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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

on

PUBLIC SECTOR UNDERTAKINGS

for the year ended 31 March 2018

भारतीय लेखापरीक्षा और लेखा विभाग ✦ INDIAN AUDIT AND ACCOUNTS DEPARTMENT

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लोकहितार्थ सत्यनिष्ठा

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GOVERNMENT OF KERALA

Government of Kerala

Report No. 1 of the year 2020

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Preface

This Report deals with the results of audit of Government companies, Departmental Undertakings and Statutory Corporations for the year ended 31 March 2018 and has been prepared for submission to the Government of Kerala under the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. The accounts of Government companies (including companies deemed to be Government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 and Sections 139 and 143 of the Companies Act, 2013. The accounts certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act are subject to supplementary audit by the officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

3. CAG also conducts audit of Kerala State Road Transport Corporation, Kerala Industrial Infrastructure Development Corporation, Kerala State Warehousing Corporation and Kerala Financial Corporation as per their respective legislations.

4. This Report has been divided into two parts. Part I deals with the analysis of the performance of the three Power Sector Undertakings and Part II deals with the analysis of the performance of the 133 State Public Sector Undertakings (other than Power Sector).

5. The instances mentioned in this Report are those, which came to notice in the course of audit during the year 2017-18 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. The matters relating to the period subsequent to 2017-18 have also been included, wherever felt necessary.

6. The audit has been conducted in conformity with the Auditing Standards issued by the CAG.

Overview

Functioning of Public Sector Undertakings

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit by the CAG.

As on 31 March 2018, Kerala had 136 State Public Sector Undertakings (PSUs) consisting of four Statutory Corporations and 132 Government Companies (including 15 non-working Government Companies) under the audit jurisdiction of the CAG. The working PSUs registered a turnover of ₹28,917.68 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 4.21 *per cent* of the Gross State Domestic Product (GSDP) of Kerala. As on 31 March 2018, the investment (capital and long term loans) in 136 PSUs was ₹39,494.84 crore. The power sector received 59.51 *per cent* out of the total investment (₹25,597.24 crore) made during the period from 2013-14 to 2017-18.

1. Functioning of Power Sector Undertakings

Formation of Power Sector Undertakings

Kerala State Electricity Board (KSEB) was constituted (March 1957) for carrying out the business of Generation, Transmission and Distribution of electricity in the State of Kerala. KSEB continued as Transmission utility and Distribution licensee till 24 September 2008. Government of Kerala (GoK) vested (September 2008) all the functions, properties, interests, rights, obligations and liabilities of KSEB with the State Government till the same was re-vested (31 October 2013) to the successor entity, *i.e.*, Kerala State Electricity Board Limited (KSEBL). The KSEBL was incorporated (14 January 2011) under the Companies Act, 1956 and started operations as independent company with effect from 1 November 2013. The KSEBL functions through three strategic business units; one each for Generation, Transmission and Distribution. The KSEBL had one joint venture[1] and two associate companies[2] in which it had an investment of ₹20 crore.

The State Government incorporated Kerala State Power and Infrastructure Finance Corporation Limited in 1998. Kerala Industrial Infrastructure Development Corporation, a Statutory Corporation, incorporated another power sector company, *i.e.*, KINESCO Power and Utilities Private Limited in 2008. Thus, there were three Power Sector companies in the State as on 31 March 2018. The financial statements of these companies are also audited by the Statutory Auditors appointed by the CAG subject to supplementary audit by the CAG.

The Power Sector Undertakings registered a turnover of ₹12,382.68 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to

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[1]Baitarani West Coal Company Limited.
[2]Renewable Power Corporation of Kerala Limited and Kerala State Power and Infrastructure Finance Corporation Limited.

1.80 *per cent* of the GSDP of Kerala indicating the role played by the Power Sector Undertakings in the economy of the State.

Stake of Government of Kerala

As on 31 March 2018, the total investment (equity and long term loans) in the three power sector undertakings was ₹19,469.84 crore. The investment consisted of 18.11 *per cent* towards equity and 81.89 *per cent* in long term loans. Government of Kerala did not advance any long term loans to the power sector PSUs. The entire long term loan of ₹15,943.82 crore was availed by the power sector PSUs from banks and financial institutions.

Performance of Power Sector Undertakings

The overall loss incurred by the three power sector companies was ₹1,852.91 crore in 2017-18 against profit of ₹147.57 crore earned in 2013-14. According to the latest finalised accounts of these three PSUs, Kerala State Power and Infrastructure Finance Corporation Limited (₹5.97 crore) and KINESCO Power and Utilities Private Limited (₹1.54 crore) earned profit while Kerala State Electricity Board Limited incurred loss (₹1,860.42 crore).

Out of three PSUs, GoK infused funds in two PSUs only. The overall accumulated losses of these two power sector companies were ₹4,933.31 crore as against the capital investment of ₹3,525.70 crore as on 31 March 2018. The net worth was eroded in Kerala State Electricity Board Limited to ₹(-)1,472.08 crore.

Financial Turnaround of KSEBL under Ujwal DISCOM Assurance Yojana (UDAY)

A tripartite Memorandum of Understanding (MoU) amongst Ministry of Power, Government of India, Government of Kerala (GoK) and Kerala State Electricity Board Limited (KSEBL) in order to achieve higher operational efficiency was entered into on 2 March 2017. The MoU envisaged reduction in Aggregate Technical & Commercial losses of its electricity distribution business to 11 *per cent* by 2018-19. The MoU did not envisage takeover of any debt by GoK.

Quality of accounts

The quality of accounts of power sector companies needs to be improved substantially. During the year 2017-18, the Statutory Auditors issued qualified audit reports on three accounts. The Statutory Auditors pointed out 19 instances of non-compliance to the Accounting Standards in two accounts.

2. Compliance Audit Observations relating to Power Sector Undertakings

Compliance Audit observations included in this Report highlight non-compliances in the planning and execution of Small Hydro Electric Projects (SHEPs) by Kerala State Electricity Board Limited.

Against the envisaged capacity addition of 148 MW through commissioning of 22 SHEPs during the twelfth five-year plan period (2012-17), actual capacity addition was 39.35 MW by commissioning seven SHEPs as of March 2018. Detailed Project Reports were prepared without considering water availability based on 90 *per cent* dependable year and realistic financial viability indicators. Delay in diversion of forest land and acquisition of private land, defective DPR and non-synchronisation of civil and electrical & mechanical works led to extension of completion time and resultant loss of generation of 608.93 MUs of energy valuing ₹313.59 crore. Further, KSEBL sustained avoidable liability to purchase 6.09 lakh Renewable Energy Certificates to meet Renewable Purchase Obligation. Performance of the commissioned units did not match the projections due to failure of equipment, obstructions in the free flow of water to the water conductor system *etc*.

3. Functioning of State Public Sector Undertakings (other than power sector)

As on 31 March 2018, Kerala had 133 State Public Sector Undertakings (other than Power Sector) consisting of 114 working companies, 4 working Statutory Corporations and 15 non-working PSUs. The working PSUs registered a turnover of ₹16,535 crore during 2017-18 as per their latest finalised accounts. This turnover was equal to 2.41 *per cent* of the Gross State Domestic Product indicating the role played by these State PSUs in the economy of the State.

Stake of Government of Kerala

As on 31 March 2018, the total investment (equity and long term loans) in these 133 PSUs was ₹20,025 crore. The investment consisted of 29.77 *per cent* towards equity and 70.23 *per cent* in long term loans. The long term loans consisted of 29.17 *per cent* (₹4,102.16 crore) from the State Government, 0.24 *per cent* (₹33.90 crore) from the Central Government and 70.59 *per cent* (₹9,928.19 crore) from financial institutions.

Performance of State PSUs (other than Power Sector)

The loss of ₹325.58 crore incurred by working PSUs in 2013-14 increased to ₹1,589.51crore in 2017-18 due to substantial increase in losses of Kerala State Road Transport Corporation. According to the latest finalised accounts of the 118 working State PSUs, 45 PSUs earned profit of ₹383.91 crore, 64 PSUs incurred loss of ₹1,973.42 crore and one PSU had no profit or loss. Eight working PSUs did not finalise (September 2018) their first accounts.

The major contributors to profit were The Kerala State Financial Enterprises Limited (₹144.41 crore in 2017-18), Kerala State Beverages (Manufacturing and Marketing) Corporation Limited (₹35.13 crore in 2015-16) and The Travancore-Cochin Chemicals Limited (₹27.47 crore in 2017-18). The major PSUs, which incurred loss were Kerala State Road Transport Corporation (₹1,431.29 crore in 2014-15), The Kerala State Civil Supplies Corporation Limited (₹107.43 crore in 2014-15) and The Kerala State Cashew Development Corporation Limited (₹88.77 crore in 2012-13).

Quality of accounts

The quality of accounts of State PSUs (other than Power Sector) needs to be improved substantially. During the year 2017-18, the Statutory Auditors issued qualified audit reports on 63 accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 84 instances of non-compliance to the Accounting Standards in 42 accounts.

Timeliness in preparation of accounts by the working State PSUs

Out of 118 working PSUs, 107 PSUs had arrears of 281 accounts as on 30 September 2018. The 15 non-working State PSUs had 161 accounts in arrears.

4. Performance Audit relating to State Public Sector Undertakings (other than power sector)

Management of non-subsidised commodities in The Kerala State Civil Supplies Corporation Limited

The Kerala State Civil Supplies Corporation Limited was setup with the main objective to purchase, store, process, transport, distribute and sell food grains and any other essential commodities for distribution at subsidised rates. The Company is also empowered to deal in non-subsidised commodities in order to enhance profitability. During 2013-14 to 2017-18, the Company procured FMCG, Sabari (Company's own brand) products and medicines for ₹4,698.11 crore.

This Performance Audit covered the performance of the non-subsidised segment comprising FMCG, Sabari products and medicines during 2013-14 to 2017-18.

Assessment of requirement

Absence of integrated software at outlets, depots and head office has resulted in improper assessment of requirement, accumulation of stock in outlets and issuance of multiple purchase orders in each month for same commodities at different rates resulting in extra expenditure of ₹7.94 crore.

Procurement in violation of the Stores Purchase Manual

All the 15 depots resorted to limited tenders for procurement above ₹5 lakh instead of e-tender. The procurement cost of rice and pulses through limited tender in 10 out of 15 depots were higher by ₹3.83 crore than the centralised e-tender procurement cost of same items for subsidised sale.

Procurement through negotiation

Negotiations were conducted with all the bidders in 2,749 out of 8,172 cases (33.60 *per cent*) instead of lowest bidder and purchase orders were issued to bidders other than the original lowest bidder in 1,108 cases.

Short supply of commodities by the suppliers

Short supply of commodities and delay in transferring commodities from the depots to the outlets resulted in potential loss of margin of ₹22.98 crore and loss of interest of ₹2.43 crore respectively.

Wrong fixation of selling price

The pricing policy of the Company was not reviewed periodically (last two revisions were in July 2008 and April 2015). The selling price for branded rice was fixed wrongly, resulting in loss of revenue of ₹11.26 crore. Incorrect implementation of the pricing circulars resulted in loss of ₹39.53 crore.

Fixation of higher selling price

Discounts (minimum five *per cent*) were not provided to the customers in line with the policy of the Company. There were instances of selling price offered by the Company being higher than the open market price.

Extension of unauthorised credit facility

Unauthorised credit facility of ₹5.74 crore was extended to customers, despite the non-clearance of previous bills in 39 out of 100 outlets resulting in loss of interest of ₹0.40 crore.

Irregular collection of quantity discount from suppliers

There was no proper system for collecting discounts and incentives from suppliers resulting in loss of ₹4.02 crore.

Multiple GST registrations resulting in blocking up of input tax credit

Instead of taking only one GSTIN, the Company took 62 GSTINs for its depots, Regional Offices and Head Office. So, the input tax credit accumulated in the GSTINs of 56 depots and five Regional Offices amounting to ₹7.55 crore could not be utilised due to accounting of all sales in the Head Office GSTIN.

Violation of the Food Safety and Standards Act, 2006

Out of the 4,412 samples sent for testing, 383 were found unfit for human consumption. In 369 samples, there were delays in removal of these commodities.

Procurement of medicines for Supplyco Medical Stores

Neither monthly report in order to monitor the purchase, sales and stock holding of medical stores nor medicine-wise details were prepared. In the absence of this information, it was not possible to assess the efficiency of inventory management.

Performance of Supplyco Medical Stores

Performance of Medical Stores with turnover below the break-even sales (16 out of 106) were not periodically monitored.

5. Compliance Audit Observations relating to PSUs (other than Power Sector)

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

- Loss/irregular expenditure of ₹12.79 crore due to non-compliance with rules, directives, terms and conditions of Acts/contracts/agreements.
- Idling/blocking up of fund of ₹4.54 crore.

Gist of some important audit observations is given below:

- The Kerala State Financial Enterprises Limited accepted public deposits in excess of Government guarantee ranging from ₹208.50 crore to ₹2,991.82 crore. Loans were sanctioned without following norms applicable to the different categories of loan. Gold loans were sanctioned to private money lenders in violation of the objectives of the Company. There were delays in auction of gold to recover dues in default cases. Default loans were not referred for recovery of dues through revenue recovery action. As of March 2018, percentage of NPA on loans outstanding of the Company stood at 22.25, whereas the NPA of NBFCs as per report of Reserve Bank of India was only 5.86 *per cent.*

  (Paragraph 5.1)

- Failure of Kerala Feeds Limited to identify 7,204 women beneficiaries for free distribution of goats resulted in loss of Government of India assistance amounting to ₹3.03 crore, besides non-achievement of the objective of the scheme, namely, equipping women to become self-employed/ entrepreneurs.

  (Paragraph 5.2)

- Due to non-adherence to the directions of Government of Kerala in payment of annuity by the Build, Operate and Transfer (BOT) operator, Kerala State Road Transport Corporation incurred an avoidable loss of interest of ₹0.40 crore. Further, the share of revenue amounting to ₹4.54 crore from the use of interest free security deposit remained to be claimed from the BOT operator.

  (Paragraph 5.3)

Introduction

Functioning of State Public Sector Undertakings

General

1 State Public Sector Undertakings (PSUs) in Kerala consist of State Government companies and statutory corporations. The State PSUs are established to carry out activities of commercial nature. As on 31 March 2018, there were 136 PSUs in Kerala. No company was listed on the stock exchanges as on 31 March 2018. The details of the State PSUs in Kerala as on 31 March 2018 are given in **Table 1.1**:

Table 1.1: Total number of PSUs as on 31 March 2018

Sl. No.	Type of PSUs	Working	Non-working	Total
1	Government company	117	15	132
2	Statutory corporation	4	0	4
	Total	**121**	**15**	**136**

The working PSUs registered a turnover of ₹28,917.68 crore as per their latest finalised accounts as of September 2018. This turnover was equal to 4.21 *per cent* of Gross State Domestic Product (GSDP) for the year 2017-18 (₹6,86,116 crore). The working PSUs incurred aggregate loss of ₹3,334.85 crore as per their latest finalised accounts. They employed 1.21 lakh employees at the end of March 2018.

As on 31 March 2018, there were 15 non-working PSUs having investment of ₹106.76 crore. They were non-functioning for the last 12 to 34 years. This was a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

Accountability framework

2 The accounts of Government companies are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956 and Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2 (45) of the Act, Government company means any company in which not less than fifty one *per cent* of the paid up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company, which is a subsidiary company of such a Government company.

CAG appoints the statutory auditors of a Government company and Government controlled other company under Section 139 (5) and (7) of the Companies Act,

2013. Section 139 (5) of the Act provides that the statutory auditors in case of a Government company or Government controlled other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Act provides that in case of a Government company or Government Controlled other company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the company or the members of the company have to appoint such auditor.

Further, as per Section 143 (7) of the Act, CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such company and the provisions of Section 19 A of CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit. Thus, a Government company or any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, is subject to audit by CAG. An audit of the financial statement of a company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

3 The financial statements of the Government companies (as defined in Section 2 (45) of the Act) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act. They shall submit a copy of the Audit Report to CAG including financial statements of the company under Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within sixty days from the date of receipt of the Audit Report as per the provisions of Section 143 (6) of the Act.

Audit of Statutory corporations is governed by their respective legislations. Out of four Statutory corporations, CAG is the sole auditor for Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation. In respect of Kerala State Warehousing Corporation and Kerala Financial Corporation, the audit is conducted by Chartered Accountants and supplementary audit is done by CAG.

Submission of accounts by PSUs

Need for timely finalisation and submission

4 According to Section 394 and 395 of the Act, Annual Report on the working and affairs of a Government company is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation, laid before the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Act requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Act stipulates that the audited financial statements for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Act provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Act.

Role of Government and Legislature

5 The State Government exercises control over the affairs of these PSUs through its administrative departments. Government appoints the Chief Executive and the Directors to the Board.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Report and comments of CAG in respect of State Government companies and Separate Audit Reports in case of Statutory corporations are to be placed before the Legislature under Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Kerala

6 The State Government's stake in the PSUs is of mainly three types:

- **Share Capital and Loans -** In addition to the share capital contribution, State Government also provides financial assistance by way of loans to the PSUs from time to time.

- **Special Financial Support -** State Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.

- **Guarantees -** State Government also guarantees the repayment of loans with interest availed by the PSUs from financial institutions.

Investment in State PSUs

7 As on 31 March 2018, the investment (capital and long term loans) in 136 PSUs was ₹39,494.84 crore as per details given in **Table 1.2**:

Table 1.2: Total investment in PSUs

(₹ in crore)

Sl. No.	Type of PSUs	Government companies			Statutory corporations			Grand Total
		Capital	Long Term Loans	Total	Capital	Long term loans	Total	
1	Working PSUs	8,410.45	22,034.73	30,445.18	1,036.35	7,906.55	8,942.90	39,388.08
2	Non-working PSUs	39.97	66.79	106.76	0.00	0.00	0.00	106.76
	Total	**8,450.42**	**22,101.52**	**30,551.94**	**1,036.35**	**7,906.55**	**8,942.90**	**39,494.84**

(Source: Data furnished by PSUs)

As on 31 March 2018, of the total investment in State PSUs, 99.73 *per cent* was in working PSUs and the remaining 0.27 *per cent* in non-working PSUs. This total investment consisted of 24.02 *per cent* towards capital and 75.98 *per cent* in long term loans. The investment increased by 184.18 *per cent* from ₹13,897.60 crore in 2013-14 to ₹39,494.84 crore in 2017-18.

8 The sector-wise summary of investment in the State PSUs as on 31 March 2018 is given in **Table 1.3**:

Table 1.3: Sector-wise investment in PSUs

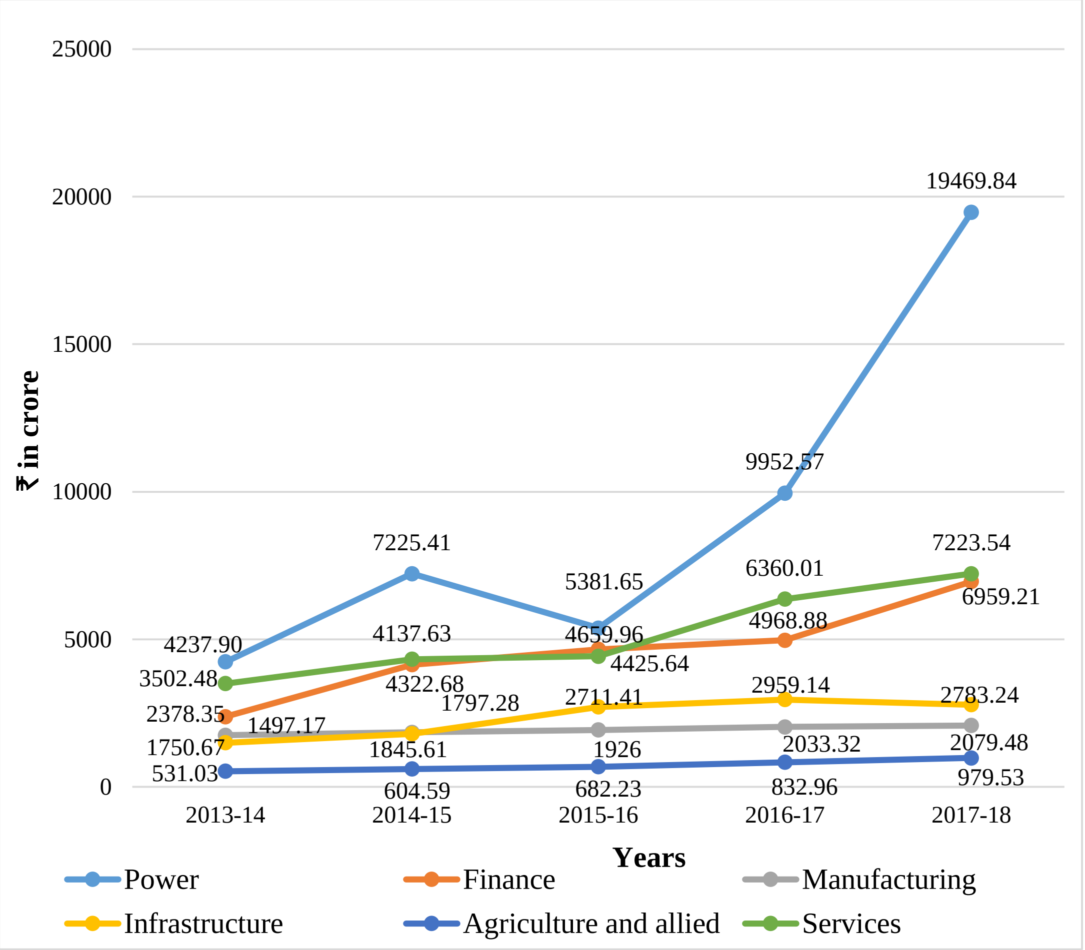
Sl. No.	Name of sector	Government companies	Statutory corporations	Total	Investment (₹ in crore)		
					Equity	Long term loans	Total
1	Power	3	..	3	3,526.02	15,943.82	19,469.84
2	Finance	18	1	19	980.36	5,978.85	6,959.21
3	Manufacturing:						
	Working	35	…	35	976.28	996.44	1,972.72
	Non-working	15	…	15	39.97	66.79	106.76
4	Infrastructure	17	1	18	1,613.75	1,169.49	2,783.24
5	Agriculture and allied	18	1	19	567.58	411.95	979.53
6	Services	26	1	27	1,782.21	5,440.73	7,223.54
	Total	**132**	**4**	**136**	**9,486.77**	**30,008.07**	**39,494.84**

(Source: Data furnished by PSUs)

The thrust of PSU investment was mainly on Power Sector during the last five years. The Power Sector received investments of ₹15,231.94 crore (59.51 *per cent*) out of the total investment of ₹25,597.24 crore made during the period from 2013-14 to 2017-18.

9 The investment in various sectors at the end of 31 March 2014 to 31 March 2018 are indicated in **Chart** below:

Chart 1: Sector-wise investment in PSUs



Keeping in view the huge investment in Power Sector, we are presenting the results of audit of three PSUs in Part I[1] of this Report and of 133 PSUs (other than Power Sector) in the Part II[2] of this Report.

[1] **The Part I includes Chapter-I (Functioning of Power Sector Undertakings) and Chapter-II (Compliance Audit Observations relating to Power Sector Undertakings).**

[2] **The Part II includes Chapter-III (Functioning of PSUs other than Power Sector), Chapter-IV (Performance Audit relating to PSUs other than Power Sector) and Chapter-V (Compliance Audit Observations relating to PSUs other than Power Sector).**

Part I

CHAPTER I

Functioning of Power Sector Undertakings

Introduction

1.1 The Power Sector Companies play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. A ratio of Power Sector PSUs' turnover to Gross State Domestic Product (GSDP) shows the extent of activities of PSUs in the State economy. The **Table 1.1** below provides the details of turnover of the Power Sector Undertakings and GSDP of Kerala for a period of five years ending March 2018:

Table 1.1: Details of turnover of Power Sector Undertakings *vis-a-vis* GSDP of Kerala

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	5,059.55	5,063.49	5,315.94	10,975.78	12,382.68
GSDP	4,65,041	5,12,564	5,61,546	6,21,700	6,86,116
Percentage of Turnover of State PSUs (Power Sector) to GSDP	1.09	0.99	0.95	1.77	1.80

(Source: Compiled based on turnover figures of PSUs and GSDP figures as per State Finance Report of GoK)

The turnover of Power Sector Undertakings has recorded continuous increase over the previous years. The increase in turnover ranged between 0.08 *per cent* and 106.47 *per cent* during the period 2013-18, whereas increase in GSDP of Kerala ranged between 9.56 *per cent* and 10.71 *per cent* during the same period. The turnover of Power Sector Undertakings recorded compounded annual growth of 25.08 *per cent* during the last five years which was higher than the compounded annual growth of 10.21 *per cent* of the GSDP. This resulted in increase in share of turnover of these Power Sector Undertakings to the GSDP from 1.09 *per cent* in 2013-14 to 1.80 *per cent* in 2017-18.

