REPORT
OF THE
COMPTROLLER AND
AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 1997

NO.1
(COMMERCIAL)

GOVERNMENT OF KERALA

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PREFACE

PREFACE

Government commercial concerns, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

- Government companies,
- Statutory corporations; and
- Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations including Kerala State Electricity Board and has been prepared for submission to the Government of Kerala for presentation to the Legislature under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are contained in the Report of the Comptroller and Auditor General of India (Civil) - Government of Kerala.

3. There are, however, certain companies which in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government or Government owned/controlled companies/corporations hold less than 51 per cent of the share capital. A list of such undertakings in which Government investment was more than Rs.10 lakh as on 31 March 1997 is given in Paragraph 1.2.10.

4. The cases mentioned in this Report are those which came to notice in the course of audit of accounts during the year 1996-97 as well as those which came to the notice in earlier years but could not be dealt with in the previous Reports. Matters relating to the period subsequent to 1996-97 have also been included, wherever considered necessary.

OVERVIEW

OVERVIEW

1. *GENERAL*

1.1 The State had 102 Government companies (including 23 subsidiaries), four companies under the purview of Section 619 B of the Companies Act, 1956 and five Statutory corporations as on 31 March 1997, of which six companies (including one Section 619 B Company) were under liquidation, eight (including one section 619B company) were defunct and eleven sick companies had been referred to BIFR. Besides, there were seven companies in which Government had invested Rs.10 lakh or more and which were not subject to audit by the Comptroller and Auditor General of India.

(Paragraphs 1.2.1,1.2.6.5,1.2.6.6,1.2.9,1.2.10 and 1.3.1)

1.2 The aggregate paid-up capital of the 102 Government companies as on 31 March 1997 was Rs.961.06 crore, of which Rs.841.05 crore were invested by the State Government, Rs.24.58 crore by the Central Government, Rs.68.88 crore by holding companies and Rs.26.55 crore by others. Loans to the extent of Rs.810.44 crore (State Government: Rs.351.40 crore and others: Rs.459.04 crore) were outstanding as on 31 March 1997. The State Government had guaranteed the repayment of loans and payment of interest thereon in 50 companies; the amount outstanding thereagainst as on 31 March 1997 was Rs.1239.69 crore. The payment of guarantee commission was in arrears to the extent of Rs.27.84 crore from 37 companies.

(Paragraphs 1.2.3,1.2.4 and Annexure - 3)

1.3 Only nine companies finalised their accounts for the year 1996-97 before 30 September 1997 and the accounts of 91 companies (after excluding 2 newly *formed companies) were in arrears for periods ranging from 1 year to 14 years. Seven out of the nine companies which finalised their accounts for 1996-97, earned profit aggregating Rs.22.72 crore. The dividend declared by 10 companies since last Report was Rs.3.81 crore. According to the latest available accounts, the accumulated loss of Rs.416.29 crore incurred by 32 companies far exceeded their paid-up capital of Rs. 156.40 crore.*

(Paragraphs 1.2.5,1.2.6.1 to 1.2.6.3)

1.4 While Kerala Financial Corporation and Kerala Industrial Infrastructure Development Corporation finalised their accounts up to 1996-97, Kerala State Electricity Board, Kerala State Road Transport Corporation and Kerala State Warehousing Corporation finalised their accounts only up to 1995-96.

(Paragraph 1.3.1.1)

1.5 Kerala State Electricity Board and Kerala State Warehousing Corporation earned a surplus / profit of Rs.22.76 crore and Rs.0.39 crore respectively during 1995-96 and Kerala Financial Corporation earned a profit of Rs.14.53 crore during 1996-97. Kerala State Road Transport Corporation incurred a loss of Rs.16.66 crore during 1995-96, while Kerala Industrial Infrastructure Development Corporation has not commenced commercial activities.

(Paragraphs 1.3.2.3,1.3.3.4,1.3.4.3,1.3.5.3 and 1.3.6)

1.6 During the four monsoon seasons of 1992-93 to 1995-96, the power houses at Neriyamangalam, Panniyar and Idamalayar remained shut down for 6810 hours for annual maintenance. In case the shut down was avoided during the seasons, 234 million cubic metres of water (out of 2421 million cubic metres overflowed during the period) could have been used for generation of energy. The loss of revenue on this score amounted to Rs.5.71 crore.

(Paragraph 1.3.2.5)

2. *REVIEWS - GOVERNMENT COMPANIES*

The activities of The Kerala State Cashew Development Corporation Limited, and Meat Products of India Limited, the performance of Maveli Stores, super markets and other retail outlets of The Kerala State Civil Supplies Corporation Limited and the cargo transportation activity of Kerala Shipping and Inland Navigation Corporation Limited, were reviewed in Audit.

2A. *The Kerala State Cashew Development Corporation Limited*

The Company was incorporated in July 1969 for the overall development of the cashew industry in the State and for providing a fair number of employment days to its workers.

(Paragraph 2A.1)

Due to low level of operation, inferior quality of the raw nuts purchased, excess breakages of cashew kernels during production, etc., the Company had been losing heavily and the accumulated loss of Rs.149.34 crore far exceeded the paid- up capital of Rs.30.59 crore at the end of 1995-96.

(Paragraphs 2A.4.3, 2A.4.4 and 2A.5.2.3.2)

Import of raw cashew nuts on single offer basis at higher rates during 1992 season resulted in a loss of Rs.7.78 crore.

(Paragraph 2A.5.2.2.4)

Because of the sharp decline in the yield of export grade kernels during the four years up to 1995-96, the loss of revenue to the Company was Rs.15.31 crore.

(Paragraph 2A.6.2)

The average export realisation in respect of the products of the Company was far below the All India average, resulting in a loss of revenue of Rs.17.10 crore during the five years up to 1995-96.

(Paragraph 2A.7.2.1)

2B. Meat Products of India Limited

The activity of the Company, incorporated in March 1973 for setting up of an export oriented buffalo meat processing project, has been confined to processing meat for internal market. It has been incurring losses continuously and the accumulated loss up to 1995-96 was Rs.2.79 crore.

(Paragraphs 2B.1 and 2B.4.5)

Out of the financial assistance of Rs.2.10 crore received for specific projects, the Company diverted Rs.1.55 crore towards working capital and other purposes, leaving the projects unfinished.

(Paragraphs 2B.4.3.1)

Low recovery of meat, when compared to the attained rate of recovery, resulted in a loss of Rs.0.35 crore during the five years up to 1996-97.

(Paragraph 2B.8.2)

As the laboratory of the Company is ill-equipped, bacteriological examination of the carcass bought is not being carried out.

(Paragraph 2B.11)

2C. The Kerala State Civil Supplies Corporation Limited - Functioning of Maveli stores, super markets and other retail outlets

The performance of Maveli stores, super markets and petrol bunks set up by the Company with the laudable objective of providing essential commodities to the general public at reasonable prices, had been showing a declining trend as the value of sales decreased from Rs.275.01 crore in 1992-93 to Rs.224.40 crore in 1995-96. Due to the poor performance, the Company had been losing heavily and the loss sustained during the five years up to 1995-96 aggregated Rs.88.88 crore.

(Paragraphs 2C.1 and 2C.3)

The value of shortage of stock during the five years up to 1995-96, based on the available details, in Maveli stores, super markets and petrol bunks aggregated Rs.2.75 crore.

(Paragraph 2C.7)

In 13 depots of the Ernakulam region and 14 depots of the Palakkad region alone, the loss sustained on the sale / dumping of damaged stock during the five years up to 1995-96 was Rs.0.62 crore. Besides, these depots held damaged stock valued at Rs.Rs.0.32 crore as at the end of 1995-96.

(Paragraph 2C.8)

As many as 2950 disciplinary cases were pending as at the end of December 1996 against the employees responsible for shortage/ damage to stock and for misappropriation of sale proceeds. Further, recovery in respect of 192 cases of misappropriation of commodities involving Rs.0.42 crore for the period 1982-83 to 1993-94, were pending.

(Paragraph 2C.9)

Due to embarking on the new venture of distribution of wheat, without ascertaining the market condition and its viability, the Company sustained a loss of Rs.0.32 crore.

(Paragraph 2C.10.)

2D. *Kerala Shipping and Inland Navigation Corporation Limited - cargo transportation activity*

The Company was having 12 barges with an aggregate capacity of 2620 tonnes per trip, for transportation of bulk and liquid cargo. These barges were grossly under-utilised. The percentage of utilisation was between 37.2 and 51.4 only during the five years up to 1996-97.

(Paragraphs 2D.2.1 and 2D.2.2.1)

Addition of two new bulk cargo barges with an aggregate capacity of 600 tonnes per trip at a total cost of Rs.0.82 crore in November 1991 and April 1992 was not justified as the prior purchase capacity utilisation of the then existing fleet was between 29.7 and 32.5 per cent only during 1985-86 to 1988-89.

(Paragraph 2D.2.2.1)

Against the requirement of one additional barge for transportation of petroleum products, the Company purchased two barges in 1993, resulting in an idle outlay of Rs.0.63 crore.

(Paragraph 2D.2.2.2)

3. *REVIEW - STATUTORY CORPORATION*

The pole casting activity of Kerala State Electricity Board was also reviewed in Audit.

3A. *Kerala State Electricity Board - Pole casting activity*

The Board has been getting its requirement of pre-stressed concrete poles (PSC poles) for low tension distribution and 11 KV overhead line support, manufactured by contractors in the 13 pole casting yards spread over the State. The overall receipt of the seven-metre, eight-metre and nine-metre poles thus cast during the five years up to 1994-95 was only 31, 42 and 58 per cent respectively of the *target. The Board had not assessed the impact of the shortfall in receipt of poles, on the line extension activity.*

(Paragraphs 3A.1 and 3A.4)

Extension of the already completed contracts between January 1991 and April 1993 for one lakh nine-metre poles at rates higher than that allowed for supply of the same type of poles against the on-going contracts with the same contractors, resulted in an additional contractual liability of Rs.1.12 crore.

(Paragraph 3A.5.2)

When there was a backlog in the supply of nine-metre poles ordered between 1991-92 and 1994-95, the Board placed fresh orders in September-November 1995 for supply of ready-made poles and for 3000 tonnes of RS Joists (for conversion into steel poles) at higher rates, involving an extra financial commitment of Rs.3.44 crore.

(Paragraph 3A.6.4)

Granting escalation in rates, when the rates quoted were firm, resulted in extension of unintended benefit to a contractor to the extent of Rs.0.16 crore.

(Paragraph 3A.7.1)

Transportation of PSC poles from distant yards necessitated incurring avoidable transportation charges of Rs.2.54 crore during the period between April 1991 and October 1996 in respect of six yards.

(Paragraph 3A.10.2)

4 *OTHER TOPICS OF INTEREST*

A test check of the records of Government companies and Statutory corporations disclosed cases of avoidable and extra expenditure, losses, etc., as under:

4.1 *COMPANIES*

Even after twenty years and spending Rs.1.42 crore, Travancore Titanium Products Limited could not implement satisfactory pollution control measures, which poses grave threat to the marine environment and the very existence of the Company.

(Paragraph 4.1.1)

Failure of Tourist Resorts (Kerala) Limited to adopt the then existing rate for valuation of the land, resulted in under assessment of lease rent by Rs.0.56 crore, on the property leased out in September 1994 to Taj Kerala Hotels and Resorts Limited, a joint sector company.

(Paragraph 4.1.2)

Failure of Kerala State Development Corporation for Christian Converts from Scheduled castes and the Recommended Communities Limited to ensure supply and installation of cable TV network system before effecting payment resulted in admitting fake claim of Rs.0.27 crore.

(Paragraph 4.1.3)

Failure to remit the advance income tax, despite having sufficient funds, resulted in avoidable payment of interest of Rs.0.44 crore by The Kerala Minerals and Metals Limited.

(Paragraph 4.1.5.1)

Retention of surplus funds of over Rs.6.81 crore in current accounts, resulted in a loss of revenue of Rs.0.30 crore to the Travancore-Cochin Chemicals Limited.

(Paragraph 4.1.10)

4.2. STATUTORY CORPORATIONS

4.2.1 Kerala State Electricity Board

On account of various irregularities in the fixation of pay, there was over payment of Rs.4.20 crore in the basic pay alone in 2011 out of 2532 cases test checked.

(Paragraph 4.2.1.1)

The Board incurred an extra expenditure of Rs.0.20 crore due to import of portacorders, which were indigenously available at lower rate.

(Paragraph 4.2.1.2)

Purchase of transformers from sources other than the lowest acceptable tenderer, resulted in an extra expenditure of Rs.0.80 crore. Similarly, rejection of technically acceptable lowest offer for supply of panel switch boards and purchase at higher rate resulted in an extra expenditure of Rs.0.24 crore.

(Paragraphs 4.2.1.3 and 4.2.1.4)

Contrary to specific stipulation that security deposit should be collected in the form of cash or demand drafts, the Board accepted security deposits in the form of bank guarantees from three EHT consumers, resulting in an annual loss of Rs.0.30 crore by way of interest.

(Paragraph 4.2.1.8)

CHAPTER I

General view of Government companies

including deemed Government companies
and
Statutory corporations

GENERAL VIEW OF GOVERNMENT COMPANIES INCLUDING DEEMED GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

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GENERAL VIEW OF GOVERNMENT COMPANIES INCLUDING DEEMED GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

1.1 INTRODUCTION

The accounts of the Government companies and deemed Government companies (as defined in Section 619B of the Companies Act, 1956) are audited by the Statutory Auditors who are appointed by the Central Government on the advice of the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are subject to supplementary audit conducted by the CAG as per the provisions of Section 619(4) of the Companies Act; and the audit comments, if any, are communicated to the company concerned.

Of the Statutory corporations, the accounts of Kerala State Electricity Board, Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation are audited solely by the CAG under their respective Acts. The accounts of Kerala Financial Corporation and Kerala State Warehousing Corporation are audited by the Chartered Accountants appointed by the State Government in consultation with the CAG who also undertakes supplementary audit of these Corporations separately. Audit Reports/Comments on the accounts of all the Statutory corporations are communicated by the CAG to the respective organisations/ State Government.

1.2 GOVERNMENT COMPANIES

1.2.1 General view

The number of Government companies in the State as at the end of 1996-97 stood at 102 (including 23 subsidiary companies) as against an equal number of companies as at the end of 1995-96.

Out of the 102 companies, five were under liquidation (referred to in paragraph 1.2.6.5.) and seven were defunct (referred to in paragraph 1.2.6.6.). Eleven companies (Sl.Nos.3,5,12,18,23,30,34,37,40,57 and 62 of Annexure -1) which were sick have been referred to the Board for Industrial and Financial Reconstruction (BIFR).

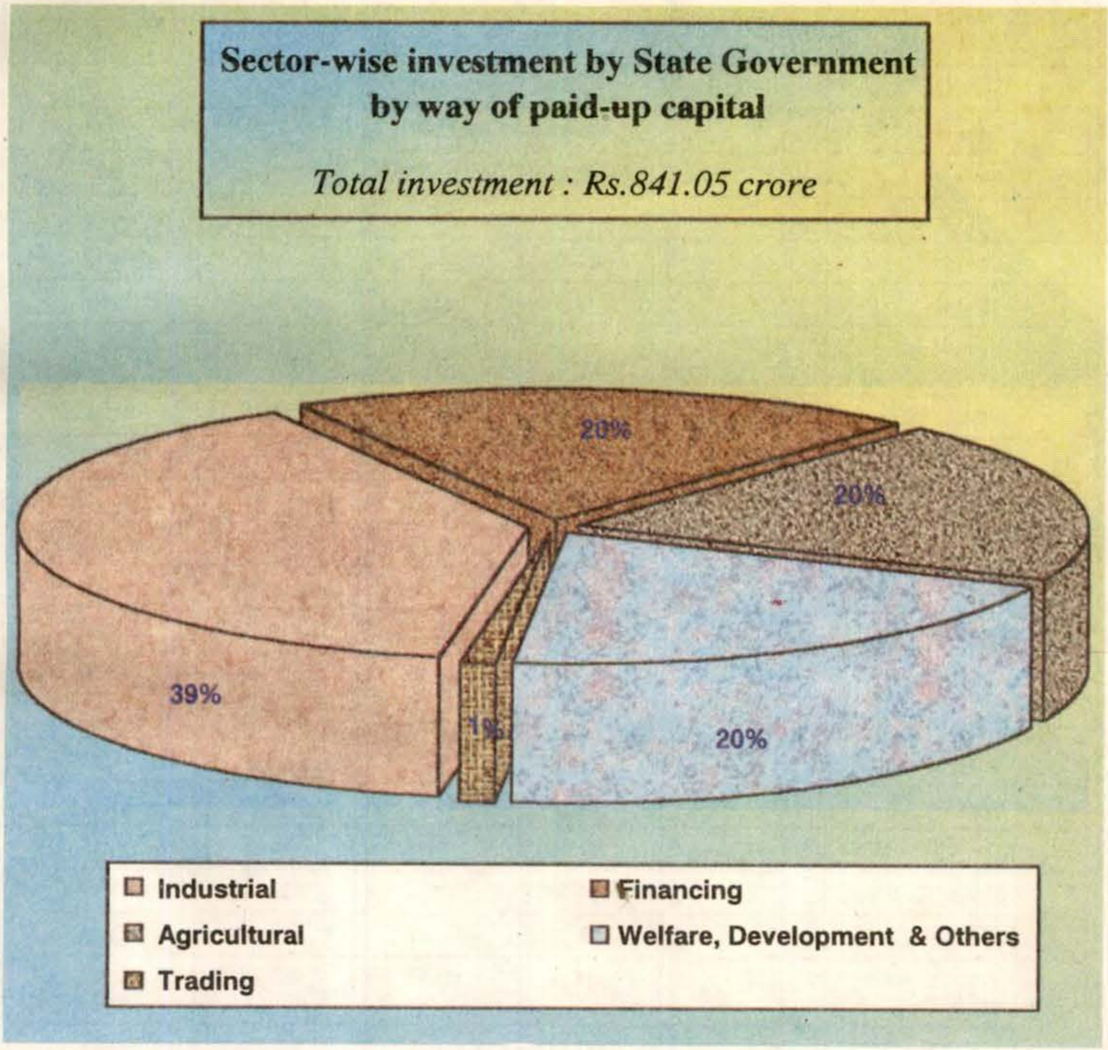
1.2.2 The financial position as at the end of 1996-97 in respect of all the 102 Government companies, as ascertained from the respective companies and their working results based on the latest available accounts are given in Annexures - 1 and 2 respectively.

1.2.3 Investment

1.2.3.1 The investment by the State Government, Central Government, holding companies and others in these Government companies by way of share capital as at the end of 1996-97 and the long-term loans outstanding as on that date is given below:

Sector	No. of Compa-nies	Share capital					Loans					Debt equity ratio
		State Govt.	Central Govt.	Hold-ing Cos.	Others	Total	State Govt.	Central Govt.	Hold-ing Cos.	Others	Total	
		(Rupees in crore)										
Industrial	51	325.36	NIL	62.48	17.91	405.75	110.98	0.35	57.67	246.22	415.22	1:1
Agricultural	17	166.58	8.87	NIL	1.28	176.73	16.82	NIL	3.30	7.76	27.88	0.2:1
Trading	3	9.92	NIL	NIL	NIL	9.92	132.60	0.32	NIL	NIL	132.92	13:1
Financing	4	172.32	NIL	NIL	0.41	172.73	9.50	NIL	NIL	93.34	102.84	0.6:1
Welfare, Developmental and others	27	166.87	15.71	6.40	6.95	195.93	81.50	0.14	NIL	49.94	131.58	0.7:1
Total	**102**	**841.05**	**24.58**	**68.88**	**26.55**	**961.06**	**351.40**	**0.81**	**60.97**	**397.26**	**810.44**	**0.8:1**

The pie chart below gives a graphical presentation of sector-wise investment of the State Government by way of paid-up capital in the companies as at the end of 1996-97:

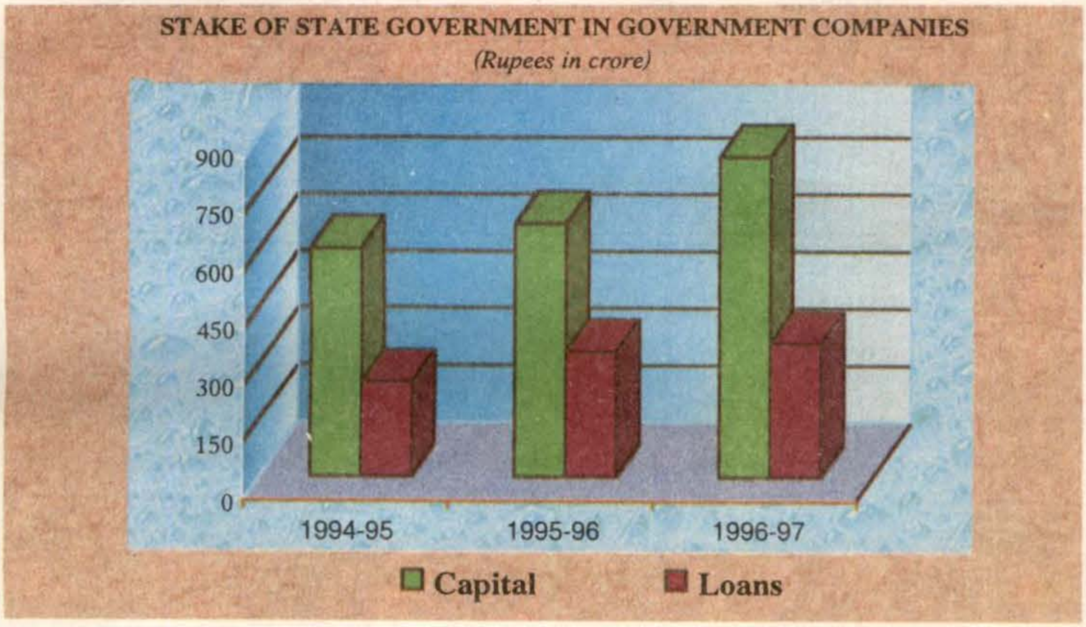


1.2.3.2 The sub sector-wise investment of the State Government in these companies by way of share capital and long-term loans as at the end of 1996-97 with corresponding figures of 1995-96 is as below :

Sl.No.	Sector	No. of Companies	As at the end of 1996-97 Capital	1996-97 Loans	1995-96 Capital	1995-96 Loans
			(Rupees in crore)			
A.	INDUSTRIAL					
1	Electrical	4	54.02	4.53	55.98	16.49
2	Electronics	10	85.95	12.47	85.95	1.90
3	Engineering	15	59.38	53.52	57.02	31.37
4	Textiles	5	34.78	20.97	29.02	18.29
5	Chemicals	7	17.47	13.58	17.68	8.53
6	Minerals	3	33.62	1.00	33.62	1.00
7	Cements, Clays and Refractories	7	40.14	4.91	40.14	4.62
	TOTAL (A)	**51**	**325.36**	**110.98**	**319.41**	**82.20**
B.	AGRICULTURAL					
1	Plantations	5	27.33	0.42	27.34	0.42
2	Agro-based	8	132.61	14.93	46.11	63.60
3	Wood-based	4	6.64	1.47	4.98	1.91
	TOTAL (B)	**17**	**166.58**	**16.82**	**78.43**	**65.93**
C.	TRADING	3	**9.92**	**132.60**	**9.81**	**97.60**
D.	FINANCING	4	**172.32**	**9.50**	**137.09**	**5.94**
E.	OTHERS					
1	Welfare	11	41.20	3.99	33.51	3.38
2	Developmental	7	56.02	64.18	50.65	70.32
3	Tourism & Others	4	37.93	10.84	23.93	1.99
4	Fisheries, etc.	5	31.72	2.49	14.43	2.49
	TOTAL (C+D+E)	**34**	**349.11**	**223.60**	**269.42**	**181.72**
	GRAND TOTAL	**102**	**841.05***	**351.40***	**667.26**	**329.85**

* The figures are yet to be reconciled with those of the Finance Accounts for 1996-97 as the latter is still under finalisation (September 1997).

The investment by way of equity and loans as at the end of 1994-95 were Rs.601.14 crore and Rs.246.92 crore respectively. A bar chart indicating the comparative position of the investment of the State Government by way of paid-up capital and loans outstanding as at the end of the three years up to 1996-97 is shown below:



1.2.3.3 Budgetary outgo / Waiver of dues

a) The outgo from the State Government to 32 Government companies during the year 1996-97 in the form of equity capital, loans and subsidy with corresponding figures for 1994-95 and 1995-96 is as detailed below:

Nature of outgo	1994-95	1995-96	1996-97
	(Rupees in crore)		
Equity capital	33.39	45.17	77.20
Loans	68.90	32.14	116.06
Subsidy	4.47	7.48	8.05
Total outgo	**106.76**	**84.79**	**201.31**

The company-wise details relating to 1996-97 are given in Annexure-1.

b) During the year 1996-97, State Government waived a total amount of Rs.42.32 crore being interest due from two Government companies. The details are given below :

Name of company	Amount waived (Rupees in crore)
Autokast Limited	2.72
The Kerala State Cashew Development Corporation Limited	39.60
Total	**42.32**

1.2.4 Guarantees

The guarantees given by the State Government against loans and credits given by banks, etc., to the Government companies for the preceding three years up to 1996-97 and outstanding as on 31 March 1997 are shown in the table below :

Guarantees	Amount guaranteed			Guaranteed amount outstanding as on 31.03.1997
	1994-95	1995-96	1996-97	
	(Rupees in crore)			
Cash credit from State Bank of India and other nationalised banks	151.30	270.57	512.13	512.13
Loans from other sources (Principal & Interest)	193.30	354.41	727.56	727.56
Total	**344.60**	**624.98**	**1239.69**	**1239.69**

The company-wise details are given in Annexure-3.

The guarantee commission payable to the State Government by 37 Government companies as at the end of 1996-97 was Rs.27.84 crore.

1.2.5 Finalisation of accounts

Accountability of the Government companies to the Legislature is to be achieved through the submission of audited annual accounts within the prescribed time schedule to the Legislature. Of the 102 Government companies, only nine companies finalised their accounts for 1996-97 by 30 September 1997 (Annexure-2A). 71 companies finalised 92 accounts for earlier years (Annexure-2B) since last Report and 24 companies did not finalise any accounts during the year since last Report (Annexure-2C). The accounts of 91 companies (after excluding two companies viz., The Kerala State Backward Classes Development Corporation Limited and Bekal Resorts Development Corporation Limited which had not furnished the first annual accounts) were in arrears for periods ranging from 1 year to 14 years (as on 30 September 1997). A list of 19 working companies, the accounts of which are in arrears for five years or more is given below :

Sl. No	Name of company	Arrears from
1.	The Kerala Ceramics Limited	1988-89
2.	Kerala State Handicapped Persons' Welfare Corporation Limited	---do--
3.	Kerala State Development Corporation for SCs & STs Limited	1989-90
4.	Scooters Kerala Limited	---do--
5.	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	---do--
6.	Kerala State Handloom Development Corporation Limited	1990-91
7.	Kerala Construction Components Limited	---do--
8.	Trivandrum Rubber Works Limited	---do--
9.	Astral Watches Limited	1991-92
10.	Kerala State Coir Corporation Limited	---do--
11.	The Kerala State Civil Supplies Corporation Limited	---do--
12.	The Kerala State Cashew Development Corporation Limited	---do--
13.	Kerala State Women's Development Corporation Limited	---do--
14.	Kerala Soaps and Oils Limited	---do--
15.	Kerala State Detergents & Chemicals Limited	1992-93
16.	Kerala Forest Development Corporation Limited	---do--
17.	Kerala Artisans' Development Corporation Limited	---do--
18.	Handicrafts Development Corporation of Kerala Limited	---do--
19.	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	---do--

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the companies in the annual general meetings within the time schedule prescribed in the Companies Act, 1956. Though the administrative departments concerned and officials of the Government were appraised by Audit of the position of arrears quarterly, no effective measures had been taken by the Government in this direction. As these companies did not adhere to the time schedule, the investment made in these companies remained outside the purview of audit and their accountability could not be ensured.

According to the latest finalised accounts of the 91 companies which are in arrears, 31 companies earned profit of Rs.71.07 crore, 54 companies incurred loss of Rs.97.39 crore and six companies had not commenced commercial activities, as indicated in the table given below:

Sl. No.	No. of Companies	Year up to which accounts were finalised	Profit		Loss		No. of companies which had not commenced commercial activities
			No. of companies	Amount (Rs. in crore)	No. of companies	Amount (Rs. in crore)	
1.	1	1982-83	Nil	Nil	1	0.32	Nil
2.	Nil	1983-84	Nil	Nil	Nil	Nil	Nil
3.	3	1984-85	Nil	Nil	2	0.98	1
4.	Nil	1985-86	Nil	Nil	Nil	Nil	Nil
5.	Nil	1986-87	Nil	Nil	Nil	Nil	Nil
6.	3	1987-88	Nil	Nil	3	3.03	Nil
7.	5	1988-89	1	0.45	4	0.77	Nil
8.	3	1989-90	Nil	Nil	3	1.76	Nil
9.	7	1990-91	1	0.05	6	10.48	Nil
10.	6	1991-92	1	0.24	5	2.85	Nil
11.	9	1992-93	3	1.15	6	8.48	Nil
12.	5	1993-94	3	3.71	1	5.37	1
13.	16	1994-95	4	4.50	10	30.33	2
14.	33	1995-96	18	60.97	13	33.02	2
Total	**91**		**31**	**71.07**	**54**	**97.39**	**6**

1.2.6 Working results

1.2.6.1 Profit earning companies

Out of nine companies which finalised their accounts for 1996-97, seven companies having a paid up capital of Rs.70.76 crore earned profit aggregating Rs.22.72 crore. Out of the 71 companies which finalised 92 accounts for previous years, 33 companies (39 accounts) earned profit of Rs.156.12 crore. (including 30 companies which earned profit for two successive years or more). Free reserves and surpluses amounting to Rs.141.93 crore were built up in 23 companies.

1.2.6.2 Profit and dividend

Five companies (including one company which incurred loss) declared dividend for the year 1996-97 amounting to Rs.1.37 crore as given below:

Sl. No.	Name of company	Profit earned / loss incurred	Dividend declared	
			Amount	Percentage to share Capital
		(Rupees in crore)		
1.	Kerala Agro Machinery Corporation Limited	4.61	0.19	12.0
2.	Kerala Clays and Ceramic Products Limited	0.54	0.13	10.0
3.	The Rehabilitation Plantations Limited	8.63	0.68	20.0
4.	Oil Palm India Limited	5.13	0.19	1.6
5.	Travancore Titanium Products Limited	(-) 0.13	0.18	10.0
	Total	**18.78**	**1.37**	

The remaining three profit making companies which earned an aggregate profit of Rs.3.81 crore did not declare any dividend.

Similarly, out of 33 companies (39 accounts) which earned profit for earlier years, six companies declared dividend of Rs.2.44 crore for the year 1995-96 as shown below :

Sl. No.	Name of company	Profit earned	Dividend declared	
			Amount	Percentage to share capital
		(Rupees in crore)		
1.	The Travancore Cements Limited	3.47	0.13	25.0
2.	Travancore Titanium Products Limited	1.45	0.35	20.0
3.	Kerala State Beverages (Manufacturing & Marketing) Corporation Limited	1.49	0.31	30.0
4.	Kerala Transport Development Finance Corporation Limited	2.52	0.30	1.2
5.	Kerala State Industrial Products Trading Corporation Limited	0.53	0.05	20.0
6	Malabar Cements Limited	24.73	1.30	5.0
	Total	**34.19**	**2.44**	

The dividend of Rs.3.81 crore declared by these companies since last Report worked out to 0.4 *per cent* of the total equity capital of Rs.961.06 crore.

1.2.6.3 Loss incurring companies

Out of 71 companies which finalised 92 accounts for earlier years during the period from October 1996 to September 1997, 35 companies (49 accounts) incurred loss aggregating Rs.81.81 crore, vide details in Annexure - 2B.

According to the latest available accounts, the accumulated loss of Rs.416.29 crore in respect of 32 companies exceeded the paid-up capital of Rs.156.40 crore by 166 *per cent*, vide details in Annexures - 2B and 2C.

1.2.6.4 Return on capital employed

Capital employed has been taken as net fixed assets (including capital work-in-progress) *plus* working capital. Interest on borrowed funds is added/subtracted to the net profit/loss as disclosed in the profit and loss account to arrive at the return. Thus, based on the latest available accounts, the total capital employed worked out to Rs.1174.46 crore in 102 companies and the return thereon amounted to Rs.139.51 crore which is 11.9 *per cent* (vide details in Annexures - 2A, 2B and 2C) as compared to return of Rs.205.50 crore (20.1 *per cent*) based on the position depicted in the last Report.

Sector-wise details of the return on capital employed was as under :

Sl No	Sector	No. of companies	Capital employed	Return on capital employed	Percentage of return on capital Employed
			(Rupees in crore)		
1.	Industrial	51	520.48	59.21	11.4
2.	Agricultural	17	151.12	34.02	22.5
3.	Trading	3	23.62	4.69	19.9
4.	Financing	4	337.49	40.68	12.1
5.	Welfare,Developmental and Others	27	141.75	0.91	0.6
	Total	**102**	**1174.46**	**139.51**	**11.9**

1.2.6.5 Government companies under liquidation

As at the end of 1996-97, five wholly owned Government companies in which the State Government had invested Rs.5.95 crore were under liquidation. Their position of accounts and the extent of accumulated loss sustained by them are given below:

Sl. No.	Name of company	Period up to which accounts finalised	Paid-up capital	Accumulated loss	Date of Government order sanctioning liquidation
			(Rupees in lakh)		
1.	The Kerala Fisheries Corporation Limited	1984-85	484.75	1104.60	27.1.1984
2.	Kerala Fishermen's Welfare Corporation Limited	1982-83	42.00	100.39	27.1.1984
3.	Kerala Inland Fisheries Development Corporation Limited	1988-89	16.44	16.44	27.1.1984
4.	Kerala State Engineering Works Limited	1991-92	45.64	150.92	13.9.1985
5.	The Kerala Asbestos Cement Pipe Factory Limited	1984-85	6.09	Nil	28.3.1987
	Total		**594.92**	**1372.35**	

Though the winding up of the Company at Sl.No.4 was completed in May 1994, its dissolution is pending (September 1997).

1.2.6.6 Defunct companies

It was noticed in Audit that the following Government companies remained closed from the dates mentioned against each :

Sl. No.	Name of company	Period up to which accounts finalised	Paid-up capital	Accumulated loss	Date from which defunct	Reason
			(Rupees in lakh)			
1.	SIDECO Mohan Kerala Limited	1994-95	17.00	60.68	1984	Failure to achieve the main object
2.	The Chalakudy Refractories Limited	1988-89	260.87	296.88	January 1992	Lack of working capital and proper marketing guidance
3.	Kerala State Wood Industries Limited	1987-88	170.00	444.24	June 1993	Lock out
4.	The Kerala Premo Pipe Factory Limited	1984-85	34.50	..	November 1993	Lack of orders
5.	SIDKEL Televisions Limited	1994-95	43.50	202.82	March 1994	Neglect by promoters/ Government
6.	Keltron Power Devices Limited	1993-94	410.23	1836.33	April 1994	Paucity of working capital
7.	Kerala State Coconut Development Corporation Limited	1990-91	264.05	840.70	October 1995	-do-
	Total		**1200.15**	**3681.65**		

1.2.7 Some of the important points made by the Statutory Auditors and the CAG in respect of the companies whose annual accounts were audited during the year are indicated below:

1.2.7.1 The Companies Act, 1956 empowers the CAG to issue directions to the Statutory Auditors of Government companies in regard to performance of their functions. In pursuance of the directives so issued, special reports of the Statutory Auditors on the accounts of 13 companies were received during the period from

October 1996 to September 1997. The important points noticed in the reports are summarised below :

Sl. No.	Nature of defect	No. of companies in which defect was noticed	Sl. No. of companies as per Annexure - 1
1	Lack of effective system for periodic reconciliation of books of accounts	2	83,95
2	Non-maintenance of fixed assets registers up-to-date	2	56,83
3	Internal control not commensurate with size and nature of business	5	9,19,42,72,89
4	Absence of effective internal audit system	4	9,19,42,89
5	Absence of regular costing system	6	9,11,19,26,56,86
6	Absence of system for ascertaining idle time for labour and machinery	11	9,11,19,26, 42,56, 61,83,86,89,95
7	Absence of effective system for obtaining confirmation from debtors	2	42,89
8	Absence of distinct accounting policies	3	19,42,56
9	Absence of norms for man power utilisation	5	9,26,75,89,95

1.2.7.2 Under Section 619(4) of the Companies Act, 1956, the CAG has the right to comment upon or supplement the audit reports of the Statutory Auditors. Under this provision, the review of annual accounts of Government companies is being conducted in selected cases. 77 accounts relating to 64 companies were selected for such review during the period from October 1996 to September 1997. The effect of the important comments as a result of the review was as follows :

Details	No. of companies	Monetary effect
		(Rupees in lakh)
Decrease in profit	8	144.84
Increase in loss	12	589.20
Increase in profit	2	9.48
Non-disclosure of material facts	20	1681.87

1.2.7.3 Certain major errors and omissions noticed (between October 1996 and September 1997) in the course of review of annual accounts of some of these companies relating to the years indicated against them and not pointed out by the Statutory Auditors are mentioned below:

1 **The Kerala State Cashew Development Corporation Limited – (1990-91)**

Loss for the year (Rs.381 lakh) was understated by Rs.5.45 lakh due to overvaluation of stock.

2 **Kerala State Salicylates and Chemicals Limited – (1991-92)**

Loss for the year (Rs.442.39 lakh) was understated by Rs.92.71 lakh due to short provision of depreciation (Rs.87.09 lakh) and non-provision of guarantee commission (Rs.5.62 lakh)

3 **Steel Industrials Kerala Limited – (1995-96)**

Loss for the year (Rs.203.95 lakh) was understated by Rs.91.44 lakh due to overstatement of income (Rs.28.55 lakh), non-provision of interest on loans (Rs.61.73 lakh) and short-accounting of consumption of raw materials (Rs.1.16 lakh) .

4 **Foam Mattings (India) Limited - (1991-92)**

Loss for the year (Rs.5.98 lakh) was understated by Rs.8.02 lakh due to short provision of depreciation (Rs.5.90 lakh) and non-provision of interest (Rs.2.12 lakh).

5 **Kerala Small Industries Development Corporation Limited – (1993-94)**

Loss for the year (Rs.94.38 lakh) was understated by Rs.21.90 lakh due to non-provision of arrears of wages (Rs.21.07 lakh) and short provision of interest (Rs.0.83 lakh).

6 **Kerala Urban Development Finance Corporation Limited -**

- Loss for the year 1994-95 (Rs.38.39 lakh) stood understated by Rs.55.38 lakh due to non-creation of provision for default in respect of balance outstanding under non-performing assets.
- Profit for the year 1995-96 (Rs.1.22 lakh) would turn to be a loss of Rs.2.50 lakh due to accounting of income received in advance (Rs.2.09 lakh), non-provision of expenditure on production of a documentary film (Rs.2.44 lakh) and non-accounting of miscellaneous income (Rs.0.81 lakh)

7 **Traco Cable Company Limited - (1994-95)**

Profit for the year (Rs.271.69 lakh) was overstated by Rs.13.84 lakh due to accountal of (i) interest (Rs.11.56 lakh) on advance; and (ii) expenditure of Rs.2.28 lakh as receivable from another Government Company without its consent.

8 **Kerala State Textile Corporation Limited - (1990-91)**

Profit for the year (Rs.58.71 lakh) was overstated by Rs.2.01 lakh due to non-provision of interest.

9 **The Kerala State Financial Enterprises Limited - (1993-94)**

Profit for the year (Rs.107.77 lakh) was arrived at without making provision for debts amounting to Rs.112.31 lakh which were doubtful of realisation.

10 **The Kerala State Civil Supplies Corporation Limited - (1990-91)**

The closing stock was overvalued by Rs.43.20 lakh due to erroneous computation of quantity and adoption of higher rates.

1.2.8 Capacity utilisation

The percentage of utilisation of the installed capacity of eight manufacturing companies are given in Annexure-4. The installed capacity is often up-rated or down-rated depending upon the condition of plant and machinery, manpower constraints, number of shifts worked, etc., leading to revision of rated capacity. The figures computed by the companies have not been presented in terms of a standard man-hour unit of capacity or production. There is a need for monitoring capacity utilisation in terms of standard man-hours of production feasible, targeted and achieved.

1.2.9 619 B Companies

There were four companies covered under Section 619B of the Companies Act, 1956. The table below indicates the details of paid-up capital and working results of these companies based on the latest available accounts :

Sl.No	Name of company	Accounts for the year ended	Paid-up capital	Investment by				Profit (+)/ Loss (-) during the year	Accumulated loss
				State Government	Government companies	Corporations	Others		
			(Rupees in lakh)						
1.	Vanjinad Leathers Limited (Under Liquidation)	31.3.1987	59.94	..	17.59	19.64	22.71	(-) 64.74	401.12
2.	Kunnathara Textiles Limited (Defunct)	31.3.1989	70.00	22.00	24.00	..	24.00	(-) 95.67	449.23
3.	Kinfra Exports Promotion Industrial Parks Limited *	(First annual accounts not yet received)							
4.	Kinfra International Apparel Parks Limited*	(First annual accounts not yet received)							
	Total / Overall		**129.94**	**22.00**	**41.59**	**19.64**	**46.71**	**(-) 160.41**	**850.35**

* *Subsidiary of Kerala Industrial Infrastructure Development Corporation.*

Peninsula Polymers Limited ceased to be a 619 B Company with effect from 22 March 1997 due to sale of shares in the open market.

1.2.10 Other investments

The State Government has invested more than Rs.10 lakh in seven other companies. Though the amount thus invested in these companies was Rs.2.82 crore, they are not subject to Audit by the CAG as Government / Government owned / controlled companies / corporations hold less than 51 *per cent* shares. The details of Government investment, working results, etc., based on the latest available accounts in respect of these companies are given below :

Sl. No.	Name of company	Accounts for the year ended 31 March	Paid-up capital	Investment by State Government at cost	Profit (+)/ Loss(-)	Percentage of investment by Government to total paid-up capital	Dividend receivable by State Government	Accumulated loss
			(Rupees in lakh)				(Rupees in lakh)	
1	Premier Tyres Limited	1997	1323.77	60.00	(+)639.66	4.5	-	3131.89
2	Apollo Tyres Limited	1997	2988.12	50.00	(+)4192.61	1.7	20.00	-
3	The Travancore Rayons Limited	1994	381.50	105.63	473.96	27.7	-	3046.02
4	Madura Coats Limited	1993	3286.37	22.67	2839.96	0.7	7.48	-
5	Travancore Electro Chemical Industries Limited	1992	233.40	14.00	24.64	6.0	-	-
6	Punalur Paper Mills Limited	The Company is under lock-out		13.27				
7	The Indian Aluminium Company Limited	1997	7111.20	16.83	6031.83	0.2	6.73	
	Total		**15324.36**	**282.40**			**34.21**	

1.3 STATUTORY CORPORATIONS

1.3.1 General aspects

1.3.1.1 There were five Statutory corporations in the State as on 31 March 1997. Audit arrangement of these Corporations is shown below:

Name of the Corporation	Statute under which constituted	Date of formation	Audit arrangement	Year up to which accounts finalised	Separate Audit Report/ Comments placed in Legislature up to the year	Authority under the statute for audit by C&AG of India
1.Kerala State Electricity Board	Section 5(I) of the Electricity (Supply) Act,1948	1 April 1957	C&AG is the sole Auditor	1995-96 Audit of the revised accounts for 1995-96 is in progress	1993-94	Section 69(2) of the Electricity (Supply) Act, 1948
2.Kerala State Road Transport Corporation	Section 3 of the Road Transport Corporations Act, 1950	15 March 1965	--do--	1995-96	1994-95	Section 33(2) of the Road Transport Corporations Act,1950
3.Kerala Industrial Infrastructure Development Corporation	Section 4 of the Kerala Industrial Infrastructure Development Act, 1993	23 February 1993	--do--	1996-97	1994-95	Section 20(2) of the Kerala Industrial Infrastructure Development Act,1993
4.Kerala Financial Corporation	Section 3(i) of the State Financial Corporations Act, 1951	1 December 1953	Audit by Chartered Accountants appointed by the State Government and supple-mentary audit by C&AG	1996-97. Supplementary audit is in progress	1995-96	Section 37(6) of the State Financial Corporations Act, 1951
5.Kerala State Warehousing Corporation	Warehousing Corporations Act, 1962	20 February 1959	---do---	1995-96.	---	Section 31(8) of the Warehousing Corporations Act, 1962

1.3.1.2 Investment

The total investment (including loans and grants) of the State Government in these Corporations based on the latest available accounts was Rs.1054.72 crore.

1.3.1.3 Working results

The working results of these Statutory corporations based on the latest available accounts and those finalised since previous Report are summarised in Annexure-5.

Salient points on the accounts and physical performance of these Corporations (except Kerala Industrial Infrastructure Development Corporation which has not commenced commercial activities) are given in paragraphs 1.3.2. to 1.3.5.

1.3.2 KERALA STATE ELECTRICITY BOARD

1.3.2.1 Finance and resources

The capital requirements of the Board are met by loans obtained from State Government, banks and other financial institutions. The Board has not finalised its accounts for 1996-97 so far (September 1997).

The aggregate of the term loans outstanding as at the end of three years up to 1995-96 was Rs.1296.96 crore, Rs.1548.10 crore and Rs.1839.05 crore respectively. Particulars of loans outstanding at the close of each of the three years up to 1995-96 are as follows:

Sources	1993-94	1994-95	1995-96*
	(Rupees in crore)		
State Government	622.58	690.05	767.70
KSE Bonds	241.18	241.18	223.02
Non-SLR Bonds	--	117.50	117.50
Others	433.20	499.37	730.83
Total	**1296.96**	**1548.10**	**1839.05**

* Provisional

The Government had guaranteed the repayment of loans obtained by the Board to the extent of Rs.354.82 crore and the payment of interest thereon. The amount outstanding thereagainst as on 31 March 1996 was Rs.314.17 crore.

1.3.2.2 Financial position

The table below gives the financial position of the Board (as per the books of the Board) at the close of each of the three years up to 1995-96:

Particulars	1993-94	1994-95	1995-96*
	(Rupees in crore)		
A Liabilities:			
1 Long-term loans from:			
(i) Government	622.58	690.05	767.70
(ii) Other sources	674.38	858.05	1071.35
2 Reserves and surplus	284.21	368.15	499.19
3 Current liabilities and provisions	916.68	1116.77	1438.39
Total – A	**2497.85**	**3033.02**	**3776.63**
B Assets:			
1 Gross fixed assets	1218.75	1351.78	1508.63
2 Less: depreciation	317.01	364.18	420.47
3 Net fixed assets (1-2)	901.74	987.60	1088.16
4 Capital expenditure-in-progress	719.81	908.71	1388.20
5 Assets not in use	0.88	0.88	0.88
6 Current assets	775.92	1034.28	1189.13
7 Deferred costs	99.50	101.55	110.26
Total – B	**2497.85**	**3033.02**	**3776.63**
C Capital employed**	**1480.79**	**1814.46**	**2227.10**

* Provisional

** Capital employed represents net fixed assets, capital work in progress plus working capital

1.3.2.3 Working results

The working results of the Board (as per the books of the Board) for each of the three years up to 1995-96 are summarised below:

Sl. No.	Particulars	1993-94	1994-95	1995-96*
		(Rupees in crore)		
1	Income			
	(a) Revenue receipts	530.88	625.19	711.16
	(b) Subsidy/grant from the State Government	..	8.56	58.30
	(c) Other income	6.86	10.87	13.87
	Total (a+b+c)	**537.74**	**644.62**	**783.33**
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	392.44	457.89	553.15
3	Gross profit for the year (1-2)	145.30	186.73	230.18
4	Adjustments relating to previous years	15.39	1.50	(-)10.78
5	Final gross profit for the year (3+4)	160.69	188.23	219.40
6	Appropriations			
	(a) Depreciation (less capitalised)	39.09	47.18	56.29
	(b) Interest on Government loans	58.90	69.90	87.52
	(c) Interest on other loans, bonds, advances, etc.	93.18	120.71	143.55
	(d) Total interest on loans (b+c)	152.08	190.61	231.07
	(e) Less: Interest capitalised	54.60	71.36	90.72
	(f) Net interest charged to revenue (d-e)	97.48	119.25	140.35
7	Profit(+)/loss(-) before accounting for subsidy from State Government (5-6(a) -6(f) -1(b))	24.12	13.24	(-) 35.54
8	Net surplus (5-6(a) - 6(f))	24.12	21.80	22.76
9	Total return on capital employed **(6f+8)	121.60	141.05	163.11
10	Percentage of return on capital employed	8.2	7.8	7.3

* Provisional

** Total return on capital employed represents net surplus plus interest charged to Revenue Account less interest capitalised

1.3.2.4 Audit assessment of the working results of the Board

The Board earned a surplus of Rs.22.76 crore (provisional) during the year 1995-96 as compared to surplus of Rs.21.80 crore during the previous year.

The accumulated deficit at the end of 1995-96 amounted to Rs.35.19 crore had been arrived at after taking credit of Rs.58.30 crore on account of subsidy/grant receivable. The subsidy was not received during the year 1995-96.

In terms of Section 59 of the Electricity (Supply) Act, 1948 read with Section 63, the Board is required to generate minimum surplus of three *per cent* or any higher percentage fixed by the State Government from time to time, on the value of its fixed assets in the beginning of the financial year. Based on this, the Board was required to achieve a minimum surplus of Rs.29.63 crore (3 *per cent* of the value of fixed assets amounting to Rs.987.60 crore in service at the beginning of the year) for the year 1995-96. As against this, the net surplus available was Rs.22.76 crore only which worked out to 2.3 *per cent*.

Based on the Audit observations issued in February 1996, the Board revised the accounts for 1994-95. As a result of revision carried out by the Board, the net revenue got reduced by Rs.27.55 crore.

The following major irregularities/omissions were pointed out in the Separate Audit Report on the revised annual accounts of the Board for the year 1994-95, issued in March 1997.

Short/Non-provision of -		(Rupees in crore)
i)	power/wheeling charges	7.36
ii)	repair and maintenance charges	0.25
iii)	Depreciation	3.04
	Total	**10.65**

Based on the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts of Board and not taking into account the subsidy receivable from the State Government, the net surplus of the Board for 1993-94 and 1994-95 will be as under:

Sl. No.	Particulars	1993-94	1994-95
		(Rupees in crore)	
1	Net surplus as per the accounts	24.12	21.80
2	Less: subsidy from State Government	..	8.56
3	Net surplus before subsidy (1-2)	24.12	13.24
4	Net decrease in net surplus on account of Audit comments on the annual accounts	1.96	10.65
5	Net surplus after taking into account the impact of audit comments, but before subsidy (3-4)	22.16	2.59

1.3.2.5 Operational performance

The table below indicates the operational performance of the Board during each of the three years up to 1995-96 :

Sl. No.	Particulars	1993-94	1994-95	1995-96*
1	Installed capacity : (mW) Hydel Wind Farm	 1484 -	 1504 -	 1504 2
	Total	**1484**	**1504**	**1506**
2	Normal maximum demand(mW)			
	(a) Restricted	1265	1330	1373
	(b) Unrestricted	1309	2356	2682
3	Power generated: Hydel (mkWh)	5822	6572	6662
	Less:auxiliary consumption	33	25	26
4	Net power generated (mkWh)	5789	6547	6636
5	Power purchased (mkWh)	2020	2247	2638
6	Total power available for sale (mkWh)	7809	8794	9274
7	Power sold (mkWh)	6234	7028	7415
8	Transmission and distribution loss (6-7) (mkWh)	1575	1766	1859
9	Load factor *(per cent)*	48	56	53
10	Transmission and distribution loss to power available for sale *(per cent)*	20	20	20
11	Number of units generated per kW of installed capacity (kWh) (3/1)X1000	3923	4371	4424

As the capacity of reservoirs is limited, the water would overflow during monsoon. Since the State is experiencing acute shortage of power, it is necessary that optimum use of the water collected in the reservoirs during the season

* Provisional

is made for generation of power, thereby minimising the overflow of water. For that purpose, it has to be ensured that the generators are not shut down for annual maintenance during monsoon.

Shut down of power houses for annual maintenance during monsoon seasons during 1992-93 to 1995-96, resulted in loss of production of 84.8 million units of energy

It was, however, noticed in Audit that during the four monsoon seasons of 1992-93 to 1995-96, the power houses of Neriyamangalam, Panniyar and Idamalayar remained shut down for 6810 hours for annual maintenance. In case the shut down was avoided during the season, 84.8 million units of energy could have been generated additionally by using 234 million cubic metres of water (out of 2421 million cubic meters of water overflowed during the period). The loss of revenue, after providing for transmission and distribution loss of 20 *per cent*, in respect of the remaining 67.8 million units amounted to Rs.5.71 crore.

The following table gives other details about the Board as at the end of each of the three years up to 1995-96 :

Sl. No.	Particulars	1993-94	1994-95	1995-96*
1	Villages electrified(numbers)	1384	1384	1384
2	Pumpsets/wells energised(numbers)	276183	276183	300135
3	Number of substations	152	158	160
4	Transmission/distribution lines : (kilometres)			
	(a)High/medium voltage	22131	24509	32252
	(b)Low voltage	115374	125391	130222
5	Connected load (mW)	4933	5397	5776
6	Consumers (numbers)	4154471	4417366	4697634
7	Employees (numbers)	25815	25236	27500

The following table gives the details of power sold, revenue, expenditure and profit during each of the three years up to 1995-96 :

Sl. No.	Particulars	1993-94	1994-95	1995-96*
1	Power sold : (mkWh)			
	(a) Agriculture	236	271	322
	(b) Industrial	2734	3141	3243
	(c) Commercial	858	954	689
	(d) Domestic	2069	2301	2777
	(e) Others	337	361	384
	Total	**6234**	**7028**	**7415**
2.	Revenue/kWh (paise)	86	92	106
3.	Expenditure/kWh (paise)	84	89	103
4.	Profit/kWh (paise)	02	03	03

1.3.3 Kerala State Road Transport Corporation

1.3.3.1 Finance and resources

Under Section 23(1) of the RTC Act, 1950, the State and the Central Governments had agreed to contribute to the capital in the ratio of 4:1 which was revised during 1969 to 3:1 for the contributions made up to March 1969 and 2:1 thereafter. The capital contributions of the Central and State Governments along with interest payable thereon at 6.5 *per cent* up to 31 March 1992 have been converted into

* Provisional

equity share capital with effect from April 1994 and July 1995 respectively, according to the directions issued by the respective Governments in this regard.

In April 1965, the Corporation took over from the erstwhile Government Transport Department, the Road Transport Section and the Water Transport Section operating ferry services around Cochin Harbour. Though the Water Transport Section so taken over has since been delinked from the Corporation and handed over to the State Water Transport Department with effect from 1st July 1994, adjustments to this effect in the accounts are pending.

1.3.3.2 The Corporation has not finalised its accounts for 1996-97 so far (September 1997). The share capital of the Corporation as at the end of 1995-96 stood at Rs.101.20 crore (Rs.77.99 crore contributed by the State Government and Rs.23.21 crore by the Central Government).

In addition, as on 31 March 1996, the Corporation obtained loans of Rs.108.48 crore (State Government: Rs.70.65 crore, Debentures : Rs.9.45 crore and others:28.38 crore). The State Government had also given guarantees for the repayment of loans raised by the Corporation by way of debentures and payment of interest thereon and also for the IDBI loan for the purchase of chassis (Rs.18.34 crore). Guarantee commission due for payment to the State Government in these cases up to 1995-96 was Rs.2.54 crore.

1.3.3.3 Financial position

The financial position of the Corporation as at the end of the three years up to 1995-96 is given below:

Sl. No.	Particulars	1993-94	1994-95	1995-96*
		(Rupees in crore)		
A	**Liabilities :**			
a)	Capital contribution/ Share capital	72.92	101.20	101.20
b)	Reserve, provisions and insurance fund	37.88	53.13	55.55
c)	Long-term loans	94.64	105.11	108.48
d)	Trade dues and current liabilities (including other provisions)	197.87	155.62	183.35
	Total A	**403.31**	**415.06**	**448.58**
B	**Assets :**			
a)	Gross block	171.66	185.42	205.36
	Less : depreciation	103.93	107.07	113.88
b)	Net fixed assets	67.73	78.35	91.48
c)	Civil work-in-progress including workshop suspense	6.61	6.71	5.91
d)	Current assets, loans and advances	45.50	54.95	57.45
e)	Accumulated loss**	283.47	275.05	293.74
	Total B	**403.31**	**415.06**	**448.58**
C	**Capital employed*** **	**(-) 78.03**	**(-) 15.61**	**(-)28.51**

* Provisional

** The accumulated loss was arrived at after setting off Rs.83.50 crore written off by the State Government from the dues payable to them and writing back the interest of Rs.9.22 crore for 1992-93 and 1993-94 payable to the State and Central Governments consequent to the conversion of the capital contribution into equity share capital.

*** Capital employed represents net fixed assets, capital work-in-progress plus working capital.

1.3.3.4 Working results

The working results of the Corporation for the three years up to 1995-96 are summarised below:

Sl. No.	Particulars	1993-94	1994-95	1995-96*
		(Rupees in crore)		
1	**Operating :**			
	a) Revenue	245.16	280.34	309.52
	b) Expenditure	254.60	265.09	314.24
	c) Profit(+)/Loss(-)	(-) 9.44	(+)15.25	(-)4.72
2	**Non-operating :**			
	a) Revenue	5.72	8.01	9.57
	b) Expenditure	25.23	23.16	21.51
	c) Loss	19.51	15.15	11.94
3	**Total :**			
	a) Revenue	250.88	288.35	319.09
	b) Expenditure	279.83	288.25	335.75
	c) Net loss(-)/profit(+)	(-) 28.95	(+)0.10	(-)16.66
4	**Interest on capital and loans/debt service charges****	**25.23**	**23.17**	**21.45**
5	**Total return on capital employed**	**(-) 3.72**	**23.27**	**4.79**

* Provisional

** Includes debt service charges of Rs.20.67 crore in 1993-94, Rs.23.17 crore in 1994-95 and Rs.21.45 crore in 1995-96.

1.3.3.5 Operational performance

The following table indicates the operational performance of the Road Transport Section of the Corporation for the three years up to 1995-96 :

Particulars	1993-94	1994-95	1995-96*
Average number of vehicles held	3495	3498	3482
Average number of vehicles on road	2743	2764	2809
Percentage of utilisation	78.5	79	81
Kilometres covered (in lakh)			
a) Gross	3119	3206	3420
b) Effective	3106	3198	3418
c) Dead	13	8	2
Percentage of dead kilometres to gross kilometres	0.4	0.3	0.1
Average effective kilometres covered per bus per day	310	332	333
Average operating revenue per kilometre (paise)	783	901	934
Average operating expenditure per kilometre (paise)	811	900	982
Profit(+)/Loss(-) per kilometre (paise)	(-)28	(+)1	(-)48
Route kilometres (in lakh)	1.78	1.78	1.78
Number of operating depots (including operating centres)	66	65	66
Average number of breakdown per lakh kilometres	10.6	11.8	11.80
Average number of accidents per lakh kilometres	1.4	0.41	0.30
Passenger kilometres scheduled (in crore)	1692	1681	1759
Passenger kilometres operated (in crore)	1471	1468	1449
Occupancy ratio	87	87	87

* Figures are provisional.

1.3.4 Kerala Financial Corporation

1.3.4.1 Finance and resources

The paid-up capital of the Corporation as at 31 March 1997 was Rs.79 crore (including advance of Rs.12 crore) as against Rs.67 crore as on 31 March 1996. Particulars of share capital obtained from the State Government and other sources as at the end of two years up to 1996-97 are as follows :

Sources	Amount as on 31 March	
	1996	1997
	(Rupees in crore)	
Government of Kerala	51.93	63.93
Industrial Development Bank of India	14.83	14.83
Others	0.24	0.24
Total	**67.00**	**79.00**

The State Government had guaranteed the repayment of share capital of Rs.64.79 crore (excluding the special share capital of Rs.2.21 crore) under section 6(1) of State Financial Corporations Act, 1951 and payment of minimum dividend thereon at 3.5 *per cent* of the paid-up capital up to Rs.10 crore and at 7.5 *per cent* thereafter. Subvention paid by the Government towards the guaranteed dividend outstanding for repayment as on 31 March 1997 was Rs.2.52 crore.

The Government had also guaranteed repayment of loans raised by the Corporation through bonds and fixed deposits. Amount of principal outstanding thereagainst as on 31 March 1997 was Rs.226.57 crore and Rs.0.20 crore respectively. The guarantee commission payable to the State Government as on 31 March 1997 worked out to Rs. 3.89 crore.

1.3.4.2 Financial position

The table below summarises the financial position of the Corporation under broad headings at the end of each of the three years up to 1996-97 :

Sl. No.	Particulars	1994-95	1995-96	1996-97
		(Rupees in crore)		
A	**Liabilities :**			
1	Paid-up capital(including advance)	56.00	67.00	79.00
2	Reserve fund including other reserves and surplus	5.13	6.71	8.27
3	Long-term loans:			
	i) Bonds	172.60	196.62	226.57
	ii) Deposits	0.54	0.12	0.20
	iii) Others	128.50	132.79	190.29
4	Subvention paid by the State Government for payment of dividend	2.52	2.52	2.52
5	Other liabilities and provisions	3.87	8.20	12.66
	Total - A	**369.16**	**413.96**	**519.51**
B	**Assets :**			
1	Cash and bank balances	22.19	14.34	16.00
2	Loans and advances	333.28	381.61	476.90
3	Shares	0.10	0.10	0.10
4	Net fixed assets	0.75	3.13	5.48
5	Dividend deficit	6.68	6.68	8.46
6	Other assets	6.16	8.10	12.57
	Total - B	**369.16**	**413.96**	**519.51**
C	**Capital employed***	**344.21**	**378.65**	**449.22**

* Capital employed represents the mean of the aggregate of the opening and closing balances of paid-up capital, long-term loans and free reserves.

1.3.4.3 Working results

The Corporation switched over to cash system of accounting with effect from April 1982. The following table gives the summary of working results of the Corporation for each of the three years up to 1996-97 :

Particulars	1994-95	1995-96	1996-97
	(Rupees in crore)		
Income :			
a) Interest on loans and advances	47.78	69.12	70.91
b) Other income	1.35	3.17	4.61
Total - 1	**49.13**	**72.29**	**75.52**
Expenditure :			
a) Interest on long-term loans	34.80	37.71	44.15
b) Other expenses	5.63	7.21	11.56
c) Provision for doubtful debts/bad debts written off	6.82	17.58	5.28
Total - 2	**47.25**	**62.50**	**60.99**
Profit (1-2)	**1.88**	**9.79**	**14.53**
Total return on capital employed	36.68	47.50	58.68
	(*per cent*)		
Percentage of return on capital employed	10.7	12.5	13.1

It was pointed out in the Separate Audit Report on the accounts of the Corporation for the year ended 31 March 1996 that the profit of Rs.9.79 crore was subject to the following:

Particulars	(Rupees. in crore)
Non-provision of minimum guaranteed dividend	3.11
Short provision of interest on borrowings	10.61
Non-provision of guarantee commission, collection charges and stamp duty	6.24
Non-write off of waiver of loans	0.14
Total	**20.10**

As a result of the above, the profit of Rs.9.79 crore would turn out to be a loss of Rs.10.31 crore.

1.3.4.4 Operational performance

The following table indicates the details of loans disbursed and outstanding as at the end of the three years up to 1996-97`:

Particulars	1994-95	1995-96	1996-97
	(Rupees in crore)		
Loans disbursed	75.39	139.75	188.61
Loans outstanding at the close of the year	346.53	401.60	503.58
Amount overdue for recovery at the close of the year:			
a) Principal	85.31	87.59	98.00
b) Interest	101.60	107.44	111.77
Total (a + b)	**186.91**	**195.03**	**209.77**
Percentage of default to total loans outstanding	53.9	48.6	41.7

1.3.5 Kerala State Warehousing Corporation

1.3.5.1 Finance and resources

The Corporation has not finalised its accounts for the year 1996-97 so far (September 1997).

The paid-up capital of the Corporation was Rs.550 lakh (Government of Kerala: Rs.275 lakh and Central Warehousing Corporation: Rs275 lakh) as on 31 March 1996 as against Rs.490 lakh as on 31 March 1995.

1.3.5.2 Financial position

The table below summarises the financial position of the Corporation as at the end of the three years up to 1995-96 :

	Particulars	1993-94	1994-95	1995-96
		(Rupees in lakh)		
A	**Liabilities :**			
	a) Paid-up capital	460.00	490.00	550.00
	b) Reserve and surplus	149.76	149.76	155.46
	c) Long-term loans	308.70	294.95	317.45
	d) Trade dues and other current liabilities (including provisions)	530.17	603.61	679.06
	Total - A	**1448.63**	**1538.32**	**1701.97**
B	**Assets :**			
	a) Gross block	1117.69	1124.11	1198.85
	b) Less: depreciation	219.84	242.75	267.18
	c) Net fixed assets	897.85	881.36	931.67
	d) Capital work-in-progress	9.20	16.48	35.10
	e) Current assets, loans and advances	383.18	545.21	685.90
	f) Accumulated loss	158.40	95.27	49.30
	Total - B	**1448.63**	**1538.32**	**1701.97**
C	**Capital employed***	**618.81**	**698.19**	**832.36**

* Capital employed represents net fixed assets, Capital work in progress plus working capital.

1.3.5.3 Working results

The table below indicates the working results of the Corporation for the three years up to 1995-96:

Sl. No.	Particulars	1993-94	1994-95	1995-96
		(Rupees in lakh)		
1	Income:			
	I) Warehousing receipts	260.18	470.76	442.87
	ii) Handling and transportation receipts	158.82	217.56	231.87
	iii) Other income(including net income from trading activity)	5.08	9.41	23.96
	Total - 1	**424.08**	**697.73**	**698.70**
2	Expenses:			
	i) Handling and transportation expenses	95.92	156.07	126.49
	ii) Interest	43.39	48.19	50.30
	iii) Other expenses	307.55	437.37	464.01
	iv) Provision for bad and doubtful debts	..	..	10.00
	v) Compensation for loss	..	..	8.60
	Total - 2	**446.86**	**641.63**	**659.40**
3	**Net loss(-)/Net profit (+)**	**(-) 22.78**	**(+) 56.10**	**(+)39.30**
4	Total return on capital employed	20.61	104.29	89.60
		(*per cent*)		
5	Percentage of return on capital employed	3.3	15.0	10.8

1.3.5.4 Operational performance

The following table gives details of storage capacity created, capacity utilised and other information about the performance of the Corporation for the three years up to 1995-96 :

Particulars	1993-94	1994-95	1995-96
Number of warehouses	63	64	64
Storage capacity created up to the end of the year	*(in thousand tonnes)*		
a) Owned	147.1	147.1	149.2
b) Hired	26.3	58.7	43.1
Total	**173.4**	**205.8**	**192.3**
Effective capacity	126.6	150.0	140.4
Capacity utilised during the year	122.1	132.0	129.2
Percentage of utilisation	96.0	88.0	92.0
Average revenue per tonne (Rupees)	347.32	528.58	540.79
Average expenses per tonne (Rupees)	365.98	486.08	510.37

1.3.6 Kerala Industrial Infrastructure Development Corporation

The Corporation was constituted in February 1993 for establishing industrial growth centres and for provision of infrastructure facilities to the industries.

The requirements of funds of the Corporation are met by way of grants received from the State Government and the grants so received up to March 1997 was Rs.71.70 crore. The Corporation has not commenced commercial activities (March 1997).

CHAPTER II

REVIEWS RELATING TO GOVERNMENT COMPANIES

This chapter contains four reviews as indicated below:

2.A The Kerala State Cashew Development Corporation Limited

2B Meat Products of India Limited

2C The Kerala State Civil Supplies Corporation Limited - functioning of Maveli stores, super markets and other retail outlets

2D Kerala Shipping and Inland Navigation Corporation Limited - cargo transportation activity

The Kerala State Cashew Development Corporation Limited

2A. THE KERALA STATE CASHEW DEVELOPMENT CORPORATION LIMITED

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THE KERALA STATE CASHEW DEVELOPMENT CORPORATION LIMITED

Highlights

The Company was incorporated in July 1969 for the overall development of the cashew industry in the State and for providing a fair number of employment days to its workers.

(Paragraph 2A.1)

Due to low level of operation, inferior quality of the raw nuts purchased, excess breakages of cashew kernels during production, etc., the Company had been losing heavily and the accumulated loss of Rs.149.34 crore far exceeded the paid- up capital of Rs.30.59 crore at the end of 1995-96.

(Paragraphs 2A.4.3, 2A.4.4 and 2A.5.2.3.2)

Owing to its failure to avail of the advance licence facility during 1992-93, the Company could not get the benefit of importing raw cashew nuts at official exchange rates, thereby incurring an extra expenditure of Rs.2.25 crore, in addition to foregoing a premium of Rs.3.10 crore.

(Paragraph 2A. 5.2.2)

Import of raw cashew nuts on single offer basis at higher rates during 1992 season resulted in a loss of Rs.7.78 crore.

(Paragraph 2A.5.2.2.4)

Because of the sharp decline in the yield of export grade kernels during the four years up to 1995-96, the loss of revenue to the Company was Rs.15.31 crore.

(Paragraph 2A.6.2)

The average export realisation in respect of the products of the Company was far below the All India average, resulting in a loss of revenue of Rs.17.10 crore, during the five years up to 1995-96.

(Paragraph 2A.7.2.1)

Retention of cashew kernels in stock even when the market was showing a declining trend and subsequent sales at lower rates during September 1994 resulted in a loss of revenue of Rs.2.27 crore including interest to the Company.

(Paragraph 2A.7.2.2(a))

Entering into forward contract between April and July 1995, for export of cashew kernels without ensuring procurement of required raw nuts, compelled the Company to partly transfer the order to another agency and to execute the orders out of the kernels processed for the next season, resulting in a loss of Rs.1.56 crore by way of price difference.

(Paragraph 2A.7.2.2(b))

Failure to avail of the benefit of advance licence for packing materials, in respect of the exports made during the period from September 1992 to September 1993 resulted in loss of premium of Rs.1.33 crore.

(Paragraph 2A.7.3)

2A.1 Introduction

The Company was incorporated in July 1969 with the following objectives:

- purchase raw cashew nuts from within and outside the country,
- establish, maintain and operate factories in the State for processing cashew nuts and extracting oil from cashew shells.
- provide fair number of employment days to the workers.
- sell processed cashew nuts (kernels), cashew shell liquid and other cashew by-products within and outside India.

The Government took over (July 1988) 36 factories which had been closed due to high cost of raw nuts from the private processors and entrusted them with the Company. This arrangement continued till May 1994 when the 36 taken over factories were returned to the respective owners, pursuant to a directive of the Supreme Court.

At present, the activity of the Company is confined to running its 34 cashew processing factories (including 25 hired ones), four tin factories and one tannin factory.

2A.2 Organisational set-up

The Company is managed by a Board of Directors. The Board comprises seven directors with three Government nominees and four non-official directors. Though Committee on Public Undertakings (COPU) had observed in July 1993 that the frequent changes in the post of the Managing Director (MD) had adversely affected the functioning of the Company, there were four changes in the incumbency of the MD between July 1993 and March 1996, with tenures of 4 to 10 months.

The Board of Directors felt (August 1989) it necessary to have qualified and experienced full time directors to man the areas of marketing, finance and personnel. However, the Company has not operated these posts so far except the post of Director (Marketing) for a period of 11 months from 30.6.90 to 10.5.91.

2A. 3 Scope of Audit

The working of the Company for the period up to 1987-88 was reviewed in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1988. The Report was discussed by COPU (1991-93) who presented their Report to the State Legislature in July 1993. The present review conducted during the period from July 1996 to December 1996 deals with the performance of the Company for the five years up to 1996-97.

2A.4 Finance and resources

2A.4.1 Share capital

Against the authorised capital of Rs.31 crore, the paid-up capital of the Company as at the end of 1996-97 stood at Rs.30.59 crore. The entire paid-up capital was subscribed by the State Government.

2A.4.2 Borrowings

During the five years up to 1995-96, the Company received Rs.51.37 crore from the State Government by way of loans, raising the aggregate Government loans to Rs.83.63 crore. The rate of interest ranged between 17.5. and 19.5 *per cent*. Because of the cash loss over the years, the Company was not regular either in repayment of the loans or the payment of interest thereon. Based on the latest available provisional accounts, the amount of principal overdue for repayment and the interest due amounted to Rs.18.51 crore and Rs.23.74 crore respectively as at the end of 1995-96.

With a view to tiding over its financial crisis, the Company obtained during 1995-96, a temporary loan of Rs.1.40 crore from The Kerala Minerals and Metals Limited, another State Government company. The terms and conditions of the loan had not been finalised (September 1997).

For the purpose of working capital, the Company had been availing loans (named packing credit) from a consortium of nationalised banks, on the security of raw materials, work in process and finished stock, duly supported by Government guarantee. The maximum limit of the packing credit sanctioned was Rs.26 crore (including letter of credit limit of Rs.15 crore). The amount of packing credit outstanding as at the end of 1995-96 was Rs.2.72 crore.

The packing credit carried interest at 13 *per cent* per annum for the stipulated period of 180 days. In case of default, the banks would charge interest at a penal rate of 20.75 *per cent*. On account of heavy cash loss sustained by the Company over the years, it failed to clear the dues in time resulting in payment of penal interest of Rs.53.70 lakh for the three years up to 1995-96.

2A.4.3 Financial position

The Company had finalised annual accounts up to 1990-91 only and prepared provisional accounts for the period 1991-92 to 1995-96. The table below indicates the financial position of the Company as at the end of the five years up to 1995-96:

The Company had been losing heavily and the accumulated loss of Rs.149.34 crore had far exceeded the paid- up capital of Rs.30.59 crore

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
	(Rupees in crore)				
LIABILITIES					
Share capital	30.59	30.59	30.59	30.59	30.59
Borrowings	36.06	100.83	88.44	100.27	118.44
Total	**66.65**	**131.42**	**119.03**	**130.86**	**149.03**
ASSETS					
Net block	0.67	0.62	0.54	0.46	0.40
Working capital	(-)4.21	18.48	(-)0.45	(-)0.91	(-)0.71
Accumulated loss	70.19	112.32	118.94	131.31	149.34
Total	**66.65**	**131.42**	**119.03**	**130.86**	**149.03**
Capital employed*	(-)3.54	19.10	(-)0.09	(-)0.45	(-)0.31
Net worth**	**(-)39.60**	**(-)81.73**	**(-)88.35**	**(-)100.72**	**(-)118.75**

This would indicate that there was lack of working capital except during 1992-93 and that the Company had a negative net worth during all the five years. The banks did not provide packing credit during 1993 to 1995 seasons since the

* Capital employed represents net fixed assets, Capital work in progress plus working capital.

** Net worth represents paid-up capital and free reserves less intangible assets.

credit availed exceeded the security furnished by the Company. The accumulated loss of Rs149.34 crore exceeded the paid-up capital by 398.2 *per cent*.

2A.4.4 Working results

Though according to the provisional accounts, the Company earned a profit of Rs3.35 crore during 1991-92, it had been losing heavily thereafter and the loss during the four years up to 1995-96 aggregated Rs.87.38 crore, as shown below:

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
	(Rupees in crore)				
Income:					
Sale of kernels	86.84	118.12	28.92	37.74	11.47
Other sales	1.21	1.20	1.23	0.52	0.64
Other income	3.23	3.22	1.74	0.93	1.99
Stock difference	(-)2.74	7.83	(-)12.06	2.32	(-)2.11
Total	**88.54**	**130.37**	**19.83**	**41.51**	**11.99**
Variable expenses:					
Cost of raw nuts	54.64	120.15	13.43	34.67	9.66
Processing and Other expenses	21.13	29.75	11.29	11.19	6.60
Total	**75.77**	**149.90**	**24.72**	**45.86**	**16.26**
Margin	12.77	(-)19.53	(-)4.89	(-)4.35	(-)4.27
Admn. expenses	1.54	2.38	1.44	0.97	1.00
Finance charges	7.79	20.33	8.28	6.99	12.70
Depreciation	0.09	0.07	0.07	0.06	0.05
Total	**9.42**	**22.78**	**9.79**	**8.02**	**13.75**
Profit(+)/Loss(-)	**(+)3.35**	**(-)42.31**	**(-)14.68**	**(-)12.37**	**(-)18.02**

The main reasons for the heavy loss, as analysed by audit were :

- low level of procurement of raw nuts (Paragraph 2A.5.2.1).
- heavy loss during 1992-93 despite record processing of nuts and sales, due to increased procurement cost (Paragraph 2A.5.2.3.2).
- procurement of raw nuts at higher rates (Paragraph 2A.5.2.2.4).
- Low yield of export quality kernels (Paragraph 2A.6.2).
- retention of stock of cashew kernels even when the market was showing a downward trend, etc., (Paragraph 2A.7.2.2(a)).

2A.5 Purchases

2A.5.1 Purchase procedure

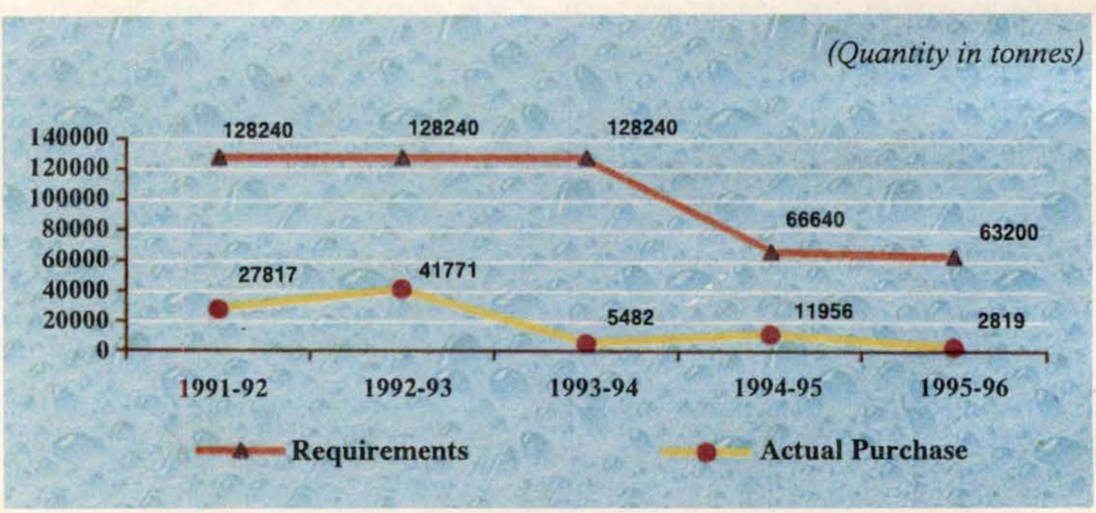
The Company had been meeting its requirement of raw cashew nuts by imports as well as from indigenous sources. The purchase from indigenous sources was either from open market or from allotment received under the monopoly procurement scheme (discussed in paragraph 2A.5.2.3) of the State Government.

2A.5.2 Purchase performance

2A.5.2.1 The requirement of cashew nuts is determined on the basis of capacity and the available labour. The table below indicates the quantity of cashew nuts procured by the Company during the five years up to 1995-96:

Year	Requirement	Quantity purchased			Percentage of requirement	Employ-ment days provided
		Imported	Indigenous	Total		
		(Quantity in tonnes)				
1991-92	128240	2967	24850	27817	21.7	57
1992-93	128240	10886	30885	41771	32.8	87
1993-94	128240	5482	NIL	5482	4.7	13
1994-95	66640	NIL	11956	11956	17.9	50
1995-96	63200	NIL	2819	2819	4.8	13

A diagram indicating annual requirements of raw cashew nuts *vis-a-vis* actual purchases is given below:



The purchases which ranged between 5 and 33 *per cent* only of the requirements was mainly due to:

- delay in commencement of direct procurement during the years in which there was no monopoly procurement scheme, owing to lack of adequate and timely finance;
- inadequate allotment of raw nuts under monopoly scheme; and
- not lifting the full quantity allotted, during 1994-95, for want of working capital.

Consequent on the low level of purchases, the Company incorporated with the laudable objective of providing fair number of employment days, could provide work ranging from 13 to 87 days each during the five years up to 1995-96 against the minimum target of 120 days per annum.

2A.5.2.2 Imports

2A.5.2.2.1 During the period under review, the import of raw nuts by the Company was meagre (as shown in the table in preceding paragraph) and was only 2967 tonnes,10886 tonnes, and 5482 tonnes respectively during the three years up to 1993-94. There were no imports during the subsequent two years. On the other hand, the total imports of raw cashew nuts to India had been steadily increasing and were 106080 tonnes, 134985 tonnes, 190151 tonnes, 228109 tonnes and 218019 tonnes respectively during the period of five years up to 1995-96.

According to the Company (January 1996) the response from the suppliers to the tenders floated for import during 1994-95 and 1995-96 was poor in view of the stipulation (March 1994) of the State Government that 1 *per cent* earnest money deposit should be provided, in addition to the performance bond.

2A.5.2.2.2 On account of scarcity of foreign exchange, the Government of India stipulated (April 1991) that 200 *per cent* should be deposited as cash margin for opening letter of credit for imports. Based on representation of the cashew industry that such a stipulation would adversely affect the industry, Government of India allowed (October 1991) the import of raw cashew nuts under Advance Licence Scheme (ALS) which permitted imports without depositing any cash margin, provided exports are made with a value addition of 33 *per cent*.

Owing to its failure to avail of the advance licence facility, the Company incurred an extra expenditure of Rs.2.25 crore

2A.5.2.2.2.(a) In February 1992, the Reserve Bank of India (RBI) introduced dual rates of foreign exchange according to which the importers having ALS facility could negotiate 40 *per cent* of the import bills at the official exchange rate. The Company did not avail of this facility in respect of the import of 10886 tonnes valued at US $ 1.17 crore, of Tanzanian raw cashew nuts made during April to June 1992 and negotiated the entire import at the market rate of exchange. This has resulted in extra out-flow of Indian currency to the extent of Rs.2.25 crore.

The Management stated (July 1997) that as it had executed an export obligation bond (November 1991) for getting exemption from depositing 200 *per cent* cash margin on import of raw nuts during December 1991 and as the export obligation thereon extended up to June 1992, it could not avail of the advance licence for the imports made in April-June 1992. However, in terms of Government of India circular dated 27.9.1991 read with paragraph 348 of the Hand Book of Procedures Volume. I, the execution of the bond was not necessary as the Company could have set off the excess exports made, prior to the import, against the obligation.

The execution of the bond was therefore, not necessary since the Company had already fulfilled the export obligation. Thus, the Company suffered a loss of Rs.225.49 lakh by not availing of ALS without valid reasons.

2A.5.2.2.2.(b) Besides, in March 1993, RBI permitted conversion of the entire foreign currency at market rate and in May 1993 the Government allowed surrender of Advance Licence remaining unutilised as on 1st March 1993, at a premium of 8 *per cent*. As the Company did not avail of ALS to the extent of Rs.38.74 crore on the export made during October 1992 to February 1993 i.e., after setting off the export obligation in respect of the import made during April-June 1992, it also lost an opportunity to get a premium of Rs.3.10 crore.

By not availing of ALS the Company lost a premium of Rs.3.10 crore

The contention of the Management (July 1997) that they did not intend further import is not tenable since unutilised ALS could have been utilised for import in subsequent years..

2A.5.2.2.3 On the basis of offers received (June 1993) and after negotiation, the Company imported (September 1993) 5000 tonnes of Tanzanian raw cashew nuts at US $ 750 per tonne from Afro Asian Agro Products, Singapore, which was rated by the Company as the lowest offer. However, it was observed in Audit that taking into account the credit period of 180 days by way of usance facility offered by Southland Commodities, UK, the rate of US $ 753.75 per tonne quoted by that firm was lower on account of the savings of interest on packing credit. Thus, due to improper evaluation of the offers, the Company sustained a loss of Rs.32.38 lakh on account of payment of interest on packing credit at the rate of 13 *per cent* instead of 7 *per cent* available in usance letter of credit.

Improper evaluation of offers resulted in a loss of Rs.0.32 crore

Management stated (September 1997) that it did not opt for the credit facility as payment for import by sight letter of credit was more beneficial than the usance letter of credit as in the latter case the exchange rate would go up . The reply is not tenable since the Company opened a usance letter of credit immediately on 27 July 1993, in respect of another import.

The Company had been paying overdue interest on the uncleared portion of the packing credit and hence, there would not have been any savings on account of interest in the case of sight letter of credit.

Thus the Company incurred an avoidable expenditure of Rs.32.38 lakh due to failure to avail of the usance letter of credit.

2A.5.2.2.4 In respect of the import of raw cashew nuts during 1992 season, the Committee constituted by the State Government considered (March 1992) the single offer received from Bhavani Stores, Singapore and based on the Government directive, the Company imported 10886 tonnes of raw cashew nuts from that firm in April-June 1992, at US $ 1078 per tonne. As against the rate of Rs.33.10 per kg paid by the Company, the rate paid by private processors for imports of similar quality during the same period was Rs.25.95 per kg. only. The Company sustained a loss of Rs7.78 crore on account of the imports at higher rate.

Import of raw cashew nuts on single offer basis, resulted in a loss of Rs.7.78 crore

Management stated (November 1996) that the higher rate paid for the import was on account of stringent conditions such as execution of performance bond, two *per cent* retention, etc., imposed and that the main consideration for the import was providing employment rather than profit. The reply is not tenable as those conditions existed in subsequent imports as well when the rates offered were low. Further, as against the loss of Rs.7.78 crore, the wages paid for the additional days of employment were Rs.3.32 crore only.

2A.5.2.3 Purchase under monopoly procurement scheme

2A.5.2.3.1 The State Government introduced a scheme of monopoly procurement during 1991-92, 1992-93 and 1994-95 designating Kerala State Cashew Workers' Apex Industrial Co-operative Society Limited (CAPEX) and Kerala State Co-operative Marketing Federation Limited as procurement and selling agents.

2A.5.2.3.2 A review of the monopoly procurement scheme revealed that the scheme was disadvantageous to the Company on the following grounds:

- The quantity allotted by the designated agents was insufficient due to late commencement of procurement activities by the agents. This resulted in lower capacity utilisation.
- The price fixed for the raw nuts was high even when the international price of kernels was declining and hence the Company had to incur an extra expenditure of Rs.28.88 crore.
- The quality of nuts allotted to the Company by the designated agents was inferior either due to improper drying or procurement during off season and hence the yield obtained was poor.

2A.5.2.4 Purchase of raw cashew nuts in the open market

2A.5.2.4.1 The Company purchased 2995 tonnes of raw cashew nuts valued at Rs.9.73 crore from Rajamundry in Andhra Pradesh during 1994-95 and 1995-96 at the rate of Rs.25.50 and Rs.28.67 per kg respectively; without ascertaining the competitiveness of the rates.

Purchase of indigenous cashew nuts at higher rates resulted in an extra expenditure of Rs.1.15 crore

However, Cashew Export Promotion Council Journal (an authentic publication of the cashew industry) indicated the average rate prevalent at Palassa as Rs.21.80 and Rs.25 per kg during the same period. Thus the Company incurred an additional expenditure of Rs1.15 crore on these purchases made from Rajamundry.

In the absence of formal agreements, the adequacy or otherwise of the payments made by the Company towards transportation charges, loading charges, cost of gunny bags, purchase tax, marketing cess, agency commission, etc. amounting to Rs.116.86 lakh could not be vouchsafed in Audit.

Management stated (November 1996) that they were not aware of the quality of the nuts available at Palassa and that the purchase from Rajamundry was intended to give employment to the workers.

The reply is not tenable since the Company had neither lifted the entire quantity allotted under monopoly procurement scheme, (referred to in paragraph 2A.5.2.1.) nor made any effort to enquire into the quality of nuts available at Palassa though the rates were cheaper.

2A.6 Production

2A.6.1 Capacity utilisation

Consequent on the return of 36 factories in 1993-94 to the original owners based on a directive of the court, the number of factories under the control of the Company for processing the raw cashew nuts into cashew kernels came down to 34. Because of its failure to procure sufficient quantity of raw cashew nuts (as discussed in paragraph 2A.5.2.1) the Company could utilise only 5 to 33 *per cent* of its aggregate capacity as shown below:

Year	Aggregate capacity available	Actual quantity processed	Utilisation of capacity
	(lakh tonnes)		(*per cent*)
1991-92	1.28	0.28	21.7
1992-93	1.28	0.42	32.8
1993-94	1.28	0.06	4.7
1994-95	0.67	0.12	17.9
1995-96	0.63	0.03	4.8

Due to underutilisation of capacity, the overheads to the extent of Rs.63.76 crore could not be absorbed.

The Management stated (November 1996) that low capacity utilisation was on account of procurement of insufficient quantities of raw cashew nuts in time due to financial problems.

2A.6.2 Yield

(a) The Company had not fixed any norm for recovery of exportable quality of cashew kernels, which would fetch higher prices. It was noticed in Audit that the yield of exportable quality of cashew kernels (wholes and brokens) was showing a declining trend as shown below:

Decline in the yield of export grade kernels resulted in a loss of revenue of Rs.15.31 crore

Particulars	1991-92	1992-93	1993-94	1994-95	1995-96
No. of bags (80 kg)	347949	521941	69020	149987	35401
A	**Raw nuts processed (tonnes)**				
	27836	41755	5522	11943	2832
B	**Kernels obtained (tonnes)**				
Wholes	5305	7336	964	2126	469
Brokens	1377	2268	326	554	142
Indian grades	284	672	99	186	52
Rejection grades	42	477	62	171	41
Total - B	**7008**	**10753**	**1451**	**3037**	**704**
C – Percentage of **B** to **A**	25.2.	25.8	26.3	25.4	24.9
Yield of kernel per bag (80 kg) of raw nuts (kg)					
Wholes	15.24	14.06	13.97	14.24	13.25
Brokens	3.96	4.35	4.72	3.71	4.01
Indian grades	0.82	1.28	1.43	1.25	1.47
Rejection grades	0.12	0.91	0.90	1.14	1.16
Total	**20.14**	**20.60**	**21.02**	**20.34**	**19.89**

Due to the sharp decline in the yield of export grade kernels during the four years up to 1995-96 as compared to that of 1991-92, the sales realisation was low, resulting in a loss of potential revenue of Rs.9.89 crore.

(b) The 'wholes' would fetch higher price in the export market and hence the profitability would depend on the recovery of 'wholes'. It was, however, noticed in Audit that against 15.24 kg of 'wholes' obtained per bag of 80 kg of raw nuts processed during 1991-92, the recovery of 'wholes' during the subsequent four years was reduced to 14.05 kg, 13.97 kg, 14.24 kg and 13.23 kg during 1992-93 to 1995-96 respectively. The loss on account of low recovery of 'wholes' during the four years up to 1995-96 was Rs.5.42 crore.

Management attributed (November 1996) the low yield to poor quality of raw cashew nuts purchased under monopoly procurement scheme.

2A.7 Sales

2A.7.1 Sales policy

Out of over 30 grades of cashew kernels produced 17 grades are of export variety, eight indigenous variety and the rest rejection grades. While the export grades (both wholes and brokens) are exported to countries like USA and UK mainly through agents on payment of commission ranging from 0.5 to 1.5 *per cent* of the invoice value, the indigenous and rejection grades are disposed of through auction conducted periodically.

Though COPU had recommended in July 1993 that there should be a definite policy for fixing the selling prices, the contracts for sales were concluded mainly over phone. It was noticed in Audit that the sales realisation obtained by the Company was far below the average sales realisation obtained by the industry, as discussed in the succeeding paragraph.

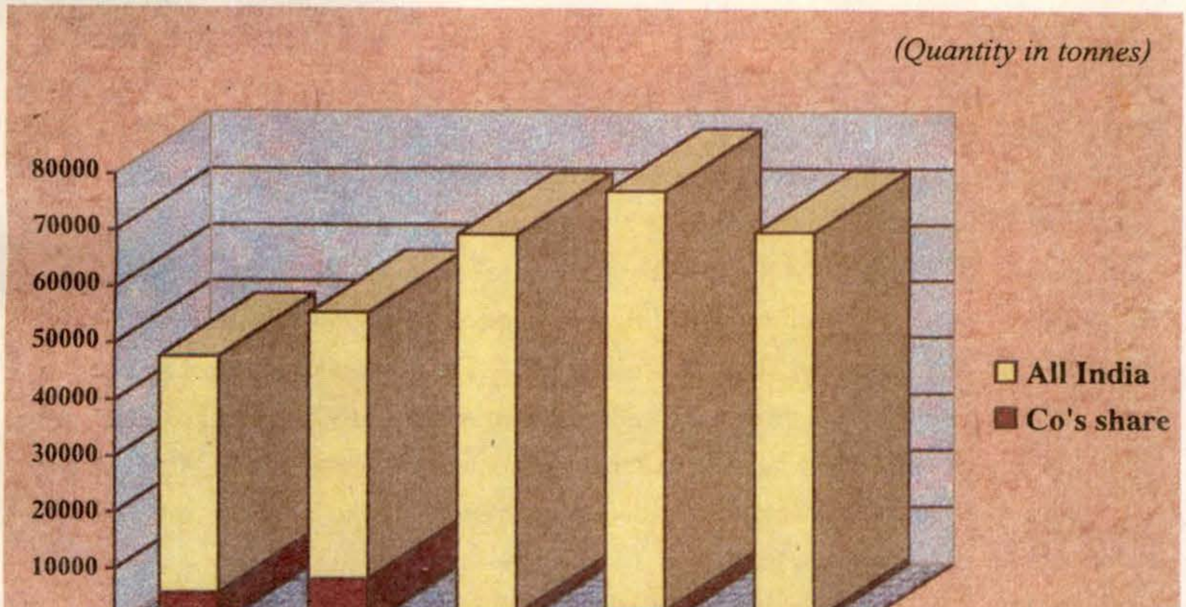
2A.7.2 Sales performance

Low rate of export realisation resulted in a loss of Rs.17.10 crore

2A.7.2.1 The table below indicates the sales performance of the Company *vis-a-vis*, the All India performance during the five years up to 1995-96:

Year	Sales			Company's share	Average export realisation per tonne	
	Company		All India Export		Company	All India
	Domestic	Export				
	(tonnes)			(*per cent*)	(Rs. in lakh)	
1991-92	2499	5838	47738	12.2	1.30	1.40
1992-93	2017	7961	53399	14.9	1.35	1.39
1993-94	889	1972	69342	2.8	1.38	1.51
1994-95	332	2514	77000	3.3	1.50	1.62
1995-96	339	752	69681	1.1	1.48	1.76

A graph indicating the above position is given below :



This would indicate that while the All India exports were increasing, the exports by the Company were steeply declining. The performance in export sales was poor during 1993-94 to 1995-96 due to low production during the respective years. Further, the average sales realisation in respect of the exports made by the Company was also far less than the All India figure. On account of the lower realisation, when compared to the All-India realisation average, the Company sustained a loss of potential revenue of Rs.17.10 crore during the five years up to 1995-96.

2A.7.2.2 It was observed in Audit that there was lack of proper export planning as would be evident from the following instances.

Retention of stock of cashew kernels when the market was showing a declining trend resulted in a loss of revenue of Rs.2.27 crore

2A.7.2.2.(a) During the year 1994-95, the Company estimated production of 113 containers (1794 tonnes) of exportable varieties of cashew kernels. Though the Company started processing the raw nuts in May 1994, and more quantities of raw nuts were being allotted by the Government under the monopoly procurement scheme, the Company entered into (April-May 1994) forward contracts only for the export of 58 containers, as it was expecting further increase in prices during August 1994 because of ensuing Christmas. But, contrary to the expectations, the prices fell from 235-238 cents per pound of W 320 grade prevailed in April/May 1994 to 228-226 cents in June /July 1994. Despite the downward trend, the Company did not enter into further contracts, resulting in piling up of stock to 88750 tins (65 containers) valued at Rs.16.23 crore by the end of July 1994. The international market price of cashew kernels further declined to 223-225 cents in August 1994 and to 218 cents per pound in September 1994 when the Company accepted offers at this rate. Consequent on holding up the stock despite the declining trend and the ultimate sales at the reduced rates, the Company sustained a loss of revenue of Rs.1.27 crore, apart from the loss of over Rs.1 crore by way of interest on the locked up packing credit .

Management stated (November 1996) that it was keeping the stock with the intention of obtaining better prices. As the market was showing a declining trend, and as there was no indication of any increase in rates, the retention of the stock which resulted in a loss of over Rs2.27 crore lacked justification.

2A.7.2.2.(b) During April-July 1995, the Company entered into forward contracts for the export of 105 containers (1667 tonnes) of cashew Kernels of various grades between June-October 1995, without ensuring the availability of sufficient quantity of raw nuts to meet the commitment. The Company started the procurement activity only in the second half of April 1995, after the close of the cashew season. Hence it could procure only a meagre quantity of 2832 tonnes of indigenous nuts. Out of 2832 tonnes of raw nuts processed during 1995-96, the export grade kernels obtained was only 611 tonnes against the contracted quantity of 1667 tonnes.

Entering into forward contract without ensuring procurement of required raw nuts, resulted in a loss of Rs.1.56 crore

As the forward contract holders insisted on specific performance, the Company fulfilled the export obligation by entrusting part of the order with another agency between July 1995 and January 1996 and by effecting supplies during September-October 1996 out of the kernels processed during the next season. This resulted in a loss of Rs.1.56 crore, by way of price difference.

2A.7.3 Export incentives

According to the Export-Import Policy 1992-97, and in view of the Public notice of September 1992, all exporters of cashew kernels were entitled to a value based advance licence for packing materials at the rate of five *per cent* of the f.o.b. value of export. Though the Company was entitled to obtain advance licence with a c.i.f. value of Rs.3.78 crore on its exports aggregating Rs.75.62 crore made during the period September 1992 to September 1993 the Company did not avail of this facility. The licence was transferable to other exporters, if the Company did not want to effect the import, at a premium, which was 37 *per cent* at that time.. The premium lost on this account amounted to Rs.1.40 crore.

Failure to avail of the benefit of advance licence on packing materials resulted in a loss of premium of Rs.1.33 crore

The Company stated (September 1997) that it did not get an opportunity to evaluate the comparative benefits of these licences with *MODVAT* till October 1993 and it was the first institution which claimed the premium for unutilised advance licence. The reply is not tenable as there was no evidence of evaluating the comparative benefits even before availing of advance licence in October 1993 and as the Company was enjoying both the benefits up to March 1994.

The delay in availing of the facility of ALS caused the Company a net revenue loss of Rs.1.33 crore after setting off the *MODVAT* benefit of Rs.6.60 lakh.

2A.8 Internal audit

The Company has an Internal audit cell under the overall control of the Managing Director. But the major transactions of the Company viz. import of nuts, sales, etc., are not covered by the internal audit. The internal audit system in the Company was not commensurate with the size and nature of the business of the Company. The COPU had also recommended (July 1993) that the internal audit system in the Company should be strengthened. However, the Company had not taken any action in this direction so far (March 1997).

Conclusion

The foregoing paragraphs would indicate that :

- *the system of procurement of raw cashew nuts requires streamlining so that the required quantity of quality nuts are procured during the season;*
- *the cost of procurement / import of the raw nuts should be regulated in such a way that the same does not exceed the All India procurement cost; and*
- *the processing requires improvement with a view to getting more quantity of exportable quality kernels.*

As the existence of the Company at the present level of activity lacks justification, urgent appropriate action is called for.

The above matters were reported to the State Government in May 1997; their replies had not been received (October 1997).

Meat Products of India Limited

2B. MEAT PRODUCTS OF INDIA LIMITED

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MEAT PRODUCTS OF INDIA LIMITED

Highlights

The activity of the Company, incorporated in March 1973 for setting up of an export oriented buffalo meat processing project, has been confined to processing meat for internal market. It has been incurring losses continuously and the accumulated loss up to 1995-96 was Rs.2.79 crore.

(Paragraphs 2B.1 and 2B.4.5)

Out of the financial assistance of Rs.2.10 crore received for specific projects, the Company diverted Rs.1.55 crore towards working capital and other purposes, leaving the projects unfinished.

(Paragraphs 2B.4.3.1)

The meat processing complex, Chalakudi taken up for implementation in 1982 did not fructify rendering the investment of Rs.0.28 crore idle.

(Paragraph 2B.5.1)

When compared to the norms, there was excess consumption of poultry feed by 313 tonnes costing Rs.0.15 crore during the five years up to 1996-97 .

(Paragraph 2B.6.1.2)

Low recovery of meat, when compared to the attained rate of recovery, resulted in a loss of Rs.0.35 crore during` the five years up to 1996-97.

(Paragraph 2B.8.2)

While there was under-utilisation of permanent employees by 0.56 lakh hours during the four years up to 1995-96, involving payment of idle wages of Rs.0.07 crore, the Company engaged casual workers for 0.18 lakh days incurring Rs.0.05 crore.

(Paragraph 2B.10)

As the laboratory of the Company is ill-equipped, bacteriological examination of carcass bought is not being carried out.

(Paragraph 2B.11)

2B.1 Introduction

The activity of the Company, incorporated for setting up of an export oriented buffalo meat processing project, has been confined to processing meat for internal market

In December 1972, Kerala Agro Industries Corporation Limited (KAIC), entered into a technical collaboration agreement with an American firm for setting up of an export oriented buffalo meat processing unit. For implementation of the project, Meat Products of India Limited was incorporated in March 1973 as a subsidiary of KAIC. This project did not come up due to uneconomic price offered by the collaborators for the finished products. Hence, in March 1976, the Company took over from the Animal Husbandry Department, the erstwhile Bacon factory at Koothattukulam, for processing meat for internal market. Since then, the activity of the Company was confined to operation of the meat processing unit and maintenance of the livestock farms attached to it. In April 1986, the Company became independent by virtue of transfer of the shares held by KAIC to the State Government.

2B.2 Organisational set-up

As on 31 March 1997, there were eight members (including the non-official chairman), in the Board of Directors of whom seven were appointed by the State Government and one by KAIC. The Managing Director is assisted by the General Manager, Manager (Administration) and Manager (Finance) in the day-to-day functioning of Company.

2B.3 Scope of audit

This review conducted during February to April 1997 generally covers the activities of the Company since inception with special emphasis on its working during the five years up to 1996-97.

2B.4 Finance and resources

2B.4.1 Share capital

Against the authorised capital of Rs.200 lakh, the paid-up capital (including advance towards share capital of Rs.56.05 lakh received between March 1995 and March 1997) as at the end of 1996-97 stood at Rs.242.16 lakh, subscribed by the State Government (Rs.196.59 lakh) and KAIC (Rs.45.57 lakh). Though the approval of the State Government for enhancing the authorised capital to Rs.300 lakh was received in October 1996, approval of the General body had not yet been obtained and hence the shares had not been allotted so far (March 1997).

2B.4.2 Borrowings

The borrowings outstanding as at the end of March 1997 was Rs.58.10 lakh (State Government: Rs.8 lakh, seed capital loan received from Government of India in April 1995: Rs.20 lakh, purchase advance from The Kerala State Civil Supplies Corporation Limited: Rs.17.03 lakh and Ernakulam District Co-operative Bank Limited: Rs.13.07 lakh). The loan from Government of India did not bear any interest during the first five years of disbursement. The total interest due on the loans as at the end of 1996-97 was Rs.41.99 lakh.

The working capital requirements of the Company were mainly met by diversion of funds received from Government for various schemes, as discussed in paragraph 2B.4.3.

2B.4.3 Diversion of funds

2B.4.3.1 Under a scheme for providing assistance to small and marginal farmers (under Prime Minster's Special Scheme) the State Government entrusted (February- March 1993) the Company with the implementation of Massive Livestock Development Programme (MLDP) for the production of meat and eggs on a large scale.

The Company diverted Rs.1.55 crore, out of project finance to working capital, loan repayment, etc.

According to the programme, the Company had to supply 45-60 day old chicks to economically weaker sections of farmers in each panchayat of the State at 50 *per cent* subsidy and two weaned piglings each to identified beneficiaries for taking-up breeding programme at a subsidy of Rs.200 per pigling.

For the implementation of the project, the State Government released Rs.168 lakh during February-March 1993. Even after a lapse of four years since the receipt of the assistance, the Company could utilise Rs.37.11 lakh only. Out of the balance, the Company released Rs.18 lakh to Kerala Agricultural University, as directed by the State Government and the entire balance (Rs.112.89 lakh) was diverted for repayment of loans and for working capital.

Similarly, the entire Central assistance of Rs.41.75 lakh received between March 1992 and April 1995 for the implementation of a Poultry Dressing Plant stood diverted for working capital.

According to the Management (October 1997), diversion was reported to Government and their approval had not been received.

2B.4.4 Financial position

The accounts of the Company have been finalised only up to 1994-95. The table below summarises the financial position of the Company under the broad headings as at the end of the four years up to 1995-96, based on the finalised accounts up to 1994-95 and the provisional accounts for 1995-96:

Particulars	1992-93	1993-94	1994-95	1995-96
		(Rupees in lakh)		
Liabilities:				
Paid-up capital	186.11	186.11	205.16	209.45
Capital reserve	25.00	25.00	75.05	75.06
Borrowings	292.34	106.78	93.84	88.39
Trade dues and current liabilities	61.91	193.99	189.25	214.89
Total	**565.36**	**511.88**	**563.30**	**587.79**
Assets:				
Gross block	72.60	77.85	115.52	114.37
Less: depreciation	25.34	28.54	32.65	40.11
Net block	47.26	49.31	82.87	74.26
Capital work-in-progress	22.83	57.92	62.75	86.37
Current assets, loans and advances	258.86	170.23	162.45	134.30
Miscellaneous expenditure	13.63	13.63	13.83	13.83
Accumulated loss	222.78	220.79	241.40	279.03
Total	**565.36**	**511.88**	**563.30**	**587.79**
Capital employed **	267.04	53.01	118.82	80.04
Net worth* **	**(-) 25.30**	**(-)23.31**	**25.00**	**(-)8.35**

2B.4.5 Working results

The Company has been incurring losses continuously since inception except during 1992-93 and 1993-94 when it made profit of Rs.8.34 lakh and Rs.2.00 lakh respectively. The profit during these two years was due to treating capital grant as revenue (Rs.3 lakh) and reversal of gratuity provision made in earlier years (Rs.12.79 lakh) during 1992-93 and capitalisation of interest of Rs.4.89 lakh during

** Capital employed represents net fixed assets, capital work-in-progress *plus* working capital.

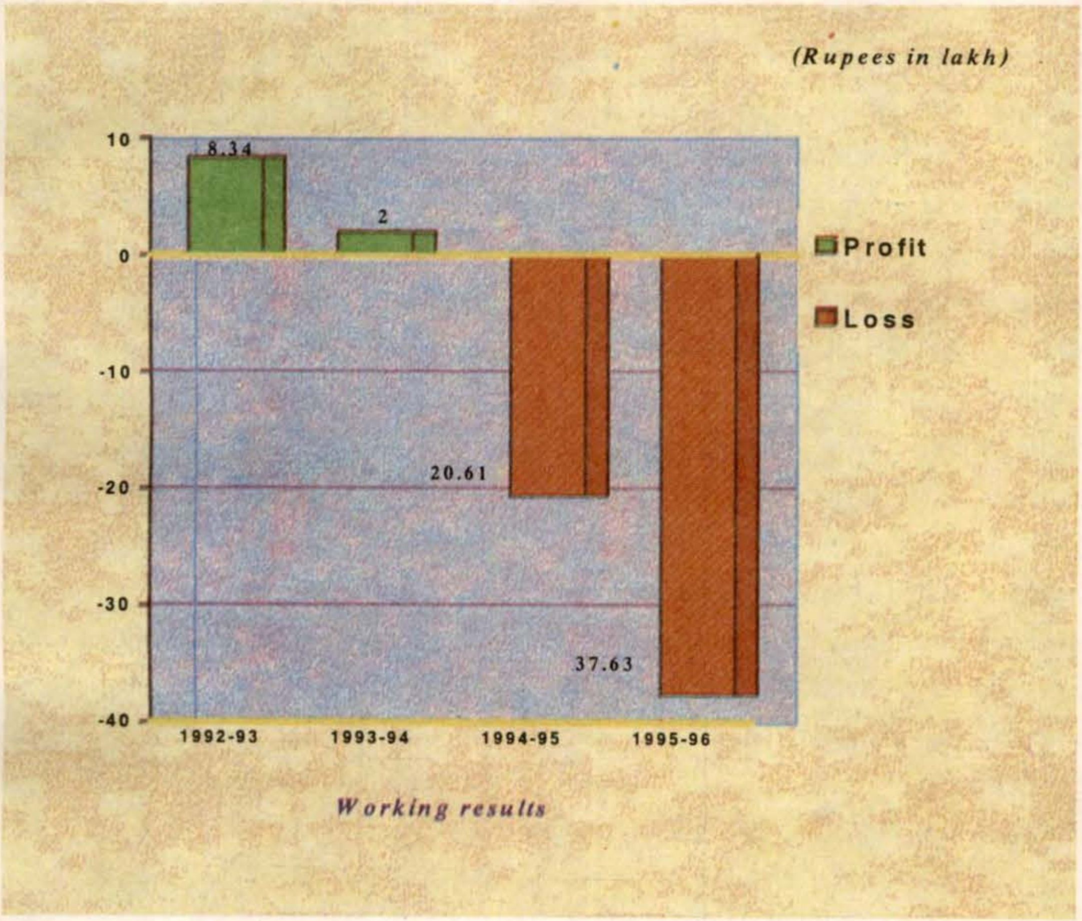
*** Net worth represents paid-up capital *plus* reserves *less* intangible assets.

1993-94. The working results of the Company for the last four years up to 1995-96 are given below:

Particulars	1992-93	1993-94	1994-95	1995-96*
	(Rupees in lakh)			
Income:				
Sales	215.00	197.99	264.99	250.75
Other Income	25.00	20.94	10.43	11.54
Profit /(loss)				
- in Pig Farm	4.12	5.76	5.17	1.48
- in Poultry Farm	0.52	3.21	(7.93)	(4.51)
- in Rabbit Farm	(0.18)	0.46	(0.19)	(0.33)
Increase in stock	3.08	1.33	0.55	4.76
Total	**247.54**	**229.69**	**273.02**	**263.69**
Variable cost:				
Materials	167.44	162.84	222.84	210.65
Labour	41.18	41.17	48.61	63.23
Contribution	38.92	25.68	1.57	(10.19)
Fixed cost	30.58	23.68	22.18	27.44
Net profit /(Loss)	**8.34**	**2.00**	**(20.61)**	**(37.63)**

* Provisional

A diagramatic presentation of the working result of the Company is given below:



The accumulated loss of the Company up to 1995-96 to the tune of Rs.279.03 lakh exceeded the paid-up capital of Rs.209.45 lakh by 33 *per cent*. According to the management, low level of activity was the reason for the continued unsatisfactory performance of the Company.

2B.5 Implementation of projects

2B.5.1 Meat processing complex, Chalakudi

The meat processing complex, taken up for implementation in 1982 did not fructify, rendering the investment of Rs.0.28 crore idle

The project for the export oriented buffalo meat processing unit, for which the Company was incorporated, did not fructify. Hence, another detailed project report was got prepared (1979) by the Company through N.E.Wernberg, Denmark for setting up a project involving a capital outlay of Rs.550 lakh for processing 150 buffaloes per day. Mention was made in paragraph 5.1.2 of the Report of the Comptroller and Auditor General of India (Commercial) Government of Kerala for the year ended 1982-83 about the payment of fee to the consultant for preparation of the project report which was incomplete as it was silent as to the marketing tie-up for the finished products, source of raw material etc. However, the Company decided (December 1982) to go ahead with the project and acquired 6.029 hectares of land at a cost of Rs.14.01 lakh at Chalakudi. In September 1987, the State Government decided to establish a meat processing complex at this site. Apart from the acquisition of the land, the Company spent Rs.13.83 lakh for the preparation of the project report and other allied expenses. The project report prepared (September 1987) for the purpose, envisaging an investment of Rs.10 crore was not, however, approved by the Central Government. Hence, the project was not completed, thereby rendering the investment of Rs.27.84 lakh idle.

2B.5.2 Large animal slaughter plant

Investment of Rs.0.22 crore on Large Animal Slaughter Plant remained unfruitful

In August 1977, the Company decided to establish a plant costing Rs.31.80 lakh with the objective of slaughtering and processing 25 large animals (buffalo and cattle) per shift, and to achieve a production of 562.50 tonnes per annum. The project envisaged for completion in 18 months, was proposed to be financed by share capital from Government (Rs.8.50 lakh), term loan from banks

(Rs.21.50 lakh) and subsidy from the State Government (Rs.1.80 lakh). Up to 1987, the Company spent Rs.22.42 lakh on building, refrigeration, etc. As the Company started buying carcass of large animals from 1988, it did not evince much interest in completion of the project thereafter. But it was noticed in Audit that during 1991-92, the Company spent Rs.14.58 lakh on meat handling system.

As the Company does not have any specific plan for the utilisation of the facilities created, the space is being utilised for storage of various items. Thus, the investment of Rs.22.42 lakh remained unfruitful, as it was not used for the purpose for which it was sanctioned.

Management stated (October 1997) that due to high cost involved in the purchase of live animals locally, there was no chance of utilising the capacity fully, even if it is completed. This would indicate that the project was conceived without realistic assessment as to the source of input.

2B.5.3 Modernisation programme

Investment of Rs.0.84 crore on modernisation of the plant did not yield the desired result

2B.5.3.1 In November 1990, the Company submitted a proposal to the State Government for improving the existing facilities in the meat processing plant involving an outlay of Rs.84.35 lakh. Under the scheme, the Central Government would provide 50 *per cent* capital expenditure as grant-in-aid and the balance amount was to be provided by the State Government/local bodies/public institutions.

With the proposed improvements, the capacity of the Plant was expected to increase from 300 tonnes to 1280 tonnes per annum of various items of finished products (Pork: 300 tonnes, Beef/Buffalo: 740 tonnes and Broiler: 240 tonnes). The Central Government approved the proposal and released Rs.25 lakh in February, 1991. In February 1992, the cost of the scheme was revised to Rs.130 lakh due to inclusion of certain additions to satisfy the provisions of the Meat Food Products Order, 1973. The State Government accorded administrative sanction for the scheme and released matching contribution of Rs.25 lakh in March 1993. The revised project cost was approved by the Central Government in December 1994.

Between March 1995 and February 1997, the Company received Rs.76.35 lakh from the Central/State Government, making the total amount to Rs.126.35 lakh.

It was noticed in Audit that, out of the total expenditure of Rs.101.12 lakh, Rs.17.50 lakh was incurred on items such as Post Office building, laboratory/conference hall and quarters which were outside the programme of modernisation.The investment of the balance amount of Rs.83.62 lakh on the scheme did not yield the desired results, as the installed capacity remained static at the original level of 300 tonnes per annum.

2B.6 Performance of livestock farms

2B.6.1 Poultry farm

The loss on account of excessive mortality rate was Rs.0.21 crore

2B.6.1.1 The Company would purchase one day old layer chicks from outside agencies, rear them in the farm for 45-50 days and then distribute to the farmers through Animal Husbandry Department at the rates fixed by the Department. On the other hand, the Broiler chicken (8 weeks old) would be processed into meat in the factory.

According to the Kerala Agricultural University, the maximum permissible mortality limit was 5 *per cent*. Against this, the actual percentage of mortality of chicks in the Company ranged between 19 and 70 during the five years up to 1996-97. The mortality in excess of the norm was to the extent of 302.44 lakh chicks. Based on the average purchase price, the loss on this account was Rs.21.05 lakh.

According to the Company (October 1997), the abnormally high rate of mortality was due to low quality of the feed produced in the Company and fed to the birds, poor quality of the chicks purchased, delay ranging up to 72 hours in transportation of the chicks from the purchase point to the Company, over crowding of birds at its farms resulting in poor water and feed consumption and high incidence and spread of infectious disease. Management also added that the mistakes committed in the past in this respect would be rectified.

2B.6.1.2 Excess consumption of poultry feed

The standard rate of consumption of poultry feed, as fixed by the Kerala Agricultural University is 2 kg during 0-8 weeks for layer chicks and 2.5 kg per one kg of live broiler. The consumption in excess of the norm during the five years up to 1996-97 was 312.6 tonnes which involved an extra expenditure of Rs.15.29 lakh.

There was excess consumption of poultry feed by 313 tonnes costing Rs.0.15 crore

According to the Company (October 1997), the excess consumption was due to providing low energy, low protein and high fibre feed to poultry.

2B.7 Purchase of animal carcass

2B.7.1 Purchase procedure

Up to 1988, the Company was purchasing buffalo and cattle from the local market for slaughtering them in the slaughter house for further processing. As procuring of animals on specific days on large scale and processing them in the factory without delay was found inconvenient, and the prices in the local market were comparatively higher, the Company almost dispensed with the system of procurement and preferred to purchase animal carcass from Tamil Nadu and Karnataka.

Though the purchase of carcass ranged between 2127 quintals (1996-97) and 3037 quintals (1994-95) during the five years up to 1996-97, there was no system of inviting competitive tenders from the potential suppliers.

As a result, the Company incurred an extra expenditure of Rs.3.23 lakh during 1993-94 and 1995-96 in the purchase of 2845.25 quintals of veal carcass at higher rates, compared to the maximum rates then prevailing in that locality.

2B.8 Production

2B. 8.1 Capacity utilisation

2B.8.1.1 The installed capacity of the meat processing plant is 300 tonnes of meat products per annum. Though the Company had been processing beef, chicken, rabbit, etc., it had not reassessed its installed meat processing capacity taking into account the variety of meat products and subsequent addition in men and machinery.

The table below summarises the budgeted and actual production of meat products during the five years up to 1996-97 against the originally created installed capacity of 300 tonnes:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
	(Quantity in tonnes)				
1. Budgeted production	278	291.9	300.2	298.7	255.2
2. Actual production	239.3	277.8	272.8	230.4	227.6
	(Percentage)				
3. Capacity utilisation	79.8	92.6	90.9	76.8	75.8

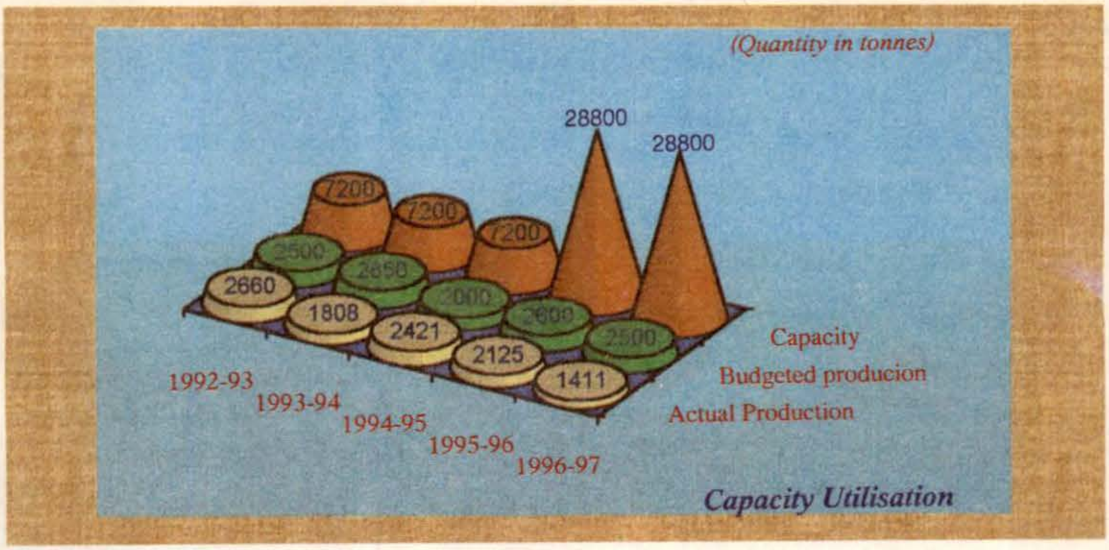
The Company did not offer (October 1997) any reasons for the decrease in capacity utilisation of meat processing during 1995-96 and 1996-97.

2B.8.1.2 Utilisation of Feed Mixing Plant

The Company had been producing animal feed and for that purpose, a semi-automatic feed mixing plant having an installed capacity of 7200 tonnes per annum (cost Rs.1.32 lakh) had been in operation in the Company since December 1988. The actual production was between 1411 and 2660 tonnes only, during the period from 1992-93 to 1996-97 as shown below:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
	(Quantity in tonnes)				
1. Installed capacity	7200	7200	7200	28800	28800
2. Budgeted production	2500	2850	2000	2600	2500
3. Actual production	2660	1808	2421	2125	1411
	(Percentage)				
4. Capacity utilisation	36.9	25.1	33.6	7.4	4.9

A diagramatic presentation of the capacity utilisation is given below :



While the existing plant was being used only partially and its utilisation was dependent on the orders from the Agricultural University/Animal Husbandry Department, the Company installed another plant (costing Rs.6.90 lakh) with a capacity of 21600 tonnes in March 1995.

Even after commissioning the new plant, the production during 1995-96 and 1996-97 was only 2125 tonnes and 1411 tonnes respectively for which the old plant was sufficient. Hence the additional investment of Rs.6.90 lakh on the new plant was avoidable.

As against the minimum capacity of 24 tonnes per shift, the maximum production per shift obtained in the new plant was only 7 tonnes which would indicate that the actual capacity of the new plant is only one-third of the ordered capacity. In the absence of any provision in the agreement for performance guarantee, the Company could not proceed against the supplier for the supply of the low capacity plant. The Management concurred (October 1977) with the observation of Audit.

Thus, even after increasing the production capacity almost four-fold in March, 1995, the Company did not take any effective steps for stepping up production, with the result that the capacity utilisation of the plant showed a declining trend.

The Management attributed (October 1997) the decline in the capacity utilisation from 1995-96 to lack of orders from Animal Husbandry Department, as the farms of the Department either produced feeds in their own mills or bought feeds from other sources.

2B.8.2 Recovery of products

Low recovery of meat products resulted in a loss of Rs.0.32 crore

An analysis of the live body weight of the animals and the finished products obtained therefrom revealed variations in the rate of recovery from year to year. The Company had not fixed any rate for recovery of finished products from the live body weights of animals. The table below indicates the rate of recovery obtained in respect of pork, beef and chicken against the live body during the five years up to 1996-97:

Particulars	1992-93	1993-94	1994-95	1995-96	1996-97
(i) Beef					
L.B.W (Quintals)	6316	6195	6264	4667	4268
F.P. (Quintals)	1409	1577	1572	1225	1153
Percentage	22.3	25.4	25.1	26.2	27.0
C.L.(Quintals) (base year : 1996-97)	298	97	121	36	--
V.L.(Rs. in lakh)	8.01	2.85	3.97	1.35	--
(ii) Chicken					
L.B.W. (Quintals)	599	597	633	615	660
F.P. (Quintals)	421	447	494	433	467
Percentage	70.3	74.9	78.0	70.4	70.8
C.L. (Quintals) (Base year : 1994-95)	47	19	--	48	49
V.L. (Rs. in lakh)	1.95	0.88	--	2.78	2.83
(iii) Pork					
L.B.W.(Quintals)	950	1448	1346	1230	1353
F.P. (Quintals)	536	703	636	643	655
Percentage	56.4	48.5	47.3	52.3	48.4
C.L. (Quintals) (base year : 1992-93)	--	114	123	54	108
V.L.(Rs. in lakh)	--	7.07	8.30	3.68	7.78

L.B.W = live body weight F.P = finished products
C.L. = conversion loss V.L. = value of loss

Thus, the low recovery of meat products from pork, and chicken when compared to the attained rate of recovery resulted in a loss of Rs.35.27 lakh during the five years up to 1996-97. In the case of beef, the yield, though uniform, was in the region of only 25 *per cent* in all the five years.

According to the Management (October 1997), the yield would vary depending on the type of product manufactured. The reply is not tenable as the loss arrived at was based on the overall yield obtained for each type of product during each of the years.

2B.9 Sales performance

The Company is marketing pork, beef, mutton and chicken products through dealers appointed at various places within the State. The supply of the products to the dealers are made at the sale points by the Company, at the list price less commission ranging between 6 *per cent* and 12 *per cent* depending on the value of purchase. The livestock feed is either sold to the Government departments or used in its own livestock farms.

The table below shows the sales for the five years up to 1996-97:

Year	Meat products			Livestock feed		Others		Total
	Qty.	Average rate per kg (Rupees)	Value	Qty.	Value	Qty.	Value	(Rupees in lakh)
1992-93	232	36.60	84.93	2680	132.01	65	6.38	223.32
1993-94	275	40.07	110.20	1809	90.23	76	7.80	208.23
1994-95	270	44.95	121.38	1915	143.48	86	10.82	275.67
1995-96	224	51.05	114.36	2145	143.38	NA	2.98	260.72
1996-97	230	58.24	133.96	981	82.49	NA	25.90	242.35

(Qty. in tonnes, Value: Rs. in lakh, NA : Not available)

It can be seen that while the quantity of meat product sales steadily declined from 1993-94, the sale of livestock feed which was in the region of 2000 tonnes per annum had suddenly dipped to less than 1000 tonnes in 1996-97.

2B.9.1 Sale of layer chicks below cost

Sale of chicks below cost resulted in a loss of Rs.0.41 crore

Under MLDP, the Company supplied 192773 layer chicks to farmers and agricultural labourers through Animal Husbandry Department during the four years up to 1996-97. A scrutiny of records revealed that the sale price of layer chicks fixed by the Government was far below the cost of purchase and rearing of the chicks, resulting in a loss of Rs.41.08 lakh during these four years.

Management stated (October 1997) that its request for enhancement in the sale price was not accepted by Government and as it had received funds in advance for implementing the Scheme, the Company could not withdraw from the obligation.

2B.10 Man power

2B.10.1 Utilisation of labour

While there was under-utilisation of permanent employees necessitating payment of idle wages of Rs.0.07 crore, the Company engaged casual workers paying Rs.0.05 crore

A review of the actual labour utilisation with reference to the norms prepared and submitted in April 1989 by the Kerala State Productivity Council showed that the percentage of utilisation of the permanent employees declined from 94 *per cent* in 1992-93 to 81 *per cent* in 1995-96. Consequently, 0.56 lakh man-hours remained unutilised. Based on the average wages paid during each of these four years and reckoning the annual working days at 243, the idle wages paid amounted to Rs.6.94 lakh.

2B.10.2 Engagement of casual workers

While the percentage of under-utilisation of the regular labour ranged between 17 and 29, the Company engaged casual labourers for 17745 labour days and paid Rs.5.11 lakh as wages during the four years up to 1995-96 in production, farm works, and feed mixing works. The engagement of casual labourers despite under-utilisation of the regular workers lacked justification.

Management stated (October 1997) that engagement of causal workers has since been discontinued.

2B.11 Quality control

The Company has been granted category 'A' licence under The Meat Food Products Order, 1973 which stipulates that the licencee has to make meat food products exclusively from the meat of animals slaughtered and dressed in the factory of the licensee. But except in the case of pork and broiler products, which are made from the animals/birds slaughtered in the factory, beef products forming about 50 to 59 *per cent* of the total production is mainly from carcass purchased from neighbouring States, thus violating the licence conditions.

Further, the Raw meat (chilled or frozen) Grading and Marketing Rule, 1991 stipulates that:

(i) fresh meat/carcass is to be transported in vehicles fully covered with impervious flooring and side walls;

(ii) in case transportation exceeding 100 km involving more than 3 hours is required, suitable arrangement should be made to maintain temperature not exceeding 4°C and the carcass should be kept in hanging position; and that

(iii) the chilled or frozen items should be transported in insulated or refrigerated vans.

The Company is, however, transporting the carcass from places like Thanjavoor, Salem, Bangalore, etc., in open lorries, packed with equal or less quantity of ice. Transportation of finished products is also done in similar conditions, thereby violating the provisions of the Act / Rule.

In the case of slaughter in the factory, only ante-mortem and post-mortem visual inspections of the animals/birds are conducted. In the case of carcass purchased from outside, only a certificate from the designated veterinary surgeon regarding ante/post-mortem inspection is furnished at the time of despatch along with the invoices. Apart from these, no microbiological or any other testing is conducted in the Company. Hence the Company is not ensuring that the items processed and sold are free from diseases/harmful bacteria.

Management stated (October 1997) that bacteriological examination of meat is not being carried out, as the laboratory of the Company was ill-equipped.

Conclusion

From the foregoing it is evident that:

- ***the rate of recovery of meat was low;***
- ***the Company had not been following the quality parameters prescribed in processing, packing and transportation of meat; and***
- ***financial assistance received for specific projects had been diverted for working capital, thereby leaving the projects incomplete.***

The above matters were reported to the State Government in July 1997; their replies had not been received (October 1997).

The Kerala State Civil Supplies Corporation Limited –

Functioning of Maveli Stores, Super Markets and Other Retail outlets

2C. THE KERALA STATE CIVIL SUPPLIES CORPORATION LIMITED - FUNCTIONING OF MAVELI STORES, SUPER MARKETS AND OTHER RETAIL OUTLETS

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THE KERALA STATE CIVIL SUPPLIES CORPORATION LIMITED - FUNCTIONING OF MAVELI STORES, SUPER MARKETS AND OTHER RETAIL OUTLETS

Highlights

The performance of Maveli stores, super markets, petrol bunks, etc., set up by the Company with the laudable objective of providing essential commodities to the general public at reasonable prices, had been showing a declining trend as the value of sales decreased from Rs.275.01 crore in 1992-93 to Rs.224.40 crore in 1995-96. Due to the poor performance, the Company had been losing heavily and the loss sustained during the five years up to 1995-96 aggregated Rs.88.88 crore.

(Paragraphs 2C.1 & 2C.3)

Owing to hiring of space in excess of the norm fixed, for setting up the Maveli stores, the Company had to incur additional expenditure of Rs.0.52 crore by way of rent during the five years up to 1995-96.

(Paragraph 2C.4.2)

The volume of sales through Maveli stores declined from 75257 tonnes of various commodities in 1991-92 to 18602 tonnes in 1995-96, which marked a steep decline of 75 *per cent* in a span of four years. The Company did not maintain separate data on the functioning of Maveli stores to assess the viability of those stores.

(Paragraph 2C.4.3)

The sales in super markets declined from Rs.10.39 crore in 1992-93 to Rs.6.90 crore in 1994-95, resulting in a loss of Rs.1.13 crore during the two years up to 1994-95.

(Paragraph 2C.5.2)

The performance of the petrol bunks of the Company resulted in a loss of Rs.0.78 crore during the five years up to 1995-96.

(Paragraph 2C.6.2)

The value of shortage of stock during the five years up to 1995-96, based on the available details, in Maveli stores, super markets and petrol bunks aggregated Rs.2.75 crore.

(Paragraph 2C.7)

In 13 depots of the Ernakulam region and 14 depots of the Palakkad region alone, the loss sustained on the sale of damaged stock during the five years up to 1995-96 was Rs.0.51 crore, in addition to the loss of Rs.0.11 crore due to destroying totally damaged stock. Besides, these depots held damaged stock valued at Rs.0.32 crore as at the end of 1995-96.

(Paragraph 2C.8)

According to an assessment made by Audit, 2950 disciplinary cases were pending as at the end of December 1996 against the employees responsible for shortage/ damage to stock and for misappropriation of sale proceeds. Further, recovery in respect of 192 cases of misappropriation of commodities involving Rs.0.42 crore committed during the period from 1982-83 to 1993-94, were pending.

(Paragraph 2C.9)

Due to embarking on the new venture of distribution of wheat, without ascertaining the market condition and its viability, the Company sustained a loss of Rs.0.32 crore.

(Paragraph 2C.10)

2C.1 Introduction

The performance of Maveli stores, super markets and petrol bunks had been showing a declining trend

The Company was incorporated in June 1974 with the objective of making available essential commodities to the general public of the State at reasonable prices during all seasons. For this purpose, the Company identified sixteen items such as rice, pulses and spices as essential commodities and till the end of 1980, the Company had been distributing those commodities through Kerala Stores, Authorised Retail Distributors (ARDs) and selected co-operative societies.

In March 1981, the Company decided to set up its own retail outlets for the sale of these essential commodities at subsidised prices. These retail outlets are called Maveli stores. Over the years, the Company expanded its distribution net work by opening a few super markets, petrol bunks, LPG retail outlets, etc. As at the end of 1996-97, there were 651 Maveli stores, 14 super markets, nine petrol bunks, three LPG retail outlets and one kerosene wholesale depot.

In addition, the Company is the wholesale dealer of the State Government to ARDs as regards levy sugar. It also undertakes distribution of palmolein oil to ARDs, selected co-operatives and through Maveli stores. The Company also sells rice, pulses and oil to schools under the noon-feeding programme.

Though initially Maveli Stores were selling only 16 essential commodities at subsidised rates, the sale of other profit making items including super market items such as cosmetics and toiletry preparations, tinned foods, etc., was also undertaken. Over the years the system of centralised purchase was extended to most of the items except easily perishable items such as onion, potato, sweets, pappad, chips, etc. Maveli items are at first taken delivery in the district depots of the Company from where they are distributed to Maveli Stores through the Company's taluk depots concerned. Super market items are initially received at the central godown or directly in the super markets from where they are distributed to Maveli Stores and other super markets through company's own vehicles.

2C.2 Scope of Audit

The system of procurement and distribution of essential commodities by the Company was reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) - Government of Kerala for the year ended 31 March 1993. The present review undertaken between September 1996 and March 1997 covers the functioning of all the retail outlets of the Company in general and those of Thiruvananthapuram, Ernakulam and Palakkad regions in particular, during the five years up to 1996-97.

2C.3 Sales performance

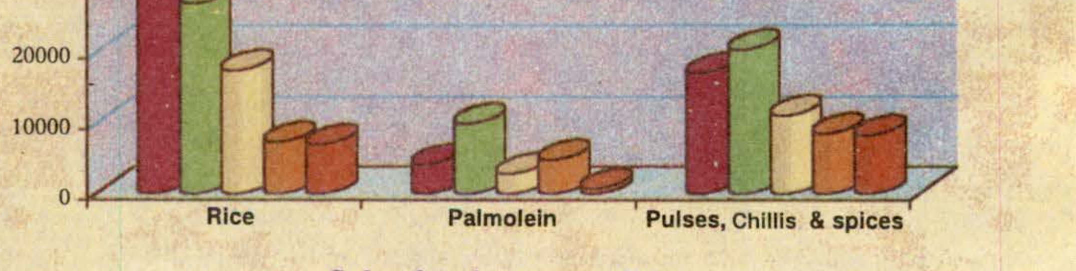
The table below gives the value of sales effected by the Company during the five years up to 1995-96:

Commodity	1991-92	1992-93	1993-94	1994-95	1995-96
	Rupees in crore				
Rice	32.82 (53602)	29.93 (26828)	21.38 (17434)	15.00 (7345)	14.51 (6987)
Palmolein oil	33.49 (4177)	47.71 (9956)	9.36 (2866)	23.04 (4839)	2.56 (730)
Pulses,chilli, spices,etc.	37.90 (16948)	49.76 (20263)	29.51 (11037)	28.98 (8567)	35.30 (8301)
Sugar(free sale)	1.17 (530)	0.51 (443)	3.13 (1784)	3.04 (2292)	3.36 (2584)
Levy sugar	75.84 (129609)	109.69 (156573)	132.82 (158823)	125.09 (139045)	136:25 (151686)
Sabari tea	6.23	6.54	5.47	4.45	6.03
Petroleum products	14.51	16.45	18.21	16.31	15.57
Other misc. items	12.34	14.42	11.28	9.29	10.82
Total	**214.30**	**275.01**	**231.15**	**225.20**	**224.40**

(Note: *Figures in brackets indicate quantity in tonnes.)*

A diagram depicting the sales performance of major commodities is given below:

(Quantity in tonnes)



Sale of major commodities

It could be seen that:

- the sale of levy sugar and pulses accounted for 76 *per cent,* constituting the bulk of sales; and
- the overall sales has been showing a declining trend from 1993-94 onwards.

The Company has been losing heavily and the loss sustained by the Company during the five years from 1991-92 to 1995-96 alone, based on the provisional accounts, aggregated Rs.88.88 crore, against the accumulated loss of Rs.25.79 crore since inception up to 1990-91.

Due to poor performance, the loss sustained during the five years up to 1995-96 was Rs.88.88 crore

The Company stated (August 1997) that the losses were mainly due to supplying items below the market prices with a view to contributing to the price stabilisation in the State. The reply is not tenable as the share of the Company in the total sales of essential commodities in the State is negligible, and it did not have any system to assess the impact of such sales below the market price in controlling the price line.

2C.4 Functioning of Maveli stores

2C.4.1 Setting up of Maveli stores

In addition to the 357 Maveli stores existing as at the end of 1990-91, the Company set up 335 Maveli stores during the six years up to 1996-97 mainly at the instance of the State Government. Before setting up the new Maveli stores, the Company did not assess the viability and the requirement of the stores. Hence, due to lack of response from the customers, during the last four years the Company had to close down 41 Maveli stores opened after 1990-91, and their period of operation was between six months and four years only. The Company had not assessed the loss sustained by these 41 unviable units.

Management stated (August 1997) that five Maveli stores were closed down due to labour problems, dispute in rent, profession tax, etc., and four were closed down for conversion to super markets. Management also stated that three of the closed stores have since been reopened. It was also stated that action was under way to reopen the closed units after locating better premises, which would indicate that the units were not originally located in ideal places.

2C.4.2 Hiring of accommodation

Hiring of excess space resulted in additional expenditure of Rs.0.52 crore

According to the action plan (1981) for setting up of Maveli stores, the area required for each store was not more than 600 sq.ft. in corporation and municipal limits and not more than 300 sq.ft in other areas. In the Business Review meeting of the Company held in April 1994 also, it was decided that under no circumstances, more than 400 sq.ft. should be hired for setting up retail outlets. An analysis of the area hired for 389 Maveli stores excluding 26 Maveli Stores (for which details were not available) under Thiruvananthapuram, Ernakulam and Palakkad regions, revealed that only 76 Maveli Stores were functioning within the areas specified and 313 units were occupying space in excess of the prescribed limit. While, the area occupied in corporation limits ranged up to 1540 sq.ft. (Pettah, Thiruvananthapuram), in municipal limits it was up to 1547 sq.ft. (Ponnani) and in other areas it ranged up to 1000 sq.ft (Ambalapuzha). The additional expenditure incurred by the Company by way of rent due to hiring area in excess of the requirement amounted to Rs.52.07 lakh for the five years up to 1995-96. Management stated (August 1997) that the norm fixed for the area could not be treated as a binding directive and that the multifarious functions such as noon-feeding issues to schools, conduct of festival markets, etc., of these stores had also to be considered. As the commodities required for sales in Maveli stores were transported from the designated depots once or twice a week, the issue for noon-feeding to schools were limited to a few days every month and as festival markets were arranged in temporary sheds / other premises, hiring of more space permanently lacked justification.

It was only in October 1993 that the Company prescribed the maximum rate of rent payable for space hired for Maveli Stores in the corporation, municipal and other areas at Rs.3, Rs.1.75 and Rs.1.25 per sq. feet respectively. However, the rent paid by the Company for the 3 localities was ranging up to Rs.5.31, Rs.5.72 and Rs.3.18 per sq.feet respectively. There was no system of inviting offers before hiring space for the stores. Instead, the Company was hiring the space on the basis of a selection made by the assistant managers of the depot concerned. The reasonableness of the rent paid could not, therefore, be ensured.

According to the management (August 1997), on certain earlier occasions, there was lack of response to advertisements for hiring space in Ernakulam area. The reply is not tenable as lack of response in certain localities during a particular period could not be considered as a valid reason for not observing the accepted system of inviting competitive offers.

2C.4.3 Turnover

At the time of opening Maveli stores, the Company had projected that the daily sales should be around Rs.10,000 in corporation and municipal areas and Rs.5000 in other places, so as to leave a monthly margin of Rs.10,000 and Rs.5000 respectively to meet other fixed expenses. The actual sales in over 500 Maveli stores was far below this target, as shown below:

The volume of sales through Maveli stores declined sharply from 75257 tonnes of various commodities in 1991-92 to 18602 tonnes in 1995-96

Year	Total No. of stores*	Number of stores with daily turnover between Rupees			
		0 - 1000	1001-3000	3001-5000	Above 5000
(1)	(2)	(3)	(4)	(5)	(6)
1992-93	518	--	79	245	194
1993-94	564	43	397	99	25
1994-95	674	116	430	96	32
1995-96	680	165	443	62	10

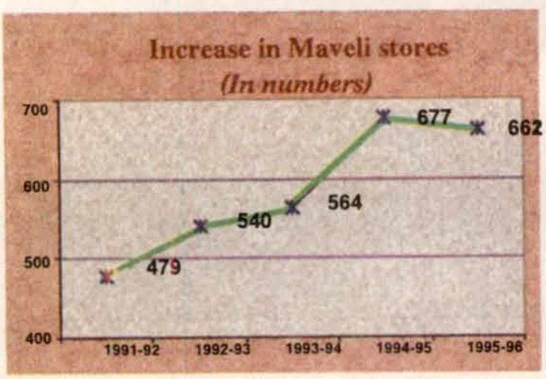
This would indicate that the turnover of the stores has been steadily on the decline and that the percentage of Maveli stores with an average daily turnover of more than Rs.5000 declined from 37.5 in 1992-93 to 1.5 during 1995-96.

* For which details are available

The total volume of sales through the Maveli Stores also declined from 75257 tonnes of various commodities in 1991-92 to 57490 tonnes in 1992-93, 33121 tonnes in 1993-94, 23043 tonnes in 1994-95 and to 18602 tonnes in 1995-96. Thus, while the volume of sales declined by 75 *per cent* in the five years up to 1995-96, when compared to 1991-92, the Company went on increasing the number of the retail outlets from 479 to 662 during the period (excluding the stores closed during the year).

Management stated (August 1997) that the turnover depended on the composition of items traded and the price structure and the position had improved during 1996-97. This would indicate that the composition of items traded and the price structure in earlier years were not decided realistically.

Decrease in sales performance while there was increase in the number of Maveli stores is depicted in the diagrams given below :



The Company did not maintain necessary records to assess the working results of the stores separately and hence the profitability and viability of operation of these stores could not be ascertained. According to the Management (August 1997), analysis of the working results of each store was meaningless, as profitability considerations were not relevant in view of the fact that items sold through them were heavily subsidised. However, apart from the sale of subsidised items, the sale of other items contributing to an average profit margin of 8 *per cent* had been extended to Maveli Stores also from 1991 onwards with the intention to make the operation of Maveli Stores economically viable. It is therefore necessary to assess the working results of the individual units to review their performance periodically.

2C.5 Functioning of super markets

2C.5.1 Between June 1984 and March 1996, the Company set up 12 super markets and two mini-super markets in the State. These super markets are operated on self-service basis from out of the pre-packed items like provisions, cosmetics, toiletries, packed food items, confectioneries, etc. Selling price of super market items are generally fixed at a profit margin of 8 *per cent*. In case the printed maximum retail price (MRP) allows a margin over 8 *per cent*, a portion thereof, subject to a maximum of 4 *per cent* is passed on to the customer.

2C.5.2 Working results

The sales in super markets steeply declined, resulting in a loss of Rs.1.13 crore during the last two years ending 1994-95

There is no system of periodically assessing the working results of the super markets. Based on the figures compiled by the internal audit wing of the Company, at the time of finalisation of annual accounts, the total sales in the various super markets declined from Rs.10.39 crore in 1992-93 to Rs.7.73 crore in 1993-94 and to Rs.6.90 crore in 1994-95, which would indicate that in spite of increase in the prices of commodities, the value of sales is decreasing. The Company had not assessed the reasons for the steep declining trend in the performance of the super markets.

The table below indicates the sales, gross profit, direct and indirect expenses and the net profit/loss during the four years up to 1994-95:

Particulars	1991-92	1992-93	1993-94	1994-95
	(Rupees in crore)			
Sales	7.21	10.39	7.73	6.90
Gross profit	0.63	1.44	0.57	0.70
Direct cost	0.55	0.80	0.83	0.83
Margin	0.08	0.64	- 0.26	- 0.13
Indirect expenses	0.27	0.44	0.40	0.34
Profit(+)/loss(-)	(-)0.19	(+)0.20	(-)0.66	(-)0.47

Audit analysis revealed that all the super markets (except Ulloor during 1991-92 and Kozhikode during 1992-93) were running at a loss and that the sale proceeds of Alappuzha and Kottayam super markets were insufficient to cover even the direct cost in all the years. It was, however, noticed in Audit that in this case also, shortages and damages to stock were the major contributing factors for loss as has been discussed in paragraphs 2C.7 and 2C.8.

The Management stated (August 1997) that the working of the super markets was being reviewed monthly with reference to the targets fixed for sale and achievement thereagainst. The management also agreed to devise a system to monitor the working results of super markets every month.

2C.6 Functioning of petrol bunks

2C.6.1 The Company had been operating nine petrol/diesel bunks in the State for sale of petrol, diesel and lubricants. The income from the business was the dealer commission allowed by the oil companies at fixed rates.

2C.6.2 Working results

There is no system of maintaining individual unit accounts to assess the performance of the bunks also. According to the Management, a system of obtaining monthly reports from each bunk and reviewing the same at head office existed. However, the review of sales performance with reference to the monthly reports was not sufficient to assess the working results of such units. The working results of the bunks, wherever details were available and as assessed by the internal audit wing of the Company, during the five years up to 1995-96, were as under:

The performance of the petrol bunks resulted in a loss of Rs.0.78 crore during the five years up to 1995-96

Particulars	1991-92	1992-93	1993-94	1994-95*	1995-96
	(Rupees in lakh)				
Income	18.79	18.40	25.60	19.82	33.30
Direct expenses	13.27	18.39	21.24	15.44	30.96
Operating profit	5.52	0.01	4.36	4.38	2.34
Fixed expenses	12.81	19.20	21.42	19.99	21.22
Loss	7.29	19.19	17.06	15.61	18.88

Thus, the operation of the bunks by the Company resulted in a loss of Rs.78.03 lakh during the five years up to 1995-96. A further, analysis made by Audit revealed that:

(i) the income by way of dealer commission was not sufficient to cover the fixed expenses, mainly salaries and allowances, which increased steadily; and

* In respect of six bunks only for which details are available.

(ii) the income earned was insufficient even to cover the direct expenses in respect of the bunks at D.H. Road, Ernakulam (during 1992-93 to 1994-95), Kozhikode (during 1991-92 to 1992-93) Tanur during all the four years and at Kollam and Statue, Thiruvananthapuram during 1992-93.

The Management stated (August 1977) that the Tanur bunk had been closed down for relocation and Kozhikode bunk is being remodelled.

2C.6.3 Delay in realisation of dues

Delay in realisation of dues resulted in loss of interest of Rs.0.17 crore per annum

The Company has been supplying from 1978, petroleum products to the vehicles of Government departments on credit basis after collecting security deposits and to the vehicles allotted for the private use of V.I.Ps without any security deposit. Though instructions had been issued in October 1992 to the effect that the credit sales should not exceed the amount of security deposit furnished, it was noticed that this limit had been far exceeded with the result that against the total security deposit of Rs.7.19 lakh available with the Vellayambalam, Kollam, Kottayam and DH Road at Ernakulam bunks, the amount pending realisation as at the end of 1995-96 was Rs.35.22 lakh.

Further, there was inordinate delay in realisation of the dues, and according to the demand, collection and balance statement for March 1996, the total outstanding was Rs. 101.33 lakh. Of this, Rs.9.71 lakh was outstanding for the period up to 1991-92 and the balance related to the subsequent years up to 1995-96. This has resulted in an average annual loss of interest of Rs.17 lakh at the rate of 21 *per cent* (excluding the security deposit of Rs.18.82 lakh).

Management stated (August 1997) that a system to strictly monitor whether petroleum products in excess of the amount of security deposit furnished had been given is now in force and that efforts are being made to speed up realisation of dues.

2C.7 Shortage in stock

Shortage of stock during the five years up to 1995-96, amounted to Rs.2.75 crore

The Company instructed (April 1992) its Regional Managers to allow shortages in Retail outlets at a maximum rate ranging from 0.25 *per cent* to 1 *per cent* depending upon the commodity. The shortage allowance was not applicable for packed items and for items issued after packing. However, the Company did not devise any Management Information System for checking the incidence of shortages in various retail outlets with reference to the quantity handled. The value of overall shortages in stock during the five years up to 1995-96 has been as under:

Year	Maveli items	Super markets	Petrol bunks*	Total
	(Rupees in lakh)			
1991-92	63.74	2.77	4.41	70.92
1992-93	26.83	4.69	3.82	35.34
1993-94	48.11	18.75	5.78	72.64
1994-95	52.34	4.20	5.32	61.86
1995-96	34.46	*	*	34.46
Total	**225.48**	**30.41**	**19.33**	**275.22**

The Company did not have a system of analysing the reasons for the shortage. Apart from this, there were shortages in

- palmolein oil valued at Rs.83.44 lakh; and
- other items such as free sale sugar, tea, jaggery, maida, sooji, etc., valued at Rs.36.96 lakh.

* to the extent details available.

Though the value of shortages in respect of petrol and diesel had been treated as the personal liability of the operating staff of the bunks, the value of shortage aggregating Rs.19.33 lakh have not been recovered.

The Management stated (August 1997), that recoveries could not be effected due to delay in finalisation of disciplinary proceedings.

Though the shortage allowance was applicable only to retail outlets, it was observed in Audit that this was extended to the commodities kept in the depots and godowns also. During the three years up to 1995-96, the value of shortage allowed in respect of major items in the depots and godowns amounted to Rs.60.01 lakh.

The godowns of the Central Warehousing Corporation, Ernakulam, has been registering storage gains in respect of the goods of the Company. Contrary to this, the Company registered storage loss in its godowns. The Company had not, however, investigated the reasons for the storage loss in its own godowns.

Management stated (August 1997) that due to unscientific storage practices it could not get the storage gains and that the Company had since modified the purchase practices, to avoid long storages.

2C.8 Damages to stock

In 27 depots of two regions, the loss due to damages to stock was to the tune of Rs.0.62 crore

A review by Audit revealed that substantial quantities of various commodities were getting damaged every year on account of poor quality of the items received, prolonged storage, etc. The Company had devised a system of reporting to head office, the details of commodities in the depots and retail outlets suspected to be damaged. As per the system, on receipt of periodical reports of damages to commodities, the items were to be inspected by the quality control officials and to be categorised and certified as to the quality. On the basis of categorisation and certification by the quality control wing of the Company, such commodities not fit for human consumption would be sold for making cattle feed and the rest not even fit for cattle feed would be dumped.

In the absence of any consolidated record of damaged items, Audit assessed the extent of sale of damaged stock to cattle feed manufacturers in 13 depots of the Ernakulam region and 14 depots of the Palakkad region during the five years up to 1995-96 and found that the loss on account of damaged stock was Rs.51.33 lakh as shown below:

Region	Qty. of damaged stock sold	Value	Value realised	Loss of revenue
	(tonnes)	(Rupees in lakh)		
Ernakulam	294.32	36.77	8.27	28.50
Palakkad	240.80	26.44	3.61	22.83
Total	**535.12**	**63.21**	**11.88**	**51.33**

The extent of various commodities destroyed by dumping, consequent on their becoming totally unfit for further use, as assessed by Audit in respect of the depots under Ernakulam and Palakkad regions during the period of five years up to 1995-96 was as under:

Region	Quantity dumped (tonnes)	Loss (Rupees in lakh)
Ernakulam	51.02	8.19
Palakkad	13.30	2.78
Total	**64.32**	**10.97**

There was no centralised and consolidated record to indicate the extent of damage to stock, and the details of recovery, if any, effected towards the cost of damage caused due to the negligence of the employees.

Apart from the damaged items so disposed of either by sale or by dumping, the closing stock of damaged Maveli items held in stock by the 13 depots under Ernakulam and 14 depots of Palakkad region as at the end of 1995-96 were 44 tonnes (value: Rs.7.71 lakh) and 150.6 tonnes (value:Rs. 24.20 lakh) respectively.

In this case also, there was no system of ascertaining the reasons for the damage. As the Company had not maintained any consolidated record indicating the loss on account of damages ordered, if any, for recovery from the employees concerned, the extent of loss made good could not be ascertained.

Management stated (August 1997) that consolidated records indicating the cost of actual damages, loss on account of damages recoverable from employees, the amount recovered and the amounts outstanding, would be maintained.

2C.9 Disciplinary cases

The Company has not maintained any consolidated record indicating the details of disciplinary cases initiated against those employees responsible for shortage/damage in stock and misappropriation of sale proceeds. It was, however, assessed by Audit during scrutiny of records, that there were about 2950 disciplinary cases pending and that 30 officials were under suspension as at the end of December 1996.

Recovery in respect of 192 cases of misappropriation of commodities committed during the period from 1982-83 to 1993-94 involving Rs.0.42 crore was pending

A review in Audit revealed that the quantum of loss to the Company due to shortage/damage/misappropriation is worked out at the selling price as on the date of its occurrence and the responsibility for the loss is fixed after long delay, the amount is ordered to be recovered from the officials concerned in interest free instalments stretching even up to 32 years after the event and beyond the date of retirement of the officials as indicated in the succeeding paragraphs.

(i) As revealed from the liability register maintained by the Company at head office for watching recovery of the cases finalised, recovery in respect of 192 cases of misappropriation of commodities involving Rs.42.08 lakh committed during the period from 1982-83 to 1993-94 were still pending (March 1997).

(ii) A test check in Audit revealed that there had been

- inordinate delay up to 13 years in taking action in respect of five disciplinary cases involving an amount of Rs.13.22 lakh,
- prolonged delay ranging up to 14 years in recovery of dues amounting to Rs.6.04 lakh in ten cases finalised; and
- non-implementation of orders of recovery in respect of 16 cases involving Rs.6.80 lakh.

While accepting the audit observation, the Management stated (August 1997) that the recovery in the cases of misappropriation was delayed due to lengthy process of finalising disciplinary cases at various levels.

2C.10 Other topic of interest

Loss due to unnecessary purchase of wheat

Embarking on the new venture of distribution of wheat without ascertaining the market condition resulted in a loss of Rs.0.32 crore

The Company decided (March 1993) to enter into the field of supply of wheat in the open market, as a viable proposition. Accordingly, the Company purchased (May 1993) 1649.3 tonnes of wheat at a total cost of Rs.88.97 lakh from Madhya Pradesh. As the selling price (Rs.5.95 per kg) fixed by the Company for the sale of this wheat far exceeded the rate of Rs.3.56 per kg in the public distribution system of over 13000 ARDs spread over the state, there was practically no demand for the wheat distributed by the Company and hence it could sell only 148.4 tonnes through its retail outlets. The Company sold 466.7 tonnes to flour mills and 670 tonnes were converted (between December 1993 and May 1994) into wheat products and the balance quantity of 364.5 tonnes (22.1 *per cent* of the total quantity purchased) was treated as shortage/ wastage.

Against the total expenditure of Rs.88.97 lakh incurred by the Company on the purchase and distribution, the sales realisation obtained was Rs.57.27 lakh only sustaining a loss of Rs.31.70 lakh.

Management stated (August 1997) that due to adverse paper publicity about the non-availability of PDS wheat, Government tightened controls to ensure adequate supply of wheat and hence wheat became available through PDS at lower rate competing away the customers of the Company, as a result of which it could not sell the wheat as anticipated.

Conclusion

From the foregoing, it is evident that :

- ***the Company has been incurring substantial loss every year on the distribution of essential commodities through the Maveli stores/ Super markets;***
- ***there is no system of analysing the reasons for the shortage and damage to stock; and***
- ***there is no effective system of promptly recovering the value of shortage and damage to stock from the persons responsible.***

The above matters were reported to the State Government in July 1997; their replies had not been received (October 1997).

Kerala Shipping and Inland Navigation Corporation Limited –

Cargo transportation activity

2D. KERALA SHIPPING AND INLAND NAVIGATION CORPORATION LIMITED - CARGO TRANSPORTATION ACTIVITY

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KERALA SHIPPING AND INLAND NAVIGATION CORPORATION LIMITED - CARGO TRANSPORTATION ACTIVITY

Highlights

The Company was having 12 barges with an aggregate capacity of 2620 tonnes per trip, for transportation of bulk and liquid cargo. These barges were grossly under-utilised as the percentage of utilisation was between 37.2 and 51.4 only during the five years up to 1996-97.

(Paragraphs 2D.2.1 and 2D.2.2.1)

Addition of two new bulk cargo barges with an aggregate capacity of 600 tonnes per trip at a total cost of Rs.0.82 crore in November 1991 and April 1992 lacked justification as the prior purchase capacity utilisation of the then existing fleet was between 29.7 and 32.5 *per cent* only during 1985-86 to 1988-89.

(Paragraph 2D.2.2.1)

Against the requirement of one additional barge for transportation of petroleum products, the Company purchased in 1993 two barges resulting in an idle outlay of Rs.0.63 crore on the second barge.

(Paragraph 2D.2.2.2)

The barges could not ply full load due to lack of proper draught owing to absence of dredging. This necessitated operation of more number of trips resulting in additional expenditure of Rs.0.28 crore.

(Paragraph 2D.2.2.3)

2D.1 Introduction

The Kerala Inland Navigation Corporation Limited incorporated in December 1975 was renamed as Kerala Shipping and Inland Navigation Corporation Limited consequent on amalgamation with Kerala Shipping Corporation Limited in March 1989.

The activity of the Company is confined to cargo transportation, passenger transportation and repairs and maintenance of boats and barges at the slipway taken on lease from Cochin port.

A review on the working of the cargo transportation activity of the Company during the five years up to 1996-97 was conducted during December 1996 to January 1997. The results of the review are discussed in the succeeding paragraphs.

2D.2 Cargo transportation activity

2D.2.1 As at the end of 1996-97, the Company had seven bulk cargo barges and five liquid cargo barges (for transportation of acid and petroleum products) with an aggregate capacity of 1720 tonnes and 900 tonnes respectively as shown below:

Name of Barge	Year of purchase / construction	Capacity per trip (tonnes)
Bulk cargo barges		
Anupama	1985	350
Aiswarya	1985	350
Amulya	1981	220
Abhaya	1981	100
Athuylya	1981	100
Bhagya	1991	300
Bhavana	1992	300
	Total	**1720**
Liquid cargo barges		
Amla	1986	200
Adithya	1979	100
Archana	1982	200
Bhama	1994	200
Bharatha	1995	200
	Total	**900**

2D.2.2 Creation of additional capacity without firm commitment

2D.2.2.1 As at the end of 1988-89, the Company had a fleet strength of seven bulk cargo carriers (barges) with an aggregate capacity of 1570 tonnes per trip. The Company decided (February 1989) to add two new barges of 300 tonnes each to its fleet strength with a view to enhancing its cargo carrying capacity by

Creation of additional capacity at a cost of Rs.0.82 crore, when the utilisation of existing capacity was very low, was not justified

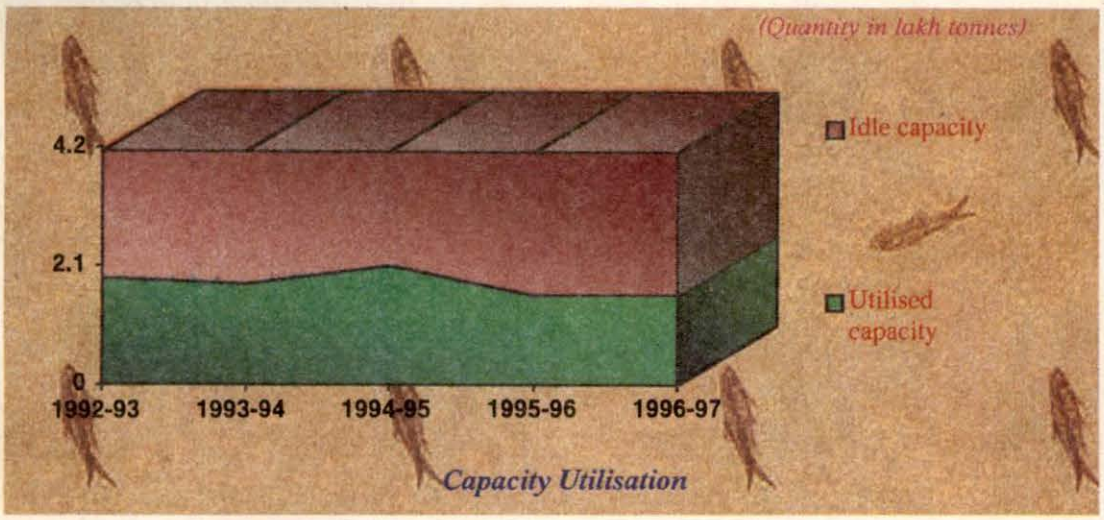
600 tonnes per trip. In the meantime, one 350 tonne barge (ASWINI) was scrapped in 1989-90 and another 100 tonne barge (ADITHYA) was converted into a liquid cargo barge during 1991-92.

The two new bulk cargo barges (BHAGYA and BHAVANA), constructed at a total cost of Rs.81.56 lakh were commissioned in November 1991 and April 1992.

As against the capacity available, the capacity utilisation was very low as shown below:

Year	Available capacity	Quantity transported	Capacity utilisation
	(in lakh tonnes)		(percentage)
1992-93	4.13	2.4*	45.4
1993-94	4.13	1.8	44.2
1994-95	4.13	2.1	51.4
1995-96	4.13	1.6	38.6
1996-97	4.13	1.6	37.2

A diagram indicating the utilisation of capacity is given below:



* including 0.5 lakh tonnes transported using hired barges due to urgency

Considering that the utilisation of the existing capacity ranged between 29.7 *per cent* and 32.5 *per cent* during 1985-86 to 1988-89, addition of two new barges to the already under-utilised existing fleet strength, at a capital outlay of Rs.81.56 lakh, was not based on any realistic assessment of the requirement. Moreover, there was no additional firm commitment from any major customer, justifying the increase in the fleet strength.

Management stated (July 1997) that the addition to the fleet was with a view to catering to the uneven demands of The Fertilisers and Chemicals Travancore Limited (FACT), and that after the introduction of the two new barges, it could transport a record quantity of 2.4 lakh tonnes of bulk cargo of FACT during 1992-93. The Management further stated that the shortfall in the performance after 1992-93 was due to induction of new private contractors in the business by FACT. The reply is not tenable as the then existing capacity was sufficient to meet even the increased demand.

2D.2.2.2 Considering the requirements of Hindustan Petroleum Corporation Limited (HPC) (September 1991) for transportation of about 70000 kilolitres (kl) per annum of petroleum products from Ernakulam to Kollam, the Company purchased (January- April 1993) two liquid cargo barges (BHAMA and BHARATHA) with a capacity of 200 tonnes at a cost of Rs.63 lakh each.

Against the requirement of one additional barge for transportation of petroleum products, the Company purchased two barges resulting in an idle outlay of Rs.0.63 crore

HPC did not make available any quantity for transportation till May 1993, as the civil works of its depot at Kollam were not ready. The work of transportation could therefore be commenced only in November 1994. Up to March 1997, only 578 trips transporting 87904 KL of oil were operated by these two barges.

It was noticed in Audit that even at the time of submission of the tender to HPC in October 1990, the Company had one barge (ARCHANA) with a capacity to transport 49000 KL of oil per annum at the rate of 245 KL per trip. For transportation of the balance quantity of 21000 KL the additional requirement was only one barge of 200 tonne which could transport up to 49000 KL per annum. Hence purchase of two barges of 200 tonnes each, against the requirement of only one barge, resulted in an idle outlay of Rs.63 lakh.

Management stated (July 1997) that addition of two barges was necessary for the contract with HPC as the existing barge (ARCHANA with a capacity of 49000 KL per annum) was having a contract with Indian Oil Corporation Limited (IOC). As there was no firm contract with IOC and as the volume of oil transported for IOC during the two years up to 1989-90 was only 5208 tonnes, there was no necessity to exclusively earmark one barge for the purpose. Hence, one additional barge with a capacity of 49000 KL per annum was sufficient. The acquisition of the second barge therefore lacked justification.

It was also observed that after taking the decision for the purchase of the two barges, the quantity of petroleum products transported for IOC was between 8896 KL (1993-94) and 24032 KL (1991-92) only. Further, after commencement of transportation of petroleum products for HPC in 1994-95, the Company did not handle any quantity of oil for IOC, thereby rendering the barges grossly under utilised.

2D.2.2.3 Under utilisation of tanker barges due to lack of draught

Owing to absence of dredging, the barges could not ply full load resulting in additional expenditure of Rs.0.28 crore

As mentioned in the preceding paragraph the Company had three barges (BHAMA, BHARATHA and ARCHANA) for transportation of petroleum products from Ernakulam to Kollam through National Waterway III. With the available barge strength, the Company could have undertaken 1450 trips during the period from November 1994 to March 1997 and transported a maximum of 3.55 lakh

KL of petroleum products. But the Company undertook only 608 trips carrying an aggregate quantity of 0.93 lakh KL.

It was further noticed in Audit that even in respect of the trips undertaken, the barges had not carried the loads to the optimum capacity. As against the available aggregate capacity of 1.49 lakh KL in respect of the 608 trips, (based on 245 KL per trip), the total quantity transported was only 0.93 lakh KL. As a result of undercarrying, the Company operated 228 additional trips incurring extra expenditure of Rs.28.05 lakh.

According to the Company, the failure to carry full loads per trip was due to inadequate draught of the water way on account of absence of periodical dredging. The Company approached (October 1994) the Governemnt to buy a dredger at an approximate cost of Rs 3 crore. The Company had then estimated that the operation of the dredger would be more than self- supporting, leaving a net profit of 15.5 *per cent*. The Inland Waterways Authority of India (IWAI) had also proposed (October 1995) to engage the Company for dredging the National Waterway III subject to certain terms and conditions of the tender.

However, the Company did not pursue the matter with the Government which is yet to sanction the purchase of the dredger. Consequently, the draught of the waterway was not increased resulting in continued under-utilisation of the capacity of the barges.

Management stated (July 1997) that the Company would go ahead with the dredger acquisition plan and that Government would be pursued for the sanction.

2D.2.3 Unnecessary purchase of engines of higher rating

The tanker barge ARCHANA with a capacity of 200 tonnes was fitted with two engines of 92 HP. The bulk cargo barges of 300 tonne capacity were also fitted with engines of this rating. However, the two new oil tanker barges (BHAMA and BHARATHA) of 200 tonnes capacity each, were fitted with engines of 130 HP each.

Management stated (July 1997) that the use of the engines of the higher rating was based on the advice of a technical sub committee constituted for evaluation of tenders. As the engines fitted in similar and higher capacity barges of the Company were only 92 HP, the Company was aware that the higher capacity engines recommended were not required. However, the Company did not examine this aspect before effecting the purchase of engines of higher rating which resulted in an additional expenditure of Rs.9.97 lakh on their purchase.

The consumption of diesel by 130 HP engines was higher by around 30 *per cent* as compared to 92 HP engines. This led to an excess consumption of 1.40 lakh litres of diesel valued at Rs.11.20 lakh during the period from November 1994 to March 1997.

2D.2.4 Payment of interest at higher rates due to drawal of loan in excess of eligible limit

The Company was eligible for interest subsidy from the Central Government to the extent of 75 *per cent* of the cost of the two barges BHAGYA and BHAVANA constructed during November 1991 and April 1992 respectively. Accordingly, the amount of loan eligible for interest subsidy in respect of these two barges was Rs.61.17 lakh. However, the Company availed itself of loans aggregating Rs.70 lakh from Syndicate Bank, Perumanoor between December 1991 and March 1992. As the Company had surplus funds in its current accounts and as it was aware of the actual cost of construction, the drawal could have been limited to the extent of the eligible limit. The drawal of the loan in excess of the eligible limit by Rs.8.83 lakh at 14.5 to 20 *per cent* interest per annum resulted in a loss of Rs.7.83 lakh up to March 1997.

2D.2.5 Working results

The Company had not assessed the working results of cargo transportation activity separately. An analysis by Audit of the barge-wise working results during the three years up to 1995-96 revealed the operations of BHAMA and BHARATHA were not remunerative.

Due to under-utilisation of these two barges, the Company could not get sufficient contribution to cover the fixed costs, resulting in a loss of Rs.79.07 lakh during the period from November 1994 to March 1997, as shown below:

Particulars	1994-95	1995-96	1996-97
Number of trips operated	72	230	306
	(Rupees in lakh)		
Variable cost	8.86	28.29	37.64
Earnings @ Rs.133/KL	14.10	46.59	62.86
Margin of earnings available to meet fixed cost	5.24	18.30	25.22
Fixed cost	42.61	42.61	42.61
Loss	**37.37**	**24.31**	**17.39**

Conclusion

The foregoing paragraphs would indicate that:

- ***the additions to the fleet strength were not after realistically assessing the requirements; thereby resulting in gross under-utilisation of capacity; and***
- ***it would be necessary to step up efforts to get increased volume of business from FACT,IOC, HPC, etc., to increase the utilisation of the infrastructure created by the Company to the maximum to improve the capacity utilisation.***

These matters were reported to the Government in March 1997; their replies had not been received (October 1997).

CHAPTER III

REVIEW RELATING TO STATUTORY CORPORATION

This chapter contains one review on the following topic:

3.A Kerala State Electricity Board - Pole casting activity

Kerala State Electricity Board –

Pole casting activity

3A. KERALA STATE ELECTRICITY BOARD - POLE CASTING ACTIVITY

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KERALA STATE ELECTRICITY BOARD - Pole Casting Activity

Highlights

The Board has been getting its requirement of pre-stressed concrete poles (PSC poles) for low tension distribution and 11 KV overhead line support, manufactured by contractors in the 13 pole casting yards spread over the State. The overall receipt of the seven-metre, eight-metre and nine-metre poles thus cast during the five years up to 1996-97 was only 31, 42 and 58 *per cent* respectively of the requirements. The Board had not assessed the impact of the shortfall in receipt of poles, on the line extension activity.

(Paragraphs 3A.1 and 3A.4)

Extension of the already completed contracts between January 1991 and April 1993 for one lakh nine-metre poles at rates higher than that allowed for supply of the same type of poles against the on-going contracts with the same contractors, resulted in an additional contractual liability of Rs.1.12 crore.

(Paragraph 3A.5.2)

When there was a backlog in the supply of nine-metre poles ordered between 1991-92 and 1994-95, the Board placed fresh orders in September - November 1995 for supply of ready-made poles and for 3000 tonnes of RS Joists (for conversion into steel poles) at higher rates, involving an extra financial commitment of Rs.3.44 crore.

(Paragraph 3A.6.4)

Granting escalation in rates, when the rates quoted were firm, resulted in extension of unintended benefit to a contractor to the extent of Rs.0.17 crore.

(Paragraph 3A.7.1)

In four units test checked , there was excess issue of 1093 tonnes of cement valued at Rs.0.17 crore between August 1986 and December 1993, when compared to the revised norm of consumption.

(Paragraph 3A.8)

Failure to recover the advances paid to the pole casting contractors resulted in locking up of working capital and consequent loss of Rs.0.59 crore by way of interest.

(Paragraph 3A.9.1)

Contrary to the terms of the supply order, the Board agreed to bear the excise duty on 70133 poles supplied between November 1988 and September 1995, which resulted in extending undue benefit to the contractor to the extent of Rs.0.39 crore.

(Paragraph 3A.9.2.)

Failure to avail of *MODVAT* benefit from March 1986 to May 1994, the Board lost Rs.0.74 crore on the purchase of cement in respect of five contracts.

(Paragraph 3A.9.4(i))

Transportation of PSC poles from distant yards necessitated incurring avoidable transportation charges of Rs.2.54 crore during the period between April 1991 and October 1996 in respect of six yards.

(Paragraph 3A.10.2)

Despite firm rates quoted by the contractors, the Board granted escalation in transportation charges, thereby extending unintended benefit to the extent of Rs.0.68 crore, in respect of five contracts.

(Paragraph 3A.10.3)

3A.1 Introduction

From 1980 onwards, the Kerala State Electricity Board (Board) has been using pre-stressed concrete poles (PSC poles) for low tension distribution and 11 KV overhead line support. The PSC poles which are in seven, eight and nine metre lengths are got manufactured by contractors according to the specifications of Rural Electrification Corporation Limited (REC) at the 13 pole casting centres (including the two departmental casting yards at Choolisseri and Mangattuparambu) spread over the State.

3A.2 Organisational set-up

Up to 1990-91, the entire work relating to the pole casting activity *viz.* from awarding of work to distribution of the manufactured poles to the divisions concerned, was being arranged by the Chief Engineer (Material Management). But from 1991-92, the work has been redistributed among various Chief Engineers, as shown below:

Authority	Locality of the casting centre	District
Chief Engineer, (Material Management)	Kollengodu Thalore Walayar	Thiruvananthapuram Thrissur Palakkad
Chief Engineer, Civil (South)	Pathanamthitta Kallisseri Kottayam Ankamali Thodupuzha	Pathanamthitta, Alappuzha Kottayam Ernakulam Idukki
Chief Engineer, Civil (North)	Choolisseri Kozhikode Pinarayi Mangattuparamb a Manjeswaram	Thrissur Kozhikode Kozhikode Kannur Kasaragod

While the supervision of the pole casting, issue of materials like cement and high tension steel wire to the contractors, arranging transportation of the poles cast, payment of bills of the contractors, etc., in respect of the centres under the control of the Chief Engineer (Material Management), is being attended to by the electrical divisions under the respective electrical circles, these items of work in respect of the yards under the control of the other two Chief Engineers are being done by the respective civil circles.

The allocation of the tested and accepted poles is being done by the respective Zonal Chief Engineers based on the progress reports of completed poles received from the field offices and the requirement of poles reported by the various circle offices.

3A.3 Scope of Audit

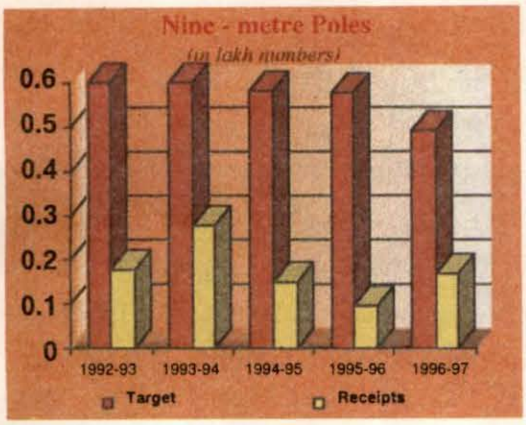
Audit conducted a test check between July and December 1996 (and subsequently updated in September 1997) of the performance of six (Kollengodu, Thalore, Kottayam, Ankamali, Choolisseri and Manjeswaram) out of the 13 pole casting yards during the six years from 1991-92 to 1996-97. The irregularities noticed in the test check are discussed in the succeeding paragraphs.

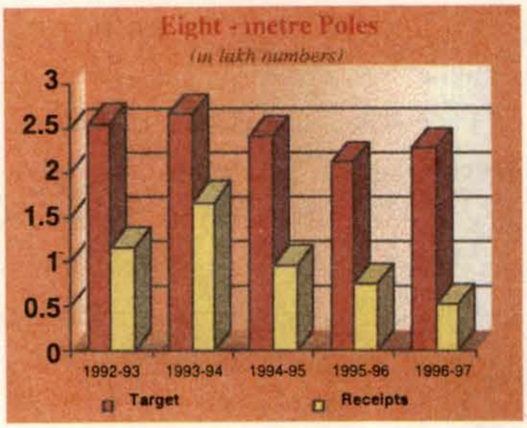
3A.4 Receipt of poles

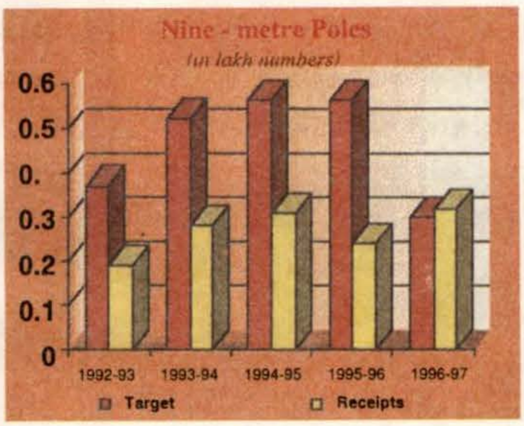
The table below indicates the target and actual receipt of the three types of poles cast in the yards during the five years up to 1996-97:

Year	Seven-metre		Eight-metre		Nine-metre	
	Target	Actual	Target	Actual	Target	Actual
	(Numbers in lakh)					
1992-93	2.98	0.89	2.55	1.17	0.37	0.19
1993-94	2.98	1.38	2.65	1.67	0.52	0.28
1994-95	2.90	0.75	2.40	0.95	0.56	0.31
1995-96	2.87	0.49	2.11	0.76	0.56	0.24
1996-97	2.44	0.84	2.26	0.52	0.30	0.32
Overall	14.17	4.35	11.97	5.07	2.31	1.34

Diagrams indicating the receipt *vis-a-vis* the target of the three type of poles are given below:







The overall receipt of the poles during the years was only 31, 42 and 58 *per cent* respectively of the target. The Board had not assessed the impact of the shortfall in receipt of poles on the line extension activity.

3A.5 Awarding of work

3A.5.1 The work of manufacture and supply of PSC poles of the three different sizes is awarded to the contractors after inviting competitive tenders. Due to lack of sufficient number of contractors experienced in the line of manufacture of PSC poles, the number of tenderers was low. Hence out of 34 work orders placed between December 1980 and January 1991, 24 orders were placed with eight contractors.

Though the contracts for manufacture and transportation of poles were with the individual contractors, the Board has been negotiating with the Association of PSC Pole Manufacturers and extending concessions such as reduction in the monthly targets, escalation in the rates of transportation, provision for preparation time of one to three days for commencement of work after interruption of the work, etc. Granting of such concessions to individual contractors involving financial commitments, (vide instances referred to in paragraphs 3A.10.3 and 3A.11.1) lacked justification as such concessions were not contemplated in the individual contracts.

Extension of the already completed contracts at rates higher than the prevailing rates resulted in an additional contractual liability of Rs.1.12 crore

3A.5.2 Between January 1991 and April 1993, the Board placed four orders with three contractors for the supply of a total of one lakh nine-metre poles at the rates varying between Rs.226.26 and Rs.271.64 *per* pole, with provision for payment of escalation in rates. These orders were issued as extension to the already completed contracts. It was noticed in Audit that the rates thus agreed upon and paid for were far in excess of the rates allowed for supply of the same type of poles against the on-going contracts with the same contractors.

As the excess ranged between Rs.71.27 and Rs142.30 *per* pole, the contractual liability on this account would be Rs.111.85 lakh. The excess payment in respect of 25465 poles so far (June 1996) supplied was Rs.27.94 lakh.

The Board stated (August 1997) that even if tenders were invited, the rates would have been higher. The reply is not tenable as the order was placed as extension to the already completed contracts instead of as extension to the running contracts with the same contractors in which case the rates were lower.

3A.5.3. In March 1993, the Board invited tenders for manufacture and supply of 0.72 lakh eight-metre poles and 0.12 lakh nine-metre poles at the casting yard at Choolisseri. The last date of receipt of the tender was April 1993. But this date was extended (April 1993) to June 1993 for reasons not on record.

In March 1993, the existing contractor (who had not adhered to the delivery schedule in respect of a contract given in June 1986) was given an additional order for 15000 eight-metre poles at the existing rate of Rs.172.16 *per* pole, subject to price escalation. The stipulated date of completion of the contract was April 1994. In July 1993, the Board decided not to process the tenders as it was difficult to keep it valid till the completion of the contract, the four tenders received in response to the tender invitation, were not therefore, opened. The contractor completed the supply against the additional order in December 1994 at the escalated price of Rs.233.17 *per* pole.

Thereafter, in March 1995, the Board invited fresh tenders and based on the tenders received, a contract was finalised for supply of eight-metre poles at Rs.552 *per* pole (inclusive of the cost of departmental materials). As the cost of manufacture of the poles (excluding the cost of departmental materials) based on the fresh contract was around Rs.186.11 only *per* pole, against Rs.233.17 *per* pole paid to the existing contractor for the additional quantity, the Board incurred a loss of Rs.7.06 lakh. Issue of orders for additional quantity on the contractor who had not adhered to the delivery schedule in respect of the on-going contract, especially when tenders had already been invited, lacked justification.

The Board stated (August 1997) that it was not correct to compare the rates of the work awarded in March 1996 with the rates of March 1993. This argument is not tenable as the Board had not ascertained the rate which prevailed thereafter till March 1996. Further, the rate obtained in March 1996 was only Rs.186.11 against Rs.233.17 allowed in March 1993, which would indicate that the rates agreed upon and paid for were on the higher side.

3A.6 Execution of contracts

3A.6.1 According to the terms of the work orders, the contractors had to set up their own casting yards and start regular production within six months of placing the order. But in none of the contracts test checked, the contractors did adhere to the time schedule.

It was noticed in Audit that the Board used to condone the delay, even when the delays were on account of the failure of the contractors, which necessitated payment of escalation. The escalation paid to Venad Structurals, Kottayam (consequent on their delay in acquiring land for the yard) and to Raphel and Company, Cherpu (due to the delay in obtaining permission of the local authorities for starting the yard) amounted to Rs.6.75 lakh.

The Board stated (August 1997) that Venad Structurals could not set up the new yard because of the labour trouble and hence the work was done in the existing yard and the consequent delay was condoned as *force majure*. But it was noticed in Audit, that the contractor had not even acquired the land required for the proposed new yard and hence the condonation of the delay on the ground of *force majure* lacked justification.

3A.6.2 In January 1986, the Board placed orders with Venad Structurals, for manufacture and supply of 50000 seven- metre poles for Kottayam Electrical circle at an agreed rate of Rs132 *per* pole (excluding cost of departmental materials). Though the agreement stipulated that the contractor should complete the supply by September 1990, the firm supplied only 30630 poles till April 1992. In the meantime, in September 1989, the contractor was given another order for 75000 seven-metre poles of the revised design at Rs235 *per* pole (including cost of departmental materials) on the stipulation that he should set up a new casting yard. The contractor, however, did not set up the new yard and instead discontinued the manufacture of the poles against the earlier order and converted the moulds to take up the manufacture against the new order. Consequent on the non-supply of 19370 poles relating to the original order, the Board had to utilise the poles supplied against the new order. As the rate of the second order (including escalation) was higher by Rs36.32 *per* pole, this resulted in an extra expenditure of Rs.4.92 lakh.

3A.6.3 Out of 882 bags of cement and 47.6 tonnes of steel issued (April 1987) to a contractor of Thrissur for casting Reinforced cement concrete poles, only 422 bags of cement and 13.3 tonnes of steel were used till April 1987 when he abandoned the work. The Board took back the balance material only in July 1989, by when, 400 bags of cement and 33 tonnes of steel valued at Rs.2.40 lakh were rendered useless due to clodding/rusting. The loss has not been made good either by the contractor or by the officials responsible for the delay in taking back the material (March 1997).

When there was a backlog in the supply of poles, the Board placed orders for ready-made poles and RS joists involving an extra financial commitment of Rs.3.44 crore

3A.6.4 With a view to providing additional line extension of 1500 kilometre before March 1996, under the 15-point programme announced by the State Government, the Board placed (between September and November 1995) orders with seven firms for the supply of 7500 nine-metre ready-made poles at Rs1400 *per* pole and for 3000 tonnes of R.S. joists for a total value of Rs.487.99 lakh for conversion into steel poles. Out of this, the Board took delivery of 1597 poles and 2262 tonnes of R.S. joists up to the end of March 1996. While placing the orders for ready-made poles at enhanced rates, there was backlog in the supply of nine metre poles to the extent of over 94000 in respect of the orders placed for the period from 1991-92 to 1994-95. The Board did not insist upon those contractors to clear the backlog which resulted in incurring extra financial commitment of over Rs344 lakh.

The Board stated (August 1997) that the purchase of ready made poles and R.S. joists was necessitated for implementing the Emergency Action Plan of the State Government.

3A.7 Payment of escalation in rates

3A.7.1 Based on the offers received, the Board placed an order in December 1985 with a Mangalore firm for the supply of one lakh seven-metre poles at a firm rate of Rs.117.50 *per* pole. The supply was to be completed by September 1990 at the rate of 2000 poles *per* month commencing from the sixth month of the order. Based on the request of the contractor, he was allowed escalation in respect of 50000 poles supplied between October 1989 and May 1992. Accordingly, the contractor was paid escalation of Rs.16.76 lakh at the rate of Rs33.52 *per* pole. As the contractor had quoted firm rate, granting of escalation lacked justification and the payment of Rs.16.17 lakh was avoidable.

The Board stated (August 1997) that though the rate quoted was firm, it was revised as it was impossible for any contractor to make the supply at fixed rate as the period of the contract was for more than five years. As the contractor had quoted firm rate, the reply is not tenable.

3A.7.2 In February 1988, a contractor of Angamaly agreed to supply one lakh seven- metre poles at Rs.243 *per* pole, and for fixing a ceiling of 10 *per cent* of the price towards price escalation. Accordingly, an escalation of Rs24.30 *per* pole was sanctioned in January 1992 with retrospective effect from June 1990. In November 1992, the contractor represented that he had agreed to undertake the work with the limited escalation of 10 *per cent* on the assumption that there would be revision in PWD rates every year. In May 1993, the Board, therefore, decided to lift the ceiling on the escalation and the contractor was paid a second escalation of Rs.47.50 *per* pole from September 1992 involving an extra expenditure of Rs.9.24 lakh in respect of 44477 poles supplied so far (March 1997).

The Board stated (August 1997) that in case the ceiling was not lifted, the rate would have become unworkable and hence the contractor would have stopped the work, in which case, the loss would have been more. The reply is not acceptable as the lifting of the ceiling, despite specific agreement, lacked justification.

3A.7.3 With effect from June 1990, the Board sanctioned escalation in the rates to the pole casting contractors adopting the increase in labour rate as 50 *per cent* from the previous schedule of rates. As the overall actual increase in labour rate was only 41 *per cent,* the Board sustained a loss of Rs.8.02 lakh during the period from June 1990 to August 1992,in respect of four contracts test checked. The Board stated (August 1997) that this point was being reviewed.

3A.8 Consumption of cement

There was excess issue of 1093 tonnes of cement valued at Rs.0.17 crore

According to REC specifications, the concrete mix for PSC poles should be designed to the requirement of IS: 456 and IS: 1343. The requirement of cement according to the specification was between 380 and 530 kg *per* cubic metre of concrete. The Board did not however, assess the actual requirement of cement for each category of pole and instead continued to issue cement regulating the requirement at the maximum of 530 kg/cubic metre. In April 1986, the Board decided to regulate the issue of cement after getting the requirement assessed by its Research wing. The Research wing started the study only in February 1988 and the norm was fixed only in 1991-92, at 490 kg/cubic metre, in respect of 33 grade cement. In December 1993, the norm was re-fixed as 480 kg/cubic metre.

The Board took seven years for fixing the norm for consumption of cement and the norm was implemented in the various yards only by December 1993. This resulted in excess issue of 1093 tonnes of cement valued at Rs.17.22 lakh during the period from August 1986 to December 1993, as noticed in four units test checked.

3A.9 Excise duty

3A.9.1 Though there was no stipulation in the contracts, the Board used to pay advances to the various pole casting contractors with a view to enabling them to pay excise duty on the poles cast so that the Board could get the poles without delay. Out of this, Rs59.99 lakh relating to the period between August 1988 and March 1996 was pending recovery from the contractors (November 1996). In November 1991, the Board issued instructions to the field offices to adjust these advances against the bills of the contractors. But, it was noticed in Audit that those amount had not been recovered despite the fact that the contractors had been paid regularly for the poles supplied.

Failure to recover advances paid to the pole casting contractors resulted in locking up of working capital and consequent interest loss of Rs.0.59 crore

As the Board had been working on borrowed funds, the locking up of funds due to non-recovery of the advances during the five years up to 1995-96 resulted in a loss of interest of Rs.58.63 lakh calculated at the rate of 18 *per cent*.

3A.9.2 In February 1983, the Board placed an order for 90000 eight-metre and 12550 nine-metre poles on West coast Concrete Products at Rs.120 and Rs.150 *per* pole respectively. Though there was no stipulation in the order to the effect that the Board would bear the excise duty, in July 1983, the Board amended the order to the effect that the excise duty would be borne by it. Between November 1988 and September 1995, the firm supplied 70133 poles and the Board paid Rs.39.30 lakh towards excise duty.

Agreeing to bear the excise duty contrary to the terms of purchase resulted in extending undue benefit of Rs.0.39 crore

It was, however, noticed in Audit that in respect of the orders for poles placed with other pole manufacturers during the same period, the Board did not bear the excise duty, though the rates paid (Rs.120 to 130 for 8m poles and Rs.140 to 160 for 9m poles) were comparable with those paid to this contractor. Thus, the decision to bear the excise duty in respect of this order, resulted in extending an undue benefit of Rs39.30 lakh to the contractor.

3A.9.3 In April 1996, the Central Excise authorities decided to refund excise duty of Rs.13.57 lakh to the pole casting contractor of Kollengodu, being an SSI unit. This amount was, in turn, refundable to the Board. But for making the refund to the Board, the authorities wanted evidence that the Board had actually paid the amount as excise duty to the contractor. Though the contractor requested the Board as early as in January 1992 to issue the required letter, the Board did not take any action in this regard with the result, that the amount was not refunded. Thus, due to the failure of the Board to take timely action for getting the refund, it suffered a loss of Rs.13.57 lakh.

Failure to avail of MODVAT benefit resulted in a loss of Rs.0.74 crore

3A.9.4.(i) According to the notification issued by the Government of India in March 1986, *MODVAT* was extended to the excise duty paid on cement and HTS wire used in the manufacture of PSC poles. But the Board availed of this benefit only from June 1994. Due to non-availing of the benefit, the Board lost Rs.73.74 lakh in respect of five contracts test checked by Audit.

The Board stated (August 1997) that there was dispute as to who should bear the duty which was decided only in March 1990, and thereafter various formalities had to be complied with. As excise duty had to be borne by the Board either directly or through the contractor, the delay in availing of *MODVAT* credit lacked justification.

Excess excise duty of Rs.0.15 crore was paid due to filing price list at higher rates

(ii) In order to avail of the *MODVAT* benefit, the Central Excise authorities had held in March 1991 that the contract price should form the normal price unless it was changed consequent on the revision of PWD schedule of rates. Based on this, the Board issued instructions to its field offices to file the price list of PSC poles on the basis of the normal price. Despite this, it was noticed in Audit that certain field offices filed price lists at rates higher than the normal rates. This resulted in the excess payment of excise duty of Rs14.53 lakh during the period from April 1991 to October 1994.

The Board could not avail itself of MODVAT benefit of Rs.0.10 crore as cement was not supplied direct to manufacturers

(iii) From April 1994, the cement required for pole casting was being issued to the yards direct by the cement manufacturers. The invoices were also drawn on the pole casting contractors with a view to availing of the *MODVAT*. It was, however, noticed in Audit that 3002 tonnes of cement required for pole casting was initially received at the P.C. Stores Angamally and then issued during the period from April 1994 to July 1996 to the pole casting yards at Angamally, Thalore and Kollengodu. Due to receiving the cement at its stores for eventual consumption for the pole casting, the Board could not avail itself of the *MODVAT* benefit to the extent of Rs.10.23 lakh.

According to the Board (August 1997), certain cement suppliers did not adhere to the delivery schedule which necessitated usage of cement from P.C. Stores.

3A.10 Transportation of poles

3A.10.1 Transportation of poles from the casting yards to the work sites was being attended to by the indenting circles. But in the contracts entered into from 1989-90, this work was being entrusted to the pole casting contractors. The rates paid for transportation of each type of poles varied from contract to contract.

3A.10.2 It was noticed in Audit that there was no effective system of monitoring the manufacture and supply of poles to the extent required. This necessitated transportation of poles from distant yards. The avoidable transportation charges incurred between April 1991 and October 1996 in respect of six yards test checked amounted to Rs.2.54 crore, as shown below:

Transportation of poles from distant yards resulted in avoidable transportation charges of Rs.2.54 crore

Yard	Period	Transportation charges (Rupees in lakh)
Kollengodu	04/91-03/96	91.95
Ankamally	04/91-08/96	46.10
Kottayam	02/92-06/96	39.73
Mangattuparambu	04/92-03/94	8.52
Pinarayi	04/92-03/94	5.27
Manjeswaram	03/91-10/96	62.39
Total		**253.96**

The Board stated (August 1997) that such transportation had been restricted to the minimum.

Since the rate *per* pole manufactured in various yards remained almost same, it would have been economical to arrange production of adequate number of poles within each circle.

3A.10.3 In terms of the agreements, the rates for transportation of poles were "firm" throughout the period of contracts. But in December 1991, based on a representation from the Association of PSC Pole Manufacturers, the Board extended the benefit of escalation in rates for the transportation with effect from June 1990 in line with the revision in the PWD schedule of rates. The amount of escalation sanctioned to the contractors in five cases test checked amounted to Rs.67.54 lakh. As the rates quoted by the contractors were firm, based on which the orders were placed, subsequent relaxation of the conditions agreeing for enhancement in rates lacked justification.

Granting of escalation in rates, despite firm rates quoted resulted in extending unintended benefit of Rs.0.68 crore

3A.10.4 For transportation of PSC poles of different sizes, separate rates in pole kilometre basis were being allowed. It was observed in Audit that the rates *per* seven metre and eight metre poles thus agreed to and paid for, when converted into tonne kilometre basis, were far in excess of that of the nine metre poles. The excess in rates ranged between 9 and 14 paise *per* pole kilometre in the case of seven-metre poles and 4 and 11 paise *per* pole kilometre in the case of eight-metre poles over the rates allowed for nine-metre poles. As the transportation charges had to be fixed based on the weight and distance involved, the granting of higher rates for lower length poles lacked justification. Even after reckoning the element of unloading charges, the payment of such higher rates for seven-metre and eight-metre poles in respect of six cases test checked was Rs.38.12 lakh.

Granting of higher rates for lower length poles resulted in excess payment of transport charges of Rs.0.38 crore

3A.10.5 Cement and HTS wire required for the casting of poles were transported from Angamally and Kallai stores to Manjeswaram yard for casting poles meant for other circles also. The additional expenditure incurred for transportation of the material from Angamally and Kallai to Manjeswaram (involving a distance of 389 km and

The Board incurred additional expenditure of Rs.0.10 crore on transportation of material

229 km respectively) in respect of 43809 poles meant for other circles, cast at the Manjeswaram yard, during the period from April 1993 to October 1996 amounted to Rs.10.08 lakh.

According to the Board (August 1997), such transportations were unavoidable.

3A.11 Penalty

Out of Rs.2.52 crore leviable as penalty for belated supply/ non-supply of poles, the Board realised only Rs.0.12 crore

3A.11.1 The work orders issued by the Board and the agreements entered into, contained specific provision to the effect that penalty would be levied at the rate of one *per cent per* month or part thereof (subject to a maximum of ten *per cent*) of the value of poles delivered late. It was, however, noticed in Audit that the Board was not imposing the penalty strictly in all the cases of delay, even though the delays were attributable to the failure of the contractors. There was also no mechanism in the Board to assess the loss due to non-receipt of the poles in time. In sixteen contracts test checked by Audit, penalty for belated/ non-supply of poles amounting to Rs.2.52 crore was realisable in terms of the contracts.

It was noticed in Audit that out of Rs.39.90 lakh realised, based on the understanding with the Association of PSC Pole Manufacturers, the Board returned Rs.27.82 lakh to the contractors in four cases.

The Board stated (August 1997) that shortage of poles alone had never been a bottleneck in achieving the target and that refunds were made wherever delay was condoned. The reply is not tenable as condonation of delay was in violation of the conditions of the contracts.

The Board granted unintended benefit of Rs.0.25 crore by condoning delay on the part of the contractors

3A.11.2 In July 1994, the Chief Engineer (Distribution-South) condoned the delay in the supply of 69622 poles by the pole casting contractor of Kollengodu yard in respect of six orders placed with him. This was on the ground that the delay was beyond the control of the contractor and that the Board had not sustained any loss due to non-receipt of the poles. However, it was noticed in

Audit that the delay was partly due to supply of poles by the contractor to other electricity boards, postal departments *etc.,* using the same moulds and facilities and that this necessitated transportation of poles from other circles. Further, the delay in supply affected the line extension works during the period. Hence, the condonation of the delay by the Chief Engineer (Distribution South) resulted in unintended benefit to the contractors to the tune of Rs.24.52 lakh.

3A.12 System lapses

3A.12.1 The Board did not have a system to monitor the utilisation of poles issued to the various sections/ divisions. The material at site account furnished by the Assistant/Assistant Executive Engineers did not indicate the location where the poles were lying and the period during which they were held in his possession. It was noticed in Audit that 2139 and 1167 of eight-metre poles (cost: Rs.18.25 lakh approximately) were lying unutilised at Iritty and Kuthuparambu sections respectively of the Thalassery Electrical Division as early as from 1994.

3A.12.2 The agreements with the contractors provided that the Board would allow up to a maximum of two *per cent* towards wastage of HTS wire during the process of manufacture, provided the cut-bits were returned to the Board. However, there existed no mechanism to ensure that the cut-bits were returned and instead, the maximum permissible wastage was being allowed as a matter of course.

Conclusion

The foregoing paragraphs would indicate that

- ***the Board had been extending undue benefits to the pole casting contractors by allowing higher rates, granting escalation in rates even in cases where the rates quoted were firm, non-levy of penalty for belated supply etc.;***
- ***the advances paid to the pole casting contractors had not been recovered;***
- ***issue of departmental material was in excess of the requirement;***
- ***the Board had not availed of the MODVAT benefit; and***
- ***transportation of poles from distant yards necessitated incurring avoidable transportation charges.***

The above matters were reported to the State Government in March 1997; their replies had not been received (October 1997).

CHAPTER IV

MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

4.1 Government companies

4.2 Statutory corporations

Miscellaneous Topics of interest relating to Government companies and Statutory corporations

MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

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MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

4.1 GOVERNMENT COMPANIES

4.1.1 Travancore Titanium Products Limited -Inordinate delay in implementation of effective pollution control measures

Even after spending Rs.1.42 crore, the Company could not implement a satisfactory pollution control method

The Company is engaged in the production of titanium dioxide pigment following the conventional sulphate process which requires usage of sulphuric acid. After process, the whole of acid goes out in the liquid effluent, forty *per cent* as dissolved sulphates of iron and the remaining as free dilute acid. Ever since the commencement of production in September 1951, the Company has been discharging the effluent into the sea.

With the advent of Water Prevention and Control of Pollution Act, 1974 and the establishment of Kerala State Pollution Control Board (KSPCB) in the same year, disposal of acidic waste into marine environment became unacceptable as it was considered toxic to marine life. This necessitated implementation of effective pollution control measures which involved total treatment of the effluent to neutralise and discharge of the treated effluent at a suitable point into the deep sea.

For finding a satisfactory system for the effluent disposal, the Company engaged (April 1977) National Institute of Oceanography, Goa which in its report of April 1980, recommended disposal of the diluted effluent through a submarine pipe line, extending to 750 metres off-shore at a depth of 18 metres, for the quick neutralisation of its acidity and toxicity.

The work of laying the submarine pipe line planned to be taken up in November 1982 could be awarded only after five years in 1987 due to resistance from the local fishermen folk on the ground that it would adversely affect their fishing activity. The firm discontinued (August 1988) the work after completing a portion of the work at a cost of Rs.36.51 lakh as the Company could not acquire the required land outside the factory premises. The land on the foreshore area measuring 90.35 acres was acquired only in November 1990 at a cost of Rs.39.76 lakh. The objection of the local people against the laying of the submarine pipe line surfaced again and the work was abandoned.

The Company has spent Rs.124.40 lakh so far on the pipe laying, acquisition of land, construction of compound wall, *etc.,* and the work is yet to be completed. According to the Company, this was due to the protest from the fishermen folk living in the area. As regards the implementation of acid recovery project and the treatment of the effluents to full neutralisation also, the Company did not make any headway, except conducting certain studies and visiting certain foreign countries at a total cost of Rs.17.50 lakh.

The KSPCB allowed (July 1993) time for completion of the related work up to December 1993 for discharge of the effluents into sea while consenting that the Company could continue with this arrangement up to December 1995 as a temporary measure. The State Government also informed (October 1993) the Company that punitive action would be initiated against it unless the Company achieved progress in implementing the pollution control measures to the satisfaction of the KSPCB by the end of December 1993.

In February 1994, the State Government issued notice to the Company as to why direction should not be issued for the closure of the unit, as the Company failed to comply with the instructions issued by KSPCB in July 1993.

The Water Appellate Authority considered (December 1995) the existence of the Company as an environmental and ecological hazard and ordered its closure if it failed to comply with the directives of KSPCB issued in July 1993. The Authority further observed (December 1996) that the Company was persistently indifferent in implementing the project of effluent disposal and that the requests for extension of time repeatedly made by it for about a decade was hardly genuine or *bonafide*. The Authority, therefore, rejected the appeal for extension of time stating that the continued operation of the factory without legal consent was illegal and the only course opened was the compulsory closure of the factory until the direction in the judgement was complied with.

The KSPCB rejected (July 1997) the request for extension of time sought by the Company up to the end of December 1998 for want of definite, time bound and detailed proposal for effluent treatment and safe disposal of the treated effluent. The appeal of the Company was dismissed (August 1997) by the Authority. The fact remains that the Company is at present functioning without proper legal consent.

Management stated (September 1997) that:

- the left over work of laying pipe line into the sea would be taken up after finding out a satisfactory solution to the resistance of the local fishermen folk, for which attempts were being continued; and
- it had been decided in August 1997 to implement schemes for treatment of the effluents conforming to the level prescribed by the KSPCB in the light of the recommendation of Damodaran Committee (July 1997) which proposed alternate means to control pollution.

Thus, even after twenty years and spending Rs.1.42 crore, the Company could not implement the pollution control measures to the satisfaction of KSPCB, which poses grave threat to the marine environment and the very existence of the Company.

4.1.2 Tourist Resorts (Kerala) Limited - loss due to failure to value land at the prevailing rate

> ***Failure to adopt the prevailing rate for valuation of land, resulted in under assessment of lease rent by Rs.0.56 crore***

Taj Kerala Hotels and Resorts Limited (TKHRL) was incorporated in May 1991 as a joint sector company of Tourist Resorts (Kerala) Limited (TRKL) and the Taj Group. The land measuring 93.8 cents and the buildings thereon of the hotel project at Marine Drive in Kochi held by TRKL were taken over by the new Company in February 1992.

According to the terms of both the memorandum of understanding (MOU) and the agreement entered into with the Taj group in October 1990, these assets were to be treated as share capital contribution of the Government in TKHRL. However, it was subsequently decided in September 1994 to treat the land and buildings, on a long-term lease initially for a period of thirty years. For the purpose of fixation of the lease rent, the value of the land was assessed (September 1994), based on the rate prevailed in February 1991, at Rs.116.97 lakh at the rate of Rs.1.25 lakh per cent without updating its value.

The Management of Kerala Tourism Development Corporation Limited, the holding company of TRKL stated (September 1996) that it had been decided even at the initial stage that the lease would be operational from the date of taking over of the possession of the assets by TKHRL. However, the Government stated earlier (November 1994) that the transfer of property was not effected prior to the Government order of September 1994.

It was noticed in Audit that the value of land sold by Greater Cochin Development Authority to TKHRL in February 1992 was fixed at Rs.1.50 lakh per cent. Even adopting the rate prevailed in February 1992, the land should have been valued at the market rate of Rs.1.50 lakh per cent. Failure to adopt the then existing rate resulted in under-valuation of the value of land by Rs.23.45 lakh. Reckoned at the rate of 8 *per cent* per annum, the loss by way of short assessment of lease rent for the entire lease period of 30 years would be over Rs.56 lakh.

4.1.3 Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited - Loss due to payment of fake claim

> ***Failure of the Company in exercising pre-payment checks, resulted in admitting a fake claim of Rs.0.27 crore***

With a view to providing employment to the Christian converts under Self - Employment Scheme, the Company envisaged (October 1994) a scheme whereby the beneficiaries would be provided with a cable TV network system. The Company obtained from the National Backward Classes Finance and Development Corporation, a term loan of Rs.23.20 lakh in March 1995 as 80 *per cent* cost of 25 units.

The Company identified 29 beneficiaries and also entered (October 1995) into a contract with the lowest tenderer *viz.*, Amma Communication, Pattazhi, Kollam District for the supply and installation of cable TV network. The firm had quoted Rs. one lakh each for the system and remitted a security deposit of Rs.0.40 lakh being five *per cent* of the estimated value of the contract. As per the agreement, the payment was to be made to the contractor after ensuring satisfactory supply of the systems to the beneficiaries and also after scrutiny of the bills. However, the Company paid Rs.29 lakh to the contractor on production of invoices and receipts of beneficiaries without ensuring whether the systems had been installed in the premises of the beneficiaries as envisaged in the agreement.

On receipt of complaints from the beneficiaries, the Company found (March 1996) that the firm had not supplied even a single component of the cable TV network system to 27 out of the 29 beneficiaries and that the firm had produced fake invoices and receipts for getting payment from the Company.

Thus, the failure of the Company in ensuring the supply and installation of all the systems before making payment to the firm, resulted in admitting a fake claim of Rs.27 lakh apart from defeating the very purpose of the scheme.

Government stated (June 1997) that in addition to filing civil suits for the recovery of the amount the Company has initiated criminal cases against the 27 beneficiaries and that a vigilance investigation was in progress.

4.1.4 Traco Cable Company Limited

4.1.4.1 Avoidable expenditure due to purchase of copper rods at higher rates

Purchase of 207.7 tonnes of copper rods at higher rates resulted in an avoidable expenditure of Rs.0.20 crore

The Company had been purchasing electrolytic continuous cast copper wire rods in coils on high-seas basis from a Mumbai firm and its sister concerns, after inviting tenders. Meanwhile, a Bangalore firm offered to supply the rods at Rs.1.64 lakh per tonne. The Company placed (July 1995) a trial order on this firm for supply of 54 tonnes of material and the same was supplied by the month-end. After noticing some quality problems, a joint inspection with the representatives of the Bangalore firm was held between 11 and 13 August 1995 which revealed that the material was not having any problem and was to the satisfaction of the Company.

However, the Company purchased (24 August and 7 October 1995) 207.7 tonnes of copper rods at a total cost of Rs361.72 lakh from the Mumbai firm though the item supplied by the Bangalore firm was cheaper and found to be technically acceptable. Compared to the cost of the Bangalore firm, the purchase at higher rates resulted in an extra expenditure of Rs.19.57 lakh.

The Management concurred (June 1997) with the audit findings.

Government added (September 1997) that the case was being referred for vigilance inquiry.

4.1.4.2 Excess payment of excise duty

Finalisation of the excise duty assessment prior to determination of the selling price, resulted in excess payment of duty of Rs.0.02 crore

(a) In April 1993, the Department of Telecommunications (DoT) placed an order with the Company for the supply of 740 kilometres of polythene insulated jelly filled underground telephone cables. The purchase order provided that the final price of the cables would be the latest price to be decided by DoT. The Company supplied (May 1993) 212 km against this order and raised provisional invoices pending finalisation of the price for 1993-94. The excise duty thereon amounting to Rs. 61.33 lakh was also remitted in May 1993.

In May 1993, the Company informed the central excise department that the price indicated in the invoice was final. Accordingly, the excise department finalised the assessment in January 1994.

The undertaking of the Company that the price was final, was based on a communication from DoT that there would be no price revision on account of variation in copper price. However, there was another general price variation clause, based on which DoT revised (July 1993) the price of the cables downwards. This resulted in decrease in the sale value, thereby rendering duty of Rs.2.08 lakh, paid with reference to the provisional invoices, excess. In March 1994, the Company issued the revised invoice reducing the sale value and claimed (August 1994) refund of duty for Rs.2.08 lakh paid in excess. As the claim for refund was not preferred within six months from the date of sale (May 1993), the excise department rejected the claim, as time barred.

Government stated (August 1997) that this was due to a mistake committed inadvertently by the Company.

(b) The Company received (March-August 1994) further orders from DoT for supply of jelly filled underground telephone cables. DoT had fixed the price provisionally at 1993-94 rates pending finalisation of rates for 1994-95. The Company supplied the cables between 30 March 1994 and 14 October 1994 at provisional rates and raised invoices accordingly. The Company also remitted the excise duty on the basis of those provisional invoices. The Company did not obtain sanction from the central excise department for provisional assessment under Rule 9B of the Central Excise and Salt Act, 1944.

Failure to comply with the prescribed procedures, resulted in non- refund of excise duty of Rs.0.14 crore paid in excess

DoT fixed (20 September 1994) the price of cables for 1994-95 at a rate lower than the provisional rate. The Company issued revised invoices to DoT at the reduced rate and preferred (December 1994/ January 1995) claims for refund of excise duty amounting to Rs.23.26 lakh paid in excess during the period between March and October 1994.

As the Company did not prefer claims for refund within the stipulated period of six months from the dates of remittances, the authorities rejected (July/August 1995) the claims to the extent of Rs.14.19 lakh.

Thus, the failure of the Company to obtain sanction for provisional assessment of excise duty in respect of the goods invoiced on provisional basis and in submitting the refund claims belatedly resulted in a loss of Rs.14.19 lakh.

Government stated (May 1997) that the Company could not obtain provisional assessment orders because of the changes in the Rules. As the amendment came into force with effect from April 1994, the Company could have ascertained and followed the correct procedures before the claims became time barred in October 1994.

4.1.5 The Kerala Minerals and Metals Limited

4.1.5.1 Avoidable payment of interest due to delayed remittance of advance income tax

> ***Delay in remitting advance income tax, despite having sufficient funds, resulted in a loss of Rs.0.44 crore***

The Company earned a profit of Rs.75.88 crore during the year ended March 1996. After setting off the carry forward loss of Rs.50.83 crore, the net taxable income was Rs.25.05 crore, the incidence of income tax thereon being Rs.11.53 crore. The Company was aware of this tax liability and had enough funds in treasury deposits. Hence it could have paid the advance tax by 15 March 1996 as required under Section 211 of Income Tax Act, 1961. The tax was, however, paid only in July 1996 resulting in payment of interest amounting to Rs.78.20 lakh for delay in remittance of tax under Section 234 B of the Income Tax Act.

Thus, due to its failure to meet the statutory tax liability in March 1996 from out of the surplus funds retained in treasury deposits, the Company sustained a loss of Rs.43.61 lakh computed as the difference between the interest earned (Rs.34.59 lakh) on the treasury deposits and the interest paid (Rs.78.20 lakh) on account of the delayed payment of tax.

Government stated (June 1997) that an appeal has been filed with the Department in February 1997 for waiver of the interest. The reply is not acceptable as the payment of advance tax in time is a statutory liability.

4.1.5.2 Loss due to failure to insure the goods

> ***Failure to insure goods before despatch, resulted in a loss of Rs.0.05 crore***

The Company placed (between August 1993 and September 1994) orders with a German firm for the supply of 301 silica hairpins. As the price was on cost and freight basis, the Company should have taken insurance before despatch of the material. The consignment was despatched on 16 April 1994 and reached the destination on 23 April 1994, but the insurance cover was taken by the company only on 25 April 1994. On inspection of the goods, it was found that five hairpins had been damaged in transit. As the consignment was not covered by insurance during the period of transit, the insurance department of the State Government rejected (August 1994) the claim of Rs.4.88 lakh preferred by the Company on the damaged item.

Thus, the failure to insure the goods in time, resulted in avoidable loss of Rs.4.88 lakh.

4.1.6 Malabar Cements Limited - Avoidable expenditure due to prolonged hiring of a loader

Delayed purchase of a loader, necessitated avoidable payment of Rs.0.09 crore by way of hire charges

The Company had been using three front-end loaders for handling raw materials at its railway siding and the plant. As one of the loaders became unserviceable in April 1994, the Company hired (April 1994) a loader for two months from a firm of Chennai at the rate of Rs.675 per hour in order to carry raw materials before the onset of monsoon. However, the Company retained the loader for a further period of 17 months, till November 1995.

It was noticed in Audit (March 1996) that the Company had not examined the relative merits of purchasing a new loader as an alternative to the hiring. Only in November 1995, after it had spent Rs.36.42 lakh by way of hire charges, the Company decided to buy a loader at a landed cost of Rs.22.88 lakh. The new loader, the operating cost of which worked out Rs.401 per hour, was received in May 1996.

Had the Company decided in April 1994 itself to purchase a loader, the machine would have been delivered by October 1994 and after considering the depreciation, interest, *etc.,* the operational cost for 3461 hours from October 1994 to November 1995 would have been Rs.13.88 lakh only against Rs.23.36 lakh actually incurred by the Company on account of hire charges during the same period. Thus, the delay in taking a decision to purchase a new loader at a cost of Rs.22.88 lakh resulted in avoidable expenditure of Rs.9.48 lakh.

Government stated (May 1997) that the Company had to hire the loader for the period up to November 1995 due to unanticipated and intermittent nature of work. It also stated that the purchase was not effected earlier due to anticipated initial resistance from the workers in handling of the fly ash for the manufacture of new brand of cement. The reply is not tenable as the quantum of work to be handled by the loaders was assessable in advance and the purchase decision should have been taken in April 1994 itself.

4.1.7 The Travancore Cements Limited - Loss due to delay in the purchase of a generator

Delay in taking purchase decision necessitated additional payment of Rs.0.14 crore, apart from production loss of about Rs.0.21 crore

The Company invited tenders in December 1995, for the supply of a diesel generator, in anticipation of acute power shortages in the ensuing months, without indicating the delivery period. However, the lowest tenderer indicated (January 1996) the delivery period as 8 to 10 weeks and quoted the rate at Rs.67.04 lakh. Though the Board imposed 35 *per cent* power cut from January 1996, the Company decided only in March 1996 to procure the generator with the least delivery schedule in view of the power cut. The lowest tenderer thereupon enhanced the rate to Rs.80.79 lakh on account of the additional expenditure for delivering the set within four weeks.

The Company placed (March 1996) the order on the firm at the rate of Rs.80.79 lakh stipulating the delivery schedule as 17 April 1996. The set was received on 22 April 1996 and commissioned on 21 June 1996.

Government stated (July 1997) that but for the timely procurement of the set, the Company would have suffered a production loss of about Rs.42 lakh. However, the Company could not justify the abnormal time taken to finalise the tender. Had the Company placed the order in January 1996 itself, the set would have been delivered by March 1996 at a cost of Rs.67.04 lakh.

Thus, the delay in finalisation of the tender resulted in an additional expenditure of Rs.13.75 lakh, apart from sustaining a production loss of about Rs.21 lakh.

4.1.8 Steel Industrials Kerala Limited - Avoidable payment of excess electricity charges due to failure to install HT system

Failure to install HT system resulted in avoidable payment of excess electricity charges of Rs.0.13 crore

Kerala State Electricity Board decided (January 1983) that all LT consumers having a connected load of above 100 KVA would be treated as HT consumers and were required to install HT system by July 1983. However on account of litigation, the Board could implement this decision only from March 1989.

The connected load of the Steel Fabrication Unit of the Company at Cherthala was 375 KVA. The Board allowed (October 1991) an option to install one LT two part tariff meter before February 1990, in case it was unable to install the HT system by then. But the Company installed the meter purchased (January 1991) in September 1994 only. Though the actual consumption in any month never exceeded 87 KVA, the Company had to pay for 281 KVA i.e., 75 *per cent* of the connected load from March 1989, in accordance with the terms of the contract as the Company failed to adhere to the directive of the Board.

The request of the Company in December 1994 for reduction of the connected load was turned down (August 1995) by the Board on the ground that the HT system was not installed. Thus, failure of the Company to meet the statutory requirement of installing the HT system, resulted in continued payment of avoidable excess electricity charges amounting to Rs12.90 lakh during the period from March 1989 to March 1997.

The Company stated (October 1996) that the HT system (costing around Rs.10 lakh) could not be installed due to paucity of funds.

A review of the fund position of the Company after March 1989, when the Board implemented the decision, revealed that the Company had sufficient funds at its disposal from April 1989 to May 1991.

The matter was reported to the Government in April 1997; their reply was awaited (September 1997).

4.1.9 Steel and Industrial Forgings Limited - Avoidable payment of demand charges

Failure to reduce the contract demand resulted in avoidable payment of Rs.0.09 crore

In September 1989, the Company executed an agreement with KSE Board for enhancing the contract demand from 1200 KVA to 2500 KVA in anticipation of installing a power intensive induction billet heater (IBH) imported in January 1984. In April 1988, the Company decided not to install the IBH in view of the power constraints. The machine was not installed and the maximum power consumed did not increase to justify the enhancement in the contract demand.

As per the agreement with the Board the Company was required to pay 75 *per cent* of the contract demand or actual recorded maximum demand whichever was higher. During the period April 1991 to December 1995, the Company was paying the Board on the recorded maximum demand, which never exceeded 1850 KVA. On account of concessional tariff extended (July 1991) by the Board, the

Company paid demand charges only for the recorded demand during the period from April 1991 to August 1992.

As the Company did not initiate any action to reduce the contract demand, from September 1992 onwards it had to pay higher demand charges at 75 *per cent* of contract demand of 2500 KVA i.e., 1875 KVA.

Based on the actual maximum consumption of 1850 KVA during the preceding five years, the Company should have reduced the contract demand to 2000 KVA. Failure to do so, resulted in an avoidable payment of over Rs.9 lakh by way of electricity charges on the unutilised portion of the facility during the period from September 1992 to December 1995.

Government stated (May 1997) that the maximum contract demand was fixed taking into consideration the requirement of electricity for IBH, and that in case the contract demand was reduced, it might not be possible to revise it further in the next couple of years. The reply is not tenable as the Company had discarded the IBH and as the revision of the contract demand was possible without any time constraints.

4.1.10 The Travancore - Cochin Chemicals Limited - Loss of interest due to retention of surplus funds in current accounts

The Company retained substantial cash balances in current accounts during 1995-96 which ranged between Rs.6.81 crore and Rs.12.12 crore.

Retention of surplus funds in current accounts, resulted in a loss of revenue of Rs.0.30 crore by way of interest

According to the Company, the funds were earmarked for working capital and for financing certain projects. However, the minimum balances during 1995-96 in the current accounts after meeting the requirements of working capital was over Rs.6.81 crore. With proper planning, the Company could have assessed the fund requirements for the projects and retained the surplus funds in treasury savings bank/short-term deposits account thereby earning at least 6 *per cent* interest instead of retaining huge balances in non-interest bearing current accounts. Even after setting aside Rs.1.81 crore for meeting urgent day-to-day expenses, out of the minimum balance of over Rs.6.81 crore held in the current accounts, the Company could have deposited at least Rs.5 crore during the year 1995-96 in treasury savings bank/short-term deposit accounts. Failure to do so, resulted in loss of revenue of over Rs.30 lakh by way of interest.

Management stated (March 1997) that the funds could not be retained in treasury savings bank account due to restriction imposed by the Government in the withdrawals and hence the only practical solution was to make short-term deposits in nationalised banks. But this could not be done as the Government sanction to this effect sought for in May 1995 had not been received.

Government endorsed (March 1997) the views of the Company. Thus, the Company could not invest surplus funds in short-term deposits in nationalised banks for want of Government approval.

4.1.11 Kerala State Drugs and Pharmaceuticals Limited

4.1.11.1 Extra expenditure due to purchase of costlier make of raw material

Failure to purchase raw material from cheaper source resulted in an extra expenditure of Rs.0.05 crore

The Company had been using mannitol of Brazilian or Hamberg make as a raw material for the production of mannitol I.V. injection in its transfusion plant. In response to an invitation for quotation for supply of Brazilian mannitol, a Mumbai firm offered (May 1994) to supply Chinese mannitol at Rs.225 per kg and to supply a small quantity for trial purpose. The Company did not consider this lower offer and continued to purchase Brazilian mannitol weighing 1750 kg at a higher rate of Rs.525 per kg during the period from June 1994 to January 1995. However, the Company placed (February 1995) a trial order for 50 kg of Chinese mannitol and found the material suitable. Thereafter, the Company started using Chinese mannitol only.

Thus, procurement of 1750 kg of the material at higher rate due to the failure of the Company to test and purchase the same material at a cheaper rate since June 1994 resulted in an extra expenditure of Rs.5.43 lakh.

The Management stated (March 1996) that the use of Chinese mannitol resulted in low level of production due to frequent interruptions thereby adversely affecting the production of other items. The reply is not tenable as the Company ultimately switched over to Chinese mannitol in February 1995.

The matter was reported to Government in April 1997; their reply was awaited (September 1997).

4.1.11.2 Infructuous expenditure due to purchase of unsuitable material

Purchase of unsuitable material resulted in an infructuous expenditure of Rs.0.06 crore

The Company used to procure lithium metal required for bulk production of Vitamin 'A' from a German firm on repeat order basis. Though the material supplied by a Canadian firm against a trial order was found unsuitable in March 1994, the Company placed (May 1994) an order with that firm for 100 kg of the metal, c.i.f. Mumbai, on the ground that the rate offered by it was lower.

The consignment with a landed cost of Rs.5.61 lakh received in September 1994 was rejected (April 1995) by the quality control department of the Company as unsuitable for production. Though the firm agreed to replace the material at its cost, the Company did not return the same on the ground that the contract with the clearing agents had expired. In the meantime, the Vitamin A plant was closed down in November 1994.

Government stated (May 1997) that the metal rejected due to oversize, can be used in production by cutting into smaller pieces when the Plant resumes its activities. The reply is not tenable as the shelf-life of the item was only six months and it had expired well before the quality control test conducted by the Company.

Thus, purchase of lithium metal from the Canadian firm without ensuring the suitability, resulted in an infructuous expenditure of Rs.5.61 lakh.

4.1.12 Kerala Forest Development Corporation Limited - shortage of eucalyptus billets

There was a shortage of 1837 tonnes of eucalyptus billets valued at Rs. 0.24 crore in respect of the sale from the Potta unit

The Company had been supplying eucalyptus billets to Hindustan Newsprint Limited (HNL) at the price fixed by the State Government from time to time. According to the agreement, HNL would fell the trees, arrange the billets in stacks of 1m x 1m x 2m or multiples thereof and furnish a list of such stacks to the Company. The correctness of volume of stacks would then be checked by the Assistant Managers of the units and counter-checked by the Divisional Managers of the respective estates of the Company. The stacks of billets thus measured in volume would then be loaded on to lorries and transported to HNL. At the unloading point, HNL would weigh the billets using weigh bridge and make payment for the quantity received.

During the year 1993-94, the Company issued release orders to HNL for 16039 cubic metres of billets from its Potta unit. According to the Assistant Manager of the unit and the Divisional Manager, Kochi of the Company, the entire quantity of 16039 cubic metres of billets was transported in 500 lorry loads to HNL.

With reference to the volume-weight ratio of 1 cum: 0.55 tonne obtained in other estates during the same period, this volume of 16039 cubic metre should weigh 8821 tonnes. Against this, the weight obtained (1 cum:0.43 tonne) on unloading at HNL was 6984 tonnes only. The value of shortage of 1837 tonnes works out to Rs.23.88 lakh. The Company did not investigate the reasons for the shortage.

The Company stated (April 1997) that the contractor engaged by HNL for felling and stacking the billets from the Potta unit was inexperienced in the operation and hence the loads would have been loosely packed, thereby showing an inflated volume. The reply that the contractor was new to the field was incorrect as he was engaged by HNL in two earlier occasions and that during 1992, the same contractor was engaged for the same type of work from one of the other units of the Company itself. Further, there was specific norm prescribed for stacking (1m x 1m x 2m) and the Assistant Manager and the Divisional Manager, who had certified the volume as 16039 cubic metres did not make any observation regarding loose stacking.

The mater was reported to Government in July 1997; their reply was awaited (September 1997).

4.1.13 Kerala Garments Limited - loss of premium on export quota

Belated application resulted in non- allotment of PPE quota for 1996 and consequent loss of Rs.0.06 crore

The Company is engaged in manufacturing and trading of wearing apparel and began to export garments from September 1992. Based on such exports, the Company was eligible for allotment of export quota (PPE) in subsequent year by Apparel Export Promotion Council (AEPC). The PPE quota is transferable to other exporters wholly or in part, in case it was not required by the Company. Hence, in order to avoid lapsing of the quota, the Company used to sell the quota to garment exporters at a premium.

The Company was entitled to a PPE quota of 0.28 lakh pieces of various categories of cloth for the year 1996, had it filed the application to AEPC before July 1995. Though the notification to this effect was published in May 1995, the Company submitted the application only in August 1995. Hence the Company did not get any export quota for 1996.

The loss of revenue by way of premium alone that would have been earned on the sale of PPE quota for 0.17 lakh pieces in respect of categories of cloth which had market demand, worked out to Rs.5.78 lakh at the rate of Rs.34 per piece obtained by the Company for such items in respect of 1995 quota.

Management stated (April 1997) that delay in filing the application was due to non-receipt of the AEPC fortnightly magazine in which the format of the application was published. As export of garments was one of the main activities of the Company it ought to have been in touch with AEPC, so as to submit the application in time.

The matter was reported to Government in March 1997; their reply was awaited (September 1997).

4.2 STATUTORY CORPORATIONS

4.2.1 Kerala State Electricity Board

4.2.1.1 Irregularities in the fixation of pay

Due to irregularities in the fixation of pay, there was over payment of Rs.4.20 crore

Consequent on the agreement with the workmen and officers, the Board revised (August 1995) the pay of the employees and officers with retrospective effect from August 1993. As per estimate made by the Board, this would involve approximately an annual financial commitment of Rs.25 crore. However, prior approval of the State Government was not obtained which was mandatory in terms of directions issued (October 1979) by the State Government.

A test check of the fixation of pay conducted by Audit between April 1996 and September 1997 in sixty units (out of 146 units) of the Board revealed that out of 2532 cases test checked, there was excess payment in 2011 cases (79 *per cent*) amounting to Rs.419.52 lakh in the basic pay alone due to erroneous fixation of pay. The irregularities noticed were of the following nature:

- extending benefits not contemplated in terms of the settlement;
- premature sanction of increments by reckoning even non-duty periods;
- granting re-fixation benefit to inadmissible promotion scales;
- creation of abolished posts retrospectively and granting promotions;
- grade promotions in addition to regular promotions;
- granting stagnation increments without any limit;
- fixation of pay on the basis of incorrect pay, weightage, *etc.,* and
- arithmatical errors in computation, *etc.,* leading to irregular fixation of pay.

If the results of test check were to be applied to all the 0.26 lakh employees of the Board, the over-payment of about Rs.40 crore on basic pay alone, cannot be ruled out.

On being pointed out by Audit (July 1996) the Government constituted (January 1997) a three member Committee to look into the irregularities noticed in the fixation of pay and to submit its report within three months.

Government stated (September 1997) that the report of the Committee was awaited.

4.2.1.2 Extra expenditure due to unnecessary import

Importing of three indigenously available portacorders, resulted in an extra expenditure of Rs.0.20 crore

The Board decided (June 1991) to import nine portacorders (micro earthquake recorders) from an American firm. However the Central Electricity Authority informed (June 1991) that the item was indigenously available. The American firm had also intimated (April 1991) that its representative firm at Bangalore had been able to manufacture the portacorders as per its specifications with respect to operation, quality and reliability. The National Geophysical Research Institute (NGRI), the nodal agency in the country in the field of seismography, recommended (September 1991) the Board to procure *eltel* portacorders from the Bangalore firm since the equipment had been functioning well. The Board placed a trial order in October 1992 with the Bangalore firm for one unit at a price of Rs.3.32 lakh. The unit supplied in October 1992 was installed in February 1993 and the result was found satisfactory.

Disregarding the recommendation of the NGRI and before ascertaining the performance of the unit purchased in October 1992, the Board placed (January 1993) orders with the American firm for the import of three units of the instrument at US $ 15142 (Rs.4.78 lakh) per unit, CIF Kochi. The units were received (October 1993) at a cost of Rs.10.13 lakh per unit including customs duty, etc.

Thus, the import of three portacorders from the American firm at a landed cost of Rs.10.13 lakh each when indigenous make was available at a cost of Rs.3.44 lakh resulted in an extra expenditure of Rs.20.07 lakh.

The Board stated (March 1997) that it decided to import three portacorders on account of the observation (March 1991) of NGRI to the effect that the performance of *eltel* brand portacorder manufactured by the Bangalore firm was found unsatisfactory. The reply is not tenable as NGRI had intimated in September 1991 that the performance of the same brand was found satisfactory and as this observation was received well before the decision (January 1993) of the Board to import the portacorders.

The matter was reported to the Government in April 1997; their reply was awaited (September 1997).

4.2.1.3 Extra expenditure due to rejection of lowest tender

Unjustified purchase from the third lowest firm, resulted in extra expenditure of Rs.0.80 crore

The Board invited (January 1994) global tenders for the supply of six 25 MVA transformers, under World Bank Scheme. Out of eight tenders received, the rates quoted by the first and the second lowest tenderers were Rs.31.08 lakh and Rs.40 lakh respectively per unit. But the Board decided (May 1994) to place the order on the third lowest tenderer at Rs.44.36 lakh per unit on the ground that the weight of copper used in each transformer of this firm was 7600 kg as against 4500 kg used by the lowest firm, which would ensure the continuous running of the transformers at the rated load.

When the Board approached (July 1994) the Central Electricity Authority (CEA) for prior approval for the purchase, CEA rejected (October 1994) the proposal to purchase from the third lowest firm on the ground that -

- the minimum requirement of the weight of copper had not been specified in the tender notification;
- while evaluating the offers, the Board had not adversely commented upon the temperature rise tests submitted by the two firms which had quoted lower rates; and that
- the past performance reports submitted by the first and second lowest tenderers indicated that the same type of transformers supplied by them were functioning satisfactorily in various other electricity boards, cement plants, etc.

But, in the meantime, without waiting for the clearance/approval of CEA, the Board placed (September 1994) order with the third lowest tenderer. The firm supplied the item in December 1994 and March 1995.

Thus, rejection of the lowest offer without any reasonable ground resulted in an avoidable extra expenditure of Rs.79.68 lakh in the purchase of six transformers.

Government stated (June 1997) that the Board stood to gain by the purchase at higher rate in view of the higher copper content which would result in longer life to the transformers. The reply is not tenable as the temperature rise of the equipment of the lowest tenderer was also within the limits and as the transformers supplied by the first and the second lowest tenderers to other electricity boards, cement plants, *etc.,* were functioning satisfactorily.

4.2.1.4 Extra expenditure due to failure to accept the lowest offer

Rejection of technically acceptable lowest offer resulted in an extra expenditure of Rs.0.24 crore

The Board invited (May 1991) tenders for the purchase of eight panel switch boards with single-phase interruptors. The lowest tenderer which quoted Rs.179.28 lakh offered a new design with various advantages and also informed that it had supplied this model to various other electricity boards. The firm also furnished details of studies conducted by Central Power Research Institute and Central Board of Power and Irrigation, highlighting the merits of the new design. But the Board rejected this lowest offer on the ground that the equipment was not according to the tender specification and that three phases should have three separate interruptors capable of being attended to separately, in case of any problem and placed (March 1993) the order for Rs.203.39 lakh with another tenderer.

On a review of the bid evaluation, the World Bank observed that the design of the lowest tenderer did not affect the operational requirement.

Thus, failure to accept the lowest offer, despite advantages of the new design and fuel efficiency resulted in an extra expenditure of Rs.24.11 lakh to the Board.

The Board stated (April 1997) that single phase interruptors were technically advantageous over three-phase interruptors. The reply is not tenable in view of observation of the World Bank and Board's decision to delete the stipulation of single-phase interruptors in the tender specifications issued subsequently.

The matter was reported to Government in July 1997 and their reply was awaited (September 1997).

4.2.1.5 Loss of revenue due to under assessment of consumption of energy

The Board issued (January 1992) instructions to its field offices, *inter alia,* to:

- inspect the meters installed in the premises of HT consumers at least every six months and check the correctness of metering;
- replace the meters found to be faulty, within fifteen days; and
- fix responsibility for the loss caused to the Board due to faulty metering.

Under-invoicing due to incorrect assessment of average consumption of energy resulted in a loss of revenue of Rs.0.20 crore

It was noticed in Audit that in the case of one HT consumer at Kochi, the meter installed in its premises became faulty in April 1992. Consequently, the meter reading for April 1992 was only 3.76 lakh units against 5.08 lakh, 5.60 lakh and 6.64 lakh units in the immediately preceding three months. The Board replaced the faulty meter only in November 1996. For the period from May 1992 to October 1996, the Board raised invoices at the rate of 5.33 lakh units per month, computed at the average consumption recorded during February to April 1992.

According to the terms of the agreement executed with the HT consumers, the average consumption should be determined with reference to the readings recorded in the three normal previous months prior to the month in which the meter became defective. In the instant case, the average consumption works out to 5.77 lakh units reckoning the period from January to March 1992. Thus incorrect assessment of the monthly average led to under-invoicing and consequent loss of revenue of Rs.20.19 lakh. The Board had not raised a fresh invoice to realise the amount due from the consumer (March 1997).

The matter was reported to Government/Board in July 1997, their replies were awaited (September 1997)

4.2.1.6 Extra financial commitment due to delay in finalisation of tenders

Delay in finalisation of tenders resulted in extra financial commitment of Rs.0.11 crore

The Board invited (March 1995) tenders for the supply of about 200 tonnes of various sizes of 16 mm hot dip galvanised MS hexagonal bolts and nuts stipulating its validity period up to 20 August 1995. Out of seven quotations received, the Board found three quotations acceptable. The Board accepted (July 1995) the samples and the quality certificates and extended the validity period of the offer up to 10 September 1995. During the finalisation of tender all the tenderers were requested to extend the validity period but, only the highest tenderer extended the validity up to 13 January 1996.

The Board placed (January 1996) order with the highest tenderer for the items at a cost of Rs.84.52 lakh though the lowest tenderer quoted Rs.73.78 lakh and had extended the validity period up to 10 September 1995. Thus, failure to place the order on the lowest tenderer, even within the extended validity period, resulted in extra financial commitment of Rs.10.74 lakh.

Government stated (July 1997) that non-extension of validity of the offer by the lowest tenderer beyond 10 September 1995 necessitated the Board to finalise the tender in favour of the highest tenderer. The reply is not tenable as the Board failed to finalise the tender within two months of the acceptance of the quotations.

4.2.1.7 Loss of revenue due to failure to detect the fault in the meter

Failure to detect the fault in the meter, despite complaints from the consumer, resulted in a loss of revenue of Rs.0.04 crore

In May 1993, an HT consumer, informed the Board that the meter installed in his premises, indicated very low reading from January 1993. In June 1993, the field staff of the Board examined the instrument and reported that the meter was working satisfactorily and that the energy metered was correct.

But in August 1993, the Transformer and Meter Repair division of the Board at Thirumala tested this meter and found out that one of the PT fuse elements of the CTPT unit was blown out and that this was the reason for the low recording from January 1993. After setting right the meter in August 1993, the Board raised (February 1994) an invoice for Rs.4.20 lakh towards arrears of electricity charges for the period from January to August 1993, taking into account the average consumption during the preceding three months from October to December 1992. The consumer refused to remit the amount as the Board had earlier checked the meter and confirmed that the readings were correct. Since the Board felt that the consumer's stand was correct and that the claim was not enforceable, it did not pursue the claim.

Thus, the delay in detecting the fault of the meter, despite reports from the consumer, resulted in a loss of revenue of Rs.4.20 lakh.

The Board also did not take any action against the field staff, who had falsely reported that the meter was working properly.

The matter was reported to Government/Board in July 1997; their replies were awaited (September 1997).

4.2.1.8 Loss due to acceptance of security deposit in the form of bank guarantee instead of in cash/demand draft

In terms of an amendment made in June 1994 to the regulations relating to the Conditions of Supply of Electrical Energy, the Board notified that the security deposit from new Extra High Tension consumers/existing consumers requiring additional load would be collected either in cash or by way of demand drafts only.

Failure to obtain security deposit from three EHT consumers in cash or demand drafts, resulted in an annual interest loss of Rs.0.30 crore

It was noticed, however, in Audit that the Board accepted bank guarantees, aggregating Rs.170.47 lakh as security deposit for the additional load, from Hindustan Organic Chemicals Limited, Cochin Refineries Limited and M.R.F Limited between October 1994 and April 1995 in contravention of the notification. The reasons for deviation in the policy were not on record.

As the Board works on borrowed funds, the annual incidence of loss due to acceptance of security deposit in the form of bank guarantee, worked out to over Rs.30 lakh, computed at 18 *per cent* interest.

The matter was reported to the Government /Board in July 1997; their replies had not been received so far (September 1997).

4.2.1.9 Idling of circuit breakers

Owing to old age of the Air Blast Circuit Breakers (ABCBs), available at the Sholayar Power House, the Board had been experiencing frequent operating difficulties due to heavy air leakage. Hence, the Board felt it necessary to replace the ABCBs with high speed

Idling of circuit breakers purchased in February 1990, resulted in blocking of funds to the extent of Rs.0.09 crore

fast response circuit breakers like SF6 Gas Circuit breakers. The Board, therefore, in February 1990, purchased six SF6 circuit breakers at a total cost of Rs.27.75 lakh.

The purchase was made without any specific schedule of replacement and only four SF6 breakers were installed between September 1991 and February 1994. The remaining two breakers, the performance guarantee of which expired by July 1991, were lying idle since then resulting in blocking of funds amounting to Rs.9.25 lakh leading to loss of interest of Rs.11.66 lakh up to March 1997.

The Board had not assessed the impact of the non-replacement of the remaining two old ABCBs still retained in the system.

The Board stated (April 1995) that the purchase of the breakers in advance was to avoid future cost escalation. The reply is not tenable as the purchase was made out of borrowed funds.

The matter was reported to Government/Board in July 1997; their replies were awaited (September 1997).

4.2.1.10 Unintended benefit to the contractor

Though the protection of the completed portion of the earthen dam was the responsibility of the contractor, the Board paid Rs.0.15 crore for the work

The Board entrusted (September 1981) the work of construction of an earthen dam across Karamanthodu at Padinjarethara as part of Kuttiyadi Augmentation Scheme to a contractor with the condition that the dam should be raised to an elevation of 760 metres before 1990 monsoon season. The contractor was responsible for the protection of the completed portion of the work, in terms of the agreement with the Board. Considering the slow progress of work, the necessity to elevate the dam to the prescribed height had been brought to the notice of the contractor by the Board from time to time, but the construction reached a level of +753 metres only by May 1990. The shortfall in height, necessitated construction of a temporary bund in July 1990 on top of the dam to the level of +760 metres to protect the dam against any possible overtopping, due to flood during monsoon. The construction of the bund and its subsequent demolition were got done by the same contractor for a total contract value of Rs.15.46 lakh.

Despite the specific provision in the agreement that the contractor was responsible for the protection of completed portion of the work, the Board opted to incur the expenditure of Rs.15.46 lakh. Thus, the Board extended an undue benefit to the contractor to the extent of Rs.15.46 lakh.

The Board stated (June 1997) that the unexpected early advent of monsoon compelled the Board to construct the temporary bund. The reply is not tenable as the inability of the contractor to execute the work in time necessitated the construction of the temporary bund and it was his responsibility to protect the completed portion of work.

The matter was reported to Government in June 1997; their reply was awaited (September 1997).

4.2.2 Kerala State Road Transport Corporation

4.2.2.1 Loss due to diversion of borrowed funds

Unnecessary diversion of Rs.0.24 crore out of borrowed funds to Staff Welfare Fund, resulted in a loss of interest of Rs.0.06 crore

The Corporation constituted (April 1972) a Staff Welfare Fund (SWF) with the objective of providing financial assistance to the employees at the time of their retirement or to the dependants of the deceased employees. The SWF is managed by a trust. The source of finance to SWF is the monthly subscription by the employees and the contribution by the Corporation at the rates fixed from time to time. The contribution of the Corporation had been released only at the end of each financial year. A portion of the resources so mobilised was being deposited in various institutions as fixed deposits.

The rates of contribution of members as well as management were revised from time to time. The Corporation continued to operate SWF even after introducing pension and gratuity schemes to its employees in April 1994. The Corporation enhanced (January 1996) its contribution to Rs.10 per member when the member's subscription was raised to Rs.45.

The SWF had a fixed deposit of Rs.31.98 lakh as on 31 March 1995. In June-August 1995, SWF had no liquid cash to release financial assistance to the members on their retirement due to the retention of funds in fixed deposits. The Corporation diverted Rs.24.16 lakh out of its borrowed funds to SWF on the security of the fixed deposit and on the stipulation that the amount would be recovered with interest on maturity. The fixed deposit matured in December 1995 was, however, redeposited by SWF on long-term basis.

It was observed (December 1996) in Audit that the Corporation neither adjusted the loan against future disbursement of contributions nor did the trust repay the same with interest (March 1997). Thus, the diversion of borrowed funds to SWF, resulted in a loss of interest of Rs.5.96 lakh to the Corporation for the period from July 1995 to March 1997 computed at 15 *per cent* per annum.

The Management stated (September 1997) that action was being taken to place the issue before the Board to treat the amount met from the working fund of the Corporation as a special contribution to SWF. The reply is not tenable as there was specific stipulation to the effect that the amount should be repaid with interest on maturity of the fixed deposit made by the SWF.

The matter was reported to Government in July 1997; their reply was awaited (September 1997).

4.2.2.2 Excess payment of excise duty

Payment of excise duty at higher rate resulted in an extra expenditure of Rs.0.03 crore

The Corporation invited (January 1995) tenders for the purchase of 0.50 lakh metres of PVC leather cloth, stipulating that rate of excise duty applicable at the time of offer should be specified. While quoting (February 1995) the rate of Rs.48 per metre plus excise duty at 35 *per cent*, the lowest tenderer intimated that the Corporation should bear statutory change in the excise duty at the time of supply. The Union Government reduced the rate of excise duty from 35 to 25 *per cent* with effect from 1 March 1995.

The Corporation placed (March/May 1995) orders with the lowest tenderer for 35000 metres of PVC leather cloth at the quoted rate of Rs.48 per metre plus excise duty at 35 *per cent.* It also placed an order for 15000 metres with the second lowest tenderer at Rs.70 per metre including 35 *per cent* excise duty. In two repeat orders placed with the lowest tenderer in November 1995 and April 1996 for a total additional quantity of 30000 metres, the Corporation indicated the excise duty as 35 *per cent*. Though the Corporation was aware of the reduction in duty to 25 *per cent* and had regulated the payment to the second lowest tenderer reckoning the duty at 25 *per cent*, the Corporation paid excise duty at 35 *per cent* against the then ruling rate of 25 *per cent* on the total supply of 66937.5 metres of PVC leather cloth made between April 1995 and May 1996 by the lowest tenderer. The excess payment of duty on this quantity worked out to Rs.3.21 lakh.

The Corporation asked (December 1996) the lowest tenderer to produce documentary evidence to the effect that excise duty had actually been remitted at 35 *per cent*. The firm replied in December 1996 that it had stocked the material before the Budget, anticipating hike in the rate of duty with a view to supplying the item at the committed price.

Government stated (June 1997) that the lowest tenderer was only a trader dealing with PVC leather cloth and that though the excise duty was reduced with effect from March 1995, the basic cost of the cloth went up due to increase in the cost of raw materials thus raising the landed cost higher than the pre-Budget price. The reply is not tenable as payment to the second lowest tenderer was regulated at 25 *per cent* excise duty and higher payment was in violation of the terms and conditions of the purchase order.

M. Dey

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New Delhi,
The

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Comptroller and Auditor General of India

ANNEXURES

ANNEXURE – 1

Statement showing the particulars of paid-up capital and outstanding loans as at the end of 1996-97 and budgetary outgo during 1996-97 in respect of all the Government companies

(Referred to in paragraph 1.2.3.1)

(Rupees in lakh)

Sl. No	Name of company	Name of department	Paid-up capital as at the end of 1996-97					Loans outstanding as at the end of 1996-97					Budgetary outgo during the year by way of		
			State Government	Central Government	Holding Companies	Others	Total	State Government	Central Government	Holding Companies	Others	Total	Share Capital	Loan	Subsidy/ Grant
1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
INDUSTRIAL															
	Electrical, Electronics and Engineering														
	Electrical														
1	United Electrical Industries Limited	Industries	387.92	..	..	11.15	399.07	..	..	..	..	..	..	..	..
2	Traco Cable Company Limited	-do-	1282.05	..	..	19.76	1301.81	428.70	..	..	2917.70	3346.40	..	..	..
3	Transformers and Electricals Kerala Limited	-do-	1119.41	..	..	238.13	1357.54	20.00	..	..	1208.52	1228.52	..	..	..
4	Kerala Electrical and Allied Engineering Company Limited	-do-	2612.50	..	..	603.24	3215.74	4.25	..	..	1447.44	1451.69	..	300.00	..
	Total		5401.88	..	..	872.28	6274.16	452.95	..	..	5573.66	6026.61	..	300.00	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
	Electronics														
5	Keltron Counters Limited (Subsidiary of KELTRON)	Industries	..	..	492.99	3.91	496.90	..	..	354.73	..	354.73	..	..	..
6	Kerala State Electronics Development Corporation Limited(KELTRON)	-do-	8595.38	..	..	..	8595.38	1245.00	..	..	3170.00	4415.00	..	1060.00	..
7	Keltron Electro-Ceramics Limited (Subsidiary of KELTRON)	-do-	..	..	314.44	3.84	318.28	..	..	169.92	6.00	175.92	..	..	..
8	Keltron Crystals Limited (Subsidiary of KELTRON)	-do-	..	..	129.72	4.26	133.98	..	..	154.50	78.02	232.52	..	..	..
9	Keltron Component Complex Limited (Subsidiary of KELTRON)	-do-	..	..	172.99	69.46	242.45	..	..	207.57	893.97	1101.54	..	..	..
10	Keltron Magnetics Limited (Subsidiary of KELTRON)	-do-	..	..	25.09	..	25.09	..	..	36.71	..	36.71	..	..	..
11	Keltron Resistors Limited (Subsidiary of KELTRON)	-do-	..	..	159.81	..	159.81	..	..	81.98	34.50	116.48	..	..	..
12	Keltron Power Devices Limited (Subsidiary of KELTRON)	-do-	..	..	410.23	..	410.23	..	..	491.25	157.83	649.08	..	..	..
13	Keltron Rectifiers Limited (Subsidiary of KELTRON)	-do-	..	..	663.75	..	663.75	..	35.00	181.17	143.66	359.83	..	..	
14	SIDKEL Televisions Limited (Subsidiary of SIDCO)	-do-	..	..	33.00	10.50	43.50	1.93	..	..	24.96	26.89	..	..	..
	Total		8595.38	..	2402.02	91.97	11089.37	1246.93	35.00	1677.83	4508.94	7468.70	..	1060.00	

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
	Engineering														
15	The Metal Industries Limited	Industries	22.63	..	..	7.39	30.02	28.30	..	..	..	28.30	..	20.00	..
16	The Metropolitan Engineering Company Limited	-do-	237.91	..	..	..	237.91	18.50	..	..	..	18.50	..	..	..
17	The Kerala Premo Pipe Factory Limited	Local Admini-stration	130.91	..	..	..	130.91	..	..	..	25.00	25.00	..	..	..
18	Steel Complex Limited (SCL) (Subsidiary of KSIDC)	Industries	300.00	..	313.17	86.83	700.00	724.00	..	..	522.11	1246.11	..	274.00	..
19	Steel Industrials Kerala Limited (SILK)	-do-	2813.86	..	..	..	2813.86	2252.70	..	..	25.90	2278.60	235.00	329.00	..
20	Kerala State Construction Corporation Limited	Public Works	87.50	..	..	..	87.50	205.00	..	..	..	205.00	..	..	..
21	Scooters Kerala Limited	Industries	262.00	..	..	..	262.00	25.00	..	..	89.50	114.50	..	..	..
22	Astral Watches Limited (Susidiary of KSIDC)	-do-	..	..	16.00	..	16.00	..	..	19.52	..	19.52	..	..	..
23	Kerala Automobiles Limited	-do-	731.00	..	..	..	731.00	286.00	..	..	445.00	731.00	..	43.00	..
24	Steel and Industrial Forgings Limited (Subsidiary of SILK)	-do-	..	..	540.06	..	540.06	..	..	910.90	..	910.90	..	..	..
25	The Kerala Asbestos Cement Pipe Factory Limited	Local Admini-stration	6.09	..	..	..	6.09	..	..	..	..	..	..	..	..
26	Autokast Limited (Subsidiary of SILK)	Industries	..	..	1310.00	..	1310.00	1677.00	..	345.00	2664.00	4686.00	..	..	..
27	Kerala Hitech Industries Limited	-do-	1300.00	..	..	..	1300.00	..	..	..	2756.88	2756.88	..	..	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
28	Kerala State Engineering Works Limited	Public Works	45.64	..	..	..	45.64	123.69	..	..	..	123.69	..	..	..
29	SIDECO Mohan Kerala Limited (Subsidiary of SIDCO)	Industries	..	..	8.67	8.33	17.00	12.00	..	19.44	..	31.44	..	..	..
	Total		5937.54	..	2187.90	102.55	8227.99	5352.19	..	1294.86	6528.39	13175.44	235.00	661.00	..
	Textiles, Chemicals, Minerals, Clays, etc.														
	Textiles														
30	Trivandrum Spinning Mills Limited	Industries	463.78	..	..	..	463.78	352.12	..	..	25.96	378.08	..	102.12	..
31	Kerala State Handloom Development Corporation Limited (KSHDC)	-do-	988.40	..	..	5.42	993.82	831.43	..	..	..	831.43	350	148.53	56.57
32	Kerala State Textile Corporation Limited	-do-	1605.79	..	..	25.00	1630.79	256.47	..	..	408.99	665.46	50.00	..	..
33	Kerala Garments Limited (Subsidiary of KSHDC)	-do-	..	..	48.00	..	48.00	4.40	..	20.20	..	24.60	..	..	..
34	Sitaram Textiles Limited	-do-	420.00	..	..	..	420.00	652.35	..	..	..	652.35	..	..	..
	Total		3477.97	..	48.00	30.42	3556.39	2096.77	..	20.20	434.95	2551.92	400.00	250.65	56.57
	Chemicals														
35	The Travancore-Cochin Chemicals Limited	Industries	1191.19	..	..	140.00	1331.19	..	..	..	4595.12	4595.92	..	..	..
36	Trivandrum Rubber Works Limited (Subsidiary of SFCK)	-do-	154.96	..	58.66	21.13	234.75	678.38	..	684.08	..	1362.46	..	..	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
37	Kerala Soaps and Oils Limited (Subsidiary of KSIE)	Industries	258.99	..	40.60	..	299.59	..	..	795.00	1457.00	2252.00	..	..	..
38	Kerala State Drugs and Pharmaceuticals Limited (Subsidiary of KSIE)	-do-	30.00	..	728.00	..	758.00	..	..	605.00	..	605.00	..	..	..
39	The Pharmaceutical Corporation(Indian Medicines) Kerala Limited	Health	112.11	..	..	..	112.11	..	..	..	37.32	37.32	..	..	..
40	Kerala State Detergents and Chemicals Limited (Subsidiary of KSIE)	Industries	..	..	154.63	..	154.63	..	..	424.00	81.75	505.75	..	..	..
41	Kerala State Salicylates and Chemicals Limited (Subsidiary of KSIE)	-do-	..	..	628.00	..	628.00	679.99		266.22	206.76	1152.47	..	..	..
	Total		1747.25	..	1609.89	161.13	3518.27	1358.37	..	2774.30	6377.95	10510.62	..	..	..
	Minerals														
42	Travancore Titanium Products Limited	Industries	143.05	..	..	33.70	176.75	..	..	..	..	..	..	..	..
43	The Kerala Minerals and Metals Limited	-do-	3093.27	..	..	..	3093.27	100.00	..	..	30.67	130.67	..	..	..
44	Kerala State Mineral Development Corporation Limited	-do-	125.67	..	..	..	125.67	..	..	..	..	..	..	..	..
	Total		3361.99	..	..	33.70	3395.69	100.00	..	..	30.67	130.67	..	..	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
	Cements														
45	The Travancore Cements Limited	Industries	26.00	..	..	24.00	50.00	..	..	..	..	..	..	..	..
46	Malabar Cements Limited	-do-	2599.87	..	..	..	2599.87	276.04	..	..	826.39	1102.43	..	..	..
	Total		2625.87	..	..	24.00	2649.87	276.04	..	..	826.39	1102.43	..	..	..
	Clays														
47	The Kerala Ceramics Limited	Industries	590.77	..	..	474.90	1065.67	70.00	..	..	208.70	278.70	..	..	..
48	Kerala Clays and Ceramic Products Limited	-do-	131.82	..	..	..	131.82	5.00	..	..	12.95	17.95	..	..	..
	Total		722.59	..	..	474.90	1197.49	75.00	..	..	221.65	296.65	..	..	..
	Refractories														
49	Kerala Construction Components Limited	Industries	27.55	..	..	0.51	28.06	32.46	..	..	10.55	43.01	..	..	..
50	The Chalakudy Refractories Limited	-do-	346.51	..	..	0.13	346.64	..	..	..	109.26	109.26	..	..	..
51	Kerala Special Refractories Limited	-do-	291.23	..	..	..	291.23	107.00	..	..	..	107.00	..	..	..
	Total		665.29	..	..	0.64	665.93	139.46	..	..	119.81	259.27	..	..	..
	Sector –Total		**32535.76**		**6247.81**	**1791.59**	**40575.16**	**11097.71**	**35.00**	**5767.19**	**24622.41**	**41522.31**	**635.00**	**2271.65**	**56.57**

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c

AGRICULTURAL

	Plantation														
52	The Plantation Corporation of Kerala Limited	Agriculture	556.88	..	..	..	556.88	..	..	..	..	..	..	..	..
53	The State Farming Corporation of Kerala Limited	-do-	903.57	..	..	..	903.57	..	..	..	21.97	21.97	..	..	..
54	Kerala Forest Development Corporation Limited (KFDC)	-do-	387.87	93.00	..	..	480.87	39.97	..	..	15.62	55.59	..	..	..
55	The Rehabilitation Plantations Limited	Rehabi-litation	205.85	133.42	..	..	339.27	..	..	..	..	..	..	..	..
56	Oil Palm India Limited	Agriculture	679.47	490.68	..	..	1170.15	1.87	..	..	..	1.87	..	..	..
	Total		2733.64	717.10	..	..	3450.74	41.84	..	..	37.59	79.43	..	..	..
	Agro based														
57	The Travancore Sugars and Chemicals Limited	Industries	26.64	..	..	24.36	51.00	65.00	..	..	60.00	125.00	..	..	..
58	The Kerala Agro-Industries Corporation Limited	Agriculture	304.55	169.56	..	..	474.11	67.79	..	..	..	67.79	..	..	25.00
59	The Kerala State Coir Corporation Limited	Industries	434.55	..	..	..	434.55	68.25	..	..	..	68.25	..	..	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
60	The Kerala State Cashew Development Corporation Limited	Industries	11679.01	..	..	..	11679.01	1087.50	..	..	..	1087.50	7.56	3687.50	..
61	Kerala Agro-Machinery Corporation Limited	Agriculture	161.46	..	..	..	161.46	..	..	..	..	..	..	..	..
62	Kerala State Coconut Development Corporation Limited	-do-	285.05	..	..	..	285.05	185.67	..	..	36.00	221.67	..	..	..
63	Foam Mattings (India) Limited	Industries	286.39	..	..	..	286.39	19.00	..	..	..	19.00	30.00	..	..
64	Kerala State Horticultural Products Development Corporation Limited	Agriculture	83.00	..	..	..	83.00	..	..	..	210.69	210.69	..	..	..
	Total		13260.65	169.56	..	24.36	13454.57	1493.21	..	..	306.69	1799.90	37.56	3687.50	25.00
	Wood based														
65	Forest Industries (Travancore) Limited	Industries	29.19	..	..	8.52	37.71	94.13	..	..	..	94.13	..	50.00	..
66	Travancore Plywood Industries Limited (Subsidiary of KSIE)	-do-	48.59	..	..	..	48.59	48.25	..	329.57	61.87	439.69	..	..	..
67	Kerala State Bamboo Corporation Limited	-do-	511.38	..	..	..	511.38	5.00	..	..	..	5.00	..	..	..
68	Kerala State Wood Industries Limited (Subsidiary of KFDC)	Agriculture	74.78	..	..	95.22	170.00	..	..	..	370.00	370.00	..	..	..
	Total		663.94	..	..	103.74	767.68	147.38	..	329.57	431.87	908.82	..	50.00	..
	Sector-Total		**16658.23**	**886.66**		**128.10**	**17672.99**	**1682.43**	**..**	**329.57**	**776.15**	**2788.15**	**37.56**	**3737.50**	**25.00**

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
TRADING															
69	The Kerala State Civil Supplies Corporation Limited	Food	856.00	..	..	..	856.00	13259.97	32.00	..	..	13291.97	..	3500.00	..
70	Kerala State Industrial Products Trading Corporation Limited	Industries	33.90	..	..	..	33.90	..	..	..	..	..	..	..	..
71	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	Taxes	102.50	..	..	..	102.50	..	..	..	..	..	..	..	..
	Sector-Total		**992.40**	**..**	**..**	**..**	**992.40**	**13259.97**	**32.00**	**..**	**..**	**13291.97**	**..**	**3500.00**	**..**
FINANCING															
72	Kerala State Industrial Development Corporation Limited (KSIDC)	Industries	13948.00	..	..	..	13948.00	575.00	..	..	7585.96	8160.96	3523.00	..	..
73	The Kerala State Financial Enterprises Limited	Taxes	300.00	..	..	..	300.00	..	..	..	..	..	..	..	..
74	Kerala Urban Development Finance Corporation Limited	Local Admini-stration	51.00	..	..	40.91	91.91	375.00	..	..	1748.44	2123.44	..	200.00	..
75	Kerala Transport Development Finance Corporation Limited	Transport	2933.00	..	..	..	2933.00	..	..	..	..	..	..	..	..
	Sector-Total		**17232.00**	**..**	**..**	**40.91**	**17272.91**	**950.00**	**..**	**..**	**9334.40**	**10284.40**	**3523.00**	**200.00**	**..**

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c

WELFARE, DEVELOPMENTAL AND OTHERS

	Welfare														
76	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	Scheduled Castes & Scheduled Tribes Development	1343.04	1200.50	..	..	2543.54	..	..	..	1379.89	1379.89	87.57	..	450.26
77	The Kerala State Backward Classes Development Corporation Limited	-do-	1330.00	..	..	..	1330.00	..	..	..	..	..	615.00	..	10.00
78	Overseas Development and Employment Promotion Consultants Limited	Labour	51.79	..	..	..	51.79	5.00	..	..	..	5.00	..	..	..
79	Kerala Fishermen's Welfare Corporation Limited	Fisheries	42.00	..	..	..	42.00	195.75	..	..	..	195.75	..	..	..
80	Kerala State Handicapped Persons'Welfare Corporation Limited	Social Welfare	147.27	..	..	..	147.27	55.93	..	..	..	55.93	6.67	13.33	..
81	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	Scheduled Castes & Scheduled Tribes Development	327.69	..	..	..	327.69	95.00	..	..	307.68	402.68	30.00	..	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
82	Kerala Artisans' Development Corporation Limited	Industries	67.31	..	..	..	67.31	47.44	..	..	..	47.44	3.00	14.81	..
83	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	General Education	50.00	..	..	..	50.00	..	..	..	443.88	443.88	..	..	..
84	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	Industries	58.00	..	..	..	58.00	..	..	..	..	..	..	..	..
85	Kerala State Women's Development Corporation Limited	Social Welfare	100.00	80.70	..	..	180.70	..	..	..	807.44	807.44	..	..	55.00
86	Kerala Police Housing and Construction Corporation Limited	Home	603.00	..	..	..	603.00	..	..	..	221.98	221.98	..	..	..
	Total		4120.10	1281.20	..	..	5401.30	399.12	..	..	3160.87	3559.99	742.24	28.14	515.26
	Developmental														
87	Handicrafts Development Corporation of Kerala Limited	Industries	163.24	61.00	..	..	224.24	68.79	..	..	..	68.79	..	..	..
88	The Kerala Land Development Corporation Limited	Agriculture	671.40	34.00	..	..	705.40	1270.60	..	..	1127.98	2398.58	..	..	..
89	Kerala State Industrial Enterprises Limited (KSIE)	Industries	2662.94	..	..	32.00	2694.94	4658.51	..	..	55.00	4713.51	100	1688.80	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
90	Kerala Small Industries Development Corporation Limited (SIDCO)	Industries	1064.40	..	..	..	1064.40	316.24	..	..	37.50	353.74	..	..	..
91	Kerala Livestock Development Board Limited	Agriculture	603.37	..	..	..	603.37	104.16	..	..	..	104.16	..	..	175.00
92	Kerala State Maritime Development Corporation Limited	Fisheries	157.19	..	..	..	157.19	..	..	..	..	..	112.20	..	..
93	Kerala State Poultry Development Corporation Limited	Agriculture	279.22	..	..	..	279.22	..	13.75	..	55.00	68.75	30.00	..	..
	Total		5601.76	95.00	..	32.00	5728.76	6418.30	13.75	..	1275.48	7707.53	242.20	1688.80	175.00
	Tourism & Others														
94	Kerala Tourism Development Corporation Limited (KTDC)	General Admini-stration	1661.47	..	..	..	1661.47	872.46	..	..	234.43	1106.89	570.00	180	..
95	Kerala State Film Development Corporation Limited	Cultural affairs	1131.19	..	..	..	1131.19	211.80	..	..	212.68	424.48	30.00	..	..
96	Tourist Resorts (Kerala) Limited (Subsidiary of KTDC)	General Admini-stration	..	..	639.91	..	639.91	..	..	..	..	..	..	..	..
97	Bekal Resorts Development Corporation Limited	-do-	1000.00	195.00	..	..	1195.00	..	..	..	..	..	800.00	..	..
	Total		3792.66	195.00	639.91	..	4627.57	1084.26	..	..	447.11	1531.37	1400.00	180.00	..

1	2	3	4a	4b	4c	4d	4e	5a	5b	5c	5d	5e	6a	6b	6c
	Fisheries														
98	The Kerala Fisheries Corporation Limited	Fisheries	484.75	..	..	..	484.75	237.67	..	..	..	237.67	..	..	..
99	Kerala Inland Fisheries Development Corporation Limited	-do-	16.44	..	..	..	16.44	..	..	..	..	..	..	..	..
	Total		501.19	..	..	..	501.19	237.67	..	..	..	237.67	..	..	..
	Meat Products														
100	Meat Products of India Limited	Agriculture	175.65	..	..	45.56	221.21	8.00	..	..	30.10	38.10	..	..	32.70
101	Kerala Feeds Limited	-do-	1635.00	..	..	614.00	2249.00	..	..	..	..	..	1035.00	..	..
	Total		1810.65	..	..	659.56	2470.21	8.00	..	..	30.10	38.10	1035.00	..	32.70
	Public Utilities														
102	Kerala Shipping and Inland Navigation Corporation Limited	Transport	860.89	..	..	3.01	863.90	3.00	..	..	79.10	82.10	105.00	..	..
	Total		860.89	..	..	3.01	863.90	3.00	..	..	79.10	82.10	105.00	..	..
	Sector-Total		**16687.25**	**1571.20**	**639.91**	**694.57**	**19592.93**	**8150.35**	**13.75**	**..**	**4992.66**	**13156.76**	**3524.44**	**1896.94**	**722.96**
	Grand Total (Rupees in crore)		**841.05**	**24.58**	**68.88**	**26.55**	**961.06**	**351.40**	**0.81**	**60.97**	**397.26**	**810.44**	**77.20**	**116.06**	**8.05**

Note : Malabar Steel Re-rolling Mill Limited having paid-up capital of Rs.7.45 lakh with a loan liability of Rs.116.02 lakh was amalgamated with Steel Complex Limited in March 1991. The assets and liabilities of this dissolved Company have not yet been incorporated in the accounts of Steel Complex Limited (March 1997)

ANNEXURE - 2A

Summarised financial results of Government companies which finalised their accounts for 1996-97

(Referred to in paragraphs 1.2.6.2 and 1.2.6.4)

Sl. No.	Name of company	Name of department	Date of incorporation	Capital employed (A)	Profit(+)/ Loss (-)	Total interest charged to profit and loss account	Total return on capital employed (6+7)	Percentage of total return on capital employed	Accumulated loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
INDUSTRIAL									
	Textiles, Chemicals, Minerals, Clays, etc.								
1	The Travancore-Cochin Chemicals Limited	Industries	08.11.1951	3315.31	(+) 81.73	850.36	932.09	28.1	..
2	Travancore Titanium Products Limited	-do-	18.12.1946	3065.07	(-) 12.58	23.15	10.57	0.4	..
3	The Kerala Minerals and Metals Limited	-do-	16.02.1972	3145.59	(+) 297.62	37.43	335.05	10.7	..
4	Kerala Clays and Ceramic Products Limited	-do-	27.06.1984	204.46	(+) 54.29	2.29	56.58	27.7	..
	Sector-Total			**9730.43**	**(+)421.06**	**913.23**	**1334.29**	..	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					

AGRICULTURAL

	Plantation, Agro and wood based industries								
5	The Rehabilitation Plantations Limited	Rehabilitation	05.05.1976	3307.97	(+) 863.32	..	863.32	26.1	..
6	Oil Palm India Limited	Agriculture	21.11.1977	2041.38	(+) 512.89	0.11	513.00	25.1	..
7	Kerala Agro-Machinery Corporation Limited	-do-	24.03.1993	1239.73	(+) 461.29	..	461.29	37.2	..
	Sector-Total			**6589.08**	**1837.50**	**0.11**	**1837.61**	..	..

WELFARE, DEVELOPMENTAL AND OTHERS

	Meat Products & Others								
8	Kerala Feeds Limited	Agriculture	13.10.1995	(Commercial activities not commenced)					
9	Tourist Resorts (Kerala) Limited	General Admnistration	29.08.1989	438.49	(+) 0.48	..	0.48	0.1	..
	Sector-Total			**438.49**	**(+)0.48**	..	**0.48**	..	..

Note :

A. Capital employed represents net fixed assets (including work-in-progress) plus working capital

ANNEXURE - 2B

Summarised financial results of Government companies which finalised their accounts for earlier years since last Report

(Referred to in paragraphs 1.2.6.2, 1.2.6.3 and 1.2.6.4)

Sl. No	Name of company	Year of accounts	Date of incorporation	Capital employed (A)	Profit (+) / Loss (-)	Total interest charged to profit and loss account	Total return on capital employed (6+7)	Percentage of total return on capital employed	Accumulated loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
	INDUSTRIAL								
	Electrical, Electronics and Engineering								
1	United Electrical Industries Limited	1995-96	03.10.1950	450.04	(+) 204.54	7.48	212.02	47.1	..
2	Traco Cable Company Limited	1995-96	05.02.1960	5231.70	(-) 110.36	864.95	754.59	14.4	487.45
3	Transformers and Electricals Kerala Limited	1994-95 1995-96	09.12.1963	2618.00 2887.66	(+) 650.21 (+) 252.33	494.06 514.41	1144.27 766.74	43.7 26.6	3313.58 3053.25
4	Kerala Electrical and Allied Engineering Company Limited	1995-96	05.06.1964	3430.95	(-) 468.70	715.61	(+) 246.91	7.2	2805.56
5	Keltron Counters Limited (Subsidiary of KELTRON)	1995-96	21.07.1964	(-) 71.29	(-) 74.28	23.67	(-) 50.61	..	1186.81
6	Kerala State Electronics Development Corporation Limited (KELTRON)	1994-95	29.09.1972	12058.17	(-) 2156.18	2003.31	(-) 152.87	..	8373.05
7	Keltron Electro Ceramics Limited (subsidiary of KELTRON)	1994-95	23.04.1974	342.08	(+) 71.38	19.55	90.93	26.6	227.01
8	Keltron Component Complex Limited (Subsidiary of KELTRON)	1995-96	08.10.1974	2534.25	(+) 27.17	362.41	389.58	15.4	..
9	Keltron Magnetics Limited (Subsidiary of KELTRON)	1995-96	01.03.1975	(-) 41.94	(-) 35.77	18.44	(-) 17.33	..	129.86

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
10	Keltron Resistors Limited (Subsidiary of KELTRON)	1995-96	29.04.1975	111.93	(+) 5.93	20.30	26.23	23.4	139.52
11	The Metal Industries Limited	1995-96	06.03.1928	20.21	(-) 12.72	5.04	(-) 7.68	..	40.26
12	The Metropolitan Engineering Compamy Limited	1992-93	05.01.1945	163.94	(-) 54.43	48.77	(-) 5.66	..	431.79
13	Steel Complex Limited (Subsidiary of KSIDC)	1995-96	12.12.1969	(-) 56.10	(-) 320.66	183.84	(-) 136.82	..	2310.00
14	Steel Industrials Kerala Limited (SILK)	1995-96	03.01.1975	2250.21	(-) 203.95	132.08	(-) 71.87	..	996.88
15	Kerala State Construction Corporation Limited	1992-93	25.03.1975	(-) 146.29	(+) 14.46	26.82	41.28	..	611.38
16	Scooters Kerala Limited	1988-89	15.11.1976	74.12	(-) 18.61	11.43	(-) 7.18	..	188.03
17	Astral Watches Limited	1988-89	10.02.1978	91.77	(-) 18.76	4.97	(-) 13.97	..	14.28
		1989-90		95.87	(+) 3.09	5.70	8.79	9.2	12.25
		1990-91		98.77	(+) 5.15	6.63	11.78	11.9	9.44
18	Kerala Automobiles Limited	1995-96	15.03.1978	934.43	(+) 31.74	211.72	249.46	26.7	1550.72
19	Steel and Industrial Forgings Limited (Subsidiary of SILK)	1995-96	01.06.1983	1374.35	(+) 98.52	120.20	218.72	15.9	725.66
20	Autokast Limited (Subsidiary of SILK)	1995-96	21.05.1984	192.53	(-) 938.10	429.41	(-) 508.69	..	6079.44
21	Kerala Hi-tech Industries Limited	1994-95	19.06.1989	3642.03	(-) 344.37	484.18	139.81	3.8	324.82
		1995-96		3113.40	(-) 613.59	606.39	(-) 7.20		936.81
22	SIDECO Mohan Kerala Limited (Subsidiary of SIDECO)	1993-94	20.08.1980	(-) 25.08	(-) 11.72	9.70	(-) 2.02	..	50.99
		1994-95		(-) 35.98	(-) 9.69	11.31	(-) 1.62	..	60.68
	Total			34917.14	(-) 4305.82	6343.77	2037.95		30343.60

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
	Textiles, Chemicals, Minerals, Clays, etc.								
23	Trivandrum Spinning Mills Limited	1995-96	01.11.1963	13.31	(-) 77.26	8.33	(-) 68.93	..	938.85
24	Kerala State Handloom Development Corporation Limited (KSHDC)	1988-89	24.6.1968	474.04	(-) 7.47	19.06	11.59	2.4	261.15
		1989-90		545.54	(-) 30.24	21.73	(-) 8.51	..	294.95
25	Kerala State Textile Corporation Limited	1991-92	9.3.1972	1471.30	(-) 81.75	107.39	25.64	1.7	609.44
		1992-93		1226.17	(+) 25.29	106.86	132.15	10.8	585.41
26	Kerala Garments Limited (Subsidiary of KSHDC)	1992-93	17.07.1974	(-) 57.23	(-) 9.35	3.39	(-) 5.96	..	115.61
27	Sitaram Textiles Limited	1991-92	14.02.1975	(-) 162.73	(-) 103.08	138.98	35.90	..	1378.30
		1992-93		(-) 139.33	(-) 98.35	136.79	38.44	..	1478.61
28	Trivandrum Rubber Works Limited (Subsidiary of SFCK)	1989-90	01.11.1963	(-) 305.14	(-) 139.07	75.84	(-) 63.23	..	1461.00
29	Kerala State Drugs and Pharmaceuticals Limited (Subsidiary of KSIE)	1992-93	23.12.1971	(-) 478.69	(-) 244.13	348.95	104.82	..	2219.24
30	The Pharmaceutical Corporation (IM) Kerala Limited	1994-95	8.9.1975	181.05	(+) 19.23	20.65	39.88	22.00	76.10
31	Kerala State Salicylates and Chemicals Limited (Subsidiary of KSIE)	1991-92	15.11.1984	1189.21	(-) 445.97	191.94	(-) 254.03	..	868.98
		1992-93		410.94	(-) 437.78	225.12	(-) 212.66	..	1309.99
32	Travancore Titanium Products Limited	1995-96	18.12.1946	3317.11	(+) 144.51	24.25	168.76	5.1	..

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
33	The Kerala Minerals and Metals Limited	1995-96	16.02.1972	5398.40	(+) 7605.84	578.89	8184.73	151.6	..
34	Kerala State Mineral Development Corporation Limited	1993-94	24.06.1992	(Commercial production not commenced)					
		1994-95		-do-					
35	The Travancore Cements Limited	1995-96	09.10.1946	799.24	(+) 347.01	4.90	351.91	44.0	..
36	Malabar Cements Limited	1995-96	11.04.1978	6260.84	(+) 2472.58	244.41	2716.99	43.4	..
37	Kerala Construction Components Limited	1989-90	21.12.1957	(-) 38.37	(-) 6.29	2.05	(-) 4.24	..	82.24
	Total			8418.30	1821.64	1199.02	3020.66		8562.00
	Sector -Total			**43335.47**	**(-) 2484.18**	**7542.79**	**5058.61**		**38905.60**

AGRICULTURAL

	Plantation, Agro and Wood based								
38	The Plantation Corporation of Kerala Limited	1995-96	12.11.1962	4648.06	(+) 1034.90	4.37	1039.27	22.4	..
39	The State Farming Corporation of Kerala Limited	1993-94	15.04.1972	604.17	(+) 293.36	66.17	359.53	59.5	..
40	Kerala Forest Development Corporation Limited (KFDC)	1990-91	24.1.1975	692.92	(+) 8.17	13.79	21.96	3.2	148.11
		1991-92		854.31	(+) 24.40	10.94	35.34	4.1	93.31
41	The Travancore Sugars and Chemicals Limited	1995-96	23.06.1937	(-) 124.47	(-) 153.21	24.38	(-)* 128.83	..	366.56

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
42	The Kerala Agro Industries Corporation Limited	1994-95	22.3.1968	110.16	(-) 65.62	27.71	(-) 37.91	..	495.44
43	The Kerala State Coir Corporation Limited	1989-90	19.07.1969	220.72	(-) 14.19	17.11	2.92	1.3	216.68
		1990-91		186.14	(-) 27.26	18.10	(-) 9.16	..	245.87
44	The Kerala State Cashew Development Corporation Limited	1990-91	19.7.1969	1531.71	(-) 368.77	784.19	415.42	27.1	6964.58
45	Foam Mattings (India) Limited	1990-91	18.12.1978	(-) 3.70	(-) 16.81	2.15	(-) 14.66	..	230.26
		1991-92		(-) 4.36	(-) 5.93	4.18	(-) 1.8	..	236.24
		1992-93		11.77	(+) 14.89	6.15	21.04	178.8	222.36
		1993-94		74.49	(+) 21.18	28.31	49.49	66.4	222.77
46	Forest Industries (Travancore) Limited	1995-96	10.08.1946	153.09	(+) 1.45	14.68	16.13	10.5	..
47	Travancore Plywood Industries Limited (Subsidiary of KSIE)	1995-96	01.11.1963	(-) 741.29	(-) 124.70	5.53	(-) 119.17	..	1256.87
48	Kerala State Bamboo Corporation Limited	1994-95	21.7.1964	487.27	(+) 53.07	18.52	71.59	14.7	..
	Sector -Total			**7783.64**	**688.80**	**1002.90**	**1691.70**		**9645.40**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
TRADING									
49	The Kerala State Civil Supplies Corporation Limited	1990-91	25.06.1974	1859.62	(-) 357.94	624.83	266.89	14.4	2578.85
50	Kerala State Industrial Products Trading Corporation Limited	1995-96	04.08.1976	192.94	(+) 52.63	..	52.63	27.3	..
51	Kerala State Beverages (M&M) Corporation Limited	1995-96	23.02.1984	309.71	(+) 148.98	..	148.98	48.1	..
	Sector -Total			**2362.27**	**(-) 156.33**	**624.83**	**468.50**		**2578.85**
FINANCING									
52	Kerala State Industrial Development Corporation Limited (KSIDC)	1995-96	21.07.1961	18191.48 (B)	(+) 1093.82	824.42	1918.24	10.5	336.24
53	The Kerala State Financial Enterprises Limited	1994-95	6.11.1969	7906.48 (B)	(+) 306.39	1111.08	1417.47	17.9	..
54	Kerala Urban Development Finance Corporation Limited	1995-96	28.01.1970	4630.80 (B)	(+) 0.45	429.90	430.35	9.3	..
55	Kerala Transport Development Finance Corporation Limited	1995-96	27.02.1991	3020.00 (B)	(+) 252.37	49.46	301.83	10.0	..
	Sector -Total			**33748.76**	**1653.03**	**2414.86**	**4067.89**		**336.24**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					

WELFARE, DEVELOPMENTAL AND OTHERS

	Welfare								
56	Kerala State Development Corporation for SCs&STs Limited	1987-88	17.12.1972	1769.53	(+) 35.95	21.69	57.64	3.3	..
		1988-89		1908.96	(+) 45.31	18.83	64.14	3.4	..
57	Overseas Development and Employment Promotion Consultants Limited	1994-95	20.10.1977	17.48	(-) 5.90	0.91	(-) 4.99	..	25.03
		1995-96		32.35	(+) 0.32	1.28	1.60	4.9	25.25
58	Kerala Sate Development Corporation for Christian Convert s from SCs and the Recommended Communities Limited	1988-89	31.12.1980	67.78	(-) 3.83	..	(-) 3.83	..	37.98
59	Kerala Artisans' Development Corporation Limited	1990-91	1.10.1981	2.44	(-) 9.49	1.99	(-) 7.50	..	49.07
		1991-92		(-) 1.71	(-) 14.41	3.77	(-) 10.64	..	63.48
60	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	1991-92	16.8.1984	600.85	(-) 16.43	36.23	19.80	3.3	16.43
61	Kerala Police Housing and Construction Corporation Limited	1995-96	2.07.1990	(Commercial activities not commenced)					
	Total			2608.23	10.96	60.11	71.07		143.14

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
	Developmental								
62	Handicrafts Development Corporation of Kerala Limited	1991-92	16.11.1968	117.91	(-) 2.99	11.80	8.81	7.5	175.38
63	The Kerala Land Development Corporation Limited	1993-94	15.12.1972	2823.98 (B)	(-) 537.36	583.60	46.24	1.6	2358.83
64	Kerala State Industrial Enterprises Limited (KSIE)	1995-96	25.01.1973	5845.55	(+) 43.11	80.25	123.36	2.1	..
65	Kerala Small Industries Development Corporation Limited (SIDCO)	1994-95	6.11.1975	(-) 84.98	(-) 261.26	43.77	(-)217.49	..	1437.74
66	Kerala Livestock Development Board Limited	1991-92	14.11.1975	626.82	(+) 39.91	17.21	57.12	9.1	332.49
		1992-93		703.26	(+) 75.64	17.43	93.07	13.3	273.73
67	Kerala State Maritime Development Corporation Limited	1995-96	06.12.1994	(Commercial activities not yet started)					
	Total			9405.72	(-) 682.86	736.85	53.99		4245.68
	Tourism and others								
68	Kerala Tourism Development Corporation Limited (KTDC)	1993-94	29.12.1965	723.79	(+) 56.52	40.39	96.91	13.4	842.57
69	Kerala State Film Development Corporation Limited	1993-94	23.07.1975	258.75	(-) 121.53	55.60	(-) 65.93	..	1014.58
		1994-95		153.64	(-) 115.11	58.60	(-) 56.51	..	1134.70
		1995-96		175.56	(-) 168.83	75.83	(-) 93.00	..	1354.55
	Total			899.35	(-) 112.31	116.22	3.91		2197.12

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
				(Rupees in lakh)					
	Meat Products								
70	Meat Products of India Limited	1994-95	13.03.1973	82.76	(-) 18.09	0.81	(-) 18.09	..	241.40
	Public utilities								
71	Kerala Shipping and Inland Navigation Corporation Limited	1995-96	29.12.1975	976.54	(+) 29.32	17.72	47.04	4.8	..
	Sector -Total			**13972.60**	**(-) 773.79**	**931.71**	**157.92**		**6827.34**

Notes :

A. Except in the case of financial institutions, capital employed represents net fixed assets (including capital work-in-progress) *plus* working capital.

B. In the case of financing institutions, capital employed represents the mean of the aggregate of the opening and closing balances of paid-up capital, free reserves and borrowings.

C. In respect of companies which finalised accounts for more than one year since last Report, the figures of the latest finalised accounts alone have been adopted to arrive at the total.

D. Figures in respect of companies at Sl. Nos. 32 and 33 not reckoned for arriving at the total as the figures based on the latest accounts have been included in Annexure 2A.

ANNEXURE - 2C

Summarised financial results of Government companies (which did not finalise any accounts after September 1996 i.e., since last Report) based on the latest available accounts

(Referred to in paragraphs 1.2.5 and 1.2.6.4) (Figures in columns 7 to 10 and 12 are rupees in lakh)

Sl. No	Name of company	Name of department	Date of incorporation	Period of accounts	Year in which finalised	Capital employed (A)	Profit (+) / Loss (-)	Total interest charged to profit and loss account	Total return on capital employed (8+9)	Percentage of total return on capital employed	Accumulated loss
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
INDUSTRIAL											
	Electrical, Electronics and Engineering										
1.	Keltron Crystals Limited (Subsidiary of Keltron)	Industries	8.10.1974	1994-95	1995-96	201.93	(-) 86.59	38.79	(-) 47.80	..	164.82
2.	Keltron Power Devices Limited (Subsidiary of KELTRON)	-do-	28.1.1976	1993-94	1995-96	(-) 629.57	(-) 283.86	231.15	(-) 52.71	-	1836.33
3.	Keltron Rectifiers Limited (Subsidiary of KELTRON)	-do-	28.3.1976	1994-95	1995-96	(-) 287.38	(-) 119.86	135.81	15.95	-	1152.07
4.	SIDKEL Televisions Limited (Subsidiary of SIDCO)	-do-	21.3.1984	1994-95	1995-96	(-) 23.67	(-29.35	6.25	(-) 23.10	..	202.82
5.	The Kerala Premo Pipe Factory Limited	Local Administration	12.9.1961	1984-85	1992-93	100.72	(-) 8.48	12.06	3.58	3.6	..
6.	Kerala Asbestos Cement Pipe Factory Limited	-do-	9.3.1984	1984-85	1986-87	Commercial production not commenced					
7.	Kerala State Engineering Works Limited	Public Works	20.3.1978	1991-92	1992-93	(-) 71.71	(-) 16.54	14.91	(-) 1.63	..	150.92
	Total					(-) 709.68	(-) 544.68	438.97	(-)105.71	..	3506.96

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Textiles, Chemicals, Minerals, Clays, etc.										
8	Kerala Soaps and Oils Limited (Subsidiary of KSIE)	Industries	1.11.1963	1990-91	1991-92	(-) 83.33	(-) 219.02	118.06	(-)100.96	..	2003.00
9	Kerala State Detergents and Chemicals Limited (Subsidiary of KSIE)	-do-	10.6.1976	1991-92	1993-94	(-) 371.06	(-) 235.03	128.71	(-)106.32	..	1300.38
10	The Kerala Ceramics Limited	-do-	01.11.1963	1987-88	1995-96	186.17	(-) 192.94	59.42	(-) 133.52	..	1227.16
11	The Chalakudy Refractories Limited	-do-	15.3.1969	1988-89	1992-93	(-) 39.30	(-) 54.48	29.00	(-) 25.48	..	296.88
12	Kerala Special Refractories Limited	-do-	5.11.1985	1994-95	1995-96	Commercial production not commenced					
	Total					(-) 307.52	(-) 701.47	335.19	(-) 366.28	..	4827.42
	Sector - Total					**(-)1017.20**	**(-) 1246.15**	**774.16**	**(-) 471.99**	**..**	**8334.38**

AGRICULTURAL

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Plantation, Agro and Wood based Industries										
13	Kerala State Coconut Development Corporation Limited	-do-	10.10.1975	1990-91	1995-96	31.91	(-) 172.53	60.48	(-)112.05	..	840.70
14	Kerala State Horticultural Products Development Corporation Limited	-do-	20.03.1989	1992-93	1995-96	460.21	(-) 3.79	..	(-) 3.79	..	31.46
15	Kerala State Wood Industries Limited (Subsidiary of KFDC)	Agriculture	8.9.1981	1987-88	1992-93	246.75	(-) 101.50	90.51	(-) 10.99	..	444.24
	Sector - Total					**738.87**	**(-) 277.82**	**150.99**	**(-)126.83**	**..**	**1316.40**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)

WELFARE, DEVELOPMENTAL AND OTHERS

	Welfare										
16	The Kerala State Backward Classes Development Corporation Limited	SC&ST Development	28.02.1995			First annual accounts not yet received					
17.	Kerala Fishermen's Welfare Corporation Limited	Fisheries	31.1.1978	1982-83	1990-91	271.68	(-) 31.61	15.77	(-) 15.84	..	100.39
18.	The Kerala State Handicapped Persons' Welfare Corporation Limited	Social Welfare	1.9.1979	1987-88	1995-96	6.41	(-) 8.15	2.18	(-) 5.97	..	43.55
19.	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	Industries	13.11.1985	1994-95	1995-96	34.17	(-) 1.89	..	(-) 1.89	..	11.79
20.	Kerala State Women's Development Corporation Limited	Social Welfare	22.2.1988	1990-91	1995-96	134.33	(-) 2.85	..	(-) 2.85	-	5.59
	Total					446.59	(-) 44.50	17.95	(-) 26.55	..	161.32
	Developmental										
21.	Kerala State Poultry Development Corporation Limited	Agriculture	15.12.1989	1993-94	1995-96	(Commercial production not commenced)					
	Fisheries										
22.	Kerala Fisheries Corporation Limited	Fisheries	12.4.1966	1984-85	1987-88	(-) 210.30	(-) 89.87	48.83	(-) 41.04	..	1104.60
23.	Kerala Inland Fisheries Development Corporation Ltd.	-do-	3.2.1981	1988-89	1991-92	..	(-) 0.01	..	(-) 0.01	..	16.44
	Total					(-) 210.30	(-) 89.88	48.83	(-) 41.05		1121.04

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Others										
24.	Bekal Resorts Development Corporation Limited	General Administration	03.07.1995			First annual accounts not yet received					
	Sector - Total					**236.29**	**(-) 134.38**	**66.78**	**(-)67.60**	**..**	**1282.36**

Note :

A. Capital employed represents net fixed assets (including capital work-in-progress)plus working capital.

ANNEXURE - 3

Statement showing guarantees received and outstanding as on 31 March 1997

(Referred to in paragraph 1.2.4.)

Sl. No	Name of company	Cash credit			Outstanding as on 31.3.97	Principal			Outstanding as on 31.3.97
		1994-95	1995-96	1996-97		1994-95	1995-96	1996-97	
		(Rupees in crore)							
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	United Electrical Industries Limited	0.98	0.98	...	...	36.00	42.00	48.00	48.00
2	Traco Cable Company Limited	...	...	...	66.00	37.09	56.00	35.58	35.58
3	Transformers and Electricals Kerala Limited	59.75	103.08	130.40	130.40	65.73	...	15.68	15.68
4	Kerala Electrical and Allied Engineering Company Limited	51.85	51.85	106.82	106.82	15.67	7.33	...	...
5	Kerala State Electronics Development Corporation Limited (KELTRON)	...	...	71.00	71.00	...	...	31.70	31.70
6	Keltron Crystals Limited (Subsidiary of KELTRON)	...	...	...	...	...	...	1.19	1.19
7	Keltron Power Devices Limited (Subsidiary of KELTRON)	...	...	...	...	..	1.36	..	...
8	Keltron Rectifiers Limited (Subsidiary of KELTRON)	...	0.85	0.85	0.85	...	0.25	0.25	0.25
9	The Metal Industries Limited	0.22	0.22	0.22	0.22	...		...	...
10	The Metropolitan Engineering Company Limited	...	2.34	2.34	2.34	...	...	2.56	2.56
11	Steel Complex Limited (Subsidiary of KSIDC)	...	...	3.20	3.20	...	...	...	...
12	Steel Industrials Kerala Limited (SILK)	3.47	12.67	8.12	8.12	...	...	6.20	6.20

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
13	Kerala State Construction Corporation Limited	0.75	...	1.64	1.64	...	...	...	...
14	Scooters Kerala Limited	...	0.15	...	...	...	...	...	...
15	Kerala Automobiles Limited	...	3.45	5.68	5.68	...	...	6.51	6.51
16	Steel and Industrial Forgings Limited (Subsidiary of SILK)	...	...	8.53	8.53	...	...	6.23	6.23
17	Autokast Limited (subsidiary of SILK)	...	7.15	7.15	7.15	4.45	43.91	30.47	30.47
18	Kerala Hitech Industries Limited	...	...	...	...	...	...	39.88	39.88
19	The State Farming Corporation of Kerala Limited	...	3.80	4.23	4.23	...	0.43	...	...
20	The Kerala Agro-Industries Corporation Limited	1.06	1.06	1.03	1.03	...	...	...	...
21	The Kerala State Cashew Development Corporation Limited	4.93	41.00	41.00	41.00	...	1.00	...	...
22	Kerala State Coconut Development Corporation Limited	5.98	...	...	...	...	0.52	...	...
23	Trivandrum Spinning Mills Limited	...	0.90	0.57	0.57	...	...	...	...
24	Kerala State Handloom Development Corporation Limited (KSHDC)	1.73	1.73	3.92	3.92	...	...	...	...
25	Kerala State Textile Corporation Limited	...	1.80	2.24	2.24	...	4.40	4.29	4.29
26	Sitaram Textiles Limited	2.20	2.20	1.25	1.25	...	...	0.95	0.95
27	Kerala Soaps and Oils Limited	...	17.95	...	...	...	0.81	...	...
28	The Kerala Minerals and Metals Limited	...	3.80	2.60	2.60	...	85.63	...	...
29	The Kerala Ceramics Limited	3.28	3.28	3.86	3.86	...	...	...	...
30	Kerala State Drugs and Pharmaceuticals Limited	...	...	1.24	1.24	...	...	...	...

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
31	Malabar Cements Limited	...	2.25	2.25	2.25	...	42.03	42.03	42.03
32	Kerala State Salicylates and Chemicals Limited	...	...	7.50	7.50	...	...	...	...
33	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	...	...	...	...	13.66	3.50	...	...
34	The Kerala State Backward Classes Development Corporation Limited	...	...	...	...	...	60.55	50.57	50.57
35	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	...	...	...	...	3.00	..	13.41	13.41
36	Handicrafts Development Corporation of Kerala Limited	...	...	0.64	0.64	...	...	...	...
37	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	...	...	4.44	4.44	...	4.69	...	...
38	Kerala State Women's Development Corporation Limited	...	8.06	...	...	...	...	27.06	27.06
39	Kerala Police Housing and Construction Corporation Limited	...	...	...	...	2.72	...	2.22	2.22
40	The Kerala Land Development Corporation Limited	...	...	13.98	13.98	...	...	53.02	53.02
41	Kerala State Industrial Enterprises Limited	...	...	...	...	...	...	0.55	0.55
42	Kerala Small Industries Development Corporation Limited (SIDCO)	...	...	0.72	0.72	...	...	0.39	0.39
43	Kerala State Poultry Development Corporation Limited	...	...	...	...	...	...	1.67	1.67
44	Kerala Urban Development Finance Corporation Limited	...	...	...	...	10.00	...	37.60	37.60
45	The Kerala State Civil Supplies Corporation Limited	15.00	...	8.58	8.58	...	...	...	...

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
46	Kerala Transport Development Finance Corporation Limited	...	...	...	...	3.36	...	20.00	20.00
47	The Kerala Sate Financial Enterprises Limited	...	...	...	...	...	...	249.19	249.19
48	Kerala Tourism Development Corporation Limited (KTDC)	...	...	...	...	1.25	...	...	...
49	Meat Products of India Limited	0.10	...	0.13	0.13	0.15	...	0.20	0.20
50	Kerala Forest Development Corporation Limited	...	...	...	...	0.22	...	0.16	0.16
	Total	151.30	270.57	512.13	512.13	193.30	354.41	727.56	727.56

ANNEXURE - 4

Statement showing capacity utilisation during 1995-96 and 1996-97

(Referred to in paragraph 1.2.8.)

Sl. No	Name of company	Product	Unit	Installed capacity for	Actual production during		Percentage of utilisation during	
				1995-96 & 1996-97	1995-96	1996-97	1995-96	1996-97
1.	Keltron Power Devices Limited (Subsidiary of KELTRON)	Power transistors	Numbers in Million	one	0.27	0.16	2.7	1.60
2.	Keltrom Magnetics Limited (Subsidiary of KELTRON)	SCVS UPS	Numbers	5000 100	202 9	151 4	4.0 9.0	3.02 4.00
3.	Autokast Limited (Subsidiary of SILK)	Castings	Tonnes	23000	5736	3037	24.9	13.20
4.	Keltron Crystals Limited (Subsidiary of KELTRON)	Crystals	Numbers in Thousands	2084	697.25	421.59	33.5	20.23
5.	Steel and Industrial Forgings Limited (Subsidiary of SILK)	Forgings	Tonnes	7500	3113	2110	41.5	28.13
6.	Steel Complex Limited (Subsidiary of KSIDC)	Iron Products.	Tonnes	55000	7086	14286	25.97	12.88
7.	Forest Industries (Travancore) Limited	Furniture, Joineries, etc.	Cubic metre	1500	1146	575	76.40	38.33
8.	Travancore Titanium Products Limited	Titanium dioxide	Tonnes	24500	14027	11056	57.25	45.13

ANNEXURE – 5

Summarised financial results of Statutory corporations for the latest year for which annual accounts have been finalised

(Referred to in paragraph 1.3.1.3.) (Figures in columns 6 to 9 represent rupees in crore)

Sl. No	Name of the Corporation / Board	Name of the department	Date of incorporation	Period of accounts	Capital employed (A)	Profit(+)/ Loss(-)	Total interest charged to profit and loss account	Total return on capital employed (7 + 8)	Percentage of total return on capital employed
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Kerala State Electricity Board	Power	1.4.1957	1995-96*	2227.10	(+) 22.76	140.35	163.11	7.3
2	Kerala State Road Transport Corporation	Transport	15.3.1965	1995-96*	(-) 28.51	(-) 16.66	21.45	4.79	-
3	Kerala Industrial Infrastructure Development Corporation	Industries	23.2.1993	1996-97	Commercial activities not commenced				
4	Kerala Financial Corporation	Finance	1.12.1953	1996-97	449.22	(+) 14.53	44.15	58.68	13.1
5	Kerala State Warehousing Corporation	Agriculture	20.2.1959	1995-96	8.33	(+) 0.39	0.50	0.89	10.8

Notes :

A. In the case of Kerala Financial Corporation, capital employed represents the mean of the aggregate of the opening and closing balances of paid-up capital, long-term loans and free reserves. In respect of others, capital employed represents net fixed assets (including capital work-in-progress) plus working capital.

* Provisional