 19.68 | 12.70:1 (12.70:1) | ... |
| 15 | Kunnathara Textiles Limited | | September 1975 | 0.22 | ... | 0.48 | 0.70 | ... | ... | ... | ... | ... | ... |
| 16 | Vanchinad Leathers Limited | | | ... | 0.19 | 0.18 | 0.37 | ... | ... | ... | ... | ... | ... |
| | **Sector-wise total** | | | **14.48** | **0.19** | **30.20** | **44.87** | **26.73** | **...** | **30.91** | **57.64** | **1.28:1 (1.28:1)** | **1** |
| | **Total C (All sector-wise non- working Government companies)** | | | **17.33** | **0.19** | **30.20** | **47.72** | **26.73** | **...** | **30.91** | **57.64** | **1.21:1 (1.20:1)** | **2** |
| | **D. Non-working Statutory Corporations** | | | | | | | | | | | | |
| | **Grand Total (A+B+C+D)** | | | **4822.33 (689.82)** | **103.82** | **259.02 (36.39)** | **5185.17 (726.21)** | **1747.45** | **0.20** | **3930.43** | **5678.08** | **1.10:1 (0.92:1)** | **126703** |

**Above includes Section 619 B companies at Sl. No A-36, 37, 38, 39, 48, 49, 63 and 79; C- 15 and 16.**
**In respect of companies at Sl NoA-14 and 77 figures for 2011-12 have been taken since current year figures not furnished.**
**In respect of companies at Sl No A-4, 88, 94 and 96 figures for 2011-12 have been taken in column (8) since current year figures not furnished.**
***Paid up capital includes share application money which is shown in brackets in column 5 (a) to 5 (d).**
**** Loans outstanding at the close of 2012-13 represent long terms loans only.**

**Annexure 2**

**Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised**

***(Referred to in paragraph 1.1.35)***

***(Figures in column 5(a) to (10) are ₹in crore)***

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| **A. Working Government Companies** | | | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | | |
| 1 | Kerala Agro Machinery Corporation Limited | 2011-12 | 2012-13 | 5.02 | ... | 0.85 | 4.17 | 176.62 | ... | 1.61 | 100.12 | 101.77 | 4.17 | 4.10 |
| 2 | Kerala Forest Development Corporation Limited | 2012-13 | 2013-14 | 1.30 | 0.14 | 0.79 | 0.37 | 11.98 | ... | 9.20 | 8.59 | 55.90 | 0.51 | 0.91 |
| 3 | Kerala Livestock Development Board Limited | 2010-11 | 2012-13 | 4.63 | ... | 2.00 | 2.63 | 12.43 | ... | 7.33 | 8.70 | 46.33 | 2.63 | 5.68 |
| 4 | Kerala State Horticultural Products Development Corporation Limited | 2010-11 | 2012-13 | 0.26 | ... | 0.17 | 0.09 | 18.00 | -0.02 | 6.13 | -5.17 | 5.00 | 0.09 | 1.80 |
| 5 | Kerala State Poultry Development Corporation Limited | 2007-08 | 2013-14 | 0.61 | ... | 0.28 | 0.33 | 4.05 | -0.20 | 1.97 | -5.15 | 1.38 | 0.33 | 23.91 |
| 6 | Meat Products of India Limited | 2008-09 | 2012-13 | -1.05 | 0.05 | 0.23 | -1.33 | 3.61 | ... | 1.81 | -10.42 | 0.42 | -1.28 | ... |
| 7 | Oil Palm India Limited | 2011-12 | 2012-13 | 10.56 | ... | 1.38 | 9.18 | 41.74 | ... | 11.79 | 34.18 | 77.29 | 9.18 | 11.88 |
| 8 | The Kerala Agro Industries Corporation Limited | 2007-08 | 2013-14 | 1.39 | 0.84 | 0.04 | 0.51 | 143.61 | ... | 4.74 | -16.47 | -2.60 | 1.35 | ... |
| 9 | The Kerala State Cashew Development Corporation Limited | 2008-09 | 2012-13 | -30.06 | 47.06 | 0.62 | -77.74 | 127.88 | -1.11 | 200.64 | -812.92 | -135.18 | -30.68 | ... |
| 10 | The Kerala State Coir Corporation Limited | 2010-11 | 2013-14 | 1.96 | 0.22 | 0.05 | 1.69 | 77.54 | ... | 8.05 | -10.56 | 5.72 | 1.91 | 33.39 |
| 11 | The Plantation Corporation of Kerala Limited | 2012-13 | 2013-14 | -15.43 | ... | 2.19 | -17.62 | 124.26 | ... | 5.57 | 132.40 | 166.60 | -17.62 | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 12 | The Rehabilitation Plantations Limited | 2012-13 | 2013-14 | 12.29 | ... | 0.86 | 11.43 | 23.04 | ... | 3.39 | 138.40 | 147.32 | 11.43 | 7.76 |
| 13 | The State Farming Corporation of Kerala Limited | 2011-12 | 2012-13 | 15.61 | 0.04 | 0.71 | 14.86 | 39.99 | 0.25 | 9.04 | 58.89 | 85.66 | 14.90 | 17.39 |
| 14 | Aralam Farming Corporation (Kerala) Limited | 2010-11 | 2012-13 | -0.14 | ... | ... | -0.14 | ... | ... | 0.01 | -0.14 | -0.13 | -0.14 | ... |
| | **Sector-wise total** | | | **6.95** | **48.35** | **10.17** | **-51.57** | **804.75** | **-1.08** | **271.28** | **-379.55** | **555.48** | **-3.22** | **...** |
| **FINANCE SECTOR** | | | | | | | | | | | | | | |
| 15 | Handicrafts Development Corporation of Kerala Limited | 2007-08 | 2012-13 | -1.12 | 0.60 | 0.11 | -1.83 | 3.88 | -1.47 | 2.77 | -12.42 | 0.52 | -1.23 | ... |
| 16 | Kerala Artisans' Development Corporation Limited | 2008-09 | 2013-14 | 0.03 | 0.12 | 0.02 | -0.11 | 5.91 | ... | 2.65 | -2.03 | 2.36 | ... | ... |
| 17 | Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited | 2007-08 | 2011-12 | 0.06 | ... | ... | 0.06 | 0.13 | -0.16 | 0.50 | -0.61 | ... | 0.06 | ... |
| 18 | Kerala Small Industries Development Corporation Limited | 2010-11 | 2013-14 | 1.96 | 0.74 | 0.31 | 0.91 | 123.68 | ... | 29.47 | -40.93 | 4.58 | 1.65 | 36.03 |
| 19 | Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited | 2002-03 | 2011-12 | -1.73 | 0.28 | 0.01 | -2.02 | 0.45 | ... | 10.95 | -4.73 | 10.82 | -1.74 | ... |
| 20 | Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited | 2008-09 | 2010-11 | 8.63 | 0.29 | 0.08 | 8.26 | 26.59 | ... | 82.75 | -23.18 | 87.89 | 8.55 | 9.73 |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 21 | Kerala State Film Development Corporation Limited | 2005-06 | 2012-13 | 0.62 | 0.50 | 0.67 | -0.55 | 3.54 | -2.45 | 18.87 | -23.84 | 1.54 | -0.05 | ... |
| 22 | Kerala State Handicapped Persons' Welfare Corporation Limited | 2001-02 | 2013-14 | 0.30 | 0.04 | 0.06 | 0.20 | 0.67 | -0.03 | 1.97 | -0.17 | 5.87 | 0.24 | 4.09 |
| 23 | Kerala State Handloom Development Corporation Limited | 2012-13 | 2013-14 | -4.26 | 1.80 | 0.17 | -6.23 | 20.13 | -7.21 | 29.00 | -58.89 | -18.66 | -4.43 | ... |
| 24 | Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited | 2010-11 | 2013-14 | 0.13 | ... | 0.08 | 0.05 | 0.78 | -0.10 | 0.87 | -0.51 | 1.78 | 0.05 | 2.81 |
| 25 | Kerala State Women's Development Corporation Limited | 2009-10[1] | 2013-14 | 1.06 | 0.86 | 0.12 | 0.08 | 3.28 | ... | 7.07 | 0.32 | 46.26 | 0.94 | 2.03 |
| 26 | Kerala Transport Development Finance Corporation Limited | 2009-10 | 2012-13 | 55.25 | 53.79 | 1.32 | 0.14 | 63.03 | ... | 43.83 | 18.04 | 604.96 | 53.93 | 8.91 |
| 27 | Kerala Urban & Rural Development Finance Corporation Limited | 2011-12 | 2013-14 | 2.81 | 1.28 | 0.07 | 1.46 | 5.70 | ... | 0.96 | 6.34 | 60.78 | 2.74 | 4.51 |
| 28 | The Kerala State Backward Classes Development Corporation Limited | 2011-12[2] | 2013-14 | 22.19 | 6.91 | 0.34 | 14.94 | 31.32 | -15.40 | 82.96 | 94.71 | 442.72 | 21.85 | 4.94 |
| 29 | The Kerala State Financial Enterprises Limited | 2010-11 | 2012-13 | 278.03 | 245.03 | 5.06 | 27.94 | 678.53 | -0.91 | 20.00 | 171.13 | 3174.34 | 272.97 | 8.60 |
| | **Sector-wise total** | | | **363.96** | **312.24** | **8.42** | **43.30** | **967.62** | **-27.73** | **334.62** | **123.23** | **4425.76** | **355.53** | **8.03** |

[1] **The Company has finalised accounts for the year 2009-10 based on an enabling G.O by keeping the accounts for the year 2000-01 to 2008-09 in arrears.**

[2] **The Company has finalised accounts for the year 2010-11 based on an enabling G.O by keeping the accounts for the year 2008-09 and 2009-10 in arrears.**

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Depreciation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| **INFRASTRUCTURE SECTOR** | | | | | | | | | | | | | | |
| 30 | Kerala Police Housing and Construction Corporation Limited | 2008-09 | 2012-13 | -0.17 | 0.70 | 0.06 | -0.93 | 29.54 | -1.18 | 0.27 | -1.26 | 34.87 | -0.23 | ... |
| 31 | Kerala State Construction Corporation Limited | 2011-12 | 2013-14 | 7.79 | 0.17 | 0.12 | 7.50 | 33.92 | -0.17 | 0.88 | -13.49 | -12.18 | 7.67 | ... |
| 32 | Kerala State Industrial Development Corporation Limited | 2012-13 | 2013-14 | 19.33 | ... | 0.36 | 18.97 | 59.66 | ... | 410.00 | 126.91 | 527.91 | 18.97 | 3.59 |
| 33 | Roads and Bridges Development Corporation of Kerala Limited | 2010-11 | 2012-13 | 2.02 | 1.80 | 0.07 | 0.15 | 8.33 | -3.15 | 62.43 | -35.04 | 295.07 | 1.95 | 0.66 |
| 34 | The Kerala Land Development Corporation Limited | 2007-08 | 2012-13 | -0.97 | ... | 0.07 | -1.04 | 1.10 | 0.65 | 7.05 | -17.77 | 8.31 | -1.04 | ... |
| 35 | Kerala State Information Technology Infrastructure Limited | 2010-11 | 2013-14 | -0.39 | ... | ... | -0.39 | 0.04 | ... | 116.98 | 0.42 | 117.40 | -0.39 | ... |
| 36 | Kinfra Export Promotion Industrial Parks Limited | 2012-13 | 2013-14 | 1.87 | ... | 0.61 | 1.26 | 1.23 | ... | 0.25 | 14.35 | 45.36 | 1.26 | 2.78 |
| 37 | Kinfra Film and Video Park | 2011-12 | 2012-13 | 0.11 | ... | 0.34 | -0.23 | 0.64 | ... | 1.50 | -1.30 | 20.77 | -0.23 | ... |
| 38 | Kinfra International Apparel Parks Limited | 2012-13 | 2013-14 | 2.28 | ... | 1.88 | 0.40 | 1.95 | ... | 0.25 | -1.08 | 56.96 | 0.40 | 0.70 |
| 39 | Marine Products Infrastructure Development Corporation Limited | 2011-12 | 2012-13 | -0.06 | ... | ... | -0.06 | 0.27 | ... | 5.00 | 3.15 | 8.15 | -0.06 | ... |
| 40 | Kannur International Airport Limited | 2012-13 | 2013-14 | Commercial activities not commenced | | | | | | 220.90 | ... | 220.92 | ... | ... |
| 41 | Road Infrastructure Company Kerala Limited | First Accounts not finalised | | | | | | | | | | | | |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 42 | Vision Varkala Infrastructure Development Corporation Limited | New Company | | | | | | | | | | | | |
| 43 | Kerala Irrigation Infrastructure Development Corporation Limited | 2011-12 | 2012-13 | ... | ... | ... | ... | ... | ... | 0.21 | ... | 0.21 | ... | ... |
| | **Sector-wise total** | | | **31.81** | **2.67** | **3.51** | **25.63** | **136.68** | **-3.85** | **825.72** | **74.89** | **1323.75** | **28.30** | **2.14** |
| **MANUFACTURING SECTOR** | | | | | | | | | | | | | | |
| 44 | Autokast Limited | 2012-13 | 2013-14 | -5.37 | 0.63 | 0.38 | -6.38 | 19.98 | ... | 19.97 | -111.08 | -23.90 | -5.75 | ... |
| 45 | Foam Mattings (India) Limited | 2008-09 | 2012-13 | -0.26 | ... | 0.26 | -0.52 | 5.76 | ... | 5.15 | 3.32 | 9.19 | -0.52 | ... |
| 46 | Forest Industries (Travancore) Limited | 2011-12 | 2013-14 | 0.61 | 0.49 | 0.03 | 0.09 | 12.32 | ... | 0.38 | 1.11 | 4.44 | 0.58 | 13.06 |
| 47 | Kanjikode Electronics and Electricals Limited | 2009-10 | 2011-12 | -0.02 | ... | 0.02 | -0.04 | 0.31 | ... | 0.10 | 0.03 | 0.57 | -0.04 | ... |
| 48 | Keltron Component Complex Limited | 2011-12 | 2012-13 | 1.46 | 2.27 | 0.16 | -0.97 | 52.85 | -2.52 | 30.35 | -35.82 | 8.92 | 1.30 | 14.57 |
| 49 | Keltron Electro Ceramics Limited | 2011-12 | 2012-13 | 1.24 | 0.15 | 0.16 | 0.93 | 10.93 | ... | 3.18 | -3.11 | 2.88 | 1.08 | 37.50 |
| 50 | Kerala Automobiles Limited | 2010-11 | 2013-14 | -4.37 | 0.71 | 0.19 | -5.27 | 17.08 | -1.54 | 10.98 | -19.12 | 4.82 | -4.56 | ... |
| 51 | Kerala Clays and Ceramic Products Limited | 2012-13 | 2013-14 | 1.07 | ... | 0.39 | 0.68 | 6.86 | ... | 1.32 | 9.39 | 15.23 | 0.68 | 4.46 |
| 52 | Kerala Electrical and Allied Engineering Company Limited | 2011-12 | 2012-13 | -2.44 | 3.29 | 0.55 | -6.28 | 72.93 | -9.70 | 87.15 | -103.21 | -6.87 | -2.99 | ... |
| 53 | Kerala Feeds Limited | 2011-12 | 2013-14 | 10.45 | ... | 2.10 | 8.35 | 267.23 | ... | 38.66 | 12.87 | 57.67 | 8.35 | 14.48 |
| 54 | Kerala State Bamboo Corporation Limited | 2010-11 | 2013-14 | -3.63 | 0.74 | 0.38 | -4.75 | 13.61 | ... | 8.13 | -21.44 | 4.74 | -4.01 | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 55 | Kerala State Beverages (Manufacturing and Marketing) Corporation Limited | 2010-11 | 2012-13 | 150.46 | 0.09 | 0.58 | 149.79 | 2412.67 | ... | 1.03 | 550.87 | 551.41 | 149.88 | 27.18 |
| 56 | Kerala State Drugs and Pharmaceuticals Limited | 2012-13 | 2013-14 | 5.12 | 5.46 | 1.55 | -1.89 | 13.44 | ... | 9.08 | -94.28 | -43.40 | 3.57 | ... |
| 57 | Kerala State Electronics Development Corporation Limited | 2011-12 | 2012-13 | 17.72 | 1.65 | 1.69 | 14.38 | 296.32 | -27.50 | 203.55 | -206.46 | -8.09 | 16.03 | ... |
| 58 | Kerala State Mineral Development Corporation Limited | 2011-12 | 2013-14 | 0.0098 | ... | 0.0091 | 0.0007 | ... | -1.43 | 1.76 | -0.07 | 8.56 | 0.0007 | 0.01 |
| 59 | Kerala State Textile Corporation Limited | 2011-12 | 2012-13 | -14.29 | 4.33 | 4.11 | -22.73 | 51.58 | -2.22 | 96.52 | -79.85 | 31.03 | -18.40 | ... |
| 60 | Malabar Cements Limited | 2011-12 | 2012-13 | 42.67 | 1.28 | 6.80 | 34.59 | 231.59 | -5.78 | 26.01 | 188.99 | 222.49 | 35.87 | 16.12 |
| 61 | Sitaram Textiles Limited | 2011-12 | 2012-13 | -2.03 | 0.29 | 0.17 | -2.49 | 12.85 | ... | 42.46 | -46.37 | 34.51 | -2.20 | ... |
| 62 | Steel and Industrial Forgings Limited | 2012-13 | 2013-14 | 3.31 | 1.18 | 1.28 | 0.85 | 46.18 | -7.43 | 20.00 | 25.86 | 49.49 | 2.03 | 4.10 |
| 63 | SAIL-SCL Kerala Limited | 2012-13 | 2013-14 | -2.26 | 0.84 | 0.17 | -3.27 | 32.10 | ... | 26.43 | -21.33 | 19.29 | -2.43 | ... |
| 64 | Steel Industrials Kerala Limited | 2011-12 | 2012-13 | 1.18 | 0.39 | 0.12 | 0.67 | 18.69 | -2.08 | 36.56 | -29.40 | 11.46 | 1.06 | 9.25 |
| 65 | The Kerala Ceramics Limited | 2011-12 | 2013-14 | -1.97 | 2.02 | 0.08 | -4.07 | 6.02 | .... | 11.21 | -49.59 | -15.94 | -2.05 | ... |
| 66 | The Kerala Minerals and Metals Limited | 2012-13 | 2013-14 | 59.25 | 3.65 | 19.71 | 35.89 | 547.63 | -6.50 | 30.93 | 577.25 | 608.20 | 39.54 | 6.50 |
| 67 | The Metal Industries Limited | 2010-11 | 2012-13 | -0.66 | 0.03 | 0.09 | -0.77 | 1.71 | -0.98 | 1.94 | -2.30 | 7.26 | -0.74 | ... |
| 68 | The Pharmaceutical Corporation (Indian Medicines) Kerala Limited | 2012-13 | 2013-14 | 10.18 | .... | 1.29 | 8.89 | 66.18 | 0.56 | 24.67 | 32.34 | 59.01 | 8.89 | 15.07 |
| 69 | The Travancore Cements Limited | 2010-11 | 2012-13 | 0.20 | 0.40 | 0.31 | -0.51 | 19.04 | ... | 2.71 | -5.72 | 2.64 | -0.11 | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 70 | The Travancore Sugars and Chemicals Limited | 2012-13 | 2013-14 | 1.29 | .... | 0.14 | 1.15 | 24.54 | -4.54 | 1.32 | 3.12 | 6.34 | 1.15 | 18.14 |
| 71 | The Travancore Cochin Chemicals Limited | 2012-13 | 2013-14 | 14.70 | 5.52 | 8.87 | 0.31 | 163.27 | ... | 21.31 | -15.17 | 36.94 | 5.83 | 15.78 |
| 72 | Traco Cable Company Limited | 2011-12 | 2012-13 | 1.89 | 4.19 | 0.49 | -2.79 | 53.70 | -0.48 | 40.07 | -36.93 | -16.36 | 1.40 | ... |
| 73 | Transformers and Electricals Kerala Limited | 2012-13 | 2013-14 | 4.32 | 0.01 | 2.73 | 1.58 | 148.45 | -2.70 | 42.97 | 58.42 | 117.59 | 1.59 | 1.35 |
| 74 | Travancore Titanium Products Limited | 2007-08 | 2012-13 | 8.81 | 0.46 | 1.37 | 6.98 | 90.93 | -66.34 | 1.77 | 45.48 | 102.34 | 7.44 | 7.27 |
| 75 | United Electrical Industries Limited | 2011-12 | 2013-14 | -2.83 | 1.70 | 0.16 | -4.69 | 14.05 | -12.63 | 4.99 | -15.33 | -1.90 | -2.99 | ... |
| 76 | Malabar Distilleries Limited | 2010-11 | 2012-13 | -0.17 | ... | ... | -0.17 | 0.10 | ... | 2.46 | -0.17 | 3.42 | -0.17 | ... |
| 77 | Trivandrum Spinning Mills Limited | 2002-03 | 2003-04 | -0.44 | .... | .... | -0.44 | .... | ... | 7.73 | -17.28 | 0.06 | -0.44 | ... |
| | **Sector-wise total** | | | **295.20** | **41.77** | **56.34** | **197.10** | **4730.90** | **-153.81** | **862.85** | **595.02** | **1864.04** | **238.87** | **12.81** |
| **POWER SECTOR** | | | | | | | | | | | | | | |
| 78 | Kerala State Power and Infrastructure Finance Corporation Limited | 2012-13 | 2013-14 | 4.88 | 0.99 | 0.13 | 3.76 | 3.69 | ... | 26.65 | 17.05 | 57.99 | 4.75 | 8.19 |
| 79 | KINESCO Power and Utilities Private Limited | 2012-13 | 2013-14 | -2.57 | 0.10 | 0.66 | -3.33 | 29.95 | ... | 0.36 | -1.78 | 2.12 | -3.23 | ... |
| 80 | Kerala State Electricity Board Limited | 2011-12 | 2012-13 | Commercial activities not commenced | | | | | ... | 0.05 | ... | ... | ... | ... |
| | **Sector-wise total** | | | **2.31** | **1.09** | **0.79** | **0.43** | **33.64** | ... | **27.06** | **15.27** | **60.11** | **1.52** | **2.53** |
| **SERVICE SECTOR** | | | | | | | | | | | | | | |
| 81 | Bekal Resorts Development Corporation Limited | 2011-12 | 2012-13 | 1.49 | ... | 1.05 | 0.44 | 2.53 | ... | 48.23 | -0.52 | 46.73 | 0.44 | 0.94 |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 82 | Indian Institute of Information Technology and Management - Kerala | 2011-12 | 2012-13 | -0.03 | ... | ... | -0.03 | 1.80 | ... | 11.65 | -6.04 | 2.65 | -0.03 | ... |
| 83 | Kerala Medical Services Corporation Limited | First Accounts not finalised | | | | | | | | | | | | |
| 84 | Kerala Shipping and Inland Navigation Corporation Limited | 2011-12 | 2013-14 | 1.68 | 0.06 | 0.83 | 0.79 | 15.99 | -1.35 | 30.00 | -4.38 | 23.31 | 0.85 | 3.65 |
| 85 | Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited | 2011-12 | 2012-13 | 0.84 | ... | 0.02 | 0.82 | 1.22 | ... | 0.50 | 2.88 | 3.38 | 0.82 | 24.26 |
| 86 | Kerala State Industrial Enterprises Limited | 2012-13 | 2013-14 | 7.79 | 0.97 | 2.15 | 4.67 | 36.63 | -0.01 | 1.20 | 33.18 | 39.04 | 5.64 | 14.45 |
| 87 | Kerala State Maritime Development Corporation Limited | 2010-11 | 2012-13 | 0.12 | ... | 0.09 | 0.03 | 3.14 | ... | 9.80 | -7.34 | 2.46 | 0.03 | 1.22 |
| 88 | KTDC Hotels & Resorts Limited | 2011-12 | 2012-13 | 4.00 | 0.17 | 4.53 | -0.70 | 86.62 | -0.25 | 77.70 | -22.24 | 70.78 | -0.53 | ... |
| 89 | Overseas Development and Employment Promotion Consultants Limited | 2011-12 | 2013-14 | 0.09 | ... | 0.02 | 0.07 | 6.31 | ... | 0.66 | 1.28 | 2.35 | 0.07 | 2.98 |
| 90 | The Kerala State Civil Supplies Corporation Limited | 2010-11 | 2012-13 | 14.91 | 16.49 | 3.83 | -5.41 | 2228.00 | ... | 8.56 | -13.66 | 204.68 | 11.08 | 5.41 |
| 91 | Kerala Tourism Infrastructure Limited | 2011-12 | 2012-13 | 1.46 | ... | 0.07 | 1.39 | 0.63 | -0.03 | 30.22 | 4.70 | 34.32 | 1.39 | 4.05 |
| 92 | Vizhinjam International Seaport Limited | 2009-10 | 2012-13 | -3.00 | ... | 0.05 | -3.05 | ... | ... | 12.00 | -3.23 | 68.37 | -3.05 | ... |
| 93 | Kerala State Coastal Area Development Corporation Limited | 2010-11 | 2012-13 | 0.78 | ... | 0.02 | 0.76 | 0.08 | -1.39 | 1.06 | 0.73 | 40.77 | 0.76 | 1.86 |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 94 | Norka Roots | 2011-12 | 2013-14 | 0.58 | ... | 0.10 | 0.48 | 2.10 | ... | 1.52 | 3.91 | 7.93 | 0.48 | 6.05 |
| 95 | Kerala High Speed Rail Corporation Limited | 2011-12 | 2012-13 | -10.10 | ... | ... | -10.10 | ... | .... | 0.05 | -10.10 | 39.95 | -10.10 | ... |
| 96 | Kerala Monorail Corporation Limited | New Company | | | | | | | | | | | | |
| | **Sector-wise total** | | | **20.61** | **17.69** | **12.76** | **-9.84** | **2385.05** | **-3.03** | **233.15** | **-20.83** | **586.72** | **7.85** | **1.34** |
| | **Total A (All sector -wise working Government Companies)** | | | **720.84** | **423.81** | **91.99** | **205.05** | **9058.64** | **-189.50** | **2554.68** | **408.03** | **8815.86** | **628.85** | **7.13** |
| **B. Working Statutory Corporations** | | | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | | |
| 1 | Kerala State Warehousing Corporation | 2010-11 | 2012-13 | -1.69 | ... | 0.29 | -1.98 | 9.94 | ... | 10.75 | -16.79 | 0.77 | -1.98 | ... |
| | **Sector-wise total** | | | **-1.69** | **...** | **0.29** | **-1.98** | **9.94** | **...** | **10.75** | **-16.79** | **0.77** | **-1.98** | ... |
| **FINANCE SECTOR** | | | | | | | | | | | | | | |
| 2 | Kerala Financial Corporation | 2012-13 | 2013-14 | 155.31 | 87.01 | 0.57 | 67.73 | 252.94 | ... | 221.86 | 76.58 | 1325.81 | 168.03 | 12.67 |
| | **Sector-wise total** | | | **155.31** | **87.01** | **0.57** | **67.73** | **252.94** | **...** | **221.86** | **76.58** | **1325.81** | **168.03** | **12.67** |
| **INFRASTRUCTURE SECTOR** | | | | | | | | | | | | | | |
| 3 | Kerala Industrial Infrastructure Development Corporation | 2012-13 | 2013-14 | 28.16 | 7.96 | 6.27 | 13.93 | 9.08 | ... | ... | 124.87 | 972.83 | 21.89 | 2.25 |
| | **Sector-wise total** | | | **28.16** | **7.96** | **6.27** | **13.93** | **9.08** | **...** | **...** | **124.87** | **972.83** | **21.89** | **2.25** |
| **POWER SECTOR** | | | | | | | | | | | | | | |
| 4 | Kerala State Electricity Board | 2012-13 | 2013-14 | 1214.50 | 464.47 | 509.31 | 240.72 | 7659.21 | ... | 1553.00 | 2208.32 | 11522.39 | 705.19 | 6.12 |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-): Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| | **Sector-wise total** | | | **1214.50** | **464.47** | **509.31** | **240.72** | **7659.21** | **...** | **1553.00** | **2208.32** | **11522.39** | **705.19** | **6.12** |
| **SERVICE SECTOR** | | | | | | | | | | | | | | |
| 5 | Kerala State Road Transport Corporation (including JNNRUM) | 2011-12 | 2013-14 | -132.38 | 202.36 | 78.04 | -412.78 | 1496.40 | ... | 634.77 | -2511.20 | -303.18 | -210.42 | ... |
| | **Sector-wise total** | | | **-132.38** | **202.36** | **78.04** | **-412.78** | **1496.40** | **...** | **634.77** | **-2511.20** | **-303.18** | **-210.42** | **...** |
| | **Total B (All Sector -wise working Statutory Corporations)** | | | **1263.90** | **761.80** | **594.48** | **-92.38** | **9427.57** | **...** | **2420.38** | **-118.22** | **13518.62** | **682.69** | **5.05** |
| | **Grand Total (A+B)** | | | **1984.74** | **1185.61** | **686.47** | **112.67** | **18486.21** | **-189.50** | **4975.06** | **289.81** | **22334.48** | **1311.54** | **5.87** |
| **C. Non-working Government companies** | | | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | | |
| 1 | Kerala State Coconut Development Corporation Limited | 1995-96 | 2009-10 | -0.56 | ... | 0.05 | -0.61 | ... | ... | 2.85 | -12.36 | -2.27 | -0.61 | ... |
| | **Sector-wise total** | | | **-0.56** | **...** | **0.05** | **-0.61** | **...** | **...** | **2.85** | **-12.36** | **-2.27** | **-0.61** | **...** |
| **MANUFACTURING SECTOR** | | | | | | | | | | | | | | |
| 2 | The Kerala Premo Pipe Factory Limited | 1985-86 | 1999-2000 | -0.35 | ... | ... | -0.35 | ... | ... | 0.35 | -0.19 | 1.00 | -0.35 | ... |
| 3 | Kerala Garments Limited | 2008-09 | 2009-10 | 0.36 | 0.60 | 0.01 | -0.25 | 0.03 | -0.30 | 0.48 | -10.23 | -7.87 | 0.35 | ... |
| 4 | Kerala Special Refractories Limited | 2011-12 | 2013-14 | -0.09 | ... | ... | -0.09 | ... | ... | 2.91 | -2.44 | 0.47 | -0.03 | ... |
| 5 | The Kerala Asbestos Cement Pipe Factory Limited | 1984-85 | 1986-87 | ... | ... | ... | ... | ... | ... | 0.06 | ... | ... | ... | ... |
| 6 | SIDECO Mohan Kerala Limited | 2007-08 | 2012-13 | ... | 1.16 | ... | -1.16 | ... | ... | 0.17 | -6.13 | -5.52 | ... | ... |
| 7 | Keltron Counters Limited | 2003-04 | 2006-07 | -3.67 | ... | ... | -3.67 | 1.52 | ... | 4.97 | -31.74 | -10.62 | -3.67 | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Period of Accounts | Year in which finalised | Net Profit (+)/ Loss (-) | | | | Turnover | Impact of Accounts Comments# | Paid up Capital | Accumulated Profit (+)/ Loss (-) | Capital employed@ | Return on capital employed$ | Percentage return on capital employed |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Net Profit/ Loss before Interest & Depreciation | Interest | Deprec-iation | Net profit/ Loss | | | | | | | |
| (1) | (2) | (3) | (4) | 5(a) | 5(b) | 5(c) | 5(d) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 8 | Keltron Power Devices Limited | 2002-03 | 2005-06 | -0.01 | 0.55 | 0.01 | -0.57 | ... | -0.05 | 15.38 | -27.69 | -5.58 | -0.02 | ... |
| 9 | SIDKEL Televisions Limited | 1999-2000 | 2004-05 | -0.48 | ... | ... | -0.48 | ... | ... | 0.44 | -4.14 | -2.03 | -0.48 | ... |
| 10 | Astral Watches Limited | 2010-11 | 2011-12 | -0.03 | 0.29 | ... | -0.32 | ... | ... | 0.95 | -5.92 | 0.62 | -0.03 | ... |
| 11 | Keltron Rectifiers Limited | 1999-2000 | 2005-06 | -1.10 | ... | ... | -1.10 | 1.11 | ... | 6.63 | -17.33 | -0.48 | -1.10 | ... |
| 12 | Trivandrum Rubber Works Limited | 2001-02 | 2010-11 | -0.98 | 0.01 | 0.03 | -1.02 | 1.52 | ... | 2.35 | -25.99 | 14.00 | -1.01 | ... |
| 13 | Kerala State Wood Industries Limited | 1991-92 | 2007-08 | -0.86 | ... | ... | -0.86 | 2.22 | ... | 1.70 | -7.26 | -1.25 | -0.86 | ... |
| 14 | Kerala State Detergents and Chemicals Limited | 2012-13 | 2013-14 | -0.35 | 1.08 | 0.02 | -1.45 | ... | ... | 1.55 | -31.67 | -4.17 | -0.37 | ... |
| 15 | Kunnathara Textiles Limited | Not available | | | | | | | | | | | | |
| 16 | Vanchinad Leathers Limited | Not available | | | | | | | | | | | | |
| | **Sector-wise total** | | | **-7.56** | **3.69** | **0.07** | **-11.32** | **6.40** | **-0.35** | **37.94** | **-170.73** | **-21.43** | **-7.57** | **...** |
| | **Total C (All sector -wise non- working Government companies)** | | | **-8.12** | **3.69** | **0.12** | **-11.93** | **6.40** | **-0.35** | **40.79** | **-183.09** | **-23.70** | **-8.18** | **...** |
| **D. Non-working Statutory corporations** | | | | | | | | | | | | | | |
| | **Grand Total (A+B+C+D)** | | | **1976.62** | **1189.30** | **686.59** | **100.74** | **18492.61** | **-189.85** | **5015.85** | **106.72** | **22310.78** | **1303.36** | **5.84** |

**# Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and indicates (+) increase in profit/decrease in loss or (-) in case of decrease in profit/increase in loss.**

**@ Capital employed represents net fixed assets ( including capital work-in-progress) plus working capital except in case of finance companies /corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).**

**$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.**

## Annexure 3

**Statement showing grants and subsidy received/receivable, guarantee received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2013**

***(Referred to in Paragraph 1.1.14 & 1.1.17)***

***(Figures are ₹ in crore)***

| Sl. No. | Sector and name of the Company/ Corporation | Equity/loans received out of Budget during the year | | Grants and subsidy received during the year | | | | Guarantees received during the year and commitment at the end of the year@ | | Waiver of dues during the year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity | Loans | State Government | Central Government | Others | Total | Received | Commitment | Loans repayment written off | Loans converted into equity | Interest/ penal interest waived | Total |
| 1 | 2 | 3(a) | 3(b) | 4(a) | 4(b) | 4 (c) | 4(d) | 5(a) | 5(b) | 6(a) | 6(b) | 6 (c) | 6(d) |
| **A. Working Government Companies** | | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | |
| 1 | Kerala State Horticultural Products Development Corporation Limited | 0.25 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 2 | Kerala State Poultry Development Corporation Limited | ... | ... | 15.16 | 4.35 | ... | 19.51 | ... | ... | ... | ... | ... | ... |
| 3 | Meat Products of India Limited | ... | 0.50 | 1.80 | ... | 0.50 | 2.30 | ... | 0.59 | ... | ... | ... | ... |
| 4 | The Kerala Agro Industries Corporation Limited | ... | ... | 21.40 | ... | ... | 21.40 | ... | 0.13 | ... | ... | ... | ... |
| 5 | The Kerala State Cashew Development Corporation Limited | ... | ... | 37.90 | ... | 0.05 | 37.95 | ... | ... | ... | ... | ... | ... |
| 6 | The Kerala State Coir Corporation Limited | ... | ... | 8.51 | 2.00 | ... | 10.51 | ... | ... | ... | ... | ... | ... |
| 7 | The Plantation Corporation of Kerala Limited | ... | ... | 0.17 | ... | ... | 0.17 | ... | ... | ... | ... | ... | ... |
| 8 | The Rehabilitation Plantations Limited | ... | ... | ... | ... | 0.02 | 0.02 | ... | ... | ... | ... | ... | ... |
| | **Sector-wise total** | **0.25** | **0.50** | **84.94** | **6.35** | **0.57** | **91.86** | **...** | **0.72** | **...** | **...** | **...** | **...** |
| **FINANCE SECTOR** | | | | | | | | | | | | | |
| 9 | Handicrafts Development Corporation of Kerala Limited | ... | 5.00 | 0.60 | ... | ... | 0.60 | ... | ... | ... | ... | ... | ... |
| 10 | Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited | ... | ... | ... | ... | ... | ... | 0.31 | 0.33 | ... | ... | ... | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Equity/loans received out of Budget during the year | | Grants and subsidy received during the year | | | | Guarantees received during the year and commitment at the end of the year@ | | Waiver of dues during the year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity | Loans | State Government | Central Government | Others | Total | Received | Commitment | Loans repayment written off | Loans converted into equity | Interest/ penal interest waived | Total |
| 1 | 2 | 3(a) | 3(b) | 4(a) | 4(b) | 4 (c) | 4(d) | 5(a) | 5(b) | 6(a) | 6(b) | 6 (c) | 6(d) |
| 11 | Kerala Small Industries Development Corporation Limited | 0.20 | ... | ... | ... | ... | ... | 1.50 | ... | ... | ... | ... | ... |
| 12 | Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited | ... | ... | 4.50 | ... | ... | 4.50 | 10.00 | ... | 0.02 | ... | ... | 0.02 |
| 13 | Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited | 5.33 | ... | 1.00 | ... | ... | 1.00 | ... | ... | ... | ... | ... | ... |
| 14 | Kerala State Film Development Corporation Limited | 2.75 | ... | 1.28 | ... | ... | 1.28 | ... | ... | ... | ... | ... | ... |
| 15 | Kerala State Handicapped Persons' Welfare Corporation Limited | ... | ... | 3.30 | ... | ... | 3.30 | ... | ... | ... | ... | ... | ... |
| 16 | Kerala State Handloom Development Corporation Limited | 4.00 | 0.40 | 0.37 | 0.08 | ... | 0.45 | ... | ... | ... | ... | ... | ... |
| 17 | Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited | ... | ... | 0.40 | ... | ... | 0.40 | 2.00 | 1.26 | ... | ... | ... | ... |
| 18 | Kerala State Women's Development Corporation Limited | ... | ... | 6.44 | ... | ... | 6.44 | ... | 43.49 | ... | ... | ... | ... |
| 19 | Kerala Urban & Rural Development Finance Corporation Limited | ... | 1.10 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 20 | The Kerala State Backward Classes Development Corporation Limited | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | 0.72 | 0.72 |
| 21 | The Kerala State Financial Enterprises Limited | ... | ... | ... | ... | ... | ... | 3000.00 | 3000.00 | ... | ... | ... | ... |
| | **Sector-wise total** | **12.28** | **6.50** | **17.89** | **0.08** | **...** | **17.97** | **3013.81** | **3045.08** | **0.02** | **...** | **0.72** | **0.74** |

| Sl. No. | Sector and name of the Company/ Corporation | Equity/loans received out of Budget during the year | | Grants and subsidy received during the year | | | | Guarantees received during the year and commitment at the end of the year@ | | Waiver of dues during the year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity | Loans | State Government | Central Government | Others | Total | Received | Commitment | Loans repayment written off | Loans converted into equity | Interest/ penal interest waived | Total |
| 1 | 2 | 3(a) | 3(b) | 4(a) | 4(b) | 4 (c) | 4(d) | 5(a) | 5(b) | 6(a) | 6(b) | 6 (c) | 6(d) |
| **INFRASTRUCTURE SECTOR** | | | | | | | | | | | | | |
| 22 | Kerala Police Housing and Construction Corporation Limited | ... | 11.35 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 23 | Kerala State Industrial Development Corporation Limited | 65.35 | 26.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 24 | Roads and Bridges Development Corporation of Kerala Limited | ... | ... | 12.37 | ... | ... | 12.37 | ... | 9.54 | ... | ... | ... | ... |
| 25 | Kerala State Information Technology Infrastructure Limited | 17.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 26 | Kannur International Airport Limited | 122.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 27 | Road Infrastructure Company Kerala Limited | ... | ... | 5.00 | ... | ... | 5.00 | ... | ... | ... | ... | ... | ... |
| 28 | Vision Varkala Infrastructure Development Corporation Limited | 0.10 | ... | 1.40 | 3.00 | ... | 4.40 | ... | ... | ... | ... | ... | ... |
| | **Sector-wise total** | **204.45** | **37.35** | **18.77** | **3.00** | **...** | **21.77** | **...** | **9.54** | **...** | **...** | **...** | **...** |
| **MANUFACTURING SECTOR** | | | | | | | | | | | | | |
| 29 | Autokast Limited | ... | 2.81 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 30 | Kanjikode Electronics and Electricals Limited | ... | ... | 0.14 | ... | ... | 0.14 | ... | ... | ... | ... | ... | ... |
| 31 | Kerala Automobiles Limited | ... | ... | ... | ... | ... | ... | 4.93 | ... | ... | ... | ... | ... |
| 32 | Kerala Electrical and Allied Engineering Company Limited | ... | ... | ... | ... | ... | ... | 35.00 | 22.96 | ... | ... | ... | ... |
| 33 | Kerala Feeds Limited | ... | ... | 0.50 | 12.60 | ... | 13.10 | ... | ... | ... | ... | ... | ... |
| 34 | Kerala State Bamboo Corporation Limited | 0.27 | 4.82 | 0.10 | ... | ... | 0.10 | ... | ... | ... | ... | ... | ... |
| 35 | Kerala State Drugs and Pharmaceuticals Limited | ... | 6.76 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Equity/loans received out of Budget during the year | | Grants and subsidy received during the year | | | | Guarantees received during the year and commitment at the end of the year@ | | Waiver of dues during the year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity | Loans | State Government | Central Government | Others | Total | Received | Commitment | Loans repayment written off | Loans converted into equity | Interest/ penal interest waived | Total |
| 1 | 2 | 3(a) | 3(b) | 4(a) | 4(b) | 4 (c) | 4(d) | 5(a) | 5(b) | 6(a) | 6(b) | 6 (c) | 6(d) |
| 36 | Kerala State Electronics Development Corporation Limited | ... | 10.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 37 | Kerala State Textile Corporation Limited | ... | ... | ... | ... | ... | ... | 12.02 | 7.19 | ... | ... | ... | ... |
| 38 | Sitaram Textiles Limited | ... | 6.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 39 | Steel and Industrial Forgings Limited | 8.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 40 | SAIL-SCL Kerala Limited | ... | ... | ... | ... | ... | ... | ... | ... | 2.90 | ... | 0.90 | 3.80 |
| 41 | Steel Industrials Kerala Limited | ... | 5.76 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 42 | The Kerala Ceramics Limited | ... | 1.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 43 | The Pharmaceutical Corporation (Indian Medicines) Kerala Limited | 4.00 | ... | ... | 0.01 | ... | 0.01 | ... | ... | ... | ... | ... | ... |
| 44 | Traco Cable Company Limited | ... | 4.00 | ... | ... | ... | ... | 51.50 | 51.50 | ... | ... | ... | ... |
| 45 | United Electrical Industries Limited | ... | 2.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| | **Sector-wise total** | **12.27** | **43.15** | **0.74** | **12.61** | ... | **13.35** | **103.45** | **81.65** | **2.90** | **...** | **0.90** | **3.80** |
| **SERVICES SECTOR** | | | | | | | | | | | | | |
| 46 | Bekal Resorts Development Corporation Limited | 1.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 47 | Indian Institute of Information Technology and Management - Kerala | 8.35 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 48 | Kerala Medical Services Corporation Limited | ... | ... | 200.00 | ... | ... | 200.00 | ... | ... | ... | ... | ... | ... |
| 49 | Kerala Shipping and Inland Navigation Corporation Limited | 12.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 50 | Kerala State Industrial Enterprises Limited | ... | ... | ... | 2.44 | ... | 2.44 | ... | ... | ... | ... | ... | ... |
| 51 | Kerala State Maritime Development Corporation Limited | 0.05 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 52 | KTDC Hotels & Resorts Limited | ... | ... | ... | 1.03 | ... | 1.03 | ... | ... | ... | ... | ... | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Equity/loans received out of Budget during the year | | Grants and subsidy received during the year | | | | Guarantees received during the year and commitment at the end of the year@ | | Waiver of dues during the year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity | Loans | State Government | Central Government | Others | Total | Received | Commitment | Loans repayment written off | Loans converted into equity | Interest/ penal interest waived | Total |
| 1 | 2 | 3(a) | 3(b) | 4(a) | 4(b) | 4 (c) | 4(d) | 5(a) | 5(b) | 6(a) | 6(b) | 6 (c) | 6(d) |
| 53 | Overseas Development and Employment Promotion Consultants Limited | 19.99 | ... | 0.10 | ... | ... | 0.10 | ... | ... | ... | ... | ... | ... |
| 54 | The Kerala State Civil Supplies Corporation Limited | ... | ... | 135.00 | ... | ... | 135.00 | ... | ... | ... | ... | ... | ... |
| 55 | Kerala Tourism Infrastructure Limited | 1.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 56 | Vizhinjam International Seaport Limited | ... | ... | 226.53 | ... | ... | 226.53 | ... | ... | ... | ... | ... | ... |
| 57 | Norka Roots | ... | ... | 8.50 | ... | ... | 8.50 | ... | ... | ... | ... | ... | ... |
| 58 | Kerala High Speed Rail Corporation Limited | 59.00 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| 59 | Kerala Monorail Corporation Limited | 0.03 | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |
| | **Sector-wise total** | **101.42** | **...** | **570.13** | **3.47** | **...** | **573.60** | ... | ... | ... | ... | ... | ... |
| | **Total A (All sector-wise working Government companies)** | **330.67** | **87.50** | **692.47** | **25.51** | **0.57** | **718.55** | **3117.26** | **3136.99** | **2.92** | **...** | **1.62** | **4.54** |
| **B. Working Statutory corporations** | | | | | | | | | | | | | |
| **AGRICULTURE & ALLIED SECTOR** | | | | | | | | | | | | | |
| 1 | Kerala State Warehousing Corporation | 0.50 | ... | 0.50 | ... | ... | 0.50 | ... | 3.37 | ... | ... | ... | ... |
| | **Sector-wise total** | **0.50** | **...** | **0.50** | **...** | **...** | **0.50** | ... | **3.37** | ... | ... | ... | ... |
| **FINANCE SECTOR** | | | | | | | | | | | | | |
| 2 | Kerala Financial Corporation | ... | ... | ... | ... | ... | ... | 400.00 | 200.00 | ... | ... | ... | ... |
| | **Sector-wise total** | **...** | **...** | **...** | **...** | **...** | **...** | **400.00** | **200.00** | ... | ... | ... | ... |
| **INFRASTRUCTURE SECTOR** | | | | | | | | | | | | | |
| 3 | Kerala Industrial Infrastructure Development Corporation | ... | 70.50 | 9.50 | 3.13 | ... | 12.63 | 250.00 | 205.87 | ... | ... | ... | ... |
| | **Sector-wise total** | ... | **70.50** | **9.50** | **3.13** | ... | **12.63** | **250.00** | **205.87** | ... | ... | ... | ... |

| Sl. No. | Sector and name of the Company/ Corporation | Equity/loans received out of Budget during the year | | Grants and subsidy received during the year | | | | Guarantees received during the year and commitment at the end of the year@ | | Waiver of dues during the year | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity | Loans | State Government | Central Government | Others | Total | Received | Commitment | Loans repayment written off | Loans converted into equity | Interest/ penal interest waived | Total |
| 1 | 2 | 3(a) | 3(b) | 4(a) | 4(b) | 4 (c) | 4(d) | 5(a) | 5(b) | 6(a) | 6(b) | 6 (c) | 6(d) |
| **POWER SECTOR** | | | | | | | | | | | | | |
| 4 | Kerala State Electricity Board | ... | ... | 75.00 | ... | ... | 75.00 | ... | 88.17 | ... | ... | ... | ... |
| | **Sector-wise total** | **...** | **...** | **75.00** | **...** | **...** | **75.00** | **...** | **88.17** | **...** | **...** | **...** | **...** |
| **SERVICES SECTOR** | | | | | | | | | | | | | |
| 5 | Kerala State Road Transport Corporation | 57.07 | 175.00 | 28.00 | ... | ... | 28.00 | ... | 65.00 | ... | ... | ... | ... |
| | **Sector-wise total** | **57.07** | **175.00** | **28.00** | **...** | **...** | **28.00** | **...** | **65.00** | **...** | **...** | **...** | **...** |
| | **Total B (All sector-wise working Statutory corporations)** | **57.57** | **245.50** | **113.00** | **3.13** | **...** | **116.13** | **650.00** | **562.41** | ... | ... | ... | ... |
| | **Grand Total (A+B)** | **388.24** | **333.00** | **805.47** | **28.64** | **0.57** | **834.68** | **3767.26** | **3699.40** | **2.92** | **...** | **1.62** | **4.54** |
| **C. Non-working Government companies** | | | | | | | | | | | | | |
| **D. Non-working Statutory corporations** | | | | | | | | | | | | | |
| | **Grand Total (A+B+C+D)** | **388.24** | **333.00** | **805.47** | **28.64** | **0.57** | **834.68** | **3767.26** | **3699.40** | **2.92** | **...** | **1.62** | **4.54** |

**@ Figures indicate total guarantees outstanding at the end of the year**

## Annexure 4

### Statement showing financial assistance by State Government to companies whose accounts are in arrear

*(Referred to in paragraph 1.1.24)*

*(Figures in columns 4 and 6 to 8 are ₹ in crore)*

| Sl. No. | Name of the Company/ Corporation | Year up to which Accounts finalised | Paid up capital as per latest finalised accounts | Investment made by State Government during the years for which accounts are in arrears | | | |
|---|---|---|---|---|---|---|---|
| | | | | Year | Equity | Loans | Grants |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| **A. Working Government companies** | | | | | | | |
| 1 | Kerala State Horticultural Products Development Corporation Limited | 2010-11 | 6.13 | 2011-12 | 0.10 | ... | ... |
| | | | | 2012-13 | 0.25 | ... | ... |
| 2 | Kerala State Poultry Development Corporation Limited | 2007-08 | 1.97 | 2008-09 | ... | ... | 6.80 |
| | | | | 2009-10 | ... | ... | 5.85 |
| | | | | 2010-11 | ... | ... | 13.90 |
| | | | | 2011-12 | ... | ... | 13.55 |
| | | | | 2012-13 | ... | | 15.16 |
| 3 | Meat Products of India Limited | 2008-09 | 1.81 | 2009-10 | ... | ... | 0.75 |
| | | | | 2010-11 | ... | 0.38 | 1.41 |
| | | | | 2011-12 | ... | 0.75 | 1.13 |
| | | | | 2012-13 | ... | 0.50 | 1.80 |
| 4 | The Kerala Agro Industries Corporation Limited | 2007-08 | 4.74 | 2008-09 | ... | ... | 4.67 |
| | | | | 2009-10 | ... | 0.90 | 2.78 |
| | | | | 2011-12 | ... | ... | 13.27 |
| | | | | 2012-13 | ... | ... | 21.40 |
| 5 | The Kerala State Cashew Development Corporation Limited | 2008-09 | 200.64 | 2009-10 | ... | 8.13 | 24.00 |
| | | | | 2010-11 | ... | 41.61 | 30.40 |
| | | | | 2011-12 | ... | ... | 23.75 |
| | | | | 2012-13 | ... | ... | 37.90 |
| 6 | The Kerala State Coir Corporation Limited | 2010-11 | 8.05 | 2011-12 | ... | ... | 13.03 |
| | | | | 2012-13 | ... | ... | 8.51 |
| 7 | Handicrafts Development Corporation of Kerala Limited | 2007-08 | 2.77 | 2008-09 | ... | ... | 1.28 |
| | | | | 2009-10 | ... | 0.97 | 3.22 |
| | | | | 2011-12 | ... | ... | 0.75 |
| | | | | 2012-13 | ... | 5.00 | 0.60 |
| 8 | Kerala Artisans' Development Corporation Limited | 2008-09 | 2.65 | 2009-10 | 0.78 | ... | ... |
| | | | | 2010-11 | 0.25 | ... | 0.20 |
| | | | | 2011-12 | 0.25 | ... | ... |

| Sl. No. | Name of the Company/ Corporation | Year up to which Accounts finalised | Paid up capital as per latest finalised accounts | Investment made by State Government during the years for which accounts are in arrears | | | |
|---|---|---|---|---|---|---|---|
| | | | | Year | Equity | Loans | Grants |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 9 | Kerala Small Industries Development Corporation Limited | 2010-11 | 29.47 | 2011-12 | 0.20 | ... | ... |
| | | | | 2012-13 | 0.20 | ... | ... |
| 10 | Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited | 2002-03 | 10.95 | 2006-07 | 3.50 | ... | ... |
| | | | | 2007-08 | 3.40 | ... | ... |
| | | | | 2008-09 | 3.50 | ... | ... |
| | | | | 2009-10 | 3.00 | ... | ... |
| | | | | 2010-11 | 0.50 | ... | ... |
| | | | | 2011-12 | 3.50 | ... | ... |
| | | | | 2012-13 | ... | ... | 4.50 |
| 11 | Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited | 2008-09 | 82.75 | 2009-10 | 4.68 | ... | 1.00 |
| | | | | 2010-11 | 5.74 | ... | 3.22 |
| | | | | 2011-12 | 6.63 | ... | 1.88 |
| | | | | 2012-13 | 5.33 | ... | 1.00 |
| 12 | Kerala State Film Development Corporation Limited | 2005-06 | 18.87 | 2006-07 | 0.50 | ... | ... |
| | | | | 2007-08 | ... | ... | 1.00 |
| | | | | 2008-09 | 0.65 | ... | 1.50 |
| | | | | 2009-10 | 0.65 | ... | ... |
| | | | | 2010-11 | 1.59 | ... | 1.01 |
| | | | | 2011-12 | 2.46 | ... | 1.17 |
| | | | | 2012-13 | 2.75 | ... | 1.28 |
| 13 | Kerala State Handicapped Persons' Welfare Corporation Limited | 2001-02 | 1.97 | 2002-03 | 0.04 | 0.10 | 0.35 |
| | | | | 2003-04 | 0.04 | 0.09 | 0.47 |
| | | | | 2004-05 | ... | ... | 0.68 |
| | | | | 2005-06 | 0.05 | 0.65 | 0.10 |
| | | | | 2006-07 | 0.05 | 0.10 | 0.30 |
| | | | | 2007-08 | 0.04 | 0.08 | 0.40 |
| | | | | 2008-09 | ... | ... | 1.32 |
| | | | | 2009-10 | ... | ... | 1.40 |
| | | | | 2010-11 | 1.40 | ... | ... |
| | | | | 2011-12 | ... | ... | 1.50 |
| | | | | 2012-13 | ... | ... | 3.30 |
| 14 | Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited | 2010-11 | 0.87 | 2011-12 | ... | ... | 0.30 |
| | | | | 2012-13 | ... | ... | 0.40 |

| Sl. No. | Name of the Company/ Corporation | Year up to which Accounts finalised | Paid up capital as per latest finalised accounts | Investment made by State Government during the years for which accounts are in arrears | | | |
|---|---|---|---|---|---|---|---|
| | | | | Year | Equity | Loans | Grants |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 15 | Kerala State Women's Development Corporation Limited | 2009-10 | 7.07 | 2010-11 | ... | ... | 3.25 |
| | | | | 2011-12 | ... | ... | 5.65 |
| | | | | 2012-13 | ... | ... | 6.44 |
| 16 | Kerala Urban & Rural Development Finance Corporation Limited | 2011-12 | 0.96 | 2012-13 | ... | 1.10 | ... |
| 17 | The Kerala State Backward Classes Development Corporation Limited | 2011-12[1] | 82.96 | 2008-09 | 7.00 | ... | 0.07 |
| | | | | 2009-10 | 7.00 | ... | 0.92 |
| 18 | Kerala Police Housing and Construction Corporation Limited | 2008-09 | 0.27 | 2009-10 | ... | ... | 6.86 |
| | | | | 2010-11 | ... | ... | 7.94 |
| | | | | 2011-12 | ... | 9.63 | ... |
| | | | | 2012-13 | ... | 11.35 | ... |
| 19 | Roads and Bridges Development Corporation of Kerala Limited | 2010-11 | 62.43 | 2011-12 | ... | ... | 11.00 |
| | | | | 2012-13 | ... | ... | 12.37 |
| 20 | Kerala State Information Technology Infrastructure Limited | 2010-11 | 116.98 | 2011-12 | 24.00 | ... | ... |
| | | | | 2012-13 | 17.00 | ... | ... |
| 21 | Road Infrastructure Company Kerala Limited | First Accounts not finalised | | 2012-13 | ... | ... | 5.00 |
| 22 | Kanjikode Electronics and Electricals Limited | 2009-10 | 0.10 | 2010-11 | ... | ... | 0.15 |
| | | | | 2012-13 | ... | ... | 0.14 |
| 23 | Kerala Automobiles Limited | 2010-11 | 10.23 | 2011-12 | ... | 2.88 | ... |
| 24 | Kerala Feeds Ltd | 2011-12 | 38.66 | 2012-13 | ... | ... | 0.50 |
| 25 | Kerala State Bamboo Corporation Limited | 2010-11 | 8.13 | 2011-12 | 0.60 | 4.00 | ... |
| | | | | 2012-13 | 0.27 | 4.82 | 0.10 |
| 26 | Kerala State Electronics Development Corporation Limited | 2011-12 | 203.55 | 2012-13 | ... | 10.00 | ... |
| 27 | Sitaram Textiles Limited | 2011-12 | 42.46 | 2012-13 | ... | 6.00 | ... |
| 28 | Steel Industrials Kerala Limited | 2011-12 | 36.56 | 2012-13 | ... | 5.76 | ... |
| 29 | Kerala Ceramics Limited | 2011-12 | 11.21 | 2012-13 | ... | 1.00 | ... |
| 30 | Traco Cable Company Limited | 2011-12 | 40.07 | 2012-13 | ... | 4.00 | ... |
| 31 | Travancore Titanium Products Limited | 2007-08 | 1.77 | 2009-10 | 8.00 | ... | ... |
| | | | | 2010-11 | 4.00 | ... | ... |

[1] **Accounts for the year 2008-09 and 2009-10 not finalised.**

| Sl. No. | Name of the Company/ Corporation | Year up to which Accounts finalised | Paid up capital as per latest finalised accounts | Investment made by State Government during the years for which accounts are in arrears | | | |
|---|---|---|---|---|---|---|---|
| | | | | Year | Equity | Loans | Grants |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| 32 | United Electrical Industries Limited | 2011-12 | 4.99 | 2012-13 | ... | 2.00 | ... |
| 33 | Bekal Resorts Development Corporation Limited | 2011-12 | 48.23 | 2012-13 | 1.00 | ... | ... |
| 34 | Indian Institute of Information Technology and Management - Kerala | 2011-12 | 11.65 | 2012-13 | 8.35 | ... | ... |
| 35 | Kerala Medical Services Corporation Limited | First Accounts not finalised | | 2008-09 | ... | ... | 95.03 |
| | | | | 2010-11 | ... | ... | 145.00 |
| | | | | 2011-12 | ... | ... | 174.00 |
| | | | | 2012-13 | ... | ... | 200.00 |
| 36 | Kerala Shipping and Inland Navigation Corporation Limited | 2011-12 | 30.00 | 2012-13 | 12.00 | ... | ... |
| 37 | Kerala State Maritime Development Corporation Limited | 2010-11 | 9.80 | 2011-12 | 0.15 | ... | ... |
| | | | | 2012-13 | 0.05 | ... | ... |
| 38 | Overseas Development and Employment Promotion Consultants Limited | 2011-12 | 0.66 | 2012-13 | 19.99 | ... | 0.10 |
| 39 | The Kerala State Civil Supplies Corporation Limited | 2010-11 | 8.56 | 2011-12 | ... | ... | 107.65 |
| | | | | 2012-13 | ... | ... | 135.00 |
| 40 | Kerala Tourism Infrastructure Limited | 2011-12 | 30.22 | 2012-13 | 1.00 | ... | ... |
| 41 | Vizhinjam International Seaport Limited | 2009-10 | 12.00 | 2010-11 | ... | ... | 140.86 |
| | | | | 2011-12 | ... | ... | 195.00 |
| | | | | 2012-13 | ... | ... | 226.53 |
| 42 | Kerala State Coastal Area Development Corporation Limited | 2010-11 | 1.06 | 2011-12 | 1.75 | ... | ... |
| 43 | Norka Roots | 2011-12 | 1.52 | 2012-13 | ... | ... | 8.50 |
| 44 | Kerala High Speed Rail Corporation Limited | 2011-12 | 0.05 | 2012-13 | 59.00 | ... | ... |
| | **Total A (Companies)** | | | | **223.19** | **121.80** | **1762.25** |
| **B. Working Statutory corporations** | | | | | | | |
| 1 | Kerala State Warehousing Corporation | 2010-11 | 10.75 | 2012-13 | 0.50 | ... | 0.50 |
| 2 | Kerala State Road Transport Corporation | 2011-12 | 634.77 | 2012-13 | 57.07 | 175.00 | 28.00 |
| | **Total B (Statutory corporations)** | | | | **57.57** | **175.00** | **28.50** |

| Sl. No. | Name of the Company/ Corporation | Year up to which Accounts finalised | Paid up capital as per latest finalised accounts | Investment made by State Government during the years for which accounts are in arrears | | | |
|---|---|---|---|---|---|---|---|
| | | | | Year | Equity | Loans | Grants |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) |
| | **Grand Total (A)+(B)** | | | | **280.76** | **296.80** | **1790.75** |
| **C. Non-working Government companies** | | | | | | | |
| | **Total C ( Non-working Government companies)** | | | | ... | ... | ... |
| | **Grand Total (A+B+C)** | | | | **280.76** | **296.80** | **1790.75** |
| | **Aggregate** | | | | | | **2368.31** |

# Annexure 5

## Statement showing financial position of Statutory corporations

*(Referred to in paragraph 1.1.35)*

*(₹in crore)*

| **1. Kerala State Electricity Board** | | | |
|---|---|---|---|
| **Particulars** | **2010-11** | **2011-12** | **2012-13*** |
| ***A. Liabilities*** | | | |
| Equity Capital | 1553.00 | 1553.00 | 1553.00 |
| Loans from Government | ... | ... | ... |
| Other long-term loans (including bonds) | 1066.50 | 1356.34 | 2134.20 |
| Reserves and Surplus (Funds) | 6184.63 | 7050.92 | 7918.17 |
| Current liabilities and provisions | 6100.35 | 7396.38 | 10035.86 |
| **Total – A** | **14904.48** | **17356.64** | **21641.23** |
| ***B. Assets*** | | | |
| Gross fixed assets | 11210.90 | 12073.79 | 12692.87 |
| Less : Depreciation | 4848.75 | 5314.75 | 5824.06 |
| Net fixed assets | 6362.15 | 6759.04 | 6868.81 |
| Capital works-in-progress | 974.10 | 1088.64 | 1318.85 |
| Current assets | 6343.18 | 8287.16 | 12231.77 |
| Investments | 19.50 | 19.50 | 19.50 |
| Miscellaneous expenditure | 1205.55 | 1202.30 | 1202.30 |
| Deficits | ... | ... | ... |
| **Total – B** | **14904.48** | **17356.64** | **21641.23** |
| ***C. Capital employed*** [1] | 8733.02 | 9886.80 | 11522.39 |

**Provisional, subject to audit.*

[1] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital (excluding deferred costs and assets not in use)**

***(₹ in crore)***

| **2. Kerala State Road Transport Corporation** | | | |
|---|---|---|---|
| **Particulars** | **2009-10** | **2010-11** | **2011-12*** |
| | ***(including JnNURM)*** | | |
| ***A. Liabilities*** | | | |
| Capital (including capital loan & equity capital) | 462.75 | 576.00 | 634.77 |
| Borrowings (Government) | 190.50 | 350.50 | 490.76 |
| (Others) | 701.36 | 895.42 | 1064.76 |
| Funds[2] | 23.39 | 19.04 | 17.76 |
| Trade dues and other current liabilities (including provisions) | 737.60 | 772.74 | 857.12 |
| **Total - A** | **2115.60** | **2613.70** | **3065.17** |
| ***B. Assets*** | | | |
| Gross block | 708.58 | 881.71 | 921.85 |
| Less: Depreciation | 430.87 | 501.09 | 544.05 |
| Net fixed assets | 277.71 | 380.62 | 377.80 |
| Capital works-in-progress (including cost of chassis) | 2.51 | 5.25 | 33.09 |
| Investments | 0.03 | 0.03 | 0.03 |
| Current assets, loans and advances | 114.10 | 127.53 | 143.05 |
| Accumulated loss | 1721.25 | 2100.27 | 2511.20 |
| **Total - B** | **2115.60** | **2613.70** | **3065.17** |
| ***C. Capital employed*** [3] | **(-)343.28** | **(-)259.34** | **(-)303.18** |

**Provisional, subject to audit.*

[2] **Excluding depreciation funds.**
[3] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

(₹ *in crore)*

| 3. Kerala Financial Corporation | | | |
|---|---|---|---|
| **Particulars**[4] | **2010-11** | **2011-12** | **2012-13** |
| ***A. Liabilities*** | | | |
| Paid-up capital | 204.06 | 211.97 | 211.97 |
| Share application money | 7.91 | ... | 9.89 |
| Reserve fund and other reserves and surplus | 85.39 | 113.88 | 161.90 |
| Borrowings: | | | |
| (i) Bonds and debentures | 61.08 | 224.53 | 200.00 |
| (ii) Fixed Deposits | ... | ... | ... |
| (iii) Industrial Development Bank of India & Small Industries Development Bank of India | 473.62 | 438.71 | 337.71 |
| (iv) Reserve Bank of India | ... | ... | ... |
| (v) Loan towards share capital: | | | |
| (a) State Government | ... | ... | ... |
| (b) Industrial Development Bank of India | ... | ... | ... |
| (vi) Others (including State Government) | | | |
| (a) Loans | 235.00 | 283.12 | 457.90 |
| (b) subventions | ... | ... | ... |
| Other liabilities and provisions | 128.23 | 101.84 | 133.15 |
| **Total – A** | **1195.29** | **1374.05** | **1512.54** |
| ***B. Assets*** | | | |
| Cash and Bank balances | 7.68 | 33.67 | 17.29 |
| Investments | 1.85 | 46.35 | 21.01 |
| Loans and Advances | 1124.82 | 1239.84 | 1401.43 |
| Net fixed assets | 2.76 | 2.75 | 3.36 |
| Other assets | 58.18 | 51.46 | 69.45 |
| Miscellaneous expenditure | ... | ... | ... |
| **Total – B** | **1195.29** | **1374.07** | **1512.54** |
| ***C. Capital employed***[5] | 956.77 | 1169.64 | 1325.81 |

**[4] Previous years' figures regrouped wherever necessary to be in consonance with the accounts of the Corporation.**

**[5] Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).**

*(₹ in crore)*

| 4. Kerala State Warehousing Corporation | | | |
|---|---|---|---|
| **Particulars** | **2008-09** | **2009-10** | **2010-11** |
| ***A. Liabilities*** | | | |
| Paid-up capital | 9.50 | 10.00 | 10.75 |
| Reserves and surplus | 1.56 | 1.82 | 1.63 |
| Borrowings : (Government)<br>(Others) | 0.50<br>0.51 | 0.50<br>0.24 | 0.50<br>... |
| Trade dues and current liabilities (including provisions) | 27.90 | 29.84 | 31.75 |
| **Total – A** | **39.97** | **42.40** | **44.63** |
| ***B. Assets*** | | | |
| Gross block | 19.70 | 20.08 | 20.21 |
| *Less*: Depreciation | 6.50 | 6.86 | 7.21 |
| Net fixed assets | 13.20 | 13.22 | 13.00 |
| Capital works-in-progress | 0.15 | 0.07 | 0.39 |
| Current assets, loans and advances | 12.80 | 14.30 | 14.45 |
| Profit and loss account | 13.82 | 14.81 | 16.79 |
| **Total – B** | **39.97** | **42.40** | **44.63** |
| ***C. Capital employed*** [6] | 2.13 | 1.47 | 0.77 |

[6] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

*(₹ in crore)*

| 5. Kerala Industrial Infrastructure Development Corporation (KINFRA) | | | |
|---|---|---|---|
| **Particulars** | **2010-11** | **2011-12** | **2012-13** |
| ***A. Liabilities*** | | | |
| Grants | 138.56 | 248.91 | 255.78 |
| Loans | 462.52 | 483.04 | 564.85 |
| Trade dues and current liabilities (including provisions) | 86.10 | 85.88 | 154.22 |
| Reserves and surplus | 131.70 | 160.43 | 179.39 |
| **Total – A** | **818.88** | **978.26** | **1154.24** |
| ***B. Assets*** | | | |
| Gross block | 89.66 | 141.90 | 175.57 |
| *Less*: Depreciation | 19.11 | 23.88 | 30.14 |
| Net fixed assets | 70.55 | 118.02 | 145.43 |
| Investment | 24.18 | 27.19 | 27.19 |
| Current assets, loans and advances | 724.15 | 833.05 | 981.62 |
| Accumulated loss | ... | ... | ... |
| **Total – B** | **818.88** | **978.26** | **1154.24** |
| ***C. Capital employed*** [7] | 708.60 | 865.19 | 972.83 |

[7] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

## Annexure 6
## Statement showing working results of Statutory corporations
***(Referred to in paragraph 1.1.35)***

*(₹ in crore)*

| **1.** | **Kerala State Electricity Board** | | | |
|---|---|---|---|---|
| **Sl. No.** | **Particulars** | **2010-11** | **2011-12** | **2012-13*** |
| 1. | (a) Revenue receipts | 5641.27 | 6043.88 | 7659.21 |
| | (b) Subsidy/subvention from Government | 54.16 | 0.04 | ... |
| | (c) Revenue gap/ regulatory asset | 1229.63 | 1934.13 | 3998.89 |
| | Total | 6925.06 | 7978.05 | 11658.10 |
| 2. | Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest | 6027.52 | 6899.37 | 10402.41 |
| 3. | Gross surplus(+)/deficit(-) for the year (1-2) | (+)897.54 | (+)1078.68 | (+)1255.69 |
| 4. | Adjustments relating to previous years | (+)73.56 | (-)61.95 | (-)41.19 |
| 5. | Final gross surplus(+)/deficit(-) for the year (3+4) | (+)971.10 | (+)1016.73 | (+)1214.50 |
| 6. | Appropriations: | | | |
| | (a) Depreciation (less capitalised) | 473.43 | 466.00 | 509.31 |
| | (b) Interest on Government loans | .... | .... | ... |
| | (c) Interest on others, bonds, advance, etc., and finance charges | 280.91 | 340.52 | 580.53 |
| | (d) Total interest on loans and finance charges (b+c) | 280.91 | 340.52 | 580.53 |
| | (e) Less: Interest capitalised | 23.96 | 30.51 | 116.06 |
| | (f) Net interest charged to revenue (d-e) | 256.95 | 310.01 | 464.47 |
| | (g) Total appropriations (a+f) | 730.38 | 776.01 | 973.78 |
| 7. | Surplus(+)/deficit(-) before accounting for subsidy from state Government [5-6(g)-1(b)] | (+)186.56 | (+)240.68 | (+)240.72 |
| 8. | Net surplus (+)/deficit(-) {5-6(g)} | (+)240.72 | (+)240.72 | (+)240.72 |
| 9. | Total return on capital employed[8] | 497.67 | 550.73 | 705.19 |
| 10. | Percentage of return on capital employed | 5.70 | 5.57 | 6.12 |

******Provisional, subject to audit.*

[8] **Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).**

*(₹ in crore)*

| 2. Kerala State Road Transport Corporation | | | |
|---|---|---|---|
| **Particulars** | **2009-10** | **2010-11** | **2011-12*** |
| | *(including JnNURM)* | | |
| Operating : | | | |
| (a) Revenue | 1144.18 | 1276.12 | 1436.36 |
| (b) JnNURM | 1.53 | 16.49 | 60.04 |
| (c) Expenditure | 1022.98 | 1216.94 | 1377.05 |
| (d) JnNURM | 2.35 | 21.36 | 70.49 |
| (e) Surplus(+)/Deficit(-) | 121.20 | 59.19 | 59.31 |
| (f) JnNURM | (-)0.83 | (-) 4.88 | (-)10.45 |
| Non-operating : | | | |
| (a) Revenue | 17.52 | 17.97 | 52.78 |
| (b) JnNURM | 0.99 | 7.89 | 14.31 |
| (c) Expenditure | 371.80 | 456.48 | 528.73 |
| (d) JnNURM | ... | 0.58 | ... |
| (e) Surplus(+)/Deficit(-) | (-) 354.27 | (-) 438.51 | (-) 475.95 |
| (f) JnNURM | 0.99 | 7.31 | 14.31 |
| Total : | | | |
| (a) Revenue | 1161.70 | 1294.09 | 1489.14 |
| (b) JnNURM | 2.52 | 24.38 | 74.35 |
| (c) Expenditure | 1394.77 | 1673.42 | 1905.78 |
| (d) JnNURM | 2.35 | 21.94 | 70.49 |
| (e) Surplus(+)/Deficit(-) | (-) 233.07 | (-) 379.33 | (-) 416.64 |
| (f) JnNURM | 0.17 | 2.44 | 3.86 |
| Interest on capital and loans | 101.72 | 145.93 | 202.36 |
| Total return on capital employed [9] | (-) 131.18 | (-) 230.96 | (-) 210.42 |

**Provisional, subject to audit.*

[9] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

(₹ in crore)

| 3. Kerala Financial Corporation | | | |
|---|---|---|---|
| **Particulars[10]** | **2010-11** | **2011-12** | **2012-13** |
| 1. Income : | | | |
| (a) Interest on loans | 111.14 | 143.52 | 174.16 |
| (b) Other income | 54.84 | 70.73 | 83.54 |
| **Total – 1** | **165.98** | **214.25** | **257.70** |
| 2. Expenses : | | | |
| (a) Interest on long-term loans | 58.30 | 82.09 | 87.01 |
| (b) Bad debts written-off | 4.95 | 30.78 | 25.66 |
| (c) Other expenses | 41.03 | 38.75 | 41.33 |
| **Total – 2** | **104.28** | **151.62** | **154.00** |
| Profit before tax (1-2) | 61.70 | 62.63 | 103.70 |
| Provision for tax | 12.80 | 14.75 | 22.68 |
| Other appropriations | 26.49 | 16.03 | 37.00 |
| Amount available for dividend [11] | 22.41 | 31.85 | 44.02 |
| Dividend | 10.20 | 15.90 | 16.96 |
| Total return on capital employed [12] | 107.20 | 129.97 | 168.03 |
| Percentage of return on capital employed | 11.18 | 11.11 | 12.67 |

[10] Previous years' figures regrouped wherever necessary to be in consonance with the accounts of the Corporation.

[11] Represents profit of current year available for dividend after considering the specific reserves and provision for taxation.

[12] Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

*(₹ in crore)*

| 4. Kerala State Warehousing Corporation | | | |
|---|---|---|---|
| **Particulars** | **2008-09** | **2009-10** | **2010-11** |
| 1. Income : | | | |
| (a) Warehousing charges<br>(b) Other income | 9.35<br>4.76 | 10.02<br>4.66 | 9.94<br>4.78 |
| **Total – 1** | **14.11** | **14.68** | **14.72** |
| 2. Expenses : | | | |
| (a) Establishment charges<br>(b) Other expenses | 10.21<br>5.29 | 10.57<br>5.09 | 11.82<br>4.88 |
| **Total – 2** | **15.50** | **15.66** | **16.70** |
| 3. Profit(+)/Loss(-) before tax | (-)1.39 | (-)0.98 | (-)1.98 |
| 4. Other appropriations[13] | ... | ... | ... |
| 5. Amount available for dividend | ... | ... | ... |
| 6. Dividend for the year | ... | ... | ... |
| 7. Total return on capital employed[14] | (-) 1.39 | (-)0.98 | (-)1.98 |
| 8. Percentage of return on capital employed | (-)65.26 | (-)66.67 | (-)257.14 |

[13] **This does not include prior period adjustments.**

[14] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

(₹ in crore)

| 5. Kerala Industrial Infrastructure Development Corporation (KINFRA) | | | |
|---|---|---|---|
| **Particulars** | **2010-11** | **2011-12** | **2012-13** |
| 1.Income<br>(a) Sale of land on long lease<br>(b) Miscellaneous income | <br>2.28<br>23.42 | <br>20.02<br>9.41 | <br>8.01<br>15.34 |
| **Total -1** | **25.70** | **29.43** | **23.35** |
| 2. Expenses<br>(a) Establishment charges<br>(b) Other expenses | <br>2.84<br>13.60 | <br>2.54<br>17.10 | <br>4.52<br>16.72 |
| **Total-2** | **16.44** | **19.64** | **21.24** |
| Net profit (+)/Loss (-) | (+) 9.33 | (+) 10.09 | (+) 13.93 |
| Total return on capital employed[15] | (+) 16.61 | (+) 19.94 | (+) 21.89 |
| Percentage of return on capital employed | 2.34 | 2.30 | 2.25 |

[15] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

## Annexure 7

### Statement showing list of companies selected for the review of Governance in Public Sector Undertakings in Kerala

*(Referred to in paragraph 1.2.2)*

| Sl. No. | Name of the Companies | Abbreviation | Adm. Dept |
|---|---|---|---|
| 1 | Kerala Agro Machinery Corporation Limited | KAMCO | Agriculture |
| 2 | Kerala Forest Development Corporation Limited | KFDC | Forest |
| 3 | Kerala Livestock Development Board Limited | KLDB | Animal Husbandry |
| 4 | Oil Palm India Limited | OPIL | Agriculture |
| 5 | The Kerala Agro Industries Corporation Limited | KAICO | Agriculture |
| 6 | The Kerala State Cashew Development Corporation Limited | KSCDCL | Industries |
| 7 | The Kerala State Coir Corporation Limited | KSCCL | Industries |
| 8 | The Plantation Corporation of Kerala Limited | PCKL | Agriculture |
| 9 | The Rehabilitation Plantations Limited | RPL | Labour and Rehabilitation |
| 10 | The State Farming Corporation of Kerala Limited | SFCK | Agriculture |
| 11 | Kerala Small Industries Development Corporation Limited | SIDCO | Industries |
| 12 | Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited | KSDCCCSC RCL | Backward Communities Development |
| 13 | Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited | KSDCSCSTL | SC & ST Development |
| 14 | Kerala State Film Development Corporation Limited | KSFDCL | Cultural Affairs |
| 15 | Kerala State Handloom Development Corporation Limited | Hanveev | Industries |
| 16 | Kerala Transport Development Finance Corporation Limited | KTDFC | Transport |
| 17 | The Kerala State Backward Classes Development Corporation Limited | KSBCDC | Backward Communities Development |
| 18 | The Kerala State Financial Enterprises Limited | KSFE | Taxes |
| 19 | Kerala Police Housing and Construction Corporation Limited | KPHCCL | Home |
| 20 | Kerala State Industrial Development Corporation Limited | KSIDC | Industries |
| 21 | Roads and Bridges Development Corporation of Kerala Limited | RBDCK | Public Works |
| 22 | The Kerala Land Development Corporation Limited | KLDCL | Agriculture |
| 23 | Kerala State Information Technology Infrastructure Limited | KSITIL | Information Technology |
| 24 | Kannur International Airport Limited | KIAL | Transport |
| 25 | Autokast Limited | Autokast | Industries |
| 26 | Foam Mattings (India) Limited | FOMIL | Industries |
| 27 | Keltron Component Complex Limited | KCCL | Industries |
| 28 | Kerala Automobiles Limited | KAL | Industries |
| 29 | Kerala Electrical and Allied Engineering Company Limited | KEL | Industries |

| | | | |
|---|---|---|---|
| 30 | Kerala Feeds Limited | KFL | Animal Husbandry |
| 31 | Kerala State Bamboo Corporation Limited | KSBCL | Industries |
| 32 | Kerala State Beverages (Manufacturing and Marketing) Corporation Limited | BEVCO | Taxes |
| 33 | Kerala State Drugs and Pharmaceuticals Limited | KSDPL | Industries |
| 34 | Kerala State Electronics Development Corporation Limited | KELTRON | Industries |
| 35 | Kerala State Textile Corporation Limited | KSTCL | Industries |
| 36 | Sitaram Textiles Limited | STL | Industries |
| 37 | Steel and Industrial Forgings Limited | SIFL | Industries |
| 38 | SAIL-SCL Kerala Limited | SCL | Industries |
| 39 | Steel Industrials Kerala Limited | SILK | Industries |
| 40 | The Kerala Minerals and Metals Limited | KMML | Industries |
| 41 | The Pharmaceutical Corporation (Indian Medicines) Kerala Limited | OUSHADHI | Health & Family Welfare |
| 42 | The Travancore Cements Limited | TCL | Industries |
| 43 | The Travancore Cochin Chemicals Limited | TCCL | Industries |
| 44 | Traco Cable Company Limited | TRACO | Industries |
| 45 | Transformers and Electricals Kerala Limited | TELK | Industries |
| 46 | Travancore Titanium Products Limited | TTPL | Industries |
| 47 | Kerala State Power and Infrastructure Finance Corporation Limited | KSPIFCL | Power |
| 48 | Bekal Resorts Development Corporation Limited | BRDCL | Tourism |
| 49 | Kerala Shipping and Inland Navigation Corporation Limited | KSINCL | Coastal Shipping and Inland Navigation |
| 50 | Kerala State Industrial Enterprises Limited | KSIE | Industries |
| 51 | Kerala State Maritime Development Corporation Limited | KSMDCL | Fisheries & Port |
| 52 | KTDC Hotels & Resorts Limited | KTDC | Tourism |
| 53 | Kerala Tourism Infrastructure Limited | KTIL | Tourism |

## ANNEXURE 8

**Statement showing financial position and working results of The Kerala Minerals and Metals Limited at the close of the year as on 31 March for the five years up to 2013**

***(Referred to in paragraph 2.3)***

***(₹in lakh)***

| Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|
| Share capital | 3093.27 | 3093.27 | 3093.27 | 3093.27 | 3093.27 |
| Reserves and surplus | 40914.41 | 45174.12 | 46188.50 | 55037.20 | 57727.06 |
| Share holders' funds | **44007.68** | **48267.39** | **49281.77** | **58130.47** | **60820.33** |
| Fixed asset (Net) | 25192.92 | 30465.22 | 34670.00 | 36936.97 | 29173.52 |
| Non-current investments | 17.60 | 17.60 | 3517.60 | 3517.60 | 3518.10 |
| Current Assets | 32429.76 | 33035.54 | 39592.55 | 46025.65 | 47728.06 |
| Current Liabilities | 13632.60 | 15250.97 | 28498.38 | 28349.75 | 19599.35 |
| Net Current Assets | 18797.16 | 17784.57 | 11094.17 | 17675.90 | 28128.71 |
| ***Total*** | **44007.68** | **48267.39** | **49281.77** | **58130.47** | **60820.33** |
| Net Sales | 41908.91 | 48398.20 | 54022.58 | 57302.87 | 54763.36 |
| Other Income | 1748.02 | 1654.35 | 1721.29 | 2083.52 | 1565.34 |
| Change in stock level | -2977.67 | -1304.10 | 242.21 | 6999.77 | 4568.98 |
| ***Total Income*** | **40679.26** | **48748.45** | **55986.08** | **66386.16** | **60897.68** |
| Raw Material | 8015.00 | 9550.17 | 11838.74 | 9948.05 | 9767.12 |
| Manufacturing expenses | 17339.47 | 19750.60 | 21826.71 | 25762.12 | 28222.96 |
| Employee cost | 9735.98 | 8937.12 | 14602.73 | 13203.72 | 12977.22 |
| Cost of goods sold | 35090.45 | 38237.89 | 48268.19 | 48913.89 | 50967.30 |
| Selling | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Finance | 30.10 | 19.60 | 26.71 | 42.06 | 364.83 |
| Depreciation and Amortization expenses | 884.45 | 1245.94 | 1432.02 | 2021.75 | 1971.33 |
| ***Total Expenditure*** | **36005.00** | **39503.43** | **49726.92** | **50977.70** | **53303.46** |
| **Net Profit** | **4674.26** | **9245.02** | **6259.16** | **15408.46** | **7594.22** |

## Annexure 9

## Statement showing unproductive overheads due to excess downtime in the plants of The Kerala Minerals and Metals Limited

*(Referred to in paragraph 2.9.3.3)*

*(₹in lakh)*

| Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 |
|---|---|---|---|---|---|
| **IBP Calciner (2 Streams from February 2011)** | | | | | |
| Fixed Overheads incurred | 1101.85 | 1386.12 | 1975.75 | 2305.68 | 2554.51 |
| Stream Hours Available | 8760 | 8760 | 10176 | 17520 | 17520 |
| Fixed Overhead per Stream Hour | 0.13 | 0.16 | 0.19 | 0.13 | 0.15 |
| Downtime in Hours | 2606 | 2803 | 3298 | 10668 | 9679 |
| Normal Downtime Hours (68 days) | 1632 | 1632 | 1632 | 3264 | 3264 |
| Excess Downtime Hours | 974 | 1171 | 1666 | 7404 | 6415 |
| Unproductive Fixed Overheads | 126.62 | 187.36 | 316.54 | 962.52 | 962.25 |
| **Total Unproductive Fixed Overheads in IBP upto 2012-13** | | | | | **2555.29** |
| **U 200 Plant (2 Streams)** | | | | | |
| Fixed Overheads incurred | 850.61 | 1313.5 | 1801.91 | 1497.55 | 1864.49 |
| Stream Hours Available | 17520 | 17520 | 17520 | 17520 | 17520 |
| Fixed Overhead per Stream Hour | 0.05 | 0.07 | 0.1 | 0.09 | 0.11 |
| Downtime in Hours | 4524 | 3526 | 3620 | 5838 | 5730 |
| Normal Downtime Hours (54 days) | 2592 | 2592 | 2592 | 2592 | 2592 |
| Excess Downtime Hours | 1932 | 934 | 1028 | 3246 | 3138 |
| Unproductive Fixed Overheads | 96.6 | 65.38 | 102.8 | 292.14 | 345.18 |
| **Total Unproductive Fixed Overheads in U200 Plant up to 2012-13** | | | | | **902.10** |
| **U 300 Plant (2 Streams)** | | | | | |
| Fixed Overheads incurred | 975.48 | 1167.77 | 1536.23 | 1570.93 | 1860.36 |
| Stream Hours Available | 17520 | 17520 | 17520 | 17520 | 17520 |
| Fixed Overhead per Stream Hour | 0.06 | 0.07 | 0.09 | 0.09 | 0.11 |
| Downtime in Hours | 4624 | 3628 | 3812 | 6262 | 6222 |
| Normal Downtime Hours (54 days) | 2592 | 2592 | 2592 | 2592 | 2592 |
| Excess Downtime Hours | 2032 | 1036 | 1220 | 3670 | 3630 |
| Unproductive Fixed Overheads | 121.92 | 72.52 | 109.8 | 330.3 | 399.3 |
| **Total Unproductive Fixed Overheads in U 300 Plant up to 2012-13** | | | | | **1033.84** |
| **U 400 Plant (Single Stream)** | | | | | |
| Fixed Overheads incurred | 992.62 | 1200.59 | 1919.53 | 1656.8 | 1887.82 |
| Stream Hours Available | 8760 | 8760 | 8760 | 8760 | 8760 |
| Fixed Overhead per Stream Hour | 0.11 | 0.14 | 0.22 | 0.19 | 0.22 |
| Downtime in Hours | 2772 | 2663 | 2346 | 4134 | 4958 |
| Normal Downtime Hours (54 days) | 1296 | 1296 | 1296 | 1296 | 1296 |
| Excess Downtime Hours | 1476 | 1367 | 1050 | 2838 | 3662 |
| Unproductive Fixed Overheads | 162.36 | 191.38 | 231 | 539.22 | 805.64 |
| **Total Unproductive Fixed Overheads in U 400 Plant upto 2012-13** | | | | | **1929.60** |

# Annexure 10

## Statement showing extra expenditure due to deficiencies in procurement in The Kerala Minerals and Metals Limited

*(Referred to in paragraph 2.9.6.4)*

(a) Failure to execute agreement and consequent non recovery of extra cost on risk purchase

| Sl No | Item | Year | Name of the supplier | Ordered Qty (MT) | Rate per MT (including Transport a-tion) | Supplied Qty (MT) | Purchase from alternate source | | Extra expenditure (₹ in crore) |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | Quantity (MT) | Rate (in ₹) | |
| 1 | Raw Ilmenite | 2010-11 | V V Minerals | 40000 | 7443 | 12111 | 5165 | 17559 | 5.22 |
| 2 | Petcoke-NPF Grade | 2010-11 | Trinity Coal Trading | 1800 | 7749.17 | 0 | 1800 | 10191.91 | 0.44 |
| 3 | Calcined Petroleum Coke | 2008-09 | Rain Calcining& Goa Carbons | 18360 | 14200 | 12319 | 6041 | 24034 | 5.94 |
| 4 | Calcined Petroleum Coke | 2009-10 | Goa Carbons | 4800 | 16615 | 3000 | 1800 | 27677 | 1.60 |
| 5 | Hydrated lime | 2008-09 to 2011-12 | Various suppliers | 25159 | - | 5712.85 | 19446.56 | - | 3.09 |
| 6 | Liquid oxygen | 2010-11 | Inox Air products | 3000 | 9555 | 0 | 1922 | 10823 | 0.24 |
| | | | | **Total** | | | | | **16.53** |

(b) Undue delay in finalisation of tender and consequent non acceptance by the party

| Sl No | Item | Date of tender | Valid upto | Date of order | Subsequent purchase Qty (MT) | Original Landed cost/MT (in ₹) | Landed cost/MT subsequent purchase (in ₹) | Extra expenditure (₹ in crore) |
|---|---|---|---|---|---|---|---|---|
| 1 | Sodium Silicate | 12/2011 | 02.05.12 | 11.09.12 | 1816.64 | 8680 | 11069 | 0.43 |
| 2 | Magnesium | 2/2012 | 09.05.12 | 16.07.12 | 66.00 | 231927 | 351940 | 0.81 |
| 3 | Calcined Petroleum Coke | 2/2008 | 30.04.08 | 26.05.08 | 1821.37 | 24024 | 32455 | 1.54 |
| 4 | Petcoke NPF Grade | 2/2011 | 10.06.11 | 30.07.12 | 3845.75 | 10454.72 | 12005.28 | 0.60 |
| | | | | **Total** | | | | **3.38** |

(c) Extra expenditure due to allowing price increase though the prices were firm

| Sl No | Item | Name of the supplier | Qty purchased (MT) | Original rate/MT | Revised rate/MT | Extra expenditure (₹ in crore) |
|---|---|---|---|---|---|---|
| 1 | NPF Grade Petcoke | Sree Meenatchi Agencies | 1324.83 | 7770.18 | 8521.53 | 0.10 |
| 2 | NPF Grade Petcoke | Do | 97.70 | 7770.18 | 8519.41 | 0.01 |
| 3 | NPF Grade Petcoke | Do | 345.91 | 7770.18 | 8522.08 | 0.03 |
| 4 | NPF Grade Petcoke | Do | 1139.19 | 7770.18 | 10186.10 | 0.28 |
| 5 | NPF Grade Petcoke | Do | 2435.90 | 7770.18 | 10187 | 0.59 |
| 6 | Liquid Oxygen | Inox Air Products Ltd | 1671 | 7968 | 9292 | 0.22 |
| | **Total** | | | | | **1.23** |

## Annexure 11

### Statement showing Power Purchase Agreements by Kerala State Electricity Board

*(Referred to in paragraph 3.1.1)*

| Sl. No. | Name of Project | Firm | Capacity in MW | Date of Agreement | Allocation to KSEB in MW |
|---|---|---|---|---|---|
| I. | **CGS** | | | | |
| **A.** | **Nuclear Power Station** | | | | |
| 1. | MAPS | Nuclear Power Corporation of India Ltd. | 440 | 31.03.2001 | 18 |
| 2. | Kaiga I & II | Nuclear Power Corporation of India Ltd. | 2x440 | 30.06.2005 | 38 |
| **B.** | **Thermal Power Station** | | | | |
| 3. | Ramagundam I & II | NTPC | 3x200<br>3x500 | 10.04.1985 | 245 |
| 4. | NLC Stage II – I | Neyveli Lignite Corporation | 3x210 | 27.07.1995 | 63 |
| 5. | Thalcher – II | NTPC | 2000 | 10.06.1998 | 280 |
| 6. | NLC Stage-II – II | Neyveli Lignite Corporation | 4x210 | 18.02.1999 | 90 |
| 7. | Ramagundam – III | NTPC | 500 | 19.07.2001 | 61 |
| 8. | NLC Stage –I exp. | Neyveli Lignite Corporation | 2x210 | 17.04.2002 | 58.8 |
| 9. | Simhadri Stage II | NTPC | 1000 | 14.09.2007 | 80.9 |
| 10. | Tuticorin | NLC Tamil Nadu Power Ltd. (NTPL) | 2x500 | 20.02.2008 | 72.5 |
| 11. | NLC Stage – II exp. | Neyveli Lignite Corporation | 2x500 | 10.11.2008 | 70 |
| 12. | Vallur Thermal Power Plant (VTPP) | NTPC Tamil Nadu Energy Company Ltd. (NTECL) | 3x500 | 26.08.2009 | 49.9 |
| 13. | Kudgi | NTPC | 4000 | 03.11.2010 | Allocation not received |
| 14. | Neyveli New | Neyveli Lignite Corporation | 1000 | 10.12.2010 | 32.38 |
| 15. | Pudimadaka | NTPC<br>Neyveli Lignite Corporation | 4000 | 31.12.2010 | Allocation not received |
| 16. | Sirkali | NTPC<br>Neyveli Lignite Corporation | 3x660 | 03.01.2011 | Allocation not received |
| **II.** | **IPPs** | | | | |
| **A.** | **Thermal** | | | | |
| 1. | RGCCPP | NTPC | 359.58 | 06.01.1995 | 360 |
| 2. | KPCL | Kasargode Power Corporation Ltd. | 20.436 | 12.08.1998 | 20.436 |

| | | | | | |
|---|---|---|---|---|---|
| 3. | BSES Combined Cycle Power Plant | BSES Kerala Power Ltd. | 3x40.5+1x 35.5 | 03.07.1999 | 157 |
| **B.** | **Small Hydro** | | | | |
| 4. | Ullunkal Hydro Power Project | Energy Development Company Limited | 3 | -- | 3 |
| 5. | Iruttukkanam Hydro Power Project | Viyyat Power Ltd. | 3 | 07.06.2007 | 3 |
| **C.** | **Co-generation Power Project** | | | | |
| 6. | M P Steel | | Not Available | | |
| 7. | Philips Carbon Black Ltd. | | Not Available | | |
| **D.** | **Wind Power Projects** | | | | |
| 8. | Bhima & Brother, Alapuzha | | 2x600 kW | 17.03.2008 | |
| 9. | Popy Umbrella Mart, Alapuzha | | 2x600 kW | 17.03.2008 | |
| 10. | Watts Electronics Pvt. Ltd., Kochi | | 750 kW | 17.03.2008 | |
| 11. | Shah Agency, Bangalore | | 750 kW | 17.03.2008 | |
| 12. | Cotton World, Bangalore | | 750 kW | 25.03.2008 | |
| 13. | Ind-Bharath Power Infra Pvt. Ltd., Hyderabad | | 750 kW | 26.03.2008 | |
| 14. | Eastern Condiments Pvt. Ltd., Kochi | | 750 kW | 26.03.2008 | |
| 15. | Manjeera Constructions, Hyderabad | | 750 kW | 27.03.2008 | |
| 16. | Zenith Energy Services (P) Ltd., Hyderabad | | 750 kW | 27.03.2008 | |
| 17. | Mitcon Consultancy Services Ltd., Pune | | 750 kW | 27.03.2008 | |
| 18. | Venkatrama Paultries Ltd., Guntur | | 750 kW | 27.03.2008 | |
| 19. | Srinivasa Builders, Hyderabad | | 750 kW | 27.03.2008 | |
| 20. | Sunstar Oversees Ltd., Delhi | | 4x750 kW | 27.03.2008 | |
| 21. | Kerala Steel Associate, Kochi | | 500 kW | 29.03.2008 | |
| 22. | Asian Star Co. Ltd., Mumbai | | 2x600 kW | 31.03.2008 | |
| 23. | Asian Star Co. Ltd., Mumbai | | 600 kW | 7.04.2008 | |
| 24. | Asian Star Co. Ltd., Mumbai | | 2x600 kW | 23.04.2008 | |
| 25. | Plant Lipids (P) Ltd., Kolenchery | | 2x600 kW | 25.07.2008 | |
| 26. | OEN Ltd., Kochi | | 600 kW | 19.09.2008 | Full capacity allocated to KSEB |
| 27. | Anna Aluminium, Kochi | | 600 kW | 24.09.2008 | |
| 28. | Vinson Industries Pvt. Ltd., Visakapatanam | | 750 kW | 30.09.2008 | |
| 29. | Balaji Heavy Lifters Pvt. Ltd., Kutch, Gujarat | | 750 kW | 30.09.2008 | |
| 30. | Aditya Marine Ltd., Gandhinagar, Gujarat | | 750 kW | 30.09.2008 | |
| 31. | S. Kumar, Rajkot, Gujarat | | 750 kW | 30.09.2008 | |
| 32. | Bhima Jewels, M.G.Road, Ernakulam | | 600 kW | 23.03.2009 | |
| 33. | Synthyte Industries Ltd., Kolenchery | | 3x600 kW | 23.03.2009 | |
| 34. | Bhima Jewels, M.G.Road, Ernakulam | | 600 kW | 24.03.2009 | |
| 35. | Bhima Jewellary, Trivandrum | | 2x600 kW | 28.03.2009 | |
| 36. | Synthyte Industries Ltd., Kolenchery | | 2x600 kW | 28.03.2009 | |
| 37. | ACV Prodcuts Pvt.Ltd., Coimbatore | | 750 kW | 08.01.2010 | |
| 38. | M/s. Bhima Jewellery, Madurai | | 2x600 kW | 30.09.2010 | |
| 39. | M/s. Bhima Jewellery, Nagarcoil | | 2x600 kW | 30.09.2010 | |
| 40. | Anna Aluminium Pvt. Ltd. | | 2x600 kW | 30.09.2010 | |

## Annexure 12

**Statement showing Chronology of events in Case-I bidding process by Kerala State Electricity Board**

***(Referred to in paragraph 3.1.7.3)***

| Date | Events |
|---|---|
| 18.08. 2008 | KSERC ordered to procure power through competitive bidding. |
| 11.05.2009 | Board decided to carry out Case-I bidding process for procurement of 500 MW power for five years and constituted High Level Committee (HLC) to finalise the RFP, RFQ & PPA documents based on Guidelines issued by MoP. |
| July-August 2009 | HLC modified the purchase plan for purchasing 300 MW RTC power and 100 MW Peak Power for a period of 5 years so as to commence the supply from April 2012. |
| 13.11.2009 | Board approved the modified bid documents and authorised CE (C&T) to take up with KSERC. |
| 17.12.2009 | KSEB filed petition with KSERC for approval of Case-I bidding process. |
| 04.10.2010 | Submitted application and KSERC approved the bid documents with certain modifications |
| 11.04.2011 | CE (C&T) invited tenders |
| 04.08.2011 | As per CERC Regulation 2009, effective from 1 January 2010, transmission corridor under MTOA would be available only upto a maximum period of 3 years as against 5 years. Full Time Members decided to re-tender Case-I bidding |
| 02.06.2012 | KSEB filed petition with KSERC for approval of revised Case-I bidding procedure. |
| 15.10. 2012 | Approval of KSERC received on the revised RFP & RFQ. |
| 12.11.2012 | Revised tender notice for procuring 300 MW RTC power and 100 MW peak power for 3 years through Case-I bidding was issued. |
| 22.04.2013 | Board approved Case-I bidding for procuring 300 MW RTC and 100 MW RTC, (as against the tender requirement of 100 MW of peak power), from NVVN @ ₹ 4.494 per unit and PTC India Ltd., @ ₹ 4.449 per unit respectively, from 1 March 2014 to 28 February 2017. |

*Annexure* 13

**Statement showing weighted average purchase rate from IEX and UI by Kerala State Electricity Board**

***(Referred to in paragraph 3.1.7.3)***

| Month | Purchase from Indian Energy Exchange (Term Ahead/Day Ahead) | | Unscheduled Interchange | | Total | | Average purchase rate | Medium Term Open Access Rate | Extra expenditure | |
|---|---|---|---|---|---|---|---|---|---|---|
| | MU | ₹ in crore | MU | ₹ in crore | MU | ₹ in crore | (₹) | (₹) | Per unit (₹) | Total ₹ in crore |
| | 1 | 2 | 3 | 4 | 5 (1+3) | 6 (2+4) | 7 (6/5) | 8 | 9 (7-8) | 10 (5x9) |
| 2012 January | 170.60 | 88.21 | 46.80 | 14.37 | 217.40 | 102.58 | 4.72 | 4.49 | 0.23 | 5.00 |
| February | 96.72 | 71.57 | 61.68 | 24.53 | 158.40 | 96.10 | 6.07 | 4.49 | 1.58 | 25.03 |
| March | 38.13 | 28.85 | 55.79 | 24.52 | 93.92 | 53.37 | 5.68 | 4.49 | 1.19 | 11.18 |
| April | 34.44 | 29.75 | 117.53 | 46.37 | 151.97 | 76.12 | 5.01 | 4.49 | 0.52 | 7.90 |
| May | 51.66 | 35.93 | 122.57 | 46.07 | 174.23 | 82.00 | 4.71 | 4.49 | 0.22 | 3.83 |
| June | 110.45 | 62.14 | 86.60 | 36.81 | 197.05 | 98.95 | 5.02 | 4.49 | 0.53 | 10.44 |
| July | 90.58 | 63.50 | 106.19 | 40.19 | 196.77 | 103.69 | 5.27 | 4.49 | 0.78 | 15.35 |
| Aug | 216.55 | 158.31 | 86.20 | 24.37 | 302.75 | 182.68 | 6.03 | 4.49 | 1.54 | 46.63 |
| Sepember | 137.74 | 98.04 | 72.53 | 23.38 | 210.27 | 121.42 | 5.77 | 4.49 | 1.28 | 26.92 |
| October | 203.29 | 138.08 | 59.01 | 18.71 | 262.30 | 156.79 | 5.98 | 4.49 | 1.49 | 39.08 |
| November | 171.55 | 118.65 | 54.34 | 13.30 | 225.89 | 131.95 | 5.84 | 4.49 | 1.35 | 30.49 |
| December | 101.25 | 71.14 | 72.99 | 17.64 | 174.24 | 88.78 | 5.09 | 4.49 | 0.6 | 10.45 |
| 2013 January | 66.32 | 44.44 | 60.27 | 15.12 | 126.59 | 59.56 | 4.70 | 4.49 | 0.21 | 2.66 |
| February | 40.25 | 23.08 | 57.13 | 18.10 | 97.38 | 41.18 | 4.23 | 4.49 | -0.26 | -2.53 |
| March | 72.54 | 50.13 | 62.83 | 22.32 | 135.37 | 72.45 | 5.35 | 4.49 | 0.86 | 11.64 |
| **Total** | **1602.07** | **1081.82** | **1122.46** | **385.80** | **2724.53** | **1467.62** | | | | **244.07** |

Note: Though the new contract was for supply of power for three years from March 2014, the extra expenditure is worked out upto March 2013, the period covered in audit.

*Annexure* **14**

## A. Statement showing average purchase rate from Short Term Market vis-à-vis CGS rate by Kerala State Electricity Board

***(Referred to in paragraph 3.1.7.8)***

| Year & Month | Purchase from Traders | | Average Purchase Rate per unit | CGS Rate per unit | Difference in rate |
|---|---|---|---|---|---|
| **2012-13** | **MU** | **Amount (₹ in crore)** | **(₹)** | **(₹)** | **(₹)** |
| July | 264.48 | 122.70 | 4.64 | 3.200 | 1.44 |
| August | 89.50 | 41.31 | 4.62 | 3.042 | 1.57 |
| September | 79.71 | 38.09 | 4.78 | 3.136 | 1.64 |
| October | 65.35 | 35.60 | 5.45 | 3.166 | 2.28 |
| November | 186.78 | 101.60 | 5.44 | 3.218 | 2.22 |
| December | 114.81 | 58.58 | 5.10 | 2.968 | 2.13 |
| February | 327.58 | 221.82 | 6.77 | 2.933 | 3.84 |
| March | 245.87 | 163.41 | 6.65 | 3.047 | 3.60 |

Note: Figures for January 2013 was taken as a base for comparison. Since KSEB stated that shortfall in energy from Case I bidding was met through IEX and UI, purchase from Traders reckoned in this case

**B. Statement showing extra expenditure for purchase of power from Short Term Market by Kerala State Electricity Board**

| Year & Month | CGS Share Allocation from MoP | CGS Share net entitlement | CGS Share actually received | Short supply by CGS | Extra cost per unit as shown above | Excess Expenditure |
|---|---|---|---|---|---|---|
| **2012-13** | **(MU)** | **(MU)** | **(MU)** | **(MU)** | **(₹)** | **(₹ in crore)** |
| July | 912.90 | 810.65 | 638.40 | 172.25 | 1.44 | 24.80 |
| August | 910.24 | 810.65 | 585.97 | 224.68 | 1.57 | 35.27 |
| September | 883.20 | 784.50 | 602.14 | 182.36 | 1.64 | 29.91 |
| October | 856.24 | 732.20 | 689.01 | 43.19 | 2.28 | 9.85 |
| November | 916.21 | 784.50 | 702.70 | 81.80 | 2.22 | 18.16 |
| December | 771.42 | 679.90 | 626.92 | 52.98 | 2.13 | 11.28 |
| February | 474.72 | 418.40 | 408.55 | 9.85 | 3.84 | 3.78 |
| March | 919.77 | 810.65 | 724.80 | 85.85 | 3.60 | 30.91 |
| **Total** | **6644.70** | **5831.50** | **4978.50** | **852.96** | | **163.96** |

*Source: Compiled by Audit from the daily statement of purchase by CE (Transmission) System Operation.*

## Annexure 15

## Chronology of events in submission of DPRs by Kerala State Electricity Board

*(Referred to in paragraph 3.2.7.5)*

| Sl. No. | Date | Events | Outcome | Remarks |
|---|---|---|---|---|
| 1 | April 2005 | Submission of first DPR for all the 14 districts | REC approved DPRs for Idukki and 6 Northern districts | REC rejected the DPRs of 7 Southern Districts as KSEB submitted 2 DPRs per district, instead of single DPR required under guidelines. |
| 2 | July 2005 | Execution of Tripartite Agreement among GoK, REC and KSEB | GoK entrusted the implementation of the Scheme to KSEB | |
| 3 | October 2005 | Submission of modified DPRs for 7 Southern districts | REC approved the DPRs "in principle". | But REC shifted it to 2nd phase in 11th Plan |
| 4 | February 2007 | NTPC Electric Supply Company Ltd (NESCL) was entrusted with the preparation of revised DPRs of six Northern districts | NESCL prepared DPRs for only two districts (Palakkad and Wayanad) | NESCL withdrew from the assignment after this. |
| 5 | January 2009 | Revised DPR for Idukki submitted | REC approved the revision of DPR | Revision of DPR was required due to defective survey/estimate by Dy.CE, Idukki |
| 6 | September – October 2009 | Revised DPR for 6 Northern districts | REC approved the revised DPR in March 2010 | As some works proposed under the Scheme were already done by KSEB, Revision was required. |
| 7 | September 2010 and May 2011 | Submission of Revised DPRs for 7 Southern districts | REC approved the proposal in December 2011[1] and February 2012[2] | As some works proposed under the Scheme were already done by KSEB, Revision was required. |
| 8 | September 2012 | Approval of REC for direct execution by KSEB instead of Turnkey | REC intimated (December 2012) that Monitoring Committee accorded permission to execute the work directly by KSEB. | No progress in the execution so far though REC released (January/February 2013) ₹25.62 crore. |
| 9 | December 2012 to March 2013 | Submission of DPR for DDG (4th Component of the Scheme) | Sanction from REC awaited | Total project cost was ₹24.25 crore to benefit 870 HHs. |

[1] Letter No.REC/TVM/RGGY/Sanction/2011-12/430 dated 19.12.2011
[2] Letter No.REC/TVM/RGGY/Sanction/2011-12/545 dated 14.02.2012

## Annexure 16

### Chronology of events in tendering, award of contract and outcome by Kerala State Electricity Board
### (Referred to in paragraph 3.2.7.8)

| Sl. No. | Date | Event | Outcome | Remarks |
|---|---|---|---|---|
| 1 | September 2005 | Invitation of Turnkey tenders for Idukki and 6 northern districts | No response | KSEB found lack of adequate publicity as the reason |
| 2 | December 2005 | KSEB sought permission for direct execution of work | REC denied (21 December 2005) the request. | Insisted KSEB to go as per the guidelines of MoP for the release of funds by REC. |
| 3 | January 2006 | Retendered the works for 7 Districts | Quotes received were higher than the estimates. Idukki - 19.45%, other districts - 76 to 88% | No further action by KSEB |
| 4 | October 2006 | KSEB decided to award work for Idukki | Delayed implementation | Final decision and award of work for 6 districts delayed |
| 5 | January 2007 | Award of work for Idukki | Awarded to ICSA, Hyderabad at ₹17.65 crore. | KSEB took one year to award the work |
| 6 | August 2010 - March 2011 | Award of work for 6 Northern districts | Issue of 7 work orders to four contractors for ₹90.36 crore | Work in progress |
| 7 | September 2012 | Approval of REC for departmental execution by KSEB | REC intimated that Monitoring Committee accorded permission to execute the work departmentally. | ₹25.62 crore released in (January/February 2013) |

*Source: Compiled by Audit from the records of KSEB*

# Annexure 17

## Details of works awarded for REDB in three districts[3] and for VEI in six northern districts by Kerala State Electricity Board

*(Referred to in paragraph 3.2.7.8 )*

| Sl No | Name of District & Name of Contractor | Amount of contract (₹ in crore) | Date of award of work | Scheduled date of completion | Actual date of completion |
|---|---|---|---|---|---|
| 1 | **Kasargode** Bentec Electrical & Electronics, Kolkota | 12.46 | 31.08.2010 | 31.08.2011 | Not completed |
| 2 | **Kannur** Bentec Electrical & Electronics, Kolkota | 15.62 | 08.09.2010 | 08.09.2011 | Do |
| 3 | **Kozhikode** Bentec Electrical & Electronics, Kolkota | 12.24 | 27.11.2010 | 27.11.2011 | Do |
| 4 | **Palakkad** Aravalli Infra Power Limited, New Delhi | 12.24 | 29.01.11 | 29.01.12 | Do |
| 5 | **Wayanad** Aravalli Infra Power Limited, New Delhi | 10.27 | 27.11.2010 | 27.11.2011 | Do |
| 6(a) | **Malappuram[4]** **REDB** Aster Pvt Ltd, Hyderabad | 8.27 | 23.08.2011 | 23.8.2012 | Land development in progress |
| 6(b) | **VEI** East cost Construction & Industries Ltd, Chennai | 19.26 | 29.03.2011 | 29.03.2012 | Not completed |

*Source: Details collected from the records of KSEB*

[3] Palakkad, Malappuram and Wayanad.
[4] Separate contracts for REDB and VEI in Malappuram district

## Annexure 18

## Statement showing the loss on account of under recovery of exportable grade kernel from the RCN of Kerala origin supplied by local parties in The Kerala State Cashew Development Corporation Limited

*(Referred to in paragraph 4.1.3.3)*

| Year | Total bags of RCN processed (in Nos) | | Average EWN obtained from processing each bag of RCN (in KG) | | Under recovery in the processing RCN supplied by traders (in KG) | | Average per KG selling price of EWN (₹) | Total loss due to under recovery (₹) | Average EBN obtained from processing each bag RCN (in KG) | | Excess recovery in processing RCN supplied by traders (in KG) | | Average per KG selling price of EBN (₹) | Total additional gain due to excess recovery (₹) | Net loss (₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RCN supplied by traders | RCN directly procured | RCN directly procured | RCN procured through traders | From each Bag | From all bags | | | RCN directly procured | RCN procured through traders | From each Bag | From all bags | | | |
| A | B | C | D | E | F = D-E | G = F x B | H | I = H x G | J | K | L =K-J | M = L x B | O | P = O x B | Q = I - P |
| 2012-13 | 46679.5 | 4538.5 | 14.59 | 11.56 | 3.03 | 141439 | 388 | 54878287 | 4.86 | 5.61 | 0.75 | 35010 | 258 | 9032483 | 45845804 |
| 2011-12 | 55007 | 740 | 15.24 | 11.84 | 3.4 | 187024 | 419 | 78362972 | 4.53 | 5.27 | 0.74 | 40705 | 238 | 9687833 | 68675139 |
| 2009-10 | 65255.5 | 2371 | 16.27 | 12.76 | 3.51 | 229047 | 261 | 59781216 | 4.14 | 5.15 | 1.01 | 65908 | 152 | 10018024 | 49763192 |
| 2008-09 | 38017.5 | 3121 | 16.36 | 14.57 | 1.79 | 68051 | 264 | 17965550 | 4.22 | 4.85 | 0.63 | 23951 | 141 | 3377095 | 14588455 |
| **Total Loss** | | | | | | | | | | | | | | | **178872591** |

In 2010-11 Kerala origin RCN was not procured through private parties

Legends : RCN - Raw Cashew Nuts, EWN- Exportable grade Whole Nuts, EBN- Exportable grade Broken Nuts, Bag- each bag of 80 Kg RCN

# Annexure 19

## Statement showing the total profit earned by the intermediaries and consequent avoidable extra expenditure to The Kerala State Cashew Development Corporation Limited

*(Referred to in paragraph 4.1.3.4)*

| Purchase agreement No. | Name of the supplier | Bill of lading No | Total delivered quantity (in MT) | Invoice value of the RCN at which the intermediary supplier purchased it from international traders ($) | Exchange rate per USD (₹) | Actual purchase price of the intermediary supplier (₹) | The value paid by the company to the supplier (₹) | Profit earned by the local supplier (₹) | percentage of profit earned by intermediary | The profit charged by STC for direct import (ie 2.25 % 0f actual value) (₹) | Excess expenditure due to procurement through Local suppliers (₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CDC/COM/IRN/HSS/C3/5/2011-12 dt 23/8/11 | JMJ Traders | 554764893 | 239.005 | $4,01,238 | 49.32 | 19789058 | 21100006 | 1310948 | 7 | 494726 | 816221 |
| | | 554764884 | 237.76 | $3,97,463 | 49.43 | 19646596 | 21036977 | 1390381 | 7 | 491165 | 899216 |
| | | 554764900 | 236.075 | $3,95,076 | 49.43 | 19528607 | 20827805 | 1299198 | 7 | 488215 | 810983 |
| | | 554649120 | 155.978 | $2,25,567 | 50.27 | 11339253 | 14035436 | 2696183 | 24 | 283481 | 2412702 |
| CDC/COM/IRN/HSS/C3/04/2011-12 IVC origin dt 23-8-11 | JMJ Traders | 09L005615 | 112.066 | $1,32,797 | 49.28 | 6544236 | 7124170 | 579934 | 9 | 163606 | 416328 |
| | | 09L006052 | 112.507 | $1,34,296 | 49.01 | 6581847 | 7113032 | 531185 | 8 | 164546 | 366639 |
| | | 09L005898 | 16.305 | $19,469 | 49.01 | 954176 | 1030861 | 76685 | 8 | 23854 | 52831 |
| | | 09L005618 | 187.655 | $2,22,723 | 49.28 | 10975789 | 11930089 | 954300 | 9 | 274395 | 679905 |
| | | 09L005614 | 125.756 | $1,31,201 | 49.175 | 6451809 | 7977429 | 1525620 | 24 | 161295 | 1364325 |
| | | 09L005610 | 111.021 | $1,15,745 | 49.175 | 5691760 | 7042701 | 1350941 | 24 | 142294 | 1208647 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 09L005620 | 189.206 | $2,24,334 | 49.175 | 11031624 | 12002410 | 970786 | 9 | 275791 | 694995 |
| | | 09L005810 | 99.556 | $1,25,258 | 50.27 | 6296720 | 6497337 | 200617 | 3 | 157418 | 43199 |
| | | 09L005811 | 96.164 | $1,17,801 | 48.97 | 5768715 | 6109911 | 341196 | 6 | 144218 | 196978 |
| | | 09L005539 | 96.126 | $92,123 | 49.31 | 4542585 | 6126775 | 1584190 | 35 | 113565 | 1470625 |
| | | 09L005537 | 96.126 | $91,681 | 49.31 | 4520790 | 6052201 | 1531411 | 34 | 113020 | 1418391 |
| | | 09L005623 | 98.509 | $1,17,051 | 49.175 | 5755983 | 6248978 | 492995 | 9 | 143900 | 349096 |
| CDC/COM/IRN/HSS/C3/08-2011-12 (CDJKL origin 10000 MT @ $1585) dt 24-11-11 | JMJ Traders | 110000308 | 105.847 | $1,43,573 | 51.4 | 7379652 | 8514438 | 1134786 | 15 | 184491 | 950294 |
| | | 110000309 | 107.26 | $1,45,184 | 51.4 | 7462458 | 8628101 | 1165643 | 16 | 186561 | 979082 |
| | | 110000310 | 106.545 | $1,44,640 | 51.4 | 7434496 | 8570586 | 1136090 | 15 | 185862 | 950228 |
| | | 110000311 | 107.495 | $1,45,083 | 51.4 | 7457266 | 8647005 | 1189739 | 16 | 186432 | 1003307 |
| | | 110000312 | 105.977 | $1,43,494 | 51.4 | 7375592 | 8524895 | 1149303 | 16 | 184390 | 964914 |
| | | 110000294 | 106.052 | $1,43,533 | 51.4 | 7377596 | 8530928 | 1153332 | 16 | 184440 | 968892 |
| | | 110000295 | 106.122 | $1,43,298 | 51.4 | 7365517 | 8536559 | 1171042 | 16 | 184138 | 986904 |
| | | 110000296 | 105.78 | $1,42,803 | 51.4 | 7340074 | 8509049 | 1168975 | 16 | 183502 | 985473 |
| | | 110000297 | 105.824 | $1,43,371 | 51.4 | 7369269 | 8512588 | 1143319 | 16 | 184232 | 959087 |
| | | 110000298 | 105.417 | $1,42,385 | 51.4 | 7318589 | 8479848 | 1161259 | 16 | 182965 | 978294 |
| | | 120000092 | 104.876 | $1,38,961 | 51.69 | 7182879 | 8538539 | 1355660 | 19 | 179572 | 1176088 |
| | | 120000093 | 104.805 | $1,38,867 | 51.69 | 7178016 | 8579149 | 1401133 | 20 | 179450 | 1221682 |
| | | 120000094 | 104.866 | $1,38,947 | 51.69 | 7182194 | 8540668 | 1358474 | 19 | 179555 | 1178919 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 120000095 | 104.394 | $1,38,322 | 51.69 | 7149867 | 8522000 | 1372133 | 19 | 178747 | 1193387 |
| | | 120000096 | 105.303 | $1,39,526 | 51.69 | 7212124 | 8557370 | 1345246 | 19 | 180303 | 1164943 |
| | | 120000097 | 104.475 | $1,38,429 | 51.69 | 7155415 | 8461167 | 1305752 | 18 | 178885 | 1126867 |
| | | 120000098 | 104.922 | $1,39,022 | 51.69 | 7186029 | 8545335 | 1359306 | 19 | 179651 | 1179655 |
| | | 120000099 | 104.91 | $1,39,006 | 51.69 | 7185207 | 8484256 | 1299049 | 18 | 179630 | 1119419 |
| | | 120000100 | 105.59 | $1,39,907 | 51.69 | 7231780 | 8498502 | 1266722 | 18 | 180794 | 1085928 |
| | | 120000101 | 105.003 | $1,39,129 | 51.69 | 7191577 | 8486712 | 1295135 | 18 | 179789 | 1115346 |
| | | 120000103 | 104.586 | $1,38,576 | 51.69 | 7163017 | 8453552 | 1290535 | 18 | 179075 | 1111460 |
| | | 120000146 | 103.483 | $1,31,061 | 52.03 | 6819115 | 8458143 | 1639028 | 24 | 170478 | 1468550 |
| | | 120000160 | 103.631 | $1,31,249 | 52.03 | 6828868 | 8527783 | 1698915 | 25 | 170722 | 1528194 |
| | | 120000161 | 104.029 | $1,31,753 | 52.03 | 6855095 | 8515833 | 1660738 | 24 | 171377 | 1489361 |
| | | 120000162 | 104.883 | $1,32,834 | 52.03 | 6911370 | 8468032 | 1556662 | 23 | 172784 | 1383878 |
| | | 120000163 | 103.313 | $1,30,846 | 52.03 | 6807913 | 8460450 | 1652537 | 24 | 170198 | 1482339 |
| | | 120000164 | 103.362 | $1,30,908 | 52.03 | 6811142 | 8527371 | 1716229 | 25 | 170279 | 1545951 |
| | | 120000165 | 103.515 | $1,31,102 | 52.03 | 6821224 | 8403338 | 1582114 | 23 | 170531 | 1411583 |
| | | 120000166 | 103.915 | $1,31,608 | 52.03 | 6847582 | 8515585 | 1668003 | 24 | 171190 | 1496813 |
| | | 120000167 | 103.724 | $1,31,366 | 52.03 | 6834996 | 8455670 | 1620674 | 24 | 170875 | 1449799 |
| | | 120000168 | 103.762 | $1,31,415 | 52.03 | 6837500 | 8450396 | 1612896 | 24 | 170938 | 1441958 |
| CDC/COM/IRN/HSS/C3/IVC-12-13 IVC origin dt 17/5/12 | JMJ Traders | CI1252388 | 100.424 | 84858.28 | 55.39 | 4700300 | 5710475.8 | 1010176 | 21 | 117508 | 892668 |
| | | CI1252660 | 97.97 | 73478 | 56.31 | 4137546 | 5270454.4 | 1132908 | 27 | 103439 | 1029470 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| CDC/COM/IRN/HSS/C3/6/12-13 CDJKL dt 28-1-13 | JMJ Traders | MWTUT13000044 | 107.441 | 136266 | 54.72 | 7456476 | 10643737 | 3187261 | 43 | 186412 | 3000850 |
| | | MWTUT13000045 | 69.966 | 89540 | 55.07 | 4930981 | 5294061 | 363080 | 7 | 123275 | 239806 |
| CDC/COM/IRN/HSS/C3/5/12-13 GB dt 7/8/12 | JMJ Traders | 09TRBXO | 391.862 | 303430 | 54.79 | 16624930 | 25564773 | 8939843 | 54 | 415623 | 8524220 |
| | | 07TRBXO | 391.862 | 309421 | 54.79 | 16953177 | 25582353 | 8629176 | 51 | 423829 | 8205347 |
| | | 08TRBXO | 391.862 | 303430 | 54.79 | 16624930 | 22928915 | 6303985 | 38 | 415623 | 5888362 |
| CDC/COM/HSS/C2/4/09-10 (2000 MT MOZ @ $1015) dt 12/1/10 | JMJ Traders | OOHOOO705 | 188.416 | | | | | | | | |
| | | OOHOOO708 | 205.602 | | | | | | | | |
| | | OOHOOO707 | 188.415 | | | | | | | | |
| | | OOHOOO683 | 33.817 | | | | | | | | |
| | | OOHOOO709 | 204.795 | 790000 | 45.6 | 36024000 | 46578472 | 10554472 | 29 | 900600 | 9653872 |
| **Total avoidable extra expenditure** | | | | | | | | | | | **87734269** |

# Annexure 20

## Statement showing the undue benefit to suppliers due to delay in supply of Tanzanian RCN after delivery period in The Kerala State Cashew Development Corporation Limited

***(Referred to in paragraph 4.1.3.4)***

| Year | Name of the Supplier | Date of the P.O | Qty ordered in MT | Ordered rate per MT (USD) | Last date for the completion of the supply as per agreement | Total quantity supplied (KG) | Total quantity supplied during the agreed delivery period (KG) | Belated Supply (ie supplied during March to May) in KG | Percentage of belated supply to total supply | Actual Rate for purchase per KG (₹) | Average import rate per KG during March to May (₹) | Extra Expenditure (₹) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2012-13 | JMJ | 28-Jan-13 | 5000 | $1,374 | 28-Feb-13 | 5406010 | 0 | 5406010 | 100 | 75.21 | 71.00 | 22759302 |
| 2011-12 | JMJ | 24-Nov-11 | 10000 | $1,585 | 29-Feb-12 | 10988248 | 7148373 | 3839875 | 34.95 | 82.60 | 68..00 | 52606288 |
| 2010-11 | JMJ | 07-Jan-11 | 9000 | $1,760 | 31-Mar-11 | 8323292 | 7280422 | 1042870 | 12.53 | 79.92 | 76.27 | 3806475 |
| 2009-10 | JMJ | 12-Jan-10 | 2000 | $1,180 | 28-Feb-10 | 2144711 | 1558658 | 586053 | 27.33 | 54.45 | 48.00 | 3780042 |
| **Total undue advantage** | | | | | | | | | | | | **82952107** |

## Annexure 21

### Statement showing the avoidable expenditure incurred due to the untimely procurement of Guinea Bissau Origin Raw Cashew Nuts in The Kerala State Cashew Development Corporation Limited

*(Referred to in paragraph 4.1.3.4)*

| Year | Name of the supplier | Agreement Date | Last date stipulated for completion of delivery | Total ordered quantity in MT | Total supplied quantity in MT | Ordered rate per MT (₹/ $) | Total amount paid | Actual rate paid per KG (₹) | Average import rate per KG during the months from March to June (₹) | Total Extra Expenditure (₹) |
|---|---|---|---|---|---|---|---|---|---|---|
| 2012-13 | JMJ | 7-Aug-12 | 30-Sep-12 | 4000 | 1848.967 | $1,235 | 125018971.3 | 67.62 | 64.39 | 5972163 |
| 2011-12 | JMJ | 23-Aug-11 | 30-Sep-11 | 3000 | 3269.434 | 82250 | 279774948.7 | 82.25 | 68.73 | 44202748 |
| | JMJ | 23-Aug-11 | 30-Sep-11 | 1000 | 1087.839 | $1,790 | 97180815.71 | 89.33 | 68.73 | 22409483 |
| 2010-11 | JMJ | 29-Sep-10 | 12-Nov-10 | 500 | 455.709 | $1,430 | 29599246 | 64.96 | 45.47 | 8881768 |
| | JMJ | 8-Nov-10 | 30-Nov-10 | 1500 | 1486.298 | 70000 | 108244110.7 | 70.00 | 45.47 | 36458890 |
| | JMJ | 30-Sep-10 | 31-Oct-10 | 2000 | 1994.711 | 64500 | 133856677.4 | 64.50 | 45.47 | 37959350 |
| | JMJ | 14-Jul-10 | 30-Sep-10 | 5000 | 4508.010 | $1,175 | 248190044 | 55.06 | 45.47 | 43231816 |
| **Total Extra Expenditure** | | | | | | | | | | **199116219** |

## Annexure 22

### Statement showing total turnover of Kerala State Financial Enterprises Limited

***(Referred to in paragraph 4.2.4.)***

***(₹ in crore)***

| Particulars | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
|---|---|---|---|---|
| Chitty turnover | 3680.78 | 6278.42 | 6896.45 | 8195.86 |
| Advances | 1249.4 | 1476.34 | 1941.79 | 1928.28 |
| Total turnover | 4930.18 | 7754.76 | 8538.24 | **10124.14** |
| **% of Chitty turnover to total turnover** | **74.66** | **80.96** | **80.77** | **80.98** |

## Annexure 23

**Statement showing profit and loss in Chitty business of Kerala State Financial Enterprises Limited**

***(Referred to in paragraph 4.2.4)***

***(₹ in crore)***

| Item | 2008-09 | 2009-10 | 2010-11 |
|---|---|---|---|
| **Income from chitty business** | | | |
| Foreman Commission | 162.99 | 234.49 | 313.93 |
| Interest on Deposit with Treasury/Bank | 37.49 | 53.17 | 73.50 |
| Dividend[5] income on statutory ticket | 8.80 | 12.67 | 15.97 |
| Profit on substituted chitty | 16.59 | 19.60 | 14.25 |
| Writing fee | 2.88 | 3.71 | 4.87 |
| Default interest on chitty | 14.91 | 19.13 | 24.87 |
| **Total Income from chitty business** | **243.66** | **342.77** | **447.39** |
| **Total income from chitty and lending business** | **432.78** | **594.12** | **716.74** |
| **% of chitty income to the total income** | **56.30** | **57.70** | **62.42** |
| **Expenditure in chitty business** | | | |
| Promotional Expenses | 32.63 | 36.12 | 40.65 |
| Registration & filing charges | 12.97 | 17.98 | 17.14 |
| Service charges paid to State Govt. | 20.37 | 29.31 | 39.24 |
| Administrative Expenses | 8.80 | 10.90 | 12.85 |
| Staff expenses | 79.51 | 119.43 | 181.46 |
| Interest and finance charges | 99.06 | 135.80 | 152.95 |
| **Total Expenditure in chitty business** | **253.34** | **359.54** | **444.29** |
| **Profit/(loss) in chitty business** | **(9.68)** | **(6.76)** | **3.10** |
| **% of profit in chitty business to total profit** | **--** | **--** | **6** |

5 Dividend (Veethapalisa / Auction dividend) means Sala – (discount foregone + Foreman commission).

## Annexure 24

### Statement showing the actual cost vis-a-vis estimates of three green field projects by Kerala State Textile Corporation Limited

*(Referred to in paragraph 4.4.2)*

*(₹in crore)*

| Items | Komalapuram | | Pinarayi | | Uduma | | Total | |
|---|---|---|---|---|---|---|---|---|
| | As per DPR[6] | Actual | As per DPR | Actual | As per DPR | Actual | As per DPR | Actual |
| Building and Civil Works | 3.75 | 7.83 | 3.40 | 7.91 | 3.70 | 5.18 | 10.85 | 20.92 |
| Plant and Machinery | 29.18 | 35.84 | 15.33 | 17.36 | 10.39 | 12.55 | 54.90 | 65.75 |
| Electrical Installations | 1.25 | 2.96 | 0.84 | 1.43 | 1.73 | 1.80 | 3.82 | 6.19 |
| Other Assets | 1.82 | 3.18 | 0.43 | 1.48 | 0.29 | 1.16 | 2.54 | 5.82 |
| **Total** | **36.00** | **49.81** | **20.00** | **28.18** | **16.11** | **20.69** | **72.11** | **98.68**[7] |

[6] **Detailed Project Report.**

[7] **Out of ₹ 83.05 crore available, the Company paid ₹82.52 crore to suppliers/contractors and the balance amount of ₹16.16 crore (i.e. ₹ 98.68 crore –₹ 82.52 crore) was pending payment.**

## Annexure 25

### Statement showing Board Orders regarding OTS in Kerala State Electricity Board

***(Referred to in paragraph 4.8)***

| Period of concession | To whom applicable | Interest rate (Percentage) | Conditions for eligibility |
|---|---|---|---|
| May to June 2005 ***(Original Scheme)*** | All consumers were eligible | 12/18 | Either one time settlement or instalment. Interest rate was 12 *per cent* for lump sum payment and 18 *per cent,* if paid in instalments. If instalments were availed, 25 *per cent* as 1st instalment and the remaining in five equal monthly instalments |
| 03.02.2009 to 31.03.2013 | Public Sector undertakings, Government Departments, Government institutions and Local bodies | 3 | Lump sum payment of arrears |
| 20.4.2009 to 31.03.2012 | All consumers are eligible | 9 | Lump sum payment |
| | | 15 | Settling arrears in six monthly installments |
| 24.6.2011 to 30.9.2011 | For reopening/final settlement of Closed industrial units | 3 | Lump sum payment |
| | | 6 | 10 monthly instalments |
| 01.02.2012 to 31.03.2012 | For reopening/final settlement of Closed industrial units | 3 | Lump sum payment of principal before 31.03.2012 |
| | For others | 5 | Lump sum payment of principal before 31.03.2012 |
| 27.7.2012 to 31.3.2013 | For closed plantations and industrial units and other disconnected/dismantled services for a period of more than one year | 3 | Payment of principal in lump sum and interest within one month |
| | | 6 | Four monthly instalments along with interest. |
| 01.07.2012 to 31.03.2013 | For reopening/final settlement of Closed industrial units | 3 | Payment of principal in lump sum and interest within one month |
| | | 6 | Four monthly instalments along with interest. |
| | For others | 5 | Lump sum payment |
| | | 9 | Four monthly instalments along with interest. |

## Annexure 26

### Statement showing year-wise details of cases settled, amounts outstanding, recovered and waived by Kerala State Electricity Board

*(Referred to in paragraph 4.8)*

*(₹ in crore)*

| | 2010-11 | 2011-12 | 2012-13 | Total |
|---|---|---|---|---|
| **Number of cases settled** | **12** | **15** | **5** | **32** |
| **Arrears outstanding during the year of settlement** | | | | |
| Principal | 3.51 | 7.49 | 15.31 | 26.31 |
| Interest | 4.02 | 13.99 | 41.66 | 59.67 |
| **Total** | **7.53** | **21.48** | **56.97** | **85.98** |
| **Amount recovered under OTS** | | | | |
| Principal | 3.51 | 7.49 | 15.31 | 26.31 |
| Interest | 0.68 | 2.06 | 5.46 | 8.20 |
| **Total** | **4.19** | **9.55** | **20.77** | **34.51** |
| **Amount waived under OTS** | | | | |
| Principal | Nil | Nil | Nil | Nil |
| Interest | 3.35 | 11.94 | 36.70 | 51.99 |
| **Total** | **3.35** | **11.94** | **36.70** | **51.99** |
| **Percentage of waiver to total interest due** | **83** | **85** | **88** | **87** |

## Annexure 27

### Statement showing department-wise outstanding Inspection Reports (IRs) as on 30 September 2013

***(Referred to in paragraph 4.12)***

| Sl. No | Name of the Department | No. of PSUs | No. of outstanding IRs | No. of outstanding paragraphs | Year from which paragraphs outstanding |
|---|---|---|---|---|---|
| 1 | Agriculture | 9 | 23 | 165 | 2007-08 |
| 2 | Animal Husbandry | 3 | 6 | 24 | 2008-09 |
| 3 | Forest & Wild Life | 1 | 1 | 5 | 2008-09 |
| 4 | Industries | 43 | 91 | 564 | 2005-06 |
| 5 | Labour & Rehabilitation | 2 | 4 | 11 | 2007-08 |
| 6 | Tourism | 3 | 4 | 23 | 2009-10 |
| 7 | Food and Civil Supplies | 1 | 4 | 24 | 2007-08 |
| 8 | Taxes | 4 | 10 | 71 | 2006-07 |
| 9 | Local Self Government | 1 | 2 | 2 | 2009-10 |
| 10 | Ports | 2 | 3 | 13 | 2007-08 |
| 11 | Public Works | 2 | 5 | 25 | 2008-09 |
| 12 | Cultural Affairs | 1 | 2 | 15 | 2011-12 |
| 13 | Coastal Shipping & Inland Navigation | 1 | 2 | 18 | 2008-09 |
| 14 | Transport | 3 | 112 | 431 | 2007-08 |
| 15 | Power | 1 | 251 | 1512 | 2007-08 |
| 16 | Finance | 1 | 2 | 14 | 2008-09 |
| 17 | Fisheries | 1 | 1 | 2 | 2008-09 |
| 18 | General Education | 1 | 1 | 1 | 2010-11 |
| 19 | Information Technology | 2 | 4 | 15 | 2010-11 |
| | **Total** | **82** | **528** | **2935** | |

## Annexure 28

**Statement showing department-wise Draft Paragraphs and Performance Audit Reports replies to which are awaited**

***(Referred to in paragraph 4.12)***

| Sl. No | Name of Department | No. of Draft Paragraphs | No. of Performance Audit Reports | Period of issue |
|---|---|---|---|---|
| 1 | Power | | 2 | July/October 2013 |
| 2 | Industries | 4 | 1 | July/September/October/ November 2013 |
| 3 | Transport | 1 | | August 2013 |
| | **Total** | **5** | **3** | |