1.2 Formation of Power Sector Undertakings

Kerala State Electricity Board (KSEB) was constituted (March 1957) for carrying out the business of Generation, Transmission and Distribution of electricity in the State of Kerala. KSEB continued as Transmission utility and Distribution licensee till 24 September 2008. In pursuance of the provisions of Section 131 and 133 of the Electricity Act, 2003, Government of Kerala vested (September 2008) all the functions, properties, interests, rights, obligations and liabilities of KSEB with the State Government till the same was re-vested in a corporate entity through the Kerala Electricity First Transfer Scheme. The Kerala Electricity Second Transfer Scheme (Re-vesting) 2013 was notified on 31 October 2013. Through this notification all the assets, liabilities, rights and obligations of erstwhile KSEB vested into State Government by first transfer scheme of September 2008 were re-vested to the successor entity, i.e., Kerala

State Electricity Board Limited (KSEBL). The KSEBL was incorporated under the Companies Act, 1956 on 14 January 2011 and started operations as independent company with effect from 1 November 2013. The KSEBL functions through three strategic business units; one each for Generation, Transmission and Distribution. The KSEBL had one joint venture[3] and two associate companies[4] in which there was total investment of ₹20 crore.

The State Government incorporated Kerala State Power and Infrastructure Finance Corporation Limited in March 1998. Kerala Industrial Infrastructure Development Corporation, a Statutory Corporation, incorporated another Power Sector company, *i.e.*, KINESCO Power and Utilities Private Limited in 2008. As on 31 March 2018, equity capital of these two PSUs was ₹26.65 crore and ₹0.32 crore, respectively. Thus, there were three Power Sector companies in the State as on 31 March 2018.

Disinvestment, restructuring and privatisation of Power Sector Undertakings

1.3 In the State PSUs (Power Sector), there was no disinvestment, restructuring and privatisation by the State Government during the year 2017-18.

Investment in Power Sector Undertakings

1.4 The activity-wise summary of investment in the Power Sector Undertakings as on 31 March 2018 is given in **Table 1.2**:

Table 1.2: Activity-wise investment in Power Sector Undertakings

Activity	Number of government undertakings	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power Transmission of Power Distribution of Power	1	3,499.05	15,934.54	19,433.59
Others[5]	2	26.97	9.28	36.25
Total	**3**	**3,526.02**	**15,943.82**	**19,469.84**

(Source: Compiled based on information received from PSUs)

As on 31 March 2018, the total investment (equity and long term loans) in these Power Sector Undertakings was ₹19,469.84 crore. The investment consisted of 18.11 *per cent* towards equity and 81.89 *per cent* in long term loans.

Government of Kerala did not advance any long term loans to the power sector PSUs. The entire long term loan of ₹15,943.82 crore was availed by the power sector PSUs from Banks and financial institutions.

[3] Baitarani West Coal Company Limited.
[4] Renewable Power Corporation of Kerala Limited and Kerala State Power and Infrastructure Finance Corporation Limited.
[5] Kerala State Power and Infrastructure Finance Corporation Limited and KINESCO Power and Utilities Private Limited.

Budgetary Support to Power Sector Undertakings

1.5 The Government of Kerala (GoK) provides financial support to Power Sector Undertakings in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of Power Sector Undertakings for the last three years ending March 2018 are given in **Table 1.3**:

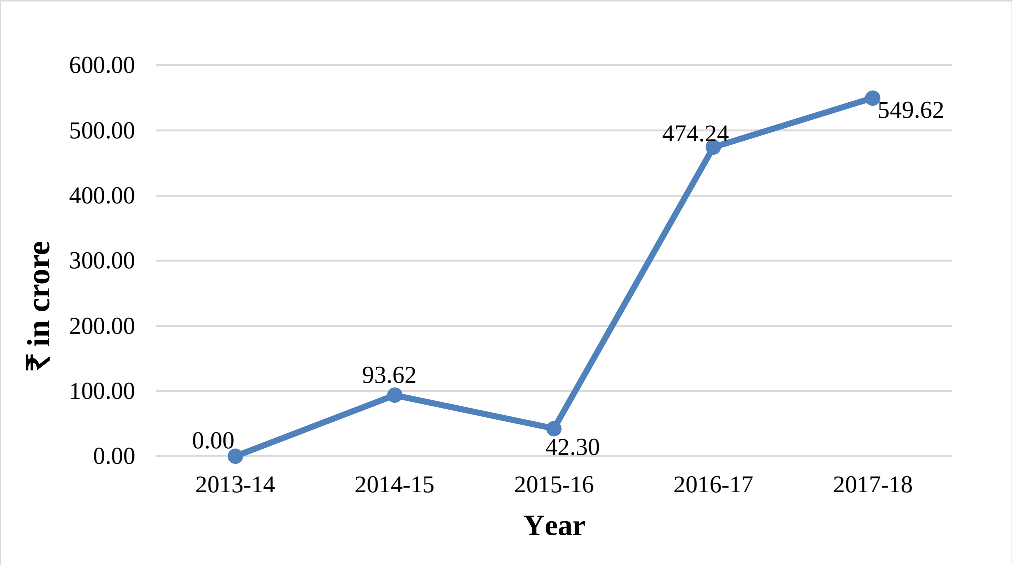
Table 1.3: Details regarding budgetary support to Power Sector Undertakings 2015-16 to 2017-18

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
1	Equity Capital outgo from budget	-	-	-	-	-	-
2	Loans given from budget	-	-	1	17.98	1	44.22
3	Grants/Subsidy given	1	42.30	1	456.26	1	505.40
4	**Total outgo (1+2+3)**	-	**42.30**	-	**474.24**	-	**549.62**
5	Loans written off and interest waived	-	-	-	-	-	-
6	Guarantees issued	-	-	-	-	-	-
7	Guarantee commitment	1	29.55	-	-	-	-

(Source: Compiled based on information received from PSUs)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in a Chart below:

Chart 1.1: Budgetary outgo towards equity, loans and grants/ subsidies



The budgetary assistance received by these PSUs ranged between ₹42.30 crore and ₹549.62 crore during the period 2014-15 to 2017-18. The budgetary assistance of ₹549.62 crore received during the year 2017-18 included ₹44.22 crore and ₹505.40 crore in the shape of loan and grants/subsidy respectively. These PSUs did not receive any assistance in the form of equity from GoK. The

Ministry of Power (MoP), Government of India also launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). The provisions of UDAY Scheme and the status of implementation of the scheme by KSEBL are discussed further in ***Paragraph No. 1.18*** of this Chapter.

GoK provides guarantee under the Kerala Ceiling on Government Guarantee Act, 2003 for PSUs, subject to the limits prescribed by the Constitution of India, for which guarantee commission is being charged. The Government would charge a minimum of 0.75 *per cent* as guarantee commission, which shall not be waived under any circumstances. Outstanding guarantee commitments was ₹29.55 crore during 2015-16 and there was no commitment during 2016-17 and 2017-18. As of March 2018, guarantee commission of ₹0.03 crore was payable by one PSU (Kerala State Electricity Board Limtied) for guarantee availed in previous years.

Reconciliation with Finance Accounts of Government of Kerala

1.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Kerala. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated in **Table 1.4**:

Table 1.4: Equity, loans and guarantees outstanding as per Finance Accounts *vis-a-vis* records of State PSUs (Power Sector)

(₹ in crore)

Sl. No.	Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
1	Equity	40.39	3,514.88	3,474.49
2	Loans	2,714.92	0.00	2,714.92
3	Guarantees	2.00	0.00	2.00

Source: Compiled based on information received from PSUs and Finance Accounts.

The differences between the figures are due to the difference in figures pertaining to KSEBL and persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time. **We, therefore, recommend that the State Government and the PSUs should reconcile the differences in a time-bound manner.**

Submission of accounts by Power Sector Undertakings

1.7 Timeliness in preparation of accounts by Power Sector Undertakings

There were three Power Sector Undertakings under the audit purview of CAG as on 31 March 2018. Accounts for the year 2017-18 were submitted by two PSUs by 30 September 2018 as per the statutory requirement. Details of arrears in submission of accounts of Power Sector Undertakings as on 30 September of each financial year for the last five years ending 31 March 2018 are given in **Table 1.5**:

Table 1.5: Position relating to submission of accounts by the working State PSUs (Power Sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of working PSUs	4[6]	3	3	3	3
2	Number of accounts finalised during the year	4	2	3	3	4
3	Number of accounts in arrears	1	2	2	2	1
4	Number of working PSUs with arrears in accounts	1	1	1	2	1
5	Extent of arrears (in years)	Up to 1	Up to 2	Up to 2	Up to 1	Up to 1

(Source: Compiled based on accounts of PSUs received during the period October 2017 to September 2018)

Delay in submission of accounts ranged from one to two years during the above period.

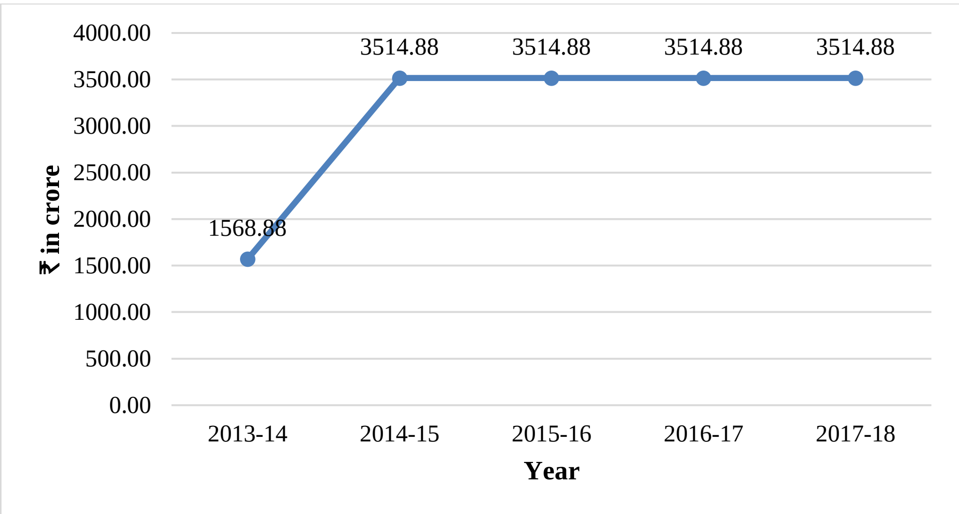
Performance of Power Sector Undertakings

1.8 The financial position and working results of power sector Companies are detailed in ***Appendix 1*** as per their latest finalised accounts as of 30 September 2018.

The PSUs are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment in the power sector PSUs as on 31 March 2018 was ₹19,469.84 crore consisting of ₹3,526.02 crore as equity and ₹15,943.82 crore as long term loans. Out of this, Government of Kerala has investment of ₹3,514.88 crore in two power sector PSUs in the form of equity. GoK did not invest any amount in the power sector PSUs as long term loans.

The year-wise status of investment of GoK in respect of equity relating to the five year period from 2013-14 to 2017-18 is shown in the Chart below:

Chart 1.2: Total investment of GoK in power sector PSUs



The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on

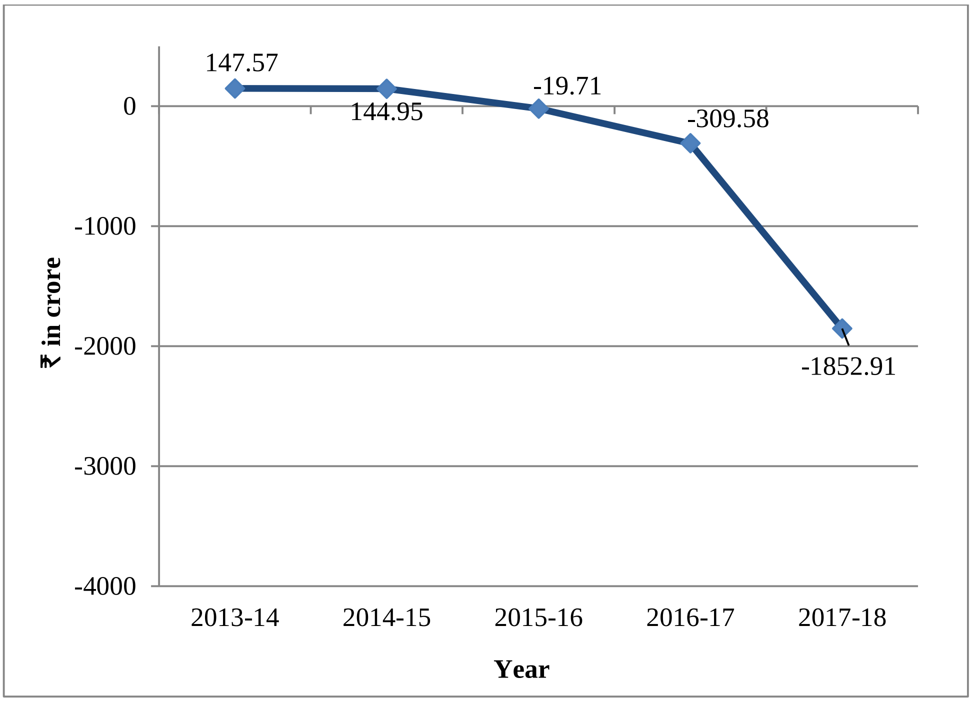
[6] Including Kerala State Electricty Board.

investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on investment

1.9 Return on investment is the percentage of profit or loss to the total investment. The overall position of profits earned /losses[7] incurred by the Power Sector Undertakings during 2013-14 to 2017-18 is depicted below in a chart.

Chart 1.3: Profit earned /Losses incurred by Power Sector Undertakings



The loss incurred by these PSUs was ₹1,852.91 crore in 2017-18 against profit of ₹147.57 crore earned in 2013-14. According to the latest finalised accounts of these three PSUs, Kerala State Power and Infrastructure Finance Corporation Limited (₹5.97 crore) and KINESCO Power and Utilities Private Limited (₹1.54 crore) earned profit while Kerala State Electricity Board Limited incurred substantial loss (₹1,860.42 crore) ***(Appendix 1)***.

Position of Power Sector Undertakings which earned profit/incurred loss during 2013-14 to 2017-18 is given in **Table 1.6**:

[7] **Figures are as per the latest finalised accounts during the respective years.**

Table 1.6: Power Sector Undertakings which earned profit/incurred loss

Financial Year	Total PSUs in power sector	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/loss during the year
2013-14	4	3	1	0
2014-15	3	2	1	0
2015-16	3	2	1	0
2016-17	3	2	1	0
2017-18	3	2	1	0

Return on the basis of historical cost of investment

1.10 Out of three Power Sector Undertakings of the State, the State Government infused funds in the form of equity, loans and grants/subsidies amounting to ₹3,514.88 crore (as on 31 March 2018) in two Power Sector Undertakings only. The entire equity (₹11.14 crore as on 31 March 2018) of one company[8] was contributed by a Statutory Corporation.

The Return on investment from the three PSUs has been calculated on the investment made by the Government of Kerala and others in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the government does not receive any interest on such loans and are therefore of the nature of equity investment by government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Further, the funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

The investment in these three Power Sector Undertakings has been arrived at by considering the equity (initial equity plus the equity infused during the later years).

The investment as on 31 March 2018 in these three power sector PSUs was ₹3,526.02 crore consisting of equity alone. Thus, considering the equity of ₹3,526.02 crore as investment in these three power sector PSUs, the investment on the basis of historical cost at the end of 2017-18 stood at ₹3,526.02 crore.

The return on investment on historical cost basis for the period 2013-14 to 2017-18 is as given in **Table 1.7**:

[8] **KINESCO Power and Utilities Private Limited.**

Table 1.7: Return on Investment on historical cost basis

Financial year	Funds infused in form of Equity and Interest Free Loans on historic cost basis			Total Earnings/ Losses[9] for the year	Return on Investment (*per cent*)
	GoK	Others	Total		
2013-14	1,568.88	11.18	1,580.06	147.57	9.34
2014-15	3,514.88	11.18	3,526.06	144.95	4.11
2015-16	3,514.88	10.92	3,525.80	-19.71	-0.56
2016-17	3,514.88	10.92	3,525.80	-309.58	-8.78
2017-18	3,514.88	11.14	3,526.02	-1,852.91	-52.55

The return on investment of the power sector PSUs ranged between -8.78 *per cent* to 9.34 *per cent* during 2013-14 to 2016-17. However, it reduced to -52.55 *per cent* during 2017-18 mainly due to increase in finance cost and administrative expenses of KSEBL.

Erosion of Net worth

1.11 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The overall accumulated losses of two power sector companies were ₹4,933.31 crore as against the capital investment of ₹3,525.70 crore resulting in negative net worth of ₹1,407.61 crore. Of these two Power Sector Undertakings, the net worth was eroded in Kerala State Electricity Board Limited to ₹(-)1,472.08 crore.

The **Table 1.8** indicates paid up capital, accumulated profit/loss and net worth of two Power Sector Undertakings, where the GoK had invested money, during the period 2013-14 to 2017-18:

Table 1.8: Net worth of two Power Sector Undertakings during 2013-14 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit/Loss (-) at the end of year	Deferred revenue expenditure	Net worth
2013-14	1,579.70	2,367.49	0	3,947.19
2014-15	1,579.70	2,371.02	0	3,950.72
2015-16	3,525.70	1.24	0	3,526.94
2016-17	3,525.70	-1,581.91	0	1,943.79
2017-18	3,525.70	-4,933.31	0	-1,407.61

The State Government continued to provide financial support to these two Power Sector Undertakings by infusing equity during the period 2013-14 to 2017-18. However, despite infusion of equity capital, the accumulated profit of these Power Sector Undertakings decreased from ₹2,367.49 crore in 2013-14 to ₹(-)4,933.31 crore in 2017-18. The net worth was eroded to ₹(-)1,407.61 crore in the year 2017-18 due to the accumulated loss of ₹4,933.31 crore.

[9] As per annual accounts of the respective years.

During 2014-15, out of two PSUs net worth of one PSU was in negative and one PSU showed positive net worth. For the year 2015-16 and 2016-17, all two PSUs showed positive net worth. For the year 2017-18, net worth of one PSU was in negative and one PSU showed positive net worth.

Dividend Payout

1.12 The State Government had formulated (December 1998) a dividend policy under which all PSUs are required to pay a minimum return of 20 *per cent* on the paid up share capital or 30 *per cent* of the allocable surplus, whichever is lower. None of the power sector PSUs, which were liable to pay dividend, complied with the State Government policy on dividend payment. As a result, there was short payment of dividend to the extent of ₹5.35 crore by two[10] PSUs for the year 2017-18. Details of dividend payout of power sector undertakings during 2013-14 to 2017-18 are given in **Table 1.9**:

Table 1.9: Dividend payout of Power Sector Undertakings during 2013-14 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoK		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend Payout Ratio (*per cent*)
	Number of PSUs	Equity infused by GoK	Number of PSUs	Equity infused by GoK	Number of PSUs	Dividend declared/paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2013-14	3	1579.70	2	1579.65	0	0.00	0.00
2014-15	2	3514.88	1	15.83	0	0.00	0.00
2015-16	2	3514.88	1	15.83	1	0.53	3.35
2016-17	2	3514.88	1	15.83	0	0.00	0.00
2017-18	2	3514.88	1	15.83	0	0.00	0.00

The PSU[11] which earned profit during the year 2017-18, did not declare/pay dividend to GoK.

Return on Equity

1.13 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using company's assets to create profits and is calculated by dividing net income (i.e., net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative shareholders' fund means that liabilities exceed assets.

Return on Equity has been computed in respect of two Power Sector Undertakings where funds had been infused by the State Government. The details of shareholders' fund and ROE relating to these two Power Sector

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[10] **KSEBL was having accumulated loss of ₹4,971.13 crore for the year 2017-18.**
[11] **Kerala State Power and Infrastructure Finance Corporation Limited.**

Undertakings during the period from 2013-14 to 2017-18 are given in **Table 1.10**:

Table 1.10: Return on Equity relating to Power Sector Undertakings where funds were infused by the GoK

Year	Net Income/ total earnings for the year[12] (₹ in crore)	Shareholders' fund (₹ in crore)	Return on Equity (*Per cent*)
2013-14	145.37	3,947.19	3.68
2014-15	144.55	3,950.72	3.66
2015-16	-20.38	3,526.94	-
2016-17	-310.25	1,943.79	-
2017-18	-1,854.45	-1,407.61	-

As can be seen from the above table, during the last five years ended March 2018, the net income was positive only during 2013-14 and 2014-15 and the shareholders' fund turned negative during 2017-18. Since the net income of these PSUs during 2015-16 to 2017-18 and the shareholders' fund for 2017-18 were negative, ROE in respect of these PSUs could not be worked out. However, negative shareholders' fund indicates that the liabilities of these PSUs have exceeded the assets.

Return on Capital Employed

1.14 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[13]. The details of ROCE of Power Sector Undertakings during the period from 2013-14 to 2017-18 are given in **Table 1.11**:

Table 1.11: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (*Per cent*)
2013-14	598.44	12,522.56	4.78
2014-15	595.77	12,529.09	4.76
2015-16	244.72	6,500.71	3.76
2016-17	545.63	5,713.58	9.55
2017-18	96.67	14,531.98	0.67

The ROCE of the Power Sector Undertakings ranged between 0.67 *per cent* and 9.55 *per cent* during the period 2013-14 to 2017-18. The substantial decrease of ROCE in 2017-18 compared to 2016-17 was due to increase in borrowings (₹11,667.98 crore) and loss (₹365.79 crore) of KSEBL.

Analysis of long term loans of the Companies

1.15 The analysis of the long term loans of the companies which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

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[12] As per the latest finalised annual accounts during respective years.

[13] Capital employed = Paid up share capital+ free reserves and surplus+ long term loans - accumulated losses - deferred revenue expenditure.

Interest Coverage Ratio

1.16 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those power sector companies which had interest burden during the period from 2013-14 to 2017-18 are given in **Table 1.12**:

Table 1.12: Interest coverage ratio

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of companies having interest burden	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2013-14	450.87	598.44	2	2	0
2014-15	450.82	595.77	1	1	0
2015-16	264.43	244.72	2	1	1
2016-17	850.52	545.63	2	1	1
2017-18	1,945.97	96.67	3	2	1

It was observed that the number of power sector companies with interest coverage ratio of more than one increased from one company in 2013-14 to two companies in 2017-18.

Debt-Turnover Ratio

1.17 During the last five years, the turnover of the three Power Sector Undertakings recorded compounded annual growth of 25.08 *per cent* and compounded annual growth of debt was 56.50 *per cent* due to which the Debt-Turnover ratio degraded from 0.53 in 2013-14 to 1.29 in 2017-18 as given in **Table 1.13**:

Table 1.13: Debt Turnover ratio relating to the Power Sector undertakings

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government/ Banks and Financial Institutions	2,657.84	3,699.35	1,855.85	6,426.77	15,943.82
Turnover	5,059.55	5,063.49	5,315.94	10,975.78	12,382.68
Debt-Turnover Ratio	0.53:1	0.73:1	0.35:1	0.59:1	1.29:1

Source: Compiled based on information received from PSUs.

The Debt-Turnover ratio ranged between 0.35 and 1.29 during this period.

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.18 The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY Scheme) for operational and financial turnaround of State owned Power Distribution Companies (DISCOMs). As per the provisions of UDAY Scheme, the participating States were required to undertake the following measures for operational and financial turnaround of DISCOMs.

Scheme for improving operational efficiency

1.18.1 The participating States were required to undertake various targeted activities such as compulsory feeder and distribution transformer (DT) metering, smart metering, Demand Side Management (DSM) which includes energy efficient LED bulbs, agricultural pumps, comprehensive Information, Education and Communication (IEC) campaign to check power theft *etc*. The outcomes of the operational improvements would be measured through indicators viz. reduction of Aggregate Technical & Commercial (AT&C) loss to 15 *per cent* in 2018-19 as per loss reduction trajectory finalised by MoP and States, reduction in gap between average cost of supply (ACS) and average revenue realised (ARR) to zero by 2018-19.

Scheme for financial turnaround

1.18.2 The participating States were required to take over 75 *per cent* of DISCOMs debt over two years, *i.e.*, 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17.

UDAY scheme in Kerala

A tripartite Memorandum of Understanding (MoU) amongst Ministry of Power, Government of India, Government of Kerala (GoK) and Kerala State Electricity Board Limited (KSEBL) in order to achieve higher operational efficiency was entered into on 2 March 2017. The measures to be taken by KSEBL included activities for improving operational efficiency, undertaking tariff measures such as quarterly tariff revision, timely filing of tariff petition and timely preparation of annual accounts. The MoU envisaged reduction in AT&C losses of its electricity distribution business to 11 *per cent* by 2018-19. The MoU did not envisage takeover of any debt by GoK.

Implementation of the UDAY Scheme

1.18.3 The status of implementation of the UDAY Scheme is detailed below:

Achievement of operational parameters

The achievements *vis-a-vis* targets under UDAY Scheme regarding different operational parameters are given in **Table 1.14:**

Table 1.14: Parameter-wise achievements vis-à-vis targets of operational performance up to 30 September 2018

Parameter of UDAY scheme	Target under UDAY scheme	Progress under UDAY scheme	Achievement (in *per cent*)
Feeder metering (in No.)			
Urban	268	150	56
Rural	263	68	26
Metering at Distribution Transformers (in No.)			
Urban	14,999	8,368	56
Rural	33,021	6,241	19
Rural Feeder Audit (in No.)	1,053	0	0
Electricity in unconnected households (in lakh No.)	2.4	4.45	100
Smart metering (in No.)			
Above 200 units/ month	7,45,000	0	0
Above 500 units/ month	1,36,000	0	0
Distribution of LED UJALA (in lakh Nos.)	135	136.03	100
AT&C losses (in *per cent*)	11	14.9	0
ACS-ARR Gap (₹ per unit)	0	0.13	0
Net Income or Profit/Loss including subsidy (₹ in crore)	148.36	-160.83	0

(Source: KSEBL progress reports/ State Health Card under UDAY Scheme)

Comments on accounts of Power Sector Undertakings

1.19 The three Power Sector Companies forwarded their four audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, three accounts were selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG for the accounts of 2015-16 to 2017-18 are given in **Table 1.15**:

Table 1.15: Impact of audit comments on Working Companies (Power Sector)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)	Number of accounts	Amount (₹ in crore)
1	Decrease in profit	-	-	-	-	-	-
2	Increase in loss	-	-	2	453.44	2	194.43
3	Increase in profit	-	-	-	-	-	-
4	Decrease in loss	1	19.14	-	-	-	-
5	Non-disclosure of material facts	-	-	-	-	1	5,774.85
6	Errors of classification	1	304.89	2	639.00	2	285.75

During the year 2017-18, the Statutory Auditors issued qualified audit reports on three accounts (two accounts of Kerala State Electricity Board Limited and one accounts of KINESCO Power and Utilities Private Limited). Kerala State Power and Infrastructure Finance Corporation Limited received unqualified audit report from Statutory Auditors for the year 2017-18. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out 19 instances of non-compliance to the Accounting Standards in two accounts.

Compliance Audit Paragraph

1.20 For Part-I of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2018, one Compliance Audit Paragraph relating to Power Sector Undertakings was issued to the Secretary of Power Department, GoK with request to furnish replies within four weeks. Reply to the Compliance Audit Paragraph has been received from the State Government. The total financial impact of the Compliance Audit Paragraph (CA) is ₹402.46 crore.

Follow up action on Audit Reports

Replies outstanding

1.21 The Report of CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Kerala issued directions to all Administrative Departments in 2017 to furnish Explanatory Notes to Performance Audit/Compliance Audits/ Paragraphs included in the Audit Reports of the CAG of India within a period of two months of their presentation to the Legislature for speedy settlement of audit observations. The status of Explanatory Notes not received as of March 2019 is given in **Table 1.16:**

Table 1.16: Explanatory Notes not received (as of March 2019)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	28/06/2016	2	3	1	0
2015-16	23/05/2017	1	1	0	1
2016-17	19/06/2018	0	0	0	0
Total		**3**	**4**	**1**	**1**

From the above, it could be seen that out of 3 Performance Audits and 4 Paragraphs, Explanatory Notes to one Performance Audit and one Paragraph in respect of Power Department, which were commented upon, were awaited (March 2019).

Discussion of Audit Reports by Committee on Public Undertakings (CoPU)

1.22 The status of discussion of Performance Audits and CAs/Paragraphs that appeared in Audit Report (PSUs) by CoPU as of March 2019 is shown in **Table 1.17:**

Table 1.17: Performance Audits/ Paragraphs appeared in Audit Reports *vis-a-vis* discussed as of March 2019

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2014-15	2	3	1	0
2015-16	1	1	0	0
2016-17	0	0	0	0
Total	**3**	**4**	**1**	**0**

Compliance to Reports of Committee on Public Undertakings

1.23 Action Taken Notes (ATNs) to 19 Paragraphs in 7 Reports of the CoPU presented to the State Legislature between February 2011 and December 2018 have not been received (March 2019) as indicated in **Table 1.18**:

Table 1.18: Compliance to CoPU Report

Year of the CoPU Report	Total number of CoPU Reports	Total number of recommendations in the CoPU Reports	No. of recommendations where ATNs not received
2008-11	1	14	1
2014-16	1	8	1
2016-19	5	18	17
Total	**7**	**40**	**19**

These Reports of CoPU contained recommendations in respect of Paragraphs pertaining to Power Department, which appeared in the Report of CAG of India for the year 1998-99 to 2013-14. The pace of receipt of ATNs from GoK to CoPU was not encouraging.

It is recommended that the Government may ensure:

(a) sending of replies/ Explanatory Notes to Inspection Reports/ Paragraphs/ Performance Audits and ATNs on the recommendations of CoPU as per the prescribed time schedule;

(b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and

(c) revamping of the system of response by GoK to audit observations.

CHAPTER II

Compliance Audit Observations relating to Power Sector Undertakings

Implementation of Small Hydro Electric Projects by Kerala State Electricity Board Limited

Introduction

2.1 Small Hydro Electric Projects[14] (SHEPs) are benign and clean source of energy. Therefore, Governments give more importance to SHEPs through various financial supports and policy initiatives. As of March 2012, there were 19 SHEPs in the State with an installed capacity of 145.65 MW. The Small Hydro Power Policy, 2012 announced by the Government of Kerala (GoK) anticipated additional capacity of 390 MW including 150 MW through private participation by the end of March 2017.

Kerala State Electricity Board Limited[15] (KSEBL) identified 151 potential sites and envisaged implementing 22 SHEPs with total capacity of 148 MW during the twelfth five-year plan (2012-17) as shown in ***Appendix 2***. Against this target, KSEBL commissioned seven SHEPs with capacity of 39.35 MW, while six SHEPs with total capacity of 66.50 MW were in progress as of March 2018. In respect of the remaining nine SHEPs with capacity of 45 MW, no work was taken up as of March 2018.

In order to ascertain whether the planning and implementation of SHEPs was in accordance with relevant Acts, rules, notifications *etc.* and to evaluate the performance of the commissioned SHEPs, Audit selected[16] three SHEPs each from the completed[17] and the on-going projects[18].

Audit findings

2.2 Audit findings on the implementation of six selected SHEPs are discussed in the succeeding paragraphs.

Planning for implementation of projects

Deficient Detailed Project Reports

2.3 SHEPs are eligible for financial assistance from Ministry of New and Renewable Energy (MNRE) at the rate of ₹3.50 crore per MW limited to ₹20 crore per project. KSEBL took up all the SHEPs with MNRE assistance. In order to be eligible for the financial assistance, the implementing agency has to follow the guidelines prescribed by MNRE. According to the guidelines, a Detailed Project Report (DPR) shall be prepared based on detailed surveys and investigation to assess the technical and financial

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[14] Hydro electric projects with station installed capacity of less than 25 mega-watt.
[15] Erstwhile Kerala State Electricity Board.
[16] Selection was based on the expenditure incurred for implementation. Sample was chosen from SHEPs commissioned and on-going during 2015-16 to 2017-18.
[17] Perunthenaruvi, Barapole and Adyanpara.
[18] Bhoothathankettu, Poringalkuthu and Kakkayam.

feasibility of the project before its execution. Audit observations on preparation of DPR are discussed in ***Paragraph 2.3.1 and 2.3.2.***

Defective financial appraisal

2.3.1 As per the guidelines issued by the MNRE, the financial viability of an SHEP was to be assessed by computing the Payback Period (PBP)[19], Net Present Value (NPV)[20], Internal Rate of Return (IRR)[21] or Debt Service Coverage Ratio. For considering a project financially feasible, the NPV should be positive and the IRR should not be less than the cost of capital. As per the DPR, the cost of capital was 10 *per cent.*

Audit observed that by adopting incorrect criteria and methodology, four financially unviable projects were selected for execution as detailed in **Table 2.1**:

Table 2.1: Details of defects in financial appraisal of SHEPs

Name of the SHEP	Defects in financial appraisal
Barapole	• For calculating the IRR, equity capital alone was considered instead of the total estimated project cost (TPC), while the NPV was not calculated. • Based on the TPC, the NPV would become negative i.e., ₹ (-)15.23 crore and; • The IRR (8.75 *per cent*) would fall below the cost of capital.
Kakkayam	• The cash inflows for assessing NPV/IRR were worked out based on the power purchase cost of KSEBL (₹5.50 per unit) which was higher than the average realisation of ₹3.80 per unit at the time of preparation of DPR. • Based on the average realisation (for the year 2008), the NPV of the SHEP would be ₹(-)5.35 crore. • Similarly, IRR of the SHEP would become 8 *per cent* which was less than the cost of capital.
Adyanpara	• Financial viability was assessed based on PBP alone by adopting levelised tariff[22] (₹3.83 per unit) without evaluating the NPV and IRR. • Audit noticed that the NPV of the project based on average realisation (₹3.38 per unit) was ₹(-)13.87 crore. • Similarly, IRR (4.36 *per cent*) of the project was also less than the cost of capital.
Perunthenaruvi	• Financial viability of the SHEP was based on PBP alone by adopting levelised tariff (₹3.17 per unit) without evaluating the NPV and IRR. • Audit noticed that the NPV of the project based on average realisation (₹3.25 per unit) was ₹(-)21.40 crore. • Similarly, IRR (6.45 *per cent*) of the project was also less than the cost of capital.

[19] **Payback period is the period within which the investor would recover his cost.**
[20] **NPV is the difference between present value of cash inflow during project life and total investment.**
[21] **IRR is the discount rate at which present value of benefits becomes equal to the present value of project investment.**
[22] **Net present value of the unit-cost of electricity over the lifetime of SHEP.**

The Management replied (November 2018) that financial analysis was done in accordance with the guidelines issued by the State Electricity Regulatory Commission (SERC) and Central Electricity Regulatory Commission (CERC) using different financial tools like IRR, NPV, PBP *etc*. Other factors like operational flexibility, Renewable Purchase Obligation, socio-economic benefits were also considered while approving the projects.

The Management reply was not acceptable because as per the guidelines issued by SERC and CERC, the SHEPs were to be financially viable. But KSEBL assessed the financial viability of SHEPs using incorrect criteria and thereby financial tools like IRR, NPV *etc*. were made out to be attractive.

Non-assurance of water availability

2.3.2 As per the guidelines issued (March 2004/ July 2008) by the Central Electricity Authority/MNRE, the water availability studies for SHEPs shall be based on the water availability of 90 *per cent* dependable year. The 90 *per cent* dependable year[23] is the year in which the annual generation has the probability of being equal to or exceeding 90 *per cent* of the expected period of operation of the scheme.

Audit observed that:

- Out of the six selected projects, water availability of Bhoothathankettu SHEP only was assessed based on 90 *per cent* dependable year. The water availability of Kakkayam SHEP was assessed based on water discharge of Kuttiyadi Additional Extension Scheme. The water availability of the remaining four SHEPs was assessed based on the average potential of available water data. Based on the water availability of 90 *per cent* dependable year, two SHEPs (Poringalkuthu and Adyanpara) did not pay back during the expected life time of 35 years.

  The Management stated (November 2018) that the guidelines were not to be complied statutorily. KSEBL was duty-bound and had the authority to conceive the projects considering various aspects judiciously to safeguard the interests of the State.

  The reply was not acceptable as KSEBL did not formulate any guideline/manual for implementation of SHEPs specific to Kerala. Hence, the criteria for analysing the project feasibility were derived from the guidelines issued by MNRE. Moreover, in the case of Bhoothathankettu SHEP, KSEBL followed the 90 *per cent* dependable year criteria suggested by MNRE.

- The weir of Perunthenaruvi SHEP was constructed just above an existing pumping station of Kerala Water Authority (KWA). For ensuring the water requirement for drinking water, KSEBL was to release 96,739 cubic metre of water per day from the weir. The impact of sharing of water with KWA was, however, not considered at the time of preparation of DPR. After commencing

[23] **For determination of 90 *per cent* dependable year, the total energy generation in all the years for which hydrological data is available is arranged in descending order and the (N+1) x 0.9th year would represent the 90 *per cent* dependable year.**

the operation of the project in July 2017, power generation was interrupted from September 2017 due to low water level. Considering the water discharge for KWA, generation loss from September 2017 to May 2018 (9 months) was 1.08 million units (MUs) valuing ₹0.56 crore at the rate of ₹5.15 per unit[24]. The generation loss worked out to 4.19 *per cent* of the expected annual generation and this loss is likely to recur every year.

The Management stated (November 2018) that the sharing of water with KWA was factored in the DPR and accordingly, the installed capacity of the project was reduced from 9 MW to 6 MW. Further, Perunthenaruvi SHEP planned to utilise water during the monsoon season when the water requirement of KWA was negligible.

The reply was not acceptable as the DPR anticipated that the existing water pumping scheme of KWA would be affected by the project and suggested to relocate the intake of the pumping station to the reservoir. This was not acted upon and hence KWA demanded release of sufficient water for the drinking water purpose. Further, the Perunthenaruvi SHEP envisaged generation of power during non-monsoon season as well. Had the expected generation been limited to the monsoon seasons, the Perunthenaruvi SHEP would have been financially unviable.

Award of work

2.4 KSEBL invited separate tenders for civil works and electro-mechanical (E&M) works in the six SHEPs except in Adyanpara SHEP. According to the guidelines issued (November 2008) by the Central Vigilance Commission (CVC), tenders shall be finalised and contracts awarded in a time bound manner within the original validity of the tender.

There was delay in finalising the tender for civil work and electro-mechanical works of all the selected SHEPs, except Kakkayam, ranging from 13 days to 520 days. The major reasons for the delay were rectification of incomplete prequalification documents, change in the estimates due to change in the scope of work, design of power houses as per change in E&M equipment *etc*. as shown in ***Appendix 3***. The delay in finalisation of the tender resulted in corresponding delay in implementation of the project.

Audit noticed the following irregularities in the selection of contractors:

Undue favour to the bidders by relaxing prequalification criteria

2.4.1 As per the guidelines issued (July 2003) by the CVC, criteria for selection of bidders should be spelt out at the time of inviting tenders so that the basic concept of transparency and the interests of equity and fairness are ensured. The acceptance or rejection of any bid should be based on laid down specifications.

Audit observed that:

[24] **Average rate for the period 2012-17.**

- One of the eligibility criteria of bidders for Kakkayam SHEP was the completion of similar works of value not less than ₹11.75 crore as a prime contractor/developer during the last seven years as on the date of notice inviting bid. Out of seven bidders, only Paulose George Construction Company Private Limited (PGCCL) met the criterion. Though the value of similar work done by KK Engineering Company and Steel Industrials Kerala Limited was ₹5.36 crore and ₹4.61 crore respectively, KSEBL prequalified both the bidders along with PGCCL. KK Engineering Company became the lowest bidder and bagged the contract.

- One of the eligibility criteria of bidders for Perunthenaruvi and Barapole SHEPs was total annual turnover above ₹23.25 crore and ₹41.62 crore respectively. Two (out of seven) and three (out of eight) bidders respectively met the prequalification criterion. Annual turnover of one of the bidders, PGCCL, ranged between ₹15.22 crore and ₹21.69 crore. KSEBL prequalified the bidder in both the tenders. PGCCL turned out to be the lowest bidder on price bid opening and both the contracts were awarded to PGCCL.

Thus, relaxation of pre-qualification criteria during evaluation resulted in undue benefit to the ineligible bidders, who were finally awarded the works.

The Management stated (November 2018) that KK Engineering Company was prequalified for the implementation of Kakkayam SHEP in order to ensure better competition, as a special case. In the case of Perunthenaruvi SHEP, the tender clause regarding turnover could be interpreted as either annual turnover for each of the last three years or the total of the annual turnover for the last three years. Therefore, based on the directions of the Board of Directors, the total turnover of the last three years was considered as qualification criteria.

The reply of the Management was not acceptable as the CVC guidelines stipulated that evaluation/exclusion criteria should be made explicit at the time of inviting the tender. Therefore, relaxation of the criteria after opening of the technical bid lacked transparency.

Execution of work

2.5 The six selected SHEPs were scheduled for commissioning between January 2012 and March 2016 at a projected cost of ₹667.85 crore. Against this, three SHEPs were commissioned between September 2015 and October 2017 after delays ranging from 3 years and 4 months to 3 years and 7 months. The three ongoing SHEPs were delayed for periods ranging from 2 years and 1 month to 3 years and 6 months as of March 2018[25]. The cost incurred for the six SHEPs was ₹549.29 crore up to March 2018.

The reasons for the delay in completion of the SHEPs were as described below:

[25] **These three projects were not commissioned as of December 2018 but, the delay in months has been worked out up to 31 March 2018.**

Delay in diversion of forest land

2.5.1 As per the General Conditions of Contract, KSEBL was to hand over land to the contractors within one month of award of work. The implementation of the six selected projects required forest land, government land and private land. As per Section 2 of the Forest Conservation Act, 1980, forest land can be used for non-forest purposes only with the approval of the Central Government which shall be given in two stages. Providing land for Compensatory Afforestation (CA) or certificate by Chief Secretary to the Government regarding non-availability of alternate land for CA in the State and funds for raising compensatory afforestation thereof, a certificate from State Government as to the compliance of the Scheduled Tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006 (FRA) *etc.* were mandatory requirements for diversion of forest land.

Three SHEPs selected for scrutiny required forest land for their implementation. Audit noticed that in all the three cases, there were delays in handing over forest land as shown in **Table 2.2** below:

Table 2.2: Details of delay in handing over forest land to contractors

Sl. No.	Name of SHEP	Date of issue of work order	Date of handing over forest land	Reason for delay
1	Perunthenaruvi	November 2010	December 2011	Acquisition of original land identified (2006) for Compensatory Afforestation (CA) was cancelled as there was increase in the cost of land due to delay in acquisition. Alternate land required for CA could be acquired only in February 2011.
2	Bhoothathankettu	February 2014	January 2016	The proposal for diversion of forest land was submitted in January 2012. But KSEBL submitted the mandatory compliance report on Scheduled tribes and Other Traditional Forest Dwellers (Recognition of Forest Rights) Act, 2006, only in January 2014. The final approval of Ministry of Environment and Forests (MoEF) was received in April 2015. But there was further delay in clearing the site by removing the standing trees.
3	Poringalkuthu	August 2011	March 2014	KSEBL submitted a proposal to the MoEF in November 2011 without the required certificates regarding non-availability of non-forest land by Chief Secretary of Kerala. This was submitted later (April 2012). MoEF accorded final approval in March 2014 after KSEBL complied with the conditions of in principle approval given (July 2013).

Thus, there were delays ranging from 13 months to 31 months in handing over forest land to the contractor from the date of award of work.

Delay in acquiring private land

2.5.2 According to the modified guidelines issued (June 2005) by GoK for acquiring land for fast track projects, the revenue authorities were empowered to take advance possession of land under Section 17 of the Land Acquisition Act, 1894 (LA Act) after giving 15 days' notice to the land owners, if the land owners were not willing to enter into a direct sale deed or where direct purchase could not be effected for any other specific reasons.

Audit observed that there were delays in acquiring private land from the due date of taking possession in three SHEPS[26] examined in audit as discussed in **Table 2.3:**

Table 2.3: Details of acquisition of private land

Sl. No.	SHEP	Month of award of civil work	Month of sanction by GoK for acquiring land under Section 17(4)	Month of notice	Due date of taking advance possession	Actual month of taking possession	Delay
a	b	c	d	e	f	g	h=g-f
1	Perunthenaruvi (1.35 hectares)	November 2010	August 2013	December 2013	15/01/2014	June 2016	2 years and 5 months
2	Kakkayam (0.41 hectares)	March 2011	August 2011	November 2012	01/12/2012	October 2013	10 months
3	Barapole (8.07 hectares)	August 2010	March 2008	December 2009	25/12/2009	September 2011	1 year and 8 months

As a result of cascading effect of delay in handing over of land, KSEBL amended (December 2015) the General Conditions of Contract and paid price escalation of ₹3.59 crore to the contractor of civil works in Poringalkuthu SHEP. In the case of Barapole and Perunthenaruvi SHEPs also, KSEBL sanctioned payment of price variation of ₹1.25 crore and ₹0.58 crore respectively to the contractors which was yet to be released.

Due to the delay in acquiring private land for Kakkayam SHEP, validity of contract awarded (March 2011) for civil works expired (March 2013) and the contractor refused to carry out the remaining work at the same rate and hence, the contract was foreclosed. Subsequently, the balance work was retendered and awarded in October 2014 with an additional cost of ₹2.34 crore due to revision of rate.

The Management stated (November 2018) that the process of land acquisition through negotiated purchase or under Land Acquisition Act could be carried out through the Revenue Department only. In respect of Perunthenaruvi SHEP, the Management also stated that the delay was due to ownership dispute between the family members. The Management further replied that it was not practical to commence any project after acquiring full land. In case of Barapole SHEP, if the work was tendered after acquiring the whole land *i.e.*, after April 2013, the work would not have been completed by January 2016. Thus, early tendering has contributed towards early generation from the project.

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[26] **No private land was required for Bhoothathankettu and Poringalkuthu SHEPs and the land required for Adyanpara SHEP was already in possession before tendering.**

The reply was not acceptable because the GoK sanctioned taking advance possession of land by invoking Section 17 of LA Act well ahead of the tendering of the work. Further, the guidelines followed by KSEBL and the terms of contract also required that the land shall be in possession before awarding the work. During the Exit Meeting (November 2018), Joint Secretary, Power Department, GoK assured that a Joint Mechanism consisting of various stakeholder departments would be put in place to speed up land acquisition for hydel projects.

Delay in implementation due to defective DPR

2.5.3 As per the Manual on Planning and Design of Small Hydroelectric Schemes published (2001) by the Central Board of Irrigation and Power (CBIP), in areas where slope of the hill is steep and where there is a history of landslides, tunnels are to be constructed for water conductor systems[27].

The DPR of Adyanpara SHEP proposed an open channel for the water conductor system although the area was mountainous and had a history of landslides. Civil work involving construction of the open channel was awarded to Kirloskar Brothers Limited-Aryacon Contractors and Engineers Limited (KBL-AECL) Consortium at a cost of ₹8.10 crore.

During execution of work, the open channel was found unfeasible and hence, the same was replaced (September 2008) by a tunnel with revision of estimate to ₹10.50 crore. KSEBL's attempt to execute the tunnel works separately through another tender was not accepted by KBL-AECL and also refused (January 2008) to execute the tunnel work at their quoted rate of 49.80 *per cent* above Schedule of Rates (SOR) 2004. Therefore, KSEBL terminated (August 2009) the contract at the risk and cost of KBL-AECL. In the retender also (July 2010), KBL-AECL turned out to be the L1. However, the party did not turn up to execute the agreement as the Letter of Acceptance issued in December 2011 included a specific clause as to the recovery of risk and cost of the earlier contract. Yet, KSEBL neither cancelled the work nor re-floated the tender. Meanwhile, the Hon'ble High Court of Kerala dismissed the Writ Appeal (May 2012) filed by KBL-AECL against the cancellation of the original work order in favour of KSEBL. Despite this, KSEBL waived the assessed risk and cost liability of ₹1.10 crore in favour of KBL-AECL.

Audit observed that the lapse of KSEBL in opting for open channel for water conductor system in the DPR resulted in change of the water conductor system during execution of the work and subsequent termination of the contract. Further, the decision of KSEBL to continue with the same delinquent contractor resulted in avoidable delay of 28 months with loss of potential generation of 21.02 MUs of power worth ₹10.83 crore at the rate of ₹5.15 per unit and also risk and cost liability.

The Management replied (November 2018) that the cost increase occurred because of the stoppage of work by the contractor, subsequent termination of the contract and retendering of the work.

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[27] Water conductor system is used to draw water from the intake pool to the generating station. It may include open channel, forebay and penstock or tunnel, surge shaft, pressure shaft and penstock.

Since the stoppage of work by the contractor was due to the change in scope of work, the reply of the Management was not acceptable.

Delay due to non-synchronisation of Civil and Electrical & Mechanical works

2.5.4 Construction of the Power House (PH) building under civil work was dependent on finalisation of the design of the E&M equipment under E&M work. The foundation work for the E&M equipment could be carried out by the civil contractor only on receipt of the approved drawings from the E&M contractor. Since KSEBL selected separate contractors for the civil and E&M works, adherence to the timelines and proper synchronisation of both the works was essential for timely commissioning of the SHEPs.

For synchronisation of project works, the Management formed a Project Management Unit for each project and a Project Monitoring Cell for monitoring the progress of all the projects. In addition, for overall monitoring of the projects, a Project Monitoring Committee including Chief Engineers was also formed. Audit noticed synchronisation issues in respect of three projects where multiple contractors were engaged for electrical & mechanical and civil works. Meanwhile, no synchronisation issues were noticed in the project where a single contractor was engaged. This indicated that the monitoring mechanism put in place by KSEBL was ineffective in addressing the synchronisation issues which eventually led to avoidable delays up to 25 months and cost overruns. Delays in completing the projects is shown in ***Table 2.4*****:**

Table 2.4: Details of synchronisation of Civil and Electrical & Mechanical works

Sl. No	SHEP	Date of providing design of PH		Supply of E&M equipment	Completion of construction of PH		Delay in completion of PH building (months)
		Schedule	Actual		Schedule	Actual	
a	b	c	d	e	f	g	h = g - f
1	Perunthenaruvi	September 2011	October 2012	April 2013 to August 2015	March 2014	April 2016	25
2	Bhoothathankettu	February 2015	December 2015	November 2016 to June 2018	February 2016	Ongoing	25 (up to March 2018)
3	Barapole	October 2012	October 2013	May 2014	February 2013	October 2014	20

In the case of Perunthenaruvi SHEP:

- There was delay of 13 months in providing the approved design and layout for PH building due to delay in submission (August 2012) of the design and layout by the E&M contractor and its approval (October 2012) by KSEBL.

- As per the schedule, the construction of the PH building was to be completed in two years from October 2012[28]. However, due to non-mobilisation of adequate men and machinery by the contractor (PGCCL) who was awarded the work relaxing prequalification criteria as discussed in ***Paragraph 2.4.1***, the work could not be completed within the scheduled time (October 2014). In order to complete

[28] **Revised schedule as per the actual date of providing design and layout.**

the construction of the PH by March 2016, PGCCL proposed (September 2015) to replace the concrete building with a pre-engineered building (PEB). Even though, the life span of the PEB was only 20 years as against 40 years for the concrete structure and this entailed extra expenditure of ₹0.31 crore, KSEBL accepted the proposal so as to commission the project in June 2016 and to utilise the monsoon season of 2016 for generation. The contractor completed the civil works in April 2016 and handed over the site to the E&M contractor for the erection of Electric Overhead Travelling (EOT) crane.

Due to the delay, the E&M equipment supplied during April 2013 to August 2015 could not be commissioned and its quality deteriorated. The E&M contractor took 15 months to complete (July 2017) the E&M work due to removal of rust and replacement of necessary equipment.

Thus, in spite of unfruitful additional expenditure of ₹0.31 crore and compromising the life span of the structure by 50 *per cent*, the project could be commissioned only in October 2017.

The Management reply (November 2018) did not address the issue of delay in providing design and layout to the contractor and delay in construction of PH building by the contractor due to non-mobilisation of adequate men and machinery.

In the case of Bhoothathankettu SHEP**:**

- Even after providing the design and layout (December 2015) and land (January 2016), the contractor for civil works could not complete the civil work and handover the site to E&M contractor for erection of E&M equipment as envisaged due to the lapses in mobilising material and financial problems. As a result, E&M equipment worth ₹51.59 crore supplied (November 2016 to June 2018) by the E&M contractor remained idle.

  The Management stated (November 2018) that erection work of E&M equipment could only be commenced after the PH was handed over to the E&M contractor. As the supply of E&M equipment was staggered from November 2016 to June 2018 in accordance with the progress of the civil work, there was no idling of E&M equipment.

  The reply, however, did not specify the reasons for delay in the civil work. Moreover, equipment worth ₹51.59 crore supplied by the E&M contractor remained idle as there was delay in handing over the PH to the E&M contractor.

In the case of Barapole SHEP:

- Though, the land for the construction of the PH building was handed over to the contractor for civil works in September 2010, the work order for E&M works was issued only in September 2012 due to change in specification after floating tender (November 2010). Hence, the PH design was finalised only in October 2013 leading to delay in commencement of PH civil works. The PH building was handed over to the E&M contractor for erection of equipment in October

2014. The erection was completed only in February 2016 due to change in power evacuation system and delay in supply of Main Inlet Valves, cooling water pumps, control panels *etc*.

The Management replied (November 2018) that the design for the PH was received from the E&M contractor on 01/10/2013 and same was issued to the contractor for civil work on 11/10/2013. Hence there was no delay in issuing drawings of the PH.

The reply was not acceptable as there was inordinate delay in awarding E&M works even after handing over of the site (November 2010) for the construction of the PH building. There was further delay of one year in submission of design for the PH building by the E&M contractor.

Irregular payment of mobilisation advance

2.5.5 As per the guidelines issued (June 2004) by the Central Vigilance Commission, mobilisation advance can be given only if it is expressly stated in the tender document, including the amount, rate of interest *etc*. General Conditions of Contract for the civil work of Poringalkuthu SHEP provided that under special circumstances, advance to the extent of five *per cent* of the contract price or 90 *per cent* of the value of the material/equipment brought to the site, whichever is less can be granted on the security of such material/equipment to be adjusted in the contract contingent bill with interest. KSEBL sanctioned mobilisation advance of ₹4.58 crore equal to five *per cent* of the tender amount of ₹91.61 crore.

Audit observed that as the contractor did not make any supplies as on the date of request for mobilisation advance, the contractor was not eligible for any advance. As such, the sanctioning of mobilisation advance was an undue favour to the contractor and inconsistent with the CVC guidelines.

Audit also observed that the tunneling of low pressure pipe could not be completed within the scheduled period (April 2016) due to non-availability of plant and machinery required for tunneling of inclined pressure shaft. Further, out of 1,925 MT steel plates required for lining of tunnel, only 800 MT was procured and fabricated up to March 2018.Thus, despite providing mobilisation advance, contrary to the provisions of the tender, the contractor did not complete the work within the agreed time.

The Management replied (November 2018) that the advance was granted on the presumption that it would give an impetus to the contractor to keep up the momentum and complete the project at the earliest. It was also stated that while sanctioning the advance, Adit[29] and Horizontal Pressure Shaft driving were progressing ahead of schedule. Moreover, the contractor had brought several machineries for the excavation/drilling purpose at that time to carry out the work in three shifts.

The reply was not acceptable as no documentary evidence was available for the supply of material/equipment at site and the value thereof was also not considered while sanctioning the advance as required by the terms of contract. Further the value of work

[29] **Adit is an opening in the face of a dam or tunnel to access the operating chamber.**

done during the four months up to July 2014 was ₹0.86 crore only which was less than one *per cent* of the probable amount of contract (PAC). The reply was also silent on the observation regarding the delay even after sanctioning the advance.

Non-imposition of liquidated damages

2.6 Clause 5.3.11 of the General Conditions of the Contract provides for levy of liquidated damages for delay in completion of work at the rate of 0.05 *per cent* of the accepted contract value per day of delay subject to a maximum of 10 *per cent* of the contract value.

The contractors of six SHEPs were given extension of completion time due to delays in land acquisition, geological surprises *etc*. In two[30] out of three commissioned SHEPs, the contractors, however, failed to complete the work even within the extended time warranting imposition of liquidated damages. Despite suffering loss of potential generation of power, KSEBL did not impose liquidated damages amounting to ₹3.77 crore in respect of these two SHEPs.

The Management replied (November 2018) that liquidated damages for delay in completion of work were not imposed as the reasons for delay were beyond the control of the contractors.

The reply was not acceptable in view of the fact that the contractors failed to complete the works even after being granted extension of time for delay in acquisition of land, geological surprises *etc.*

Lack of supervision

2.7 KSEBL constituted (May 2011) Project Monitoring Committees (PMC) under the chairmanship of the Chief Engineer concerned (Civil Construction – South/North/Central). The Project Manager was the convener of the PMC. The PMC was to closely monitor the progress of the implementation by meeting at site at least once in two months to tackle various issues that affected the project execution.

Audit observed that as against the required 215 meetings in respect of the six selected SHEPs, actual number of meetings was only 40. Further, except the PMC of Barapole SHEP, the first PMC meeting of other SHEPs was convened after delays[31] ranging from 516 days to 1,604 days. This was despite the delays in acquisition of land and slow progress of works.

Similarly, KSEBL formed (August 2013) another Project Monitoring Cell independent of the project implementation wing under the control of the Chief Engineer (Project, Electrical and Design) to visit all the project sites every month and to report the progress of the implementation of all the projects to the Board of Directors (BoD) of KSBEL through Director (Generation-Civil). This monitoring was not carried out as no separate staff was deployed to conduct the site visit. Thus, the supervision by the higher level management was almost absent and not effective.

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[30] **Perunthenaruvi and Barapole SHEPs.**
[31] **Calculated with reference to award of work or May 2011, whichever is later**.

The Management replied (November 2018) that as there was no meaning in convening the PMC meeting before the commencement of actual construction works, the first PMC meeting was convened after achieving a considerable progress in the construction works. The PMC was convened only for specific purposes, such as sanctioning extra item, excess quantities *etc*. The non-conduct of the PMC every two months, did not affect the progress of work.

The reply was not acceptable as the very purpose of the constitution of the PMC was to regularly review the progress and ensure that the projects were completed in a time bound manner. However, the delay in acquisition of land and finalisation of E&M contracts was not taken as a serious issue affecting the implementation of projects. The role of PMC was relegated to the sanctioning of the excess quantities/extra items, extension of time of completion and cost escalations.

Impact of delay in completion

2.8 The Kerala State Electricity Regulatory Commission (Renewable Purchase Obligation and its Compliance) Regulations 2010[32] made it obligatory for all distribution licensees to purchase not less than three[33] *per cent* (0.25 *per cent* from solar and 2.75 *per cent* from non-solar sources) of their consumption of energy from renewable sources. Shortfall, if any, was to be met through purchase of Renewable Energy Certificates (REC).

Audit observed that:

- As a result of delay in commissioning the six selected SHEPs within the scheduled time due to delay in diversion of forest land/ acquisition of private land, non-synchronisation of civil and E&M work, there was loss of generation of 608.93 MUs of energy valuing ₹313.59 crore. Audit also observed that the shortfall in non-solar Renewable Purchase Obligation (RPO) for the period 2011-17 was 978 MUs. In order to meet the shortfall in RPO, as directed (March 2016) by KSERC, KSEBL purchased (April 2016) one lakh RECs equivalent to 100 MUs for ₹15 crore. The commissioning of the six selected SHEPs within the scheduled time would have enabled KSEBL to meet RPO to an extent of 608.93 MUs against the shortfall of 978 MUs[34].

  The Management accepted (November 2018) that the delay in commissioning SHEPs ultimately led to short fall in meeting RPO with consequent additional financial burden on KSEBL in purchasing RECs to meet RPO shortfall.

- Delay in completion of the project resulted in corresponding retention of the Project Implementing Units at the project site and additional interest burden leading to cost overrun to the extent of ₹58.23 crore in respect of three[35] commissioned SHEPs.

[32] Notified on 23/11/2010.

[33] Enhanced to not less than 4.50 *per cent* (0.36 *per cent* from solar and 4.14 *per cent* from non-solar sources) from the year 2015-16 with an annual increase of 0.50 percentage per year until it reaches 10 percentage of the total supply, as modified by KSERC (Renewable Energy) Regulations, 2015.

[34] 200 MUs plus 878 MUs as reduced by 100 MUs for which RECs were purchased.

[35] Perunthenaruvi (₹ 17.91 crore), Adyanpara (₹19.52 crore) and Barapole (₹ 20.80 crore).

The Management replied (November 2018) that the implementation of the project was delayed due to delay in getting forest clearance. Bare minimum staff were posted at the project site and that the project team had attended to other project works also, namely, preparation of drawing and construction of office buildings, establishment of solar projects *etc.*

The reply was not acceptable as the delay in obtaining forest clearances was avoidable. Moreover, there were further delays in completion of work due to delay in acquisition of private land and absence of proper synchronisation of works.

Low generation of power from commissioned SHEPs

2.9 The three commissioned SHEPs projected generation of 116.65 MUs. Against this, the actual generation was 83.28 MUs due to the following:

- Terms of contract and technical specifications of E&M equipment provides that before taking over the plant, pre-commissioning tests of continuous operation of 72 hours and load rejection test at 110 *per cent* capacity shall be successfully completed. The E&M contractors should guarantee the performance of equipment for a period of three years from the date of taking over of the equipment.

  Even though, Perunthenaruvi SHEP and Barapole SHEP were commissioned and started generating power, KSEBL was yet to take over these projects as the contractors did not complete all the work.

  In respect of Perunthenaruvi SHEP, though there were interruptions lasting 2 hours 37 minutes (in six instances) in Unit I and 3 hours 51 minutes (in 18 instances) in Unit II in the pre-commissioning test, KSEBL accepted the test run results. During July 2017 to March 2018, there was loss of generation of 7.08 MUs valuing ₹3.64 crore[36] for 4,579 hours due to mechanical failure/repair.

  In respect of Barapole SHEP, 72 hours continuous test run and load rejection tests at 110 *per cent* output were not conducted till June 2018. The three units of Barapole SHEP were synchronised with the grid in June/July 2016. Immediately after synchronisation of Unit-I, mechanical faults were found in the machine and generation was stopped, leading to loss of generation of six MUs[37] valuing ₹3.09 crore. The unit was put back in to operation in December 2016 only.

  As there was no mechanism to ensure early takeover of the project after commissioning, KSEBL did not penalise the contractors for loss of generation during the intervening period of commissioning and takeover of the project.

  The Management replied (November 2018) that the contractor of Barapole SHEP was being continuously persuaded to commission the units along with all the other pending works as required in the contract. An amount of ₹5.36 crore was due to the contractor which would be released only after assessing the due

[36] Worked out at the rate of ₹5.15 per unit.
[37] Estimated generation per unit 12 MU/12 months x 6 months (June 2016 to November 2016).

penalty/generation loss. In respect of Perunthenaruvi SHEP, the Management stated that the operation of the station at the initial period of commissioning was very critical and had to be stopped even for minor issues noticed. The contractor has to clear all punch points observed during initial period and hence a lot of fine tuning was necessary to make the system in a stable condition.

The reply of the Management was partially correct to the extent that the final bills were not yet released and lot of fine tuning would be required before taking over the project. However, there was no specific time period fixed to be considered as initial period of operation. Both the stations were not taken over even after the test run and one year of operation.

- According to the guidelines issued (February 2008) by MNRE, to prevent the entry of debris into power channel/ tunnel, a trash rack with 14 degree inclination shall be placed at the entry to the power channel/ tunnel.

  Audit noticed that the trash rack at Adyanpara SHEP was placed in vertical position resulting in accumulation of trash reducing flow of water into the power channel and non-operation of power house at its full capacity of 3.50 MW. Exact generation loss due to this could not be quantified by Audit.

  The Management replied (November 2018) that a new trash rack having inclination was constructed at Adyanpara SHEP.

- During the construction stage of Adyanpara SHEP, landslides occurred at the tunnel portal (opening at tunnel) on several occasions and proposals were submitted for providing protective measures. However, the proposals were not attended to and the project was commissioned in September 2015. During September 2017, landslides occurred resulting in stoppage of generation for 49 days. Another landslide occurred on 13 June 2018 and heavy mass of earth and boulders fell on the tunnel portal obstructing the flow of water requiring three months for rectification. The generation loss due to landslides worked out to 11.68 MUs on the two occasions (4.12 MU[38]+ 7.56 MU[39]) valuing ₹6.02 crore[40].

Conclusion

Against the envisaged capacity addition of 148 MW through commissioning of 22 SHEPs during the twelfth five-year plan period (2012-17), actual capacity addition was 39.35 MW by commissioning seven SHEPs as of March 2018. Detailed Project Reports were prepared without considering water availability based on 90 *per cent* dependable year and realistic financial viability indicators. Delay in diversion of forest land and acquisition of private land, defective DPR and non-synchronisation of civil and E&M works led to extension of completion time and resultant loss of generation of 608.93 MUs of energy valuing ₹313.59 crore. Further, KSEBL sustained avoidable liability to purchase 6.09 lakh Renewable Energy Certificates to meet Renewable Purchase Obligation. Performance of the commissioned units

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[38] 3.50 MW x 1000 x 24 Hrs x 49 days = 4.12 MU.
[39] 3.50 MW x 1000 x 24 Hrs x 90 days = 7.56 MU.
[40] 11.68 MU x ₹5.15/unit = ₹6.02 crore.

did not match the projections due to failure of equipment, obstructions in the free flow of water to the water conductor system *etc*.

Audit observation is based on our analysis on sample cases only. Since there is a possibility of more such cases occurring in other projects, KSEBL may examine the projects not covered in audit and take suitable corrective action.

Part II

CHAPTER III

Functioning of State Public Sector Undertakings (other than Power Sector)

Introduction

3.1 There were 133 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector. These State PSUs were incorporated during the period 1927-28 to 2017-18 and included 129 Government Companies and four Statutory Corporations, *i.e.*, Kerala State Road Transport Corporation, Kerala State Warehousing Corporation, Kerala Financial Corporation and Kerala Industrial Infrastructure Development Corporation. The Government Companies further included 15 non-working companies and 15 subsidiary companies (five[41] working and 10[42] non-working) owned by other Government Companies.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 133 State PSUs (other than Power Sector), the State Government invested funds in 120 State PSUs including three[43] subsidiaries of Government Companies. The State Government did not infuse any funds in those 12 Government Companies which were incorporated as subsidiary of other Government Companies. Equity of these 12 subsidiary companies was contributed by the respective Holding Companies.

Contribution to Economy of the State

3.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. The **Table 3.1** below provides the details of turnover of working State PSUs (other than Power Sector) and GSDP for a period of five years ending March 2018:

Table 3.1: Details of turnover of working State PSUs (other than Power Sector) vis-a-vis GSDP of Kerala

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover	12,527	14,131	14,562	15,488	16,535
GSDP	4,65,041	5,12,564	5,61,546	6,21,700	6,86,116
Percentage of turnover of State PSUs (other than Power Sector) to GSDP	2.69	2.76	2.59	2.49	2.41

(Source: Compiled based on turnover figure of working PSUs and GSDP figures as per State Finance Report of GoK)

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[41]Kinfra Export Promotion Industrial Parks Limited, Kinfra Film and Video Park Limited, Kinfra International Apparel Parks Limited, Keltron Component Complex Limited and Keltron Electro Ceramics Limited.

[42]Kerala Garments Limited, SIDECO Mohan Kerala Limited, Keltron Counters Limited, Keltron Power Devices Limited, SIDKEL Televisions Limited, Astral Watches Limited, Keltron Rectifiers Limited, Kerala State Wood Industries Limited, Kunnathara Textiles Limited and Vanjinad Leathers Limited.

[43]Keltron Component Complex Limited, Kerala State Wood Industries Limited and Kunnathara Textiles Limited.

The turnover of these PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 3.06 *per cent* and 12.80 *per cent* during the period 2013-18, whereas increase in GSDP of the State ranged between 9.56 *per cent* and 10.71 *per cent* during the same period. The turnover of these PSUs recorded compounded annual growth of 7.19 *per cent* during last five years which was lower than the compounded annual growth of 10.21 *per cent* of the GSDP of the State. This resulted in marginal decrease in share of turnover of these PSUs to the GSDP from 2.69 *per cent* in 2013-14 to 2.41 *per cent* in 2017-18.

Investment in State PSUs (other than Power Sector)

3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs has, therefore, been analysed under two major classifications *viz.* those in the social sector and those functioning in the competitive environment. Details of investment made in these 133 State PSUs in the shape of equity and long term loans up to 31 March 2018 are detailed in ***Appendix 4.***

3.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given below in **Table 3.2**:

Table 3.2: Sector-wise investment in State PSUs (other than power sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	32	1,024.95	962.52	1,987.47
Competitive Environment Sector	101	4,935.80	13,101.73	18,037.53
Total	**133**	**5,960.75**	**14,064.25**	**20,025.00**

(Source: Compiled based on information received from PSUs)

As on 31 March 2018, the total investment (equity and long term loans) in these 133 PSUs was ₹20,025.00 crore. The investment consisted of 29.77 *per cent* towards capital and 70.23 *per cent* in long term loans. The long term loans consisted of 29.17 *per cent* (₹4,102.16 crore) from the State Government, 0.24 *per cent* (₹33.90 crore) from the Central Government and 70.59 *per cent* (₹9,928.19 crore) from financial institutions.

The investment has grown by 107.30 *per cent* from ₹9,659.70 crore in 2013-14 to ₹20,025.00 crore in 2017-18. The investment increased due to addition of ₹2,093.15 crore and ₹8,272.15 crore towards capital and long term loans respectively during 2013-14 to 2017-18.

Disinvestment, restructuring and privatisation of State PSUs (other than Power Sector)

3.5 During the year 2017-18 no disinvestment, restructuring or privatisation was done by the State Government in State PSUs (other than Power Sector).

Budgetary Support to State PSUs (other than Power Sector)

3.6 The Government of Kerala (GoK) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs (other than Power Sector) for the last three years ending March 2018 are given in **Table 3.3**:

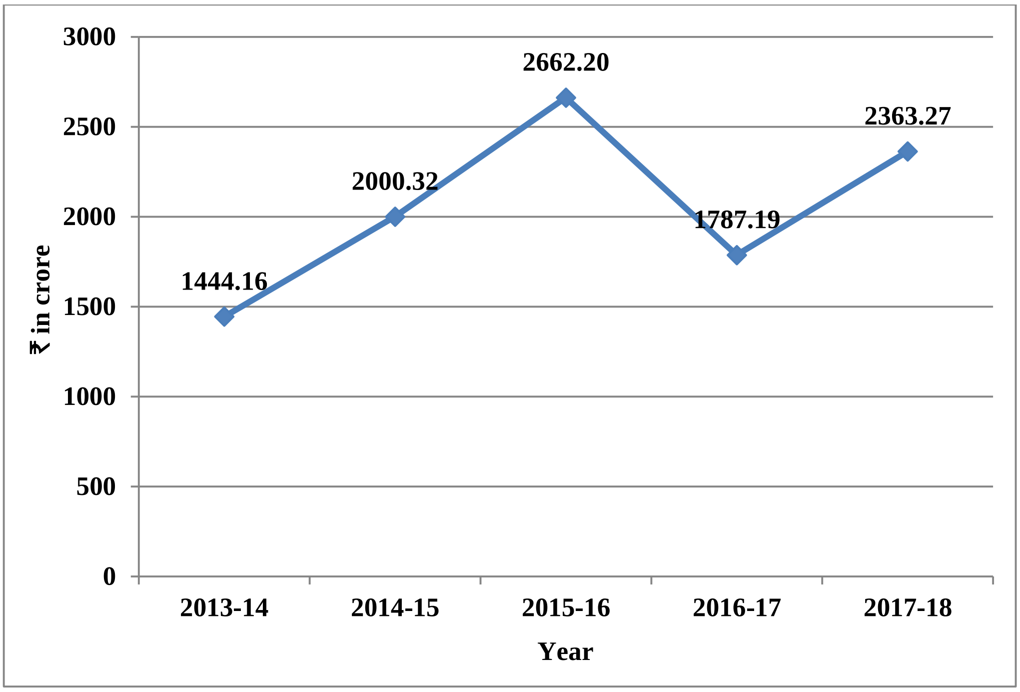
Table 3.3: Details regarding budgetary support to State PSUs (other than Power Sector)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)	No. of PSUs	Amount (₹ in crore)
1	Equity Capital outgo from budget	30	537.89	19	301.05	29	238.68
2	Loans given from budget	19	358.19	17	136.94	24	244.25
3	Grants/Subsidy given	24	1,766.12	27	1,349.20	28	1,880.34
4	**Total outgo (1+2+3)**		**2,662.20**		**1,787.19**		**2,363.27**
5	Loans written off and interest waived	1	5.07	3	6.20	2	4.34
6	Guarantees issued	9	4,989.66	8	6,150.72	11	7,341.17
7	Guarantee commitment	16	6,455.19	11	7,549.92	11	9,513.05

(Source: Compiled based on information received from PSUs)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2018 are given in **Chart 3.1**:

Chart 3.1: Budgetary outgo towards Equity, Loans and Grants/Subsidies (other than Power sector)



The budgetary assistance given to these PSUs ranged between ₹1,444.16 crore and ₹2,662.20 crore during the period 2013-14 to 2017-18. The budgetary assistance of ₹2,363.27 crore received during the year 2017-18 included ₹238.68 crore, ₹244.25 crore and ₹1,880.34 crore in the form of equity capital, loans and grants/subsidy respectively. The subsidy/grants given by the State Government was mainly to The Kerala State Civil Supplies Corporation Limited (₹525.14 crore), Kerala State Industrial Development Corporation Limited (₹482.22 crore), Kerala Medical Services Corporation Limited (₹455.90 crore) and Vizhinjam International Seaport Limited (₹141.11 crore).

In order to enable PSUs to obtain financial assistance from banks and financial institutions, State Government gives guarantees under the Kerala Ceiling on Government Guarantee Act, 2003, subject to the limits prescribed by the Constitution of India, for which guarantee commission is being charged. The Government would charge a minimum of 0.75 *per cent* as guarantee commission, which shall not be waived under any circumstance. The guarantee commitment of PSUs increased from ₹7,549.92 crore in 2016-17 to ₹9,513.05 crore during 2017-18 whereas the guarantee issued by GoK to PSUs increased from ₹6,150.72 crore in 2016-17 to ₹7,341.17 crore only during 2017-18.

Further, out of ₹94.76 crore guarantee commission payable by 25 PSUs[44], 19 PSUs[45] paid ₹79.21 crore[46] during 2017-18. The accumulated/outstanding

[44] Kerala State Palmyrah Products Development and Worker's Welfare Corporation Limited has not furnished the details of guarantee commission payable and paid during the year 2017-18 and hence, excluded from total number of PSUs.

[45] Six PSUs made payments partially during the year 2017-18.

[46] The Kerala State Financial Enterprises Limited paid ₹0.22 crore excess guarantee commission.

guarantee commission payable by 12 PSUs[47] was ₹15.95 crore as on 31 March 2018. The PSUs, which had major arrears were Kerala State Electronics Development Corporation Limited (₹5.36 crore), Kerala State Road Transport Corporation (₹1.96 crore) and The Kerala State Cashew Development Corporation Limited (₹3.92 crore).

Reconciliation with Finance Accounts of Government of Kerala

3.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (other than Power Sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Kerala. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated in **Table 3.4**:

Table 3.4: Equity, loans and guarantees outstanding as per Finance Accounts of GoK *vis-a-vis* records of State PSUs (other than Power Sector)

(₹ in crore)

Sl. No.	Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
1	Equity	5,434.64	4,890.93	543.71
2	Loans	5,198.58	4,102.16	1,096.42
3	Guarantees	10,367.54	9,513.05	854.49

(Source: Data furnished by PSUs and Finance Accounts)

Audit observed that out of 133 State PSUs, such differences occurred in respect of 110 PSUs as shown in ***Appendix 5***. The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. **We, therefore, recommend that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.**

Submission of accounts by State PSUs (other than Power Sector)

3.8 Of the total 133 State PSUs (other than Power Sector), there were 118 working PSUs, *i.e.,* 114 Government Companies and four Statutory Corporations and 15 non-working PSUs under the purview of CAG as on 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

3.8.1 Accounts for the year 2017-18 were required to be submitted by all the working PSUs by 30 September 2018. However, out of 114 working Government Companies, 10 Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 whereas accounts of 104 Government Companies were in arrears. Out of four Statutory

[47] Including Kerala State Palmyrah Products Development and Worker's Welfare Corporation Limited (₹0.18 crore).

Corporations, the CAG is the sole auditor in two Statutory Corporations (Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation) and CAG is doing supplementary audit in two Statutory Corporations (Kerala Financial Corporation and Kerala State Warehousing Corporation). Of these four Statutory Corporations, accounts of one Statutory Corporation (Kerala Financial Corporation) for the year 2017-18 was presented for audit in time. The accounts of Kerala State Road Transport Corporation (KSRTC) for the years 2015-16 to 2017-18 (three accounts), Kerala State Warehousing Corporation for the years 2016-17 to 2017-18 (two accounts) and Kerala Industrial Infrastructure Development Corporation for the year 2017-18 (one accounts) were awaited as on 30 September 2018.

Details of arrears in submission of accounts of working PSUs (other than Power Sector) as on 30 September 2018 are given in **Table 3.5**:

Table 3.5: Position relating to submission of accounts by the working State PSUs (other than Power Sector)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Number of working PSUs	105	108	110	112	118
2	Number of accounts finalised during the year	97	93	96	98	100
3	Number of accounts in arrears	197	237	250	263	281
4	Number of working PSUs with arrears in accounts	88	93	95	99	107
5	Extent of arrears (in years)	1 to 11	1 to 19	1 to 20	1 to 14	1 to 11

(Source: Data collected from PSUs)

Of these 118 working State PSUs, 79 PSUs finalised 100 annual accounts during the period 1 October 2017 to 30 September 2018 which included 11 annual accounts for the year 2017-18 and 89 annual accounts for previous years. Further, 281 annual accounts were in arrears which pertain to 107 PSUs (275 accounts of 104 Government companies and six accounts of three Statutory Corporations). The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. Though the Administrative Departments concerned were informed regularly (twice a year) by the Accountant General (Economic & Revenue Sector Audit), Kerala, the number of accounts in arrears was still on higher side. In addition, this issue was also discussed in the Apex Committee meetings convened (February 2018 and June 2018) by the Chief Secretary. Further, Finance Department, GoK issued a circular (December 2018) that Government would be forced to stop further release of funds and pay revision of employees of PSUs which fail to finalise the accounts up to the previous year and also on maintenance of up-to-date accounts. However, no improvement was noticed. It was further observed that though many PSUs had not finalised their accounts for long, yet the Registrar of Companies did not take any penal action under Section 129 (7) of the Companies Act 2013.

The GoK had invested ₹5,922.25 crore {Equity: ₹681.56 crore (29 PSUs), Loan: ₹625.82 crore (28 PSUs), Subsidy: ₹4,614.87 crore (37 PSUs)} during the years in respect of which accounts were not finalised as detailed in ***Appendix 6***. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment and expenditure incurred were properly accounted for and the purpose for which the amount was invested was achieved or not and thus, Government's investment in such PSUs remained outside the control of State Legislature.

Audit observations on arrears in finalisation of annual accounts by PSUs is discussed in ***Paragraph 5.6*** under Part II of the Report.

Timeliness in preparation of accounts by non-working State PSUs

3.8.2 There were arrears in finalisation of accounts by 15 non-working PSUs, details of which are as given below in **Table 3.6**:

Table 3.6: Position relating to arrears of accounts in respect of non-working PSUs

Number of non-working companies	Period for which accounts were in arrears	Number of accounts in arrears
15	1986-87 to 2017-18	161

(Source: Data collected from PSUs)

In respect of non-working companies where accounts were in arrears starting from 1986-87 onwards, the progress in finalisation of the accounts was poor. For example, only one[48] out of 15 non-working PSUs finalised its accounts during 2017-18.

Placement of Separate Audit Reports of Statutory Corporations

3.9 Out of four Statutory Corporations, one Corporation forwarded its accounts of 2017-18 by 30 September 2018.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These SARs are to be laid before the Legislature as per provisions of the respective Acts. The position depicted in **Table 3.7** shows the status of placement of SARs issued by CAG (up to 30 September 2018) on the accounts of Statutory Corporations in the Legislature.

[48] **Kerala State Wood Industries Limited (2014-15 to 2016-17).**

Table 3.7: Status of placement of SARs in State Legislature

Sl. No.	Name of Statutory Corporation	Years up to which SARs placed in Legislature	Years for which SARs issued but not placed in the Legislature
1	Kerala State Road Transport Corporation	2014-15	…
2	Kerala Financial Corporation	2017-18	…
3	Kerala State Warehousing Corporation	2014-15	2015-16
4	Kerala Industrial Infrastructure Development Corporation	2015-16	2016-17

(Source: Data furnished by PSUs/GoK)

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

Impact of non-finalisation of accounts of State PSUs (other than Power Sector)

3.10 As pointed in ***Paragraph 3.8***, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (other than Power Sector) to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Departments concerned should strictly monitor and issue necessary directions to clear up the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear up the arrears in accounts.

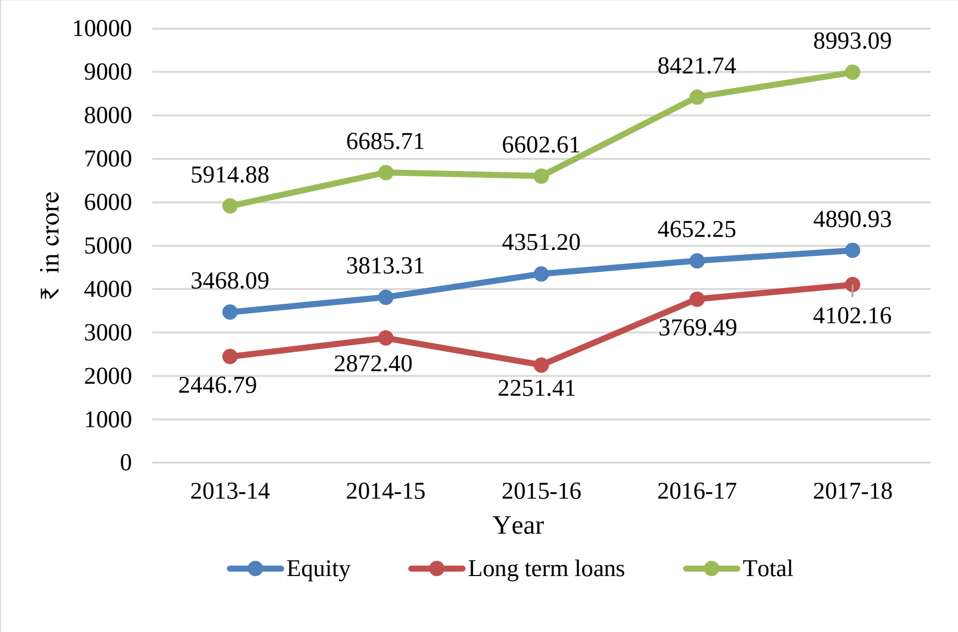
Performance of State PSUs (other than Power Sector)

3.11 The financial position and working results of State PSUs (other than power sector) are detailed in ***Appendix 7*** as per their latest finalised accounts as on 30 September 2018.

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment as on 31 March 2018 in the PSUs other than power sector was ₹20,025.00 crore consisting of ₹5,960.75 crore as equity and ₹14,064.25 crore as long term loans. Out of this, Government of Kerala has investment of ₹8,993.09 crore in the 120 PSUs (other than Power Sector) consisting of equity of ₹4,890.93 crore and long term loans of ₹4,102.16 crore.

The year wise statement of investment of GoK in the PSUs (other than Power Sector) during the period 2013-14 to 2017-18 is as follows:

Chart 3.2: Total investment of GoK in PSUs (other than Power Sector)



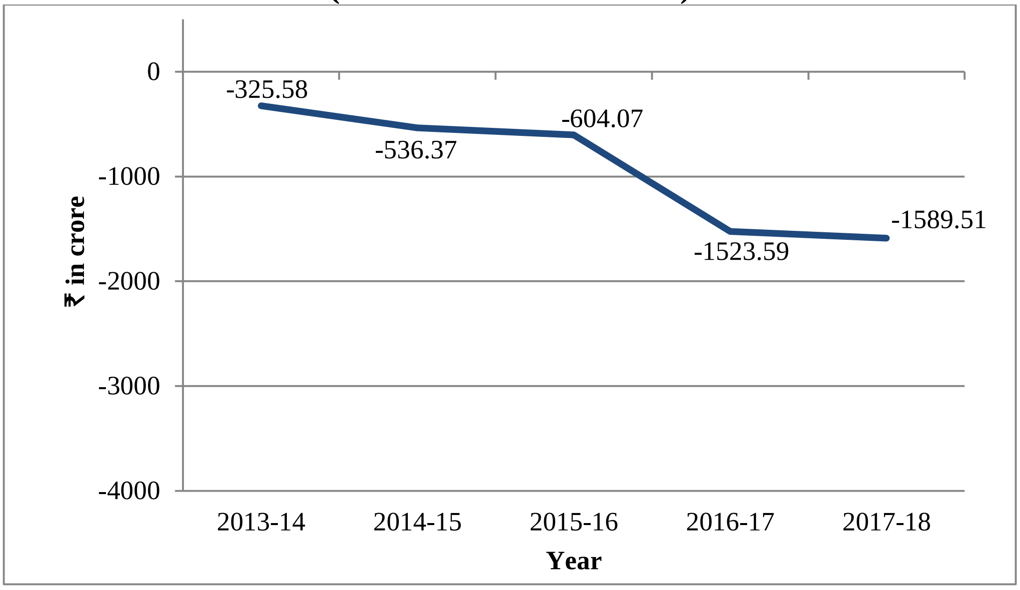
The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

Return on Investment

3.12 The Return on Investment is the percentage of profit or loss to the total investment. The overall position of profit earned or loss incurred by the working State PSUs (other than Power Sector) as per the latest finalised accounts[49] during the period 2013-14 to 2017-18 is given in **Chart 3.3**:

[49] **For instance, latest accounts finalised between October 2017 to September 2018 were considered for the period 2017-18.**

Chart 3.3: Profit earned /Loss incurred by working PSUs (other than Power Sector)



An analysis of the latest finalised accounts of all working PSUs (other than Power Sector) in the State revealed that 45 PSUs earned profit of ₹383.91 crore, 64 PSUs incurred loss of ₹1,973.42 crore and one PSU had no profit or loss[50]. Eight working PSUs did not finalise (September 2018) their first accounts.

The major contributors to profit were The Kerala State Financial Enterprises Limited (₹144.41 crore in 2017-18), Kerala State Beverages (Manufacturing and Marketing) Corporation Limited (₹35.13 crore in 2015-16) and The Travancore-Cochin Chemicals Limited (₹27.47 crore in 2017-18). The major PSUs which incurred loss were Kerala State Road Transport Corporation (₹1,431.29 crore in 2014-15), The Kerala State Civil Supplies Corporation Limited (₹107.43 crore in 2014-15) and The Kerala State Cashew Development Corporation Limited (₹88.77 crore in 2012-13).

Of the 118 working PSUs (other than Power Sector) as on 31 March 2018, position of working PSUs (other than Power Sector) which earned profit / incurred loss during 2013-14 to 2017-18 is given in **Table 3.8**:

[50] **Road Infrastructure Company Kerala Limited.**

Table 3.8: Details of working Public Sector Undertakings (other than Power Sector) which earned profit / incurred loss during 2013-14 to 2017-18

Financial year	Total number of PSUs (other than Power Sector)	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs which had marginal profit/ loss during the year	Number of PSUs which had not finalised their first accounts during the year
2013-14	105	51	43	-	11
2014-15	108	47	52	4	5
2015-16	110	48	55	3	4
2016-17	112	43	63	2	4
2017-18	118	45	64	1	8

(Source: Data furnished by PSUs)

Return on Investment on the basis of historical cost of investment

3.13 Out of 133 Public Sector Undertakings (other than Power Sector) of the State, the State Government infused funds in the form of equity, long term loans and grants/ subsidies in 120 PSUs only. The Government has invested ₹8,993.09 crore in these 120 PSUs including equity of ₹4,890.93 crore and long term loans of ₹4,102.16 crore. As on 31 March 2018, the total investments in the form of equity and interest free loans made by GoK and others in the 133 State PSUs (other than Power Sector) was ₹6,221.85 crore.

The Return on Investment from the PSUs has been calculated on the investment made by the GoK and others in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are, therefore, of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment in these 133 PSUs (other than Power Sector) has been arrived at by considering the equity and the interest free loans as detailed in **Table 3.9**. The funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

The sector-wise return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is as given in **Table 3.9**:

Table 3.9: Return on Investment on the basis of historical cost of investment

(₹ in crore)

Year-wise, Sector-wise break-up	Total Earnings for the year	Funds invested in the form of Equity and Interest free loans on historical cost			Return on investment on historical cost basis (*per cent*)
		GoK	Others	Total	
2013-14					
Social Sector	21.39	409.77	59.00	468.77	4.56
Competitive Environment Sector	-357.99	3,245.32	340.51	3,585.83	-9.98
Total	**-336.60**	**3,655.09**	**399.51**	**4,054.60**	**-8.30**
2014-15					
Social Sector	9.36	509.25	67.84	577.09	1.62
Competitive Environment Sector	-555.08	3,531.05	473.75	4,004.80	-13.86
Total	**-545.72**	**4,040.30**	**541.59**	**4,581.89**	**-11.91**
2015-16					
Social Sector	13.70	565.52	76.41	641.93	2.13
Competitive Environment Sector	-625.90	4,059.78	725.96	4,785.74	-13.08
Total	**-612.20**	**4,625.30**	**802.37**	**5,427.67**	**-11.28**
2016-17					
Social Sector	29.14	743.69	179.97	923.66	3.15
Competitive Environment Sector	-1,556.35	4,247.34	840.78	5,088.12	-30.59
Total	**-1,527.21**	**4,991.03**	**1,020.75**	**6,011.78**	**-25.40**
2017-18					
Social Sector	40.50	835.72	194.64	1,030.36	3.93
Competitive Environment Sector	-1,634.60	4,316.31	875.18	5,191.49	-31.49
Total	**-1,594.10**	**5,152.03**	**1,069.82**	**6,221.85**	**-25.62**

(Source: Data furnished by PSUs)

The return on investment is worked out by dividing the total earnings[51] of these PSUs by the cost of the investments. The return earned on investment ranged between -25.62 *per cent* and -8.30 *per cent* during the period 2013-14 to 2017-18. The overall return on investment was negative during the period which was mainly due to heavy losses incurred by Kerala State Road Transport Corporation (₹1,431.29 crore in 2014-15), The Kerala State Civil Supplies Corporation Limited (₹107.43 crore in 2014-15) and The Kerala State Cashew Development Corporation Limited (₹88.77 crore in 2012-13) in competitive sector. Further analysis revealed that the return on investment from competitive sector has shown a fluctuating trend. The returns from competitive sector reduced from -9.98 *per cent* in 2013-14 to -31.49 *per cent* in 2017-18.

[51] **This includes net profit/loss for the concerned year relating to those State PSUs where the investments have been made by the State Government.**

Erosion of Net worth

3.14 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses of these 133 State PSUs (other than Power Sector) as per their latest finalised accounts were ₹5,157.39 crore and ₹4,916.01 crore respectively resulting in net worth of ₹241.38 crore. Analysis of investment and accumulated losses disclosed that net worth was eroded fully in 52 out of these 133 PSUs as the capital investment and accumulated losses of these 52 PSUs were ₹1,973.02 crore and ₹8,503.00 crore respectively. Of these 52 PSUs, the maximum net worth erosion was in Kerala State Road Transport Corporation (₹4,329.99 crore), The Kerala State Cashew Development Corporation Limited (₹981.24 crore), The Kerala State Civil Supplies Corporation Limited (₹188.31 crore) and Autokast Limited (₹142.86 crore). Of these 52 PSUs where net worth had been fully eroded, 10 PSUs[52] earned profit as per their accounts finalised during the year 2017-18 although there were substantial accumulated losses.

Further, the following table indicates total paid up capital, total accumulated profit/ loss, and total net worth of the PSUs (other than Power Sector) where the State Government has made direct investment:

Table 3.10: Net worth of PSUs (other than Power Sector) during 2013-14 to 2017-18

(₹ in crore)

Year	Paid up Capital at end of the year	Accumulated Profit (+) Loss (-) at end of the year	Deferred revenue expenditure	Net worth
2013-14	3,439.95	-2906.26	0.00	533.69
2014-15	3,714.54	-2,818.46	0.00	896.08
2015-16	4,207.21	-3,387.52	0.00	819.69
2016-17	4,747.27	-5,028.98	0.00	-281.71
2017-18	5,121.33	-4,949.67	0.00	171.66

As can be seen, the net worth of these companies fluctuated during the period. It decreased from ₹533.69 crore in 2013-14 to ₹171.66 crore in 2017-18. Out of 120 PSUs, 66 PSUs showed positive net worth and net worth of 45 PSUs was in negative during 2013-14. In respect of remaining nine PSUs, there was no data available for calculation of net worth.

[52] The Kerala State Civil Supplies Corporation Limited, Keltron Counters Limited, Kerala State Coconut Development Corporation Limited, Kerala Small Industries Development Corporation Limited, The Kerala Agro Industries Corporation Limited, Traco Cable Company Limited, Kinfra International Apparel Parks Limited, Kerala Police Housing and Construction Corporation Limited, Kerala State Electronics Development Corporation Limited and Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited.

Dividend Payout

3.15 The State Government had formulated (December 1998) a dividend policy under which all PSUs are required to pay a minimum return of 20 *per cent* on the paid up share capital or 30 *per cent* of the allocable surplus, whichever is lower.

Dividend payout relating to 120 PSUs (other than Power Sector) where equity was infused by GoK during the period 2013-14 to 2017-18 is shown in **Table 3.11**:

Table 3.11: Dividend payout of PSUs (other than Power Sector) during 2013-14 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoK		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio *(per cent)*
	Number of PSUs	Equity infused by GoK	Number of PSUs	Equity infused by GoK	Number of PSUs	Dividend declared/ paid	
1	2	3	4	5	6	7	8=7/5*100
2013-14	109	3,468.09	51	1,496.19	18	34.74	2.32
2014-15	109	3,813.31	47	1,341.95	20	28.57	2.13
2015-16	113	4,351.20	48	1,841.64	16	23.36	1.27
2016-17	115	4,652.25	43	1,265.38	9	32.04	2.53
2017-18	120	4,890.93	45	1,607.54	7	10.59	0.66

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between 43 and 51 PSUs. During this period, number of PSUs which declared/paid dividend to GoK ranged between 7 and 20. The Dividend Payout Ratio during 2013-14 to 2017-18 ranged between 0.66 *per cent* and 2.53 *per cent* only.

As per their latest finalised accounts, seven working PSUs declared a dividend of ₹10.59 crore which worked out to 0.22 *per cent* of equity capital of all the PSUs. Only two PSUs[53], however, complied with the State Government policy on dividend payment. As a result, there was short payment of dividend to the extent of ₹76.67 crore by 43 PSUs.

Return on Equity

3.16 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (i.e., net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were

[53] **Kerala State Beverages (Manufacturing and Marketing) Corporation Limited and Malabar Cements Limited.**

sold and all debts paid. A positive shareholders fund reveals that the company has enough assets to cover its liabilities while negative shareholders' fund means that liabilities exceed assets.

Return on Equity has been computed in respect of 120 other than Power Sector undertakings where funds had been infused by the State Government. The details of shareholders' fund and ROE relating to 120 PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in **Table 3.12**:

Table 3.12: Return on Equity relating to PSUs (other than Power Sector)

Year	Net Income (₹ in crore)	Shareholders' Fund (₹ in crore)	Return on Equity (*per cent*)
2013-14	-350.87	533.69	-
2014-15	-551.66	896.08	-
2015-16	-616.89	819.69	-
2016-17	-1528.30	-281.71	-
2017-18	-1593.44	171.66	-

During the last five years ended March 2018, the Net Income of these PSUs were negative. Hence, ROE in respect of these PSUs could not be worked out for this period.

Return on Capital Employed

3.17 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[54]. The details of ROCE of the State PSUs (other than Power Sector) during the period from 2013-14 to 2017-18 are given in **Table 3.13**:

Table 3.13: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (*per cent*)
2013-14	256.09	8,464.72	3.03
2014-15	515.24	8,603.90	5.99
2015-16	684.11	10,019.53	6.83
2016-17	413.08	10,124.91	4.08
2017-18	526.99	10,235.65	5.15

The ROCE of these State PSUs ranged between 3.03 *per cent* and 6.83 *per cent* during the period 2013-14 to 2017-18. The ROCE increased over one *per cent* in 2017-18 mainly due to increase in EBIT (₹310.18 crore) of The Kerala State Financial Enterprises Limited.

[54] **Capital employed = Paid up share capital+ free reserves and surplus+ long term loans - accumulated losses - deferred revenue expenditure.**

Analysis of long term loans of the PSUs (other than Power Sector)

3.18 Analysis of the long term loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

3.19 Interest coverage ratio is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing the earnings before interest and taxes (EBIT) of a PSU by interest expenses of the same period. The lower the ratio, the lesser the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio during the period from 2013-14 to 2017-18 are given in **Table 3.14**:

Table 3.14: Interest coverage ratio of working State PSUs (other than Power Sector) having liability of loans

Year	Interest (₹ in crore)	Earnings before interest and tax (₹ in crore)	Number of PSUs having liability of loans	Number of PSUs having interest coverage ratio more than 1	Number of PSUs having interest coverage ratio less than 1
2013-14	589.00	10.10	55	28	27
2014-15	1,057.29	330.84	58	25	33
2015-16	1,293.73	677.20	63	28	35
2016-17	1,694.93	190.25	62	27	35
2017-18	1,890.85	486.96	60	23	37

Of the 60 State working PSUs (other than Power Sector) having liability of loans during 2017-18, 23 PSUs had interest coverage ratio of more than one whereas remaining 37 PSUs had interest coverage ratio below one which indicates that these 37 PSUs could not generate sufficient revenues to meet their expenses on interest.

Debt Turnover Ratio

3.20 During the last five years, the turnover of these PSUs recorded compounded annual growth of 7.19 *per cent* and compounded annual growth of debt was 24.83 *per cent* due to which the debt turnover ratio degraded from 0.46 in 2013-14 to 0.85 in 2017-18 as given in the **Table 3.15** below:

Table 3.15: Debt Turnover Ratio relating to the State PSUs (other than Power Sector)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt (₹ in crore)	5,792.10	8,352.89	9,251.67	11,481.32	14,064.25
Turnover (₹ in crore)	12,527.30	14,130.57	14,562.41	15,487.50	16,535.00
Debt-Turnover Ratio	0.46:1	0.59:1	0.51:1	0.74:1	0.85:1

(Source: Data furnished by PSUs)

The debt-turnover ratio ranged between 0.46 and 0.85 during this period.

Winding up of non-working State PSUs

3.21 Of the 133 State PSUs (other than Power Sector), 15 were non-working companies having a total investment of ₹106.76 crore towards capital (₹39.97 crore) and long term loans (₹66.79 crore) as on 31 March 2018. The number of non-working PSUs at the end of each year during last five years ended 31 March 2018 are given in **Table 3.16**:

Table 3.16: Non-working PSUs

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Number of non-working PSUs	16	15	15	15	15

(Source: Data furnished by PSUs)

Out of the above 15 non-working PSUs, liquidation process was initiated in respect of four non-working PSUs[55]. Since the non-working PSUs are not contributing to the State economy and meeting the intended objectives, these PSUs may be considered for their closure or revival.

Comments on accounts of State PSUs (other than Power Sector)

3.22 Out of 118 working PSUs, 76 PSUs forwarded 96 audited accounts to the Accountant General during the period from 1 October 2017 to 30 September 2018. Of these, 48 accounts of 41 companies were selected for supplementary audit while non-review certificates were issued in respect of 48 accounts of 40 companies. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are as given in **Table 3.17**:

Table 3.17: Impact of audit comments on Working Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	20	716.33	10	19.90	20	59.08
2	Increase in loss	32	224.29	17	26.43	19	76.61
3	Increase in profit	…	…	5	1.34	5	6.72
4	Decrease in loss	2	1.13	5	3.29	6	6.65
5	Non-disclosure of material facts	8	10.05	27	378.11	6	37.63
6	Errors of classification	24	241.36	35	285.76	17	262.37

(Source: Compiled from the annual accounts of Government Companies)

During the year 2017-18, the Statutory Auditors issued qualified audit reports on 63 accounts. Compliance to the Accounting Standards by the

[55] **Keltron Power Devices Limited, Keltron Rectifiers Limited, Kunnathara Textiles Limited and Vanjinad Leathers Limited.**

PSUs remained poor as the Statutory Auditors pointed out 84 instances of non-compliance to the Accounting Standards in 42 accounts.

3.23 The State has four Statutory Corporations, *i.e.*, (i) Kerala State Road Transport Corporation (KSRTC), (ii) Kerala Financial Corporation (KFC), (iii) Kerala State Warehousing Corporation (KSWC) and (iv) Kerala Industrial Infrastructure Development Corporation (KINFRA). The CAG is sole auditor in respect of KSRTC and KINFRA.

Out of four working Statutory Corporations, KFC forwarded annual accounts for the year 2017-18 and KSWC forwarded two accounts for the years 2014-15 and 2015-16 during 1 October 2017 to 30 September 2018. The Statutory Auditors gave qualified audit reports on all the three accounts and were selected for supplementary audit. Further, in case of the accounts of KFC, the CAG issued comment. KINFRA forwarded annual accounts for the year 2016-17 and KSRTC did not forward any accounts during the above period. The accounts of KINFRA was audited and SAR was issued.

The details of aggregate money value of the comments of Statutory Auditors and supplementary audit by the CAG in respect of Statutory Corporations are given in **Table 3.18**:

Table 3.18: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1.	Decrease in profit	2	5.42	1	0.03	1	0.71
2.	Increase in loss	1	0.06	1	0.06	2	0.36
3.	Increase in profit	…	…	…	…	…	…
4.	Decrease in loss	…	…	…	…	1	0.03
5.	Non-disclosure of material facts	…	…	…	…	2	63.89
6.	Errors of classification	2	51.30	1	4.64	1	39.24

(Source: Compiled from the annual accounts of Statutory Corporations)

Performance Audit and Compliance Audit Paragraphs

3.24 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, one Performance Audit related to one PSU and six Compliance Audit paragraphs related to 110 PSUs were issued to the Principal Secretaries/Secretaries of the respective Administrative Departments with request to furnish replies within four weeks. Replies were received from the Administrative Departments concerned.

Follow up action on Audit Reports (other than Power Sector)

Replies outstanding

3.25 The Report of CAG represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Kerala issued directions to all Administrative Departments in 2017 to furnish Explanatory Notes to Performance Audits/Compliance Audits (CAs)/ Paragraphs included in the Audit Reports of the CAG of India within a period of two months of their presentation to the Legislature for speedy settlement of audit observations. The status of Explanatory Notes not received as of March 2019 is given in **Table 3.19:**

Table 3.19: Explanatory Notes not received (as of March 2019)

Years of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2014-15	28/06/2016	1	9	0	0
2015-16	23/05/2017	2	11	2	7
2016-17	19/06/2018	2	10	2	10
Total		**5**	**30**	**4**	**17**

From the above, it could be seen that out of five Performance Audits and 30 Paragraphs, Explanatory Notes to four Performance Audits and 17 paragraphs in respect of 13 departments, which were commented upon, were awaited (March 2019).

Discussion of Audit Reports by Committee on Public Undertakings

3.26 The status of discussion of Performance Audits and CAs/Paragraph that appeared in Audit Report (PSUs) by Committee on Public Undertakings (CoPU) as of March 2019 is shown in **Table 3.20:**

Table 3.20: Performance Audits/ Paragraphs appeared in Audit Reports *vis-a-vis* discussed as of March 2019

Period of Audit Report	Number of Performance Audits/ Paragraphs			
	Appeared in Audit Report		Discussed	
	PAs	Paragraphs	PAs	Paragraphs
2014-15	1	9	1	7
2015-16	2	11	0	2
2016-17	2	10	0	0
Total	**5**	**30**	**1**	**9**

Compliance to Reports of Committee on Public Undertakings

3.27 Action Taken Notes (ATNs) to 84 Paragraphs in 21 Reports of the CoPU presented to the State Legislature between December 2008 and December 2018 have not been received (March 2019) as indicated in **Table 3.21:**

Table 3.21: Compliance to CoPU Reports

Year of the CoPU Report	Total number of CoPU Reports	Total number of recommendations in the CoPU Reports	No. of recommendations where ATNs not received
2006-08	1	29	1
2014-16	1	3	3
2016-19	19	93	80
Total	**21**	**125**	**84**

These Reports of CoPU contained recommendations in respect of Paragraphs pertaining to eight Departments, which appeared in the Reports of CAG of India for the years 1999-00 to 2014-15. The pace of receipt of ATNs from GoK to CoPU was not encouraging.

It is recommended that the Government may ensure:

(a) sending of replies/ Explanatory Notes to Inspection Reports/ Paragraphs/ Performance Audits and ATNs on the recommendations of CoPU as per the prescribed time schedule;

(b) recovery of loss/ outstanding advances/ overpayments within the prescribed period; and

(c) revamping of the system of response by GoK to audit observations.

CHAPTER IV

Performance Audit relating to Public Sector Undertakings (other than Power Sector)

Management of non-subsidised commodities in The Kerala State Civil Supplies Corporation Limited

Executive Summary

Introduction

The Kerala State Civil Supplies Corporation Limited was setup with the main objective to purchase, store, process, transport, distribute and sell food grains and any other essential commodities for distribution at subsidised rates. The Company is also empowered to deal in non-subsidised commodities in order to enhance profitability. During 2013-14 to 2017-18, the Company procured FMCG, Sabari (Company's own brand) products and medicines for ₹4,698.11 crore.

Assessment of requirement

Absence of integrated software at outlets, depots and Head Office has resulted in improper assessment of requirement, accumulation of stock in outlets and issuance of multiple purchase orders in each month for same commodities at different rates resulting in extra expenditure of ₹7.94 crore.

Procurement in violation of the Stores Purchase Manual

All the 15 depots resorted to limited tenders for procurement above ₹5 lakh instead of e-tender. The procurement cost of rice and pulses through limited tender in 10 out of 15 depots were higher by ₹3.83 crore than the centralised e-tender procurement cost of same items for subsidised sale.

Procurement through negotiation

Negotiations were conducted with all the bidders in 2,749 out of 8,172 cases (33.60 per cent) instead of lowest bidder and purchase orders were issued to bidders other than the original lowest bidder in 1,108 cases.

Short supply of commodities by the suppliers

Short supply of commodities and delay in transferring commodities from the depots to the outlets resulted in potential loss of margin of ₹22.98 crore and loss of interest of ₹2.43 crore respectively.

Wrong fixation of selling price

The pricing policy of the Company was not reviewed periodically (last two revisions were in July 2008 and April 2015). The selling price for branded

rice was fixed wrongly, resulting in loss of revenue of ₹11.26 crore. Incorrect implementation of the pricing circulars resulted in loss of ₹39.53 crore.

Fixation of higher selling price

Discounts (minimum five per cent) were not provided to the customers in line with the policy of the Company. There were instances of selling price offered by the Company being higher than the open market price.

Extension of unauthorised credit facility

Unauthorised credit facility of ₹5.74 crore was extended to customers, despite the non-clearance of previous bills in 39 out of 100 outlets resulting in loss of interest of ₹0.40 crore.

Irregular collection of quantity discounts from suppliers

There was no proper system for collecting discounts and incentives from suppliers resulting in loss of ₹4.02 crore.

Multiple GST registrations resulting in blocking up of input tax credit

Instead of taking only one GSTIN, the Company took 62 GSTINs for its depots, Regional Offices and Head Office. So, the input tax credit accumulated in the GSTINs of 56 depots and five Regional Offices amounting to ₹7.55 crore could not be utilised due to accounting of all sales in the Head Office GSTIN.

Violation of the Food Safety and Standards Act, 2006

Out of the 4,412 samples sent for testing, 383 were found unfit for human consumption. In 369 samples, there were delays in removal of these commodities.

Procurement of medicines for Supplyco Medical Stores

Neither monthly report in order to monitor the purchase, sales and stock holding of medical stores nor medicine-wise details were prepared. In the absence of this information, it was not possible to assess the efficiency of inventory management.

Performance of Supplyco Medical Stores

Performance of Medical Stores with turnover below the break-even sales (16 out of 106) were not periodically monitored.

Introduction

4.1 The Kerala State Civil Supplies Corporation Limited (Company) was setup (June 1974) as a fully owned State Government Company with the main objective to purchase, store, process, transport, distribute and sell food grains, food stuffs and any other commodities considered essential by Government of Kerala (GoK). Besides dealing in subsidised commodities, the Company is empowered to deal in non-subsidised commodities, the price of which is fixed with a profit motive. Non-subsidised commodities include Fast Moving Consumer Goods (FMCG), Sabari products (own brand of the Company), medicines and petroleum products. As of March 2018, the Company dealt in 42,405 FMCG commodities, 28 Sabari products and 12,370 medicines and 5 petroleum products. Percentage of turnover of non-subsidised commodities to the total turnover of the Company ranged between 32.16 and 35.26 during 2013-14 to 2017-18.

Organisational set up

4.2 The Company with its Registered Office at Kochi, Kerala is managed by the Board of Directors (BoD) with the Chairman and Managing Director (CMD) as the Chief Executive. As of April 2018, the overall administration of the Company is vested with the CMD who is assisted by one General Manager, two Additional General Managers, three Managers, five Regional Managers and a Company Secretary. The Company has 1,560 retail outlets as on 1 April 2018 under the control of 56 depots operating in five Regional Offices. A list of the supply chain is given in ***Appendix 8.***

Scope of audit

4.3 The Performance Audit covered the performance of the non-subsidised segment comprising FMCG, Sabari products and medicines during 2013-14 to 2017-18. The Performance Audit covered various aspects such as assessment of the requirement, economical procurement, pricing, sales and marketing of the commodities.

Out of 56 depots in the Company, 15 depots were selected on the basis of stratified[56] random sampling for detailed audit along with 119 outlets out of 478 outlets in the selected 15 depots. During 2013-14 to 2017-18, the Company procured FMCG, Sabari products and medicines for ₹4,698.11 crore. Out of this, Audit examined procurement amounting to ₹1,913.79 crore (40.74 *per cent*) in 15 depots.

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[56] **Based on three strata of purchase value (more than ₹100 crore – 5 depots, between ₹50 crore to ₹100 crore – 8 depots and below ₹50 crore – 2 depots) and also on rural urban classification with at least two depots from each region as shown in *Appendix 8*.**

Audit objective

4.4 The objective of the Performance Audit was to assess whether the profitability of the company increased because of sale of non-subsidised commodities.

Audit criteria

4.5 Audit criteria were derived from the following sources:

- Pricing Manual of the Company;
- Purchase Manual of the Company**;**
- Stores Purchase Manual of GoK;
- Guidelines issued by the Central Vigilance Commission;
- Minutes of Depot Management Committees;
- Annual accounts of the Company;
- Food Safety and Standards Act, 2006; and
- Central Goods and Services Tax Act, 2017.

Audit methodology

4.6 The methodology adopted consisted of review of records/files and documents maintained by the Company and analysis of data extracted from Depot Management System (DMS) of 15 depots.

Audit objectives, audit criteria and scope of Performance Audit were discussed with the Management and the Government in an Entry Conference held on 17 May 2018. Audit was conducted during May to September 2018.

The audit findings were discussed in an Exit Conference held on 25 February 2019 with the Government and the Management. Replies were received from the Government and the Management. The views expressed by them have been duly considered while finalising the Report.

Acknowledgement

4.7 Audit acknowledges the co-operation and assistance extended by the Management and staff of the Company and the Department of Food and Civil Supplies, GoK in the conduct of this Performance Audit.

Audit findings

4.8 The Company ventured into trading in non-subsidised commodities to enhance maximum possible returns. In the absence of segment-wise profitability analysis, Audit worked out the profitability[57] of the non-subsidised segment as in **Table 4.1**:

[57] **After apportioning the overhead expensed on the basis of turnover.**

Table 4.1: Details of profitability of non-subsidised commodities

(₹ in crore)

Year	Net profit from subsidy segment	Profit from non-subsidised commodities					Net Profit of the Company
		FMCG	Sabari	Medicine	Petroleum	Total	
2013-14	-98.27	17.37	11.34	-8.63	-10.92	9.16	-89.11
2014-15	-106.68	10.91	8.36	-10.40	-9.62	-0.75	-107.43
2015-16	-125.77	86.55	30.88	-11.17	-7.18	99.08	-26.69
2016-17	-150.08	34.97	14.35	-14.96	-10.09	24.28	-125.80
2017-18	-164.67	39.49	16.88	-15.22	-11.54	29.61	-135.06

(Source: Annual accounts of the Company. Figures for 2015-16 to 2017-18 were taken from provisional accounts.)

As could be seen from the above table, the profit from the non-subsidised commodities decreased from ₹99.08 crore in 2015-16 to ₹29.61 crore in 2017-18. This was mainly due to lack of economy in procurement of commodities, improper fixation of selling price and ineffective marketing as discussed below.

Procurement of non-subsidised commodities

4.9 The Company procures branded FMCG products from the suppliers registered under the centrally consolidated indenting system (CCIS)[58] and centrally listed companies (CLC)[59]. FMCG products and other products are also procured from the suppliers registered with the Depot Management Committees (DMC). The Head Office of the Company procures commodities from the CCIS registered suppliers while the depots procure commodities from the suppliers listed under CLC and DMC.

The Sabari products are procured by the Head Office of the Company through competitive tendering. Medicines are procured by the five Medical Wholesale Divisions (MWD) from the pharmaceutical companies registered with the MWD. During 2013-14 to 2017-18, the Company procured FMCG products, Sabari products and medicines valuing ₹3,962.01 crore, ₹441 crore and ₹295.10 crore respectively.

Assessment of requirement

4.9.1 Assessment of requirement is the first step in procurement. As per Rule 6.1 of the Stores Purchase Manual (SPM) issued by GoK, purchase of commodities for public service should be based on the assessment of requirements for the year so far as they can be foreseen. As per the guidelines issued by the Company, the requirement of commodities in an outlet shall be limited to 1.50 times the previous three months' average sales.

[58] Vendors having monthly sales above ₹0.25 crore in 25 depots of the Company or monthly sales above ₹0.30 crore in 15 depots excluding the sale of rice and edible oil or annual turnover of ₹10 crore and above in Kerala market.

[59] Vendors with sales in 20 or more depots of the Company and sales turnover of ₹2 crore or sales in 10 or more depots of the Company and sales turnover of ₹5 crore including the Company or sales turnover of ₹8 crore in Kerala market.

Audit observed that the procurement of non-subsidised commodities in the Company was managed by four independent software, namely, FMCG Indenting System, Sabari Indenting System, Depot Management System (DMS) and Outlet Management System (OMS). In the absence of an integrated software, the centralised assessment of requirement based on sales and stock data available in the OMS was not possible. The indents for FMCG commodities were instead prepared arbitrarily by the outlets. Out of 100 sample selected outlets[60] examined, it was noticed that in 30 outlets, fresh lot of the same commodities was purchased during 2017-18 and 2018-19 when sufficient stock was available at the outlets.

The Company replied (February 2019) that the new integrated software planned to be rolled out in April 2019 would enable the Company to ascertain the receipt and issue of commodities against the indents and sale of commodities to the ultimate customers.

However, the Company did not roll out any integrated software so far (July 2019).

Procurement of commodities by the Head Office

4.9.2 Audit observations on procurement of FMCG commodities and Sabari products are discussed below:

Registration of suppliers

4.9.2.1 According to Rule 1.2 of the SPM, public procurement activities should be conducted in a transparent manner ensuring competition, fairness and elimination of arbitrariness in the system. As per the provisions of the Kerala Financial Code and the SPM, all efforts should be taken to ensure that the procurement price of the commodities is at the minimum.

Audit observed that one of the conditions for the registration of suppliers under CCIS and CLC was the declaration by the suppliers that the margin offered to the Company was the highest in Kerala market. However, many commodities were sold by competitors at a price lower than that of Supplyco. The Company did not have a system to gather market intelligence to ensure that the suppliers complied with the declaration and that the commodities offered by the suppliers were at the lowest cost. Such a system was important since the selling prices were determined based on the margin obtained from the suppliers.

The Company replied (February 2019) that the market intelligence system would be strengthened.

Short procurement of Sabari products

4.9.2.2 Under the Sabari brand, the Company sells non-subsidised commodities like tea, coffee, coconut oil, curry powders, rice products, salt,

[60] **Excluding 19 Supplyco Medical Stores.**

notebooks *etc*. The Sabari products are available only in the Supplyco outlets and are in high demand. The substitutes for all the Sabari products are also available in the outlets. The Sabari products fetch higher margin to Supplyco than that of substitute products.

On an examination of procurement of 15 Sabari products[61] in five depots[62] during 2014-15 to 2017-18, it was noticed that against the actual requirement of 47,45,263 units, only 35,99,450 units (76 *per cent*) were received from the suppliers. This was due to short placement of orders by the Head Office and short supply by the suppliers. As a result, there was stock out of Sabari products in 33 out of 151 outlets under the five depots for periods ranging from 3 days to 313 days leading to loss of margin of ₹0.10 crore.

The Company replied (February 2019) that the short placement was on account of various reasons including financial, subsidy element *etc*.

The reply of the Company was not acceptable as there was no subsidy element in the sale of Sabari products excluding coconut oil and, in fact, the Company earned margin on the sale of such commodities during 2013-14 to 2017-18.

Procurement of commodities by Depot Management Committee

4.9.3 As per the procurement practice of the Company, the DMC formed at each of the 56 depots was given authority to purchase commodities of suppliers listed in CLC and DMC based on indents received from the outlets. FMCG commodities registered under CLC and DMC are procured considering the agreed margin on the purchase price. Other commodities *viz*., ordinary rice, jaggery, raw turmeric and pulses are procured on the basis of limited tenders received from the vendors registered with DMC.

During 2013-14 to 2017-18, the value of procurement of FMCG and other commodities was ₹3,962.01 crore. Out of this, value of purchase by DMCs through CLC and DMC amounted to ₹1,588.13 crore (40.08 *per cent*). Though the depot level purchases constituted 40.08 *per cent* of the total purchase of non-subsidised commodities, the Company did not have a transparent procurement procedure as discussed below:

Procurement of commodities in violation of the Stores Purchase Manual

4.9.3.1 The GoK directed (May 2015) that all Government Departments/Boards/ Public Sector Undertakings shall follow e-procurement for all the tenders above ₹5 lakh.

Audit observed that:

- The 15 depots examined in audit issued 41,096 purchase orders (POs)

[61] Free flow salt 1 kg, Black pepper, Chilly powder 100 gram (gm), Chilly powder 500 gm, Coriander powder 100 gm, Turmeric powder 100 gm, Asafoetida powder 50 gm, Asafoetida cake 50 gm, Asafoetida powder 100 gm, Asafoetida cake 100 gm, Meat masala, Chicken masala, Fish masala, Rasam powder, Sambar powder.

[62] Kanhangad, Kottayam, Nedumangad, Thalasserry and Kanjirappally (The subject matter was not examined in the other 10 sample-selected depots due to non-availability of data in required format).

to procure commodities worth ₹767.78 crore during 2014-18. Out of this, 1,140 POs were to be e-procured as the value exceeded ₹5 lakh. Instead of e-procurement, the commodities valuing ₹150 crore were procured from the vendors registered with DMCs.

- The Head Office of the Company procured rice and pulses for subsidised sale through e-tenders during 2013-14 to 2017-18. On comparison of the e-tender rate with the procurement rate in 15 selected depots, it was noticed that the procurement rate of rice in ten depots was higher than the e-tender rate resulting in extra expenditure of ₹3.83 crore.

Thus, due to procurement of commodities through DMC, the Company lost the benefit of economies of large-scale centralised procurement.

The Company replied (February 2019) that the SPM was primarily intended for the purchase of stores. The procedures specified in the SPM were modified through the Purchase Manual of the Company approved by GoK to suit the purchase of its trading goods.

The reply of the Company was not acceptable as the GoK modified the SPM in June 2013 and made it applicable to all PSUs. Hence, the modified SPM prevailed over the Purchase Manual of the Company approved by GoK in May 2006.

Procurement through negotiation

4.9.3.2 As per Rule 1.2 (x) of the SPM, negotiations with the tenderers must be severely discouraged. The Central Vigilance Commission also clarified (January 2010) that there should normally be no post tender negotiations and if at all negotiations are warranted under exceptional circumstances, then they can be with the lowest tenderer only.

Audit observed that in 15 depots test checked, in 2,749 out of 8,172 cases, the DMC held negotiations with all the bidders. At the time of negotiation, the bidders quoted fresh lower rates and in 1,108 cases, the purchase orders were issued to the bidders other than the original lowest bidder. Though there was a marginal decrease in the cost of procurement, the negotiation process was against the guidelines issued by the GoK and the CVC.

The Company replied (February 2019) that directions were given to comply with the CVC guidelines on negotiation.

Procurement of commodities through issue of multiple POs

4.9.4 As per Rule 6.1 of the Stores Purchase Manual issued by GoK, purchase of commodities for the public service should be based on the assessment of requirement for the year so far as they can be foreseen. For the procurement of commodities listed under DMC, the DMC was to approve the rate and quantity of procurement.

All the 15 depots examined in audit issued multiple POs in a month for DMC listed commodities during the years 2013-14 to 2017-18 due to faulty indenting system. The procurement rate as per the POs issued to the same supplier in respect of the same commodity was different, resulting in extra expenditure of ₹7.94 crore.

Short supply of commodities by the suppliers

4.9.5 In order to ensure due performance of the contracts, Rule 8.19 of SPM specified collection of security deposit equivalent to five *per cent* of the total value of the contract. Further, as per Rule 8.30 of SPM, the security deposit shall be forfeited in the event of breach of contract.

Audit observed that the Company did not collect any security deposit due to non-inclusion of such provisions in the POs. In all the 15 depots examined in audit, out of the total order value of ₹1,618.69 crore for FMCG, commodities valuing ₹187.61 crore were not supplied during 2013-14 to 2017-18. Thus, the non-supply of commodities by the suppliers may have led to potential loss of margin of ₹22.98 crore to the Company in addition to the dissatisfaction among the customers.

The Company replied (February 2019) that the suppliers would come to know about the ordered quantity only at the time of receipt of the POs and hence, may not be in a position to supply the entire quantity. As the Company released payment only against the quantity supplied, the Company did not incur any loss due to the non-supply of commodities.

The reply of the Company was not acceptable as the suppliers accepted POs with the condition to supply the entire quantity within the prescribed time. Delay/ non-supply of ordered quantities may result in stock out position and consequent potential loss of margin.

Delay in transfer of commodities to outlets

4.9.6 As per the procedure in vogue, the suppliers deliver the commodities to the depots/outlets. The commodities received at the depots are transferred to the indented outlets. The depots need not hold the stock of these commodities beyond three days, a reasonable time for dispatching the commodities to outlets.

Audit observed that there were delays ranging up to 340 days in transferring FMCG and Sabari commodities to the outlets during 2013-14 to 2017-18 resulting in blocking up of funds of ₹455.94 crore and consequent loss of interest of ₹2.43 crore. Inefficient logistic management by the Company was the reason for delayed transfer of non-subsidised commodities to outlets.

The Company replied (February 2019) that while transporting items to outlets, importance would be given to subsidised commodities. As the transfer of the commodities to the outlets would depend on the number of outlets, distance to outlets and availability of storage space at outlets, the Company started promoting outlet delivery.

The reply of the Company was not acceptable as the delay in transfer of commodities to the outlets resulted in blocking up of funds and consequent loss of interest. The Company should have arranged the necessary logistic support to deliver the commodities which are margin earning to the outlets immediately on their arrival.

Fixation of selling price for commodities

4.10 As the sale of non-subsidised commodities is not intended to regulate prices in the market, the Company is free to fix suitable price for such commodities. During 2013-14 to 2017-18, pricing of the commodities in the Company was regulated by two circulars issued in July 2008 and April 2015 as shown in ***Appendix 9***.

Audit examined the impact of both the circulars in maximising profit of the Company and observed the following:

Wrong fixation of selling price

4.10.1 The pricing circular issued in July 2008 and in force till March 2015 aimed at sufficient profit for the Company from the sale of FMCG as well as lesser selling price than the open market price. The price was to be fixed as mentioned in the circular. In respect of Sabari products, selling price was arrived at by adding five *per cent* of the material cost as administration overhead and three *per cent* of the selling price as sales overhead.

Audit observed that:

- The pricing method in the July 2008 circular was adopted for FMCG on the assumption that direct and administrative cost was around 6.90 *per cent* of the sales price. The Company continued the pricing policy till March 2015 during which, the overall direct and administrative costs increased from 9.32 *per cent* in 2013-14 to 9.89 *per cent* in 2014-15. The failure of the management to review the pricing policy periodically based on the increase in direct and administrative costs resulted in lesser recovery of margin than envisaged at the time of price fixation.

- In the case of Sabari products, the actual overheads during 2013-14 to 2017-18 increased from 9.49 to 11.03 *per cent.* The increase in the overhead rate was not considered while fixing the selling price. This resulted in lesser recovery of margin of ₹20.50 crore in respect of Sabari products.

- As per the July 2008 circular, considering the importance of rice, the Company fixed the selling price of non-branded rice at a margin of five *per cent* on purchase price while the selling rate of branded rice was fixed at a margin of 10 *per cent* on the purchase price. Other varieties of branded rice such as Broken rice, Ghee rice, Biriyani rice, Basmathi rice, Jeeraka sala rice *etc*. were priced by adding margin up to 22.50 *per cent* on purchase price. According to the April 2015 circular, the Company re-fixed the selling price of all the varieties of rice including branded rice at purchase price plus four *per cent* (six *per cent* in case of depot delivery) instead of pricing at higher rate based on Maximum Retail Price (MRP). Fixation of selling price of branded rice by adding lesser margin resulted in loss of revenue of ₹11.26 crore during 2015-16 to 2017-18 in all the 15 depots examined in audit.

The Company replied (February 2019) that the fixation of selling price based on MRP for branded rice would result in higher selling price in the outlets of the Company. However, considering the observations of Audit, the Company revised the selling rate to purchase price plus nine *per cent* margin.

The reply of the Company was not acceptable as selling price of all commodities with MRP, except branded rice, was fixed with reference to the MRP.

- The two price circulars (July 2008 and April 2015) stipulated methods for fixing selling price of various commodities by adding certain margin to the purchase price. Due to the error in the implementation of the price circulars, there was short fixation of selling price in all the 15 depots examined, resulting in loss of ₹19.03 crore during 2013-14 to 2017-18.

Fixation of higher selling price

4.10.2 Besides ensuring assured margins to the Company, the pricing circular of April 2015 aimed at ensuring competitiveness of the selling price of the non-subsidised commodities for attracting more customers. The revision of selling price was also necessitated by the complaints received from public regarding the higher rate of some popular branded products compared to the rate of other retail chains. As per the pricing circular of April 2015, the consumers were to be offered a minimum discount of five *per cent* on MRP.

Audit observed that:

- In all the 15 depots, the Company fixed higher selling rates in respect of some commodities than the rate stipulated by the circular resulting in excess realisation of ₹1.94 crore during 2015-16 to 2017-18.

- Similarly, in all the 15 depots examined, products valuing ₹93.33 crore were sold to customers without offering the stipulated minimum discount of five *per cent* on MRP as envisaged by the price circular.

The Company replied (February 2019) that on implementation of the integrated software, all the anomalies in the present system would be rectified.

Audit also observed that the Company did not have a mechanism to compare the selling price fixed by the Company *vis-à-vis* the price charged by the competitors on the same commodity. The competitor's pricing for similar products was not considered for the pricing decisions of the Company. A price comparison (September 2017) between the open market and the Company was as detailed in **Table 4.2**:

Table 4.2: Comparison of selling price of the Company and open market price

Sl. No.	Item	MRP (₹)	Selling price of the Company (₹)	Open market price (₹)
1	Total wash 1 kg	74.00	70.30	65.38
2	Every Day 400 gm	169.00	160.55	156.61
3	Colgate Strong Teeth 100 gm	52.00	48.50	44.18
4	Texma 1 ltr	39.00	37.05	34.89
5	Harpic Ordinary 500 ML	78.00	74.10	73.89
6	Sunlight Washing powder 500 gm	39.00	38.28	37.16
7	Kabani XL Washing soap	62.00	58.90	58.00
8	Dr.Wash 200 + 10 gm	25.00	23.75	23.35
9	Gold Bar 916 - 850 gm	67.50	64.12	63.76

(Source: Report of the Vigilance Officer of the Company)

Since the Company was competing with large supermarket chains, the competitive edge in respect of pricing was essential to sustain in the Kerala retail market. Therefore, the incidence of higher price being charged by the Company vis-à-vis the competitors would result in low sales volume in the Company.

The Company replied (February 2019) that the local super market chains would reduce their selling rates in certain areas where competition was more. The Company with around 1,600 outlets in the State adopted a uniform pricing policy and therefore, could not deviate from the selling rate based on local rates.

The reply of the Company was not acceptable as the present pricing policy of the Company was not realistic and dynamic because there was no periodical revision of the pricing method. Between 2008 and 2018, there was only one revision of the pricing method in April 2015.

Credit and incentive policy

Loss of interest due to unauthorised credit facility

4.11 In order to streamline the credit sales, the Company issued (December 2008) directions for credit sales to various Government departments and Public Sector Undertakings (PSUs). According to these directions, credit sales can be effected for a maximum period of 30 days subject to there being no pending bill against the customer.

Audit observed that:

- On an analysis of credit sales of 100 outlets[63], in 39 outlets there were 214 customers with ₹0.94 crore outstanding against previous credit sales of commodities. In spite of non-clearance of the previous bills, subsequent credit sales of ₹5.74 crore were extended to 178 customers

[63] **Total sample 119 outlets out of which 19 are medical stores.**

in violation of the credit policy. Due to this, an amount of ₹6.68 crore remained to be realised from 214 customers in these 39 outlets as of March 2018. Non-realisation of the amount from the customers resulted in loss of interest of ₹0.40 crore.

- The Company did not collect any security deposit against the credit sales of non-subsidised commodities as the credit policy/supply orders did not contain any provision for the collection of security deposit. As a result, though the credit period was offered for 30 days, dues could not be collected even after periods ranging up to 786 days.

The Company replied (February 2019) that curtailing further distribution of commodities to such organisations on the ground of delayed credits would attract queries from the Government and complaints from the public, adverse newspaper reports *etc*. Depot Managers were, however, asked to be prompt in liaisoning with the departments concerned to collect the arrears.

The fact, however, remained that despite liaising with the Government, an amount of ₹71.48 crore remained to be recovered from the Government departments and Public Sector Undertakings as of March 2018.

Irregular collection of quantity discounts from suppliers

4.11.1 Manufacturers of FMCG offer incentives to bulk consumers for placing annual POs above the pre-determined value. The Company procures commodities in bulk under FMCG category from manufacturers and is the largest dealer for many of the FMCG commodities in the Kerala retail market. Hence, the Company obtained volume/quantity incentive or discount from the suppliers based on the purchase turnover.

Audit examined the incentive scheme and observed that:

- The Company did not have complete and accurate data for claiming incentive and depended on the data given by the suppliers. The officers responsible for collecting the incentives were unaware of any official document for substantiating the incentive received from the suppliers. Hence, there was no standard policy for assessment and collection of the volume/quantity incentive.

- As per the existing practice, the Company collected quantity discounts at the rates ranging from 0.50 *per cent* to 4 *per cent* of the value of procurement from 20 out of 49 suppliers under CCIS list. There was no proposal from any level of management for collecting incentive from 29 suppliers registered under CCIS list. In the case of 17 out of 20 suppliers, there were omissions and errors in calculation of incentive resulting in loss of incentive of ₹4.02 crore.

Though the value of depot level purchases through CLC and DMC was 40.08 *per cent* of the total purchase, the Management did not, however, collect any incentive from these suppliers.

The Company replied (February 2019) that the payment to a supplier during a financial year was considered as a single payment for calculation of incentive by Audit whereas each PO was distinct.

The reply of the Company was not acceptable as there was no agreement with the supplier in respect of the computation pattern of incentive. Further, computation based on each PO may absolve the supplier from the payment of incentive.

Multiple GST registration resulting in blocking up of input tax credit

4.12 According to Section 25 (2) of the Central Goods and Service Tax (GST) Act, 2017 (Act), a person seeking registration under the Act shall be granted a single registration in a State or Union territory. Provided that, a person having multiple business verticals in a State or Union territory may be granted a separate registration for each business vertical. Section 25 (4) of the Act states that a person who has obtained or is required to obtain more than one registration, whether in one State or Union territory or more than one State or Union territory shall, in respect of each such registration, be treated as distinct persons for the purposes of this Act. Section 2 (62) of the Act states that "input tax" in relation to a registered person, means the central tax, State tax, integrated tax or Union territory tax charged on any supply of goods or services or both made to him.

Audit observed that the Company obtained (May 2017) 62 separate GST registrations for the Head Office, five regional offices and 56 depots, though it had only one business vertical and operations only in Kerala. This was done on the ground that separate registrations would make depots accountable for proper entry of purchases. However, the Company decided in August 2017 to retain the GSTIN of Head Office and surrender all the other GSTINs. The applications for cancelling the GSTINs were, however, made only during November 2018 to March 2019 and 60 GSTINs were cancelled (November 2018 to September 2019).

Meanwhile, the suppliers billed the supplies against GSTINs of the depots for the purchases made by them. The Company, however, accounted the sales of the depots under the GSTIN of the Head Office. As of October 2018, the cancelled GSTINs had accumulated input tax credit amounting to ₹7.55 crore. Since each GSTIN is treated as a distinct person as per the Act, the input tax credit in the GSTINs of regional offices/ depots could not be set off against the tax obligation under the GSTIN of the Head Office.

The Company replied (February 2019) that GST Return 3B was filed claiming the entire input tax credit on inward supply including those accumulated in depot GSTINs.

The reply was not acceptable as the Act does not permit setting off the input tax credit of a registered person against the tax obligation of another registered person.

Performance of Supplyco Medical Stores

4.13 As of March 2018, the Company operated 106 Supplyco Medical Stores (SMSs) under five Medical Wholesale Divisions (MWDs). For these 106 SMSs, the medicines are procured either through five MWDs or locally by the SMS when the required medicines are not made available by the MWDs.

Audit examined the performance of the SMSs and observed that:

- According to the Circular No.18/2008 dated 11 July 2008, if the monthly sales in a SMS are less than the stipulated break-even sales, the Regional Manager should make recommendation to close the SMS so that commercial/social loss could be avoided. Out of 106 SMSs, 16 SMSs did not attain the break-even sales in any of the five years. Despite non-achievement of break-even sales, the Regional Managers did not assess the feasibility of continuation or relocation or closure of these 16 SMSs.

  The Company replied (February 2019) that steps like, shifting/ closure of SMSs having sales less than the break-even sales, appointment of pharmacists as officers in charge of SMSs *etc*., were taken to improve the performance of SMSs.

- As per the circular issued (November 2008) by the Company for ensuring higher margin, all MWDs should ensure that local purchases should be limited to 20 *per cent* of the value of medicines sold through medical stores to get the advantage of additional margin associated with bulk procurement.

  Audit observed that the local purchase of medicines by the SMSs exceeded the 20 *per cent* limitation prescribed by the Company. The local purchase during 2013-14 to 2017-18 was ₹108.08 crore against the permissible value of ₹78.82 crore. The reasons for the excess local purchase was non-procurement of medicines from listed pharma companies in MWD as well as non-listing of those pharma companies whose medicines were being indented by outlets. Thus, due to excess local procurement of medicines during 2013-14 to 2017-18, the Company sustained loss of margin to the extent of ₹2.63 crore.

- Due to non-achievement of break-even sales by the SMSs, the fixed cost of ₹78.64 crore involved in the operation of SMSs during 2013-14 to 2017-18 was recovered to the extent of ₹18.27 crore only.

- The Company issued (December 2008/ March 2011) circular stipulating analysis of performance of medical stores on a monthly basis in order to monitor the purchase, sales and stock holding of medical stores. However, no such report was prepared on a monthly basis. Besides, medicine-wise stock details were also not prepared. Further, the software applications used in the Medical Wholesale Division and in the Medical Stores were neither similar nor integrated, because of which the

Division's software was unable to fetch the inventory requirement of Stores. In the absence of this information, it was not possible to assess the efficiency of inventory management.

Thus, due to uneconomical procurement of medicines and non-achievement of break-even sales, the operation of SMSs became unviable.

Violation of the Food Safety and Standards Act, 2006

4.14 As per Section 31 of the Food Safety and Standards Act, 2006, any person carrying on any food business shall obtain a licence from the Designated Officer. As per Section 28 of the Food Safety and Standards Act 2006, the products unsuitable for human consumption should immediately be withdrawn from the market.

Audit observed that:

- As indicative cases, the depots at Kollam, Alathur, Palakkad and Chengannur and its outlets examined by Audit did not obtain licenses for all the food products dealt by them.

- Out of 4,412 samples sent for testing to Food Quality Monitoring Laboratory at Council for Food Research and Development during 2013-14 to 2017-18, 383 samples tested unsuitable for human consumption as the samples contained 'Salmonella', 'E. coli' or 'Moulds'. However, in respect of 369 samples, there was delay up to 17 days in giving direction to the outlets for removing the products.

The audit observation was accepted (February 2019) by the Company while stating that instructions were issued to comply with the legal requirements.

Restriction on MIO claims affecting profitability

4.15 As per the directions of the GoK, the Company sells essential commodities to the public at prices fixed by the GoK as a part of the Market Intervention Operation (MIO). The reimbursement of the MIO loss by GoK was limited to actual loss as per the audited accounts.

Audit observed that the actual loss as per the annual accounts is the aggregate of the MIO loss and the profit from non-subsidised commodities. Hence, the profit of ₹1,222.25 crore generated from the non-subsidised segment was totally subsumed in the MIO loss and hence, was not available for its sustainability.

The Company admitted (February 2019) that limiting the reimbursement of MIO loss to the actual loss of the Company affected its profitability.

The Government of Kerala endorsed (June 2019) the reply furnished by the Company to all the audit observations.

Conclusion

Though the Company ventured into the trading in non-subsidised commodities to enhance the maximum possible returns, the profitability of the non-subsidised segment decreased from ₹99.09 crore in 2015-16 to ₹29.61 crore in 2017-18. Incorrect assessment of requirement of commodities, uneconomical procurement, ineffective inventory management, violation of provisions of the Stores Purchase Manual and wrong fixation of selling price *etc*. led to extra expenditure/ loss of revenue to the tune of ₹91.10 crore. Taking multiple GST registrations instead of a single GST registration led to non-utilisation of the input tax credit of ₹7.55 crore. Similarly, irregular collection of quantity discount from suppliers resulted in short collection of ₹4.02 crore towards trade incentive.

Recommendations

- **The Company should adopt realistic assessment of requirement based on proper indenting. Procurement of commodities should be made economical by following proper tendering procedure.**

- **Inventory should be managed effectively for ensuring optimum stock holding.**

- **Fixation of selling price should be made more realistic and mechanism should be put in place to ensure that prices fixed are adopted strictly.**

- **Credit policy should be strictly adhered to while offering credit sales. The procedure for collection of incentive needs to be streamlined in order to bring in transparency in the present system.**

- **Monitoring mechanism of Supplyco Medical Stores should be adhered effectively for evaluating performance and course corrections.**

- **Ensure effective compliance to the provisions of Food Safety and Standards Act, 2006.**

- **As the operation of schemes at the behest of the State Government affects profitability, the Company must approach State Government for providing adequate funds to compensate losses.**

- **Audit observation is based on our analysis on sample cases only. There is a possibility of more such cases occurring in the Company. The Company may identify such cases and take suitable action.**

CHAPTER V

Compliance Audit Observations relating to Public Sector Undertakings (other than Power Sector)

The Kerala State Financial Enterprises Limited

5.1 Sanction and recovery of defaulted loans

Introduction

5.1.1 The Kerala State Financial Enterprises Limited (Company), a Miscellaneous Non-Banking Company (MNBC) was incorporated (1969) as a private limited company[64] with the main objective to conduct chit business[65]. Apart from this, the Company accepts deposits and advances loans to the general public through its 577 branches under 11 Regional Offices.

The details of loans outstanding and default[66] position under different loan schemes during the last three years ended 31 March 2018 were as given in ***Appendix 10.*** In order to examine the sanction, disbursement and recovery of defaulted loans given by the Company during the last three years ended 2017-18, audit selected 442 defaulted loans[67] involving an amount of ₹13.21 crore (out of 1,728 defaulted loans amounting to ₹41.38 crore) from the 20 branches under four regional offices[68] for detailed scrutiny.

Audit also selected four out of 10 Special Deputy Tahsildar (SDT) Offices[69] for reviewing the progress of revenue recovery actions on cases referred for revenue recovery.

Audit findings

5.1.2 The audit findings emerging from the Compliance Audit are discussed below:

Legal mandate for conduct of non-banking business

5.1.3 Acceptance of money in excess of guarantee limit

5.1.3.1 The Company accepts different types of deposits from the public and

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[64] A Company which restricts the right to transfer its shares, limits the number of members to 200 and prohibits any invitation to the public to subscribe to its shares.

[65] Chit/Chitty is a kind of monthly savings cum loan scheme conducted as a contract between the foreman and subscribers. The foreman collects a fixed amount every month as subscriptions from each subscriber. The foreman pays a discounted value of the chitty *sala* as prize money to one of the subscribers each month after deducting the commission of the foreman.

[66] A loan becomes default on non-repayment of any monthly instalment.

[67] Gold loan-77 (amount outstanding ₹0.20 crore), New Housing Finance Scheme Loan-23 (amount outstanding ₹0.53 crore), New Chitty Loan 184 (amount outstanding ₹9.81 crore), Reliable Customer Loan-153 (amount outstanding ₹2.66 crore) and Consumer/Vehicle Loan-5 (amount outstanding ₹0.01 crore) in such a way that 25 *per cent* of the value of default loans were covered.

[68] Thiruvananthapuram, Alappuzha, Thrissur and Kozhikode.

[69] Thiruvananthapuram, Alappuzha, Thrissur and Kozhikode.

these deposits are mainly used for advancing loans to its customers. The Miscellaneous Non-Banking Companies (Reserve Bank) Directions, 2016 prohibit companies from accepting deposits from the public unless guaranteed by the Government.

Audit observed that:

- The Company accepted public deposits during 2014-15 to 2017-18 in excess of the Government guarantee. The excess public deposit ranged between ₹208.50 crore (2017-18) and ₹2,991.82 crore (2015-16). Despite this, the Company issued Fixed Deposits Receipts and Sugama Deposits Pass Books with the undertaking that the deposits were guaranteed by the Government, which was misleading.

- The Company falsely declared its status as 'Public Limited" in the Annual Return to the RBI.

- Acceptance of deposits in excess of the Government guarantee was also not shown as public deposits in the Annual Return on Deposits submitted to the Reserve Bank of India.

The Company, while accepting (December 2018) that overall deposits had exceeded the guaranteed limits on some occasions, stated that the delay in obtaining extension of guarantee coverage limit did not affect the guarantee coverage as all the extensions were given by the Government with retrospective effect.

The reply was not acceptable as the guarantee coverage can be extended with prospective effect only.

Non-registration with National Housing Bank

5.1.3.2 As per Section 29A of the National Housing Bank Act, 1987, any company having the business of providing finance for housing as one of its principal objectives shall be registered with the National Housing Bank.

Audit observed that the Company did not obtain a certificate of registration from the National Housing Bank, but disbursed 15,968 New Housing Finance Scheme Loans (NHFS) amounting to ₹927.38 crore during 2015-16 to 2017-18 without legal mandate.

The Company replied (December 2018) that urgent steps would be taken for obtaining the Certificate of Registration from the National Housing Bank.

Sanction of loans

5.1.4 The Company offers New Chitty Loans[70] to the subscribers of chitty. Reliable Customer Loans are offered to persons who are customers of the

[70] **Renamed now as Chitty Loan.**

Company for the last 12 months. Gold Loans, Consumer/ Vehicle Loans, Housing Loans and Education Loans are offered to the general public. Terms and conditions of various loans are given in ***Appendix 11***. The position of 77 gold loans is discussed separately in ***Paragraph 5.1.6***. Audit noticed irregularities in the sanction of 110 loans out of 365 default loans except gold loans as shown in **Table 5.1** below:

Table 5.1: Details of irregularities in sanctioning loans

Sl. No.	Norms of the Company	Audit Observations	Reply of the Company and further remarks (December 2018)
	Sanction of New Chitty Loan (NCL) against norms		
1	Non-prized chitty subscribers[71] having remitted 10 *per cent* of chitty instalments (at the time of the sanction of the loan) are eligible.	Three branches of the Company sanctioned eight NCLs[72] of ₹0.29 crore to non-prized subscribers before remittance of 10 *per cent* of the chitty instalments. All NCLs were in default for periods ranging from 25 to 52 months with default amount of ₹0.28 crore.	With the permission of the Assistant General Manager (Region) concerned, the branch could sanction NCL before remittance of 10 *per cent* of the instalments. As the permission from the Assistant General Managers (Region) concerned was not obtained at the time of sanctioning the loans, the reply was not acceptable.
2	If the liability on a property exceeds ₹0.10 crore, the entire property documents should be forwarded to the Regional Office.	Four NCLs[73] for ₹0.05 crore each were sanctioned to two individuals against the security of the same property by the Branch Manager. The documents were not forwarded to the Regional Office though the liability against the property was ₹0.20 crore.	The property in question was revalued subsequently and accepted by the Regional Office. The reply confirms that the initial valuation of property was not approved by the Assistant General Manager (Region).
3	In case of NCL having monthly instalment with interest of ₹5,000 and above, the repaying capacity of the loanee was to be assessed before the sanction of the loan.	The repaying capacity of four persons, who were sanctioned five loans[74] amounting to ₹0.20 crore, was insufficient to pay the monthly instalments. This was because these four persons had already availed other loans/chitties from the Company and their declared income was just sufficient to pay monthly instalments of these loans/chits. Despite this, the Company further released chitty prize money of ₹0.19 crore to three persons out of the above four persons. The instalments of all the eight loans/ chitties were in default for more than 12 months.	The Unit Heads used their discretionary powers to assess the repaying capacity of the loanees. The reply was silent about the loans/chitties sanctioned to persons with insufficient income to repay.
	Sanction of Reliable Customer Loan (RCL) to ineligible persons		
4	Applicants should not be defaulters at the time of	Three branches of the Company sanctioned three RCLs of ₹0.07crore	The Unit Heads used their discretionary powers and deviated

[71] Prized subscriber means a subscriber who has either received or is entitled to receive the prize amount (prize amount means the difference between the chit amount and discount). Subscribers other than prized subscribers are called non-prized subscribers.

[72] NCLs 314, 315, 316 and 317 of Pattikkad, NCLs 252, 148 and 149 of Koduvalli and NCL 2362of Malayinkeezhu.

[73] NCLs 314, 315, 316 and 317 of Pattikkad.

[74] NCL 232 (Chittar), NCL 2938 (Alappuzha II), NCL 706 (Alappuzha Evening), NCL 1997 and RCL 1097 (Kayamkulam).

Sl. No.	Norms of the Company	Audit Observations	Reply of the Company and further remarks (December 2018)
	applying for the loan.	to three persons[75] when NCLs availed by them were in default for ₹0.08 crore. The three RCLs and NCLs were in default and the amount recoverable stood at ₹0.11crore.	from the restriction for the best interest of the business promotion.
5	Applicants should be customers of the Company for more than 12 months.	RCLs of ₹1.74 crore were given to 70 customers even though they were customers of the Company for less than 12 months. All the 70 loans were in default for periods ranging from 15 to 41 months and the amount recoverable stood at ₹1.21 crore.	The reply was not acceptable, as the norms of the Company did not empower the unit heads to deviate from the laid down procedure arbitrarily.
6	In case of settlement deed[76] being offered for creating mortgage, persons having life interest should also join the mortgage.	In respect of two loans[77] for ₹0.08 crore, while creating mortgage on settlement deed, persons with life interest did not join the mortgage.	The Company agreed with the audit observation that persons with life interest should invariably join the mortgage.
	Sanction of loan against inadequate security of property		
7	In case of acceptance of property (land and buildings) as mortgage, the estimated market value of the property should be sufficient to cover twice the future liability in case of RCL and NCL and 1.73 times the future liability in case of NHFS.	Five branches extended nine loans for ₹32.90 lakh even though the estimated market value of the property given as security was inadequate to the extent of ₹27.92 lakh as shown in ***Appendix 12.***	In the case of loans mentioned in ***Appendix 12***, the Company stated (January 2019) that the present valuation of the property was sufficient to cover the existing dues of the loan. The reply was not acceptable as the market value of properties pledged was insufficient at the time of sanctioning loans.
8	'*Non-kudikidappu Certificate*' was to be obtained from the village office if the land offered as security was below five cents. Moreover, personal sureties should be obtained in such cases.	Two branches[78] extended one RCL and two NCLs for ₹0.09 crore to three individuals without obtaining '*Non-kudikidappu Certificate*'. Personal sureties were also not obtained in these cases.	The Company usually collected the '*Non-Kudikidappu Certificate*' and additional personal sureties were obtained later on, in cases where there was more number of property pledged with a high realisable value. The reply was not acceptable as the fact remained that as no such certificate and additional personal securities were obtained in these cases.
9	Paddy fields (wet land) and rubber/coffee/tea/ coconut plantation having road access should be assigned maximum market value of ₹1 lakh and ₹2.25 lakh per acre respectively.	Five loans for ₹18 lakh with a future liability of ₹35.12 lakh was sanctioned by four branches of the Company, accepting paddy field/ rubber plantation as collateral. The Company assigned a higher market value to the property deviating from norms which led to inadequate collateralisation of loans by ₹49.16 lakh as shown in ***Appendix 13***.	With respect to RCL 924 specified in ***Appendix 13***, the Company confirmed (January 2019) that the security was indeed rubber estate, but valuation was done based on the market value. In respect of NCL 2373 and RCL 1555, it was replied that the security offered was not plantation property. The reply was not acceptable as

[75] Kayamkulam RCL 1097 (NCL 1997), Alappuzha Evening RCL 1212 (NCL 500), Pattikkad RCL626 (NCL 347).
[76] A deed in writing of movable or immovable property for some dependable persons.
[77] RCL 649 and RCL 657 in Pattikkad branch.
[78] Pattikkad (RCL 565) and Chelakkara (NCL 727 and 827).

Sl. No.	Norms of the Company	Audit Observations	Reply of the Company and further remarks (December 2018)
			Company underlined the arbitrariness in valuation in violation of Company's guidelines. In the Valuation Report of NCL 2373 and RCL 1555, both the properties were classified as agricultural land with rubber trees.
10	The maximum multiple liability that can be charged on a property was limited to six mortgages.	Perambra branch[79] of the Company sanctioned one loan for ₹0.10 crore against a property which already had six charges. The loan was in default for more than 29 months and the amount recoverable stood at ₹0.10 crore.	No specific reply was furnished.
11	A property already under mortgage to the Company can be accepted for a second and subsequent time only if there is no default in the Chitties/Loan accounts for which the property is already under mortgage.	The Kattanam branch sanctioned (March 2015) one NCL[80] of ₹0.05 crore against security of a property which was already under mortgage to the Company (Kannanallur branch) in respect of two defaulted (since September 2014) NCLs[81].	The Company accepted the audit observation and stated that explanation would be called for from the Branch Managers.
12	If the property offered is not in the name of the loanee, and the property offered is devolved on the mortgagor on the death of his predecessor, heirship certificate is to be obtained.	The Vizhinjam branch of the Company sanctioned a loan[82] for ₹0.10 crore by accepting land as security after revaluation which was already under mortgage to the Company against a prized chitty. The land was owned and possessed by the deceased father of the loanee and was accepted as mortgage without obtaining legal heirship certificate.	The Company accepted the audit observation and stated that action was being taken against the Branch Manager for the lapses.
	Sanction of loan against improper personal surety		
13	For securing loans by salary certificate, the maximum liability that could be covered by self or single surety was ₹4 lakh and ₹3 lakh respectively, limited to 10 times his/her pay.	Four branches of the Company extended 19 loans for an amount of ₹1.04 crore against the personal sureties of 19 persons. As these persons had given sureties against loans of some other persons, the balance eligible surety was ₹55.06 lakh. Thus, the Company accepted sureties in excess of the eligible limit by ₹49.24 lakh as shown in ***Appendix 14.***	The Unit heads were empowered to relax 10 *per cent* of the total liability's security and was allowed only for better business promotion. The reply was not acceptable as the Branch Managers relaxed security in excess of 10 *per cent* to the five loanees, by overlooking the norms of the Company.
14	The sureties should have at least six months service left for retirement after the loan closure date.	In respect of four loans[83] sanctioned by four branches of the Company, the loans were secured by personal/ self-sureties of nine persons. Out of this, four sureties did not have balance service of six months after the loan closure date. Further, in respect of two	If a person with service less than the tenure of loan was accepted as personal surety by the Company, a consent letter would be obtained from remaining co-sureties/ loanees.

[79] NCL 3449.
[80] NCL 1821.
[81] NCL 678 and NCL 689 in Kannanallur branch.
[82] NCL 2825.
[83] RCL 1212 (Alappuzha Evening branch), NCL 440 (Balaramapuram branch), NCL 234 (Meppayur branch) and RCL 730 (Chalakkudi branch).

Sl. No.	Norms of the Company	Audit Observations	Reply of the Company and further remarks (December 2018)
		loans[84], the retirement dates of the sureties preceded the loan closure dates. All the four loans were in default for periods ranging from 19 to 44 months with ₹0.13 crore outstanding.	The reply was not acceptable as in the cases pointed out, there was no consent letter obtained from other sureties/loanees.
	Improper disbursement of the New Housing Finance Scheme (NHFS)		
15	NHFS loan shall be released based on stage-wise completion.	The Company released (April-August 2013) all three instalments of loan[85] amounting to ₹0.08 crore to the loanee without ensuring stage-wise completion of construction. The loanee did not submit the completion certificate as of June 2018. The loan was in default for 19 months and the amount recoverable was ₹0.08 crore.	The Company accepted (December 2018) the audit observation.

Thus, out of 365 loans amounting to ₹13.01 crore examined in audit (out of 1,728 defaulted loans amounting to ₹41.38 crore), the Company sanctioned 110 loans for ₹3.50 crore without adhering to the codal provisions. This indicated that 30 *per cent* of the defaulted loans were sanctioned disregarding the norms prescribed by the Company for sanction of loans. Hence, Government/ Company may check the level of compliance of norms in sanctioning loans in the cases which were not test checked by Audit.

Non-promotion of Vidyadhanam Loan Scheme

5.1.5 The Minister for Finance, in his Budget speech 2011-12, announced (08 July 2011) "Vidyadhanam Loan Scheme" with the help of the Company for the students belonging to weaker sections having annual income less than ₹0.01 crore for professional courses. GoK would provide interest subsidy of four *per cent*. The Company was to set apart ₹30 crore every year for the scheme so as to benefit around 1,500 students annually. The scheme also covered students belonging to general category (at 13.50 *per cent* rate of interest) in addition to weaker section. Audit observed that:

- The Company disbursed loans of only ₹1.32 crore to 36 students since the launching of the scheme till March 2018. This included ₹0.31 crore to 12 students belonging to weaker sections. The Company did not fix targets for Regions/ branches for the disbursement of loans nor popularised the scheme through any advertisement, underlining the indifference of the Company to the scheme proposed by the Government.

- The rate of interest of Vidyadhanam Loan Scheme was kept unchanged at 12 p*er cent*, though the Company reduced interest rates for other loan schemes.

[84] RCL 1212 (Alappuzha Evening branch) and NCL 440 (Balaramapuram Evening branch).
[85] NHFS 3 Alappuzha Evening branch.

- In respect of ₹0.31 crore sanctioned to 12 students belonging to economically weaker sections, the interest subsidy of ₹0.05 crore was yet (July 2018) to be given by the GoK.

Taking note of the audit observation, the Company assured (December 2018) that a strategic plan would be formulated for popularising the scheme and targets would be fixed and assigned to Regions and branches. Action would also be taken to get reimbursement of the subsidy amount from the GoK.

Gold loan scheme of the Company

5.1.6 During 2015-16 to 2017-18, the Company disbursed 18.22 lakh loans amounting to ₹13,926 crore. Out of this, 14.95 lakh loans (82 *per cent*) amounting to ₹4,723.84 crore (34 *per cent*) were gold loans[86]. Considering the significance of gold loans in the total loan portfolio of the Company, apart from the sample of 77 gold loans, Audit examined, the gold loan portfolio in general. The audit observations are discussed in the following paragraphs.

Improper sanction of gold loan to private money lenders

5.1.6.1 Through the gold loan scheme, the Company aimed at (March 2012) achieving its social objective of saving the common man from the unscrupulous activities of private players. According to the circular[87] issued (June 2009) by the Company, a person can be given a maximum number of three gold loans in a working day from a branch, otherwise specific approval of the Branch Manager concerned was to be obtained. Audit observed that:

- In three[88] out of twenty branches examined by Audit, the Company extended 570 gold loans amounting to ₹0.96 crore to 16 individuals in excess of three loans on occasions ranging from 1 to 136 days. The sanction of excess loans was without the specific approval of the Branch Managers. Out of the 16 individuals, five individuals in Vizhinjam branch were private gold financiers and these private gold financiers were given excess loans of ₹0.36 crore.

- During the period 2015-16 to 2017-18, seven branches disbursed gold loans amounting to ₹156.78 crore to 11,430 loanees. Out of this, ₹66.44 crore were issued to 56 individuals through 30,370 gold loans.

  These 56 borrowers, who accounted for one *per cent* of the total loanees were disbursed 42 *per cent* of the total gold loans during 2015-16 to 2017-18. As the high number of loans availed and used by the individuals in a short span of three years seemed unlikely, the possibility of private money lenders having taken gold loan from the Company for further lending could not be ruled out. Managers of Alappuzha II and Vizhinjam branches accepted that eight individuals

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[86] Gold loan is a secured loan in which a customer pledges his/her gold ornaments as collateral for taking a loan.
[87] Circular No 48/2009 dated 20 June 2009.
[88] Malayinkeezhu, Maranallur and Vizhinjam branches.

who took large number of loans from each of the branches were private money lenders.

The Company, while acknowledging (December 2018) that the very objective of the Gold Loan Scheme would not be achieved if it was extended to private money lenders, stated that strict directions were given to Regions and branches not to entertain private money lenders.

Charging lower rate of interest

5.1.6.2 The total loans taken by a person in a particular day was to be aggregated for the fixation of applicable rate of interest. The applicable rate of interest for gold loan with effect from March 2017 was 9.50 *per cent per annum* for loans up to ₹20,000 and 10.50 *per cent per annum* for loans above ₹20,000.

Audit examined the sanction of 1,651 gold loans in which more than one loan was given to the same person on a day in 20 branches of the Company and observed that the rate of interest was fixed without aggregating the loans taken in a day. This was because the CASBA[89] software calculated interest at the rate of 9.50 *per cent* for the first loan below ₹20,000 and interest rate of 10.50 *per cent* only for the second/third loan/s. The Company thus recovered one *per cent* less interest from 1,651 gold loan accounts and suffered a loss to the extent of ₹0.01 crore in 20 branches examined by Audit.

While accepting the audit observation, the Company thanked (December 2018) the Audit for pointing out the flaw as this would arrest further monetary losses.

Delay in disposal of gold held as security

5.1.6.3 According to the circular issued (November 2012) by the Company, gold loans were repayable within six months from the date of sanction. In case of failure to repay the gold loan within one year or when the outstanding dues including interest and penal interest exceeded 85 *per cent* of the value of gold, the Company is at liberty to sell the gold pledged against the defaulted gold loans. Audit observed that:

- There were delays ranging from 23 to 37 months in conducting auctions of gold held as security for realisation of outstanding dues of ₹1.21 crore in 135 cases in 6 out of the 20 branches examined in audit. Due to the delay in conducting auction, the Company recovered only ₹0.96 crore through auction sales resulting in a loss of ₹0.25 crore. Apart from this, Audit observed that in other 78 branches, there were delays ranging from 16 to 52 months in conducting auction of gold resulting in loss of ₹2.27 crore.

Concurring with the audit observation, the Company replied (December 2018) that immediate actions would be arranged to conduct auction. Loss already sustained would be recovered from the persons concerned.

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[89] **Core Application Software for Business Accounting (CASBA) is the networked software used in the branches for chits and loans.**

Recovery of loans

5.1.7 The loans advanced by the Company, except gold loans[90], were repayable with interest in monthly instalments over periods ranging from 6 months to 30 years as detailed in ***Appendix 11***. In case of default in payment of monthly instalments, penal interest was to be charged on the default amount and in case of default beyond 18 months, such cases were to be referred for revenue recovery proceedings.

Audit observations on the recovery procedure are described below:

Recovery of default amount from sureties

5.1.7.1 The GoK introduced an online system, Service and Payroll Administrative Repository for Kerala (SPARK), for effecting recoveries from the salary of the employees from August 2016. As per the system, the Drawing and Disbursing Officer shall recover the dues from the salary of the employees and credit the amount directly to the Company. Out of 442 loans examined in audit, default amount of ₹1.12 crore in respect of 52 borrowers was to be recovered from the salary of the sureties.

Audit observed that out of the 20 branches examined by Audit, 12 branches did not register under SPARK. As a result, recovery of ₹0.68 crore in respect of 33 loans could not be effected. In respect of the balance 19 loans amounting to ₹0.44 crore in eight branches registered under SPARK, no amount could be recovered as the Branch Managers did not place the request on SPARK.

The Company replied (December 2018) that instructions were given to all branches to ensure registration and recovery under SPARK.

Recovery of default amount from prize money

5.1.7.2 According to the Manual of Procedure of the Company, default, if any, in respect of any chitty/loan of the subscriber/borrower or any surety can be deducted from the prize money of the chitties of the subscriber/borrower or surety.

Audit observed that:

- The Company did not recover the default amount of ₹0.02 crore in respect of three New Chitty Loans[91] from the prized chitties of the borrowers.

- An amount of ₹0.54 crore was overdue from three defaulters[92] for more than 18 months which was due for revenue recovery action. These three principal defaulters won prize money of ₹0.30 crore against chitties. The Company adjusted only ₹0.23 crore against the overdue amount of ₹0.54 crore of these defaulters. The balance prize money of ₹0.07 crore was adjusted against the default amount of five other persons. The loan

[90] Gold loans are not repayable through EMIs but have a maximum repayment period of six months.
[91] NCL 2255 (Malayinkeezhu), NCL 589 (Alappuzha Evening) and NCL 1784 (Kattanam).
[92] Smt. Saleena Shahjahan, Shri Javahar CL and Shri Jayan of Chittar, Malayinkeezhu and Vizhinjam branches respectively.

accounts of two persons[93] were settled this way. The adjustment of prize money against the default amount of other persons was irregular. Thus, settlement of prize money against the dues of other parties without adjusting against the principal defaulter, allowed the principal defaulter the possibility of collecting the amount subsequently from the other persons. Audit also observed that although three defaulters were in default for more than 18 months, these loans were yet to be referred to SDT for revenue recovery proceedings.

The Company replied (December 2018) that if the branches had violated the existing norms, stringent action would be taken against them.

Recovery of dues through revenue recovery action

5.1.7.3 As per the provisions of the Manual of Procedure issued by the Company, loans in default for more than 18 months were to be referred for revenue recovery action under the provisions of the Kerala Revenue Recovery Act, 1968. Audit observed that out of 442 defaulted loans worth ₹13.21 crore examined in audit, 402 loans involving an amount of ₹12.14 crore were in default for periods ranging from 19 to 72 months. Although these 402 loans were to be referred for revenue recovery action, the Company did not initiate revenue recovery action as of July 2018.

As no case out of the 402 test checked cases was referred for revenue recovery action, in order to assess the efficacy of recovery through revenue recovery action, Audit examined the functioning of four out of 10 SDT offices and the Head Office-Revenue Recovery (HO-RR) wing.

Audit observed that:

- As of March 2018, 16,107 loans/ chitty files involving recovery of ₹474.55 crore were pending at the 10 SDT offices and 4,294 files were not traceable.

- In the four SDT offices examined in audit, 606 loans/ chitty files were not traceable. In respect of 57 such default cases in SDT office, Alappuzha amount recoverable was ₹3.02 crore[94]. Only the office of SDT, Alappuzha had done reconciliation with the HO-RR wing regarding these missing files. The other three offices did not reconcile the differences.

The Company replied (December 2018) that action would be taken against the branches which had not initiated RR action even after the loans were in default for more than 18 months. The Company further assured that the issue of missing files in SDT offices would be looked into seriously.

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[93] **Smt. Arifa Beevi RCL 355-₹2.15 lakh and Shri Sisupalan prize money 16/2012-18 ₹0.53 lakh.**

[94] **The remaining three SDT offices did not carry out reconciliation of files generated and sent from HO-RR wing and files entered in the RR Demand Register at the SDT offices.**

Attachment of movable and immovable properties

5.1.7.4 As per Section 5 of the Kerala Revenue Recovery Act, 1968, the Company can attach movable and immovable properties of the defaulter for recovery of dues to the Company. Audit observed that:

- Out of ten SDT offices, only SDT office, Thrissur attached movable property and recovered ₹2 crore during 2017-18 in part settlement of the dues in 23 out of 617 cases. None of the other offices attached movable properties.

  The Company replied that all the SDTs were given directions to explore this method as part of revenue recovery proceedings.

- Out of 171 RR files examined in audit, in respect of 13 loan/ chitty files[95] in three SDT offices, repeated time extensions and facilities for payment in instalments were offered on the recommendation of the Ministers, Chairman and Vice Chairman of the Company. These repeated extensions were offered despite non-adherence to the conditions of the previous extensions. Further, in 19 cases involving an amount of ₹0.93 crore, revenue recovery action was not resumed even though the defaulters failed to adhere to the conditions of time extension/ stay orders.

  The Company stated (December 2018) that repetitive administrative stays hampered the functioning of SDTs and it was not practical to completely avoid such administrative stays. The Company also stated that a system was being brought in for disclosing details of stays obtained previously.

Thus, due to the delay in referring cases for revenue recovery action coupled with the delay in recovery of dues even in cases referred, the percentage of non-performing assets (NPA) of the Company ranged between 18.53 and 22.25 during 2015-16 to 2017-18, while the percentage of NPA of NBFCs as per RBI report was only 5.86 *per cent* as of March 2018.

The Company clarified that as the Company was compelled to take a lenient approach in many instances owing to its social commitment and its functioning cannot be compared with the banks.

The Company's reply was not acceptable as the Company classified a loan as NPA on non-payment of loan instalments for six months whereas the banks adopted three months for NPA classification. Further, higher percentage of NPA highlights the failure of the recovery mechanism of the Company.

Computerisation of revenue recovery process

5.1.8 For the management of the revenue recovery processes at the 10 Special Deputy Tahsildar (SDT) Offices and at the HO-RR wing, the Company used

[95] **RR File No.7047, 7050, 5051, 7701, 8233, 8206, 8208 and 8207 (Alappuzha SDT), RR File No. 1495 (Thiruvananthapuram SDT), RR File No, 7975, 7976, 7978 and 7979 (Kozhikode SDT).**

three software packages, *viz*., Revenue Recovery System (RRS), RRS1314,[96] which are vintage DOS based packages and Centralised Application Software (CAS) RR. The Company introduced CAS RR in April 2016 as an integrated system for linking SDT offices and HO-RR wing. However, CAS RR generated only the RR demand and collection entries remained to be entered in RRS and RRS 1314 as all the functional modules of CAS RR were not operational. Further, all the three software were not connected with CASBA used in branches. Thus, there was no integrated software package in SDT offices and at the Head Office RR Section.

The Company replied (December 2018) that it has initiated steps for developing RR module in CASBA which would be ready by 2019-20.

The GoK endorsed (May 2019) the replies of the Company.

Conclusion

The Company accepted deposits from the public in excess of government guarantee and issued fixed deposit receipts and Sugama Deposits Pass Books with the undertaking that the deposits were guaranteed by the Government. Loans were sanctioned without following norms applicable to the different categories of loan. Gold loans were sanctioned to private money lenders in violation of the objectives of the Company. There were delays in auction of gold to recover dues in default cases. Default loans were not referred for recovery of dues through revenue recovery action. Percentage of NPA on loans outstanding of the Company stood at 22.25, whereas the NPA of NBFCs as per report of RBI was only 5.86 *per cent.*

The Audit observation is based on our analysis on sample cases only. Since there is a possibility of more such cases occurring in other loans, the Company may examine the loans not covered in audit and take suitable corrective action.

Kerala Feeds Limited

5.2 Failure in implementation of project

Failure of the Company to identify 7,204 women beneficiaries for free distribution of goats resulted in loss of GoI assistance amounting to ₹3.03 crore, besides non-achievement of the objective of the scheme, namely, equipping women to become self-employed/ entrepreneurs.

Government of India (GoI) approved (March 2012) a goat-rearing project submitted by Kerala Feeds Limited (Company) under Support to Training and Employment Programme for Women (STEP) Scheme. The project envisaged giving one goat each, free of cost, to 10,000 women beneficiaries belonging to economically and socially backward sections of the society, drawn from urban

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[96] **RRS was used for cases in respect of which RR action was initiated prior to 31/03/2013, while the RRS1314 was used for RR action initiated after 01/04/2013**.

and rural areas. As per the approved project, the goat-rearing project was to be implemented over a period of two years, by April 2014. Total cost of the project was pegged at ₹6.25 crore, to be shared by GoI (₹5.63 crore[97]) and Government of Kerala (GoK) (₹0.62 crore[98]) by way of grants. GoI released (April 2012) ₹2.60 crore[99] towards the first instalment of its share.

The Company did not implement the project within the stipulated period and based on the request (July 2014) of the Company, GoI extended (December 2014) the completion time for a further period of two years up to March 2016. The Company did not complete the project even within the extended time. As of June 2018, goats were given to only 749 beneficiaries instead of 10,000 beneficiaries as envisaged.

Audit noticed that:

- For the overall monitoring and implementation of the project, a project monitoring and implementation committee was to be immediately constituted. After the approval of the project, the Company constituted (May 2012) a sub-committee to examine whether the implementation of the project was permissible as per the object clause of its Memorandum of Association and to suggest a viable *modus operandi* for the project. Accepting (April 2013) the recommendations of the sub-committee (October 2012), the Company constituted the project monitoring and implementation committee in April 2013. The delay of one year in constitution of the committee was avoidable as issues like modus operandi, mandate for implementation of the scheme *etc*. were to be addressed at the time of submission of project report to the GoI.

- As per the approved project, beneficiaries were to be selected based on their income criteria and social status by convening meetings at public places after giving wide publicity. The Company, however, decided (April 2013) to select mothers of girl students studying in high schools as beneficiaries from 14 blocks, which was subsequently reduced to nine blocks. Thereafter, the Company invited applications from nine blocks for enlistment of beneficiaries and 22,261 girl students of 64 schools responded (October 2013) to this. As criteria such as income and social status of students were not specified by the Company, beneficiaries were not selected out of these 22,261 students. Subsequent action was taken by the Company only in July 2015 when it asked 30 out of 64 schools to filter information of students as belonging to Scheduled Caste/Scheduled Tribe categories and below poverty line. The basis of selection of 30 out of 64 schools was not on record. Based on the information furnished by 18 schools between July 2015 and December 2015, the Company selected 2,796 eligible students.

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[97] ₹2.90 crore in first year and ₹2.73 crore in second year.
[98] ₹0.32 crore in first year and ₹0.30 crore in second year.
[99] Balance amount of ₹0.30 crore as second instalment of the first year was to be released on submission of audited statement of accounts, utilisation certificate, physical report of the project *etc*.

Thus, the Company identified only 2,796 eligible beneficiaries instead of the required 10,000 beneficiaries, due to deviations from the approved project and frequent changes in the area for coverage.

- For distribution of goats to eligible beneficiaries, the Company issued (August 2015) purchase order to a contractor to supply 5,000 goats. The Company was to provide supply schedule (at least 100 numbers in one lot) to the contractor seven days in advance.

  Audit noticed that after the supply and distribution of the first lot of 84 goats in September 2015, the Company provided next supply schedule for 1,156 goats only in January 2016. Against this, the contractor supplied only 665 goats during January and February 2016. Thereafter, no supply schedule was given to the contractor.

  Thus, though the Company identified 2,796 eligible beneficiaries and had a valid purchase order for supply of 5,000 goats; it distributed goats to 749 beneficiaries only from September 2015 to March 2016, utilising ₹0.34 crore out of ₹2.60 crore released by the GoI.

- As per the terms and conditions of STEP Scheme, release of the balance share of GoI assistance amounting to ₹3.03 crore was dependent on timely completion of the project. Further, if a part of the grant was left unspent after expiry of the period, the Company was required to refund the balance amount along with interest at 10 *per cent per annum.*

  As the Company distributed goats free of cost to 749 beneficiaries only as of June 2018, GoI did not release the balance share of ₹3.03 crore. Further, the Company is bound to refund the unspent balance of ₹2.26 crore along with interest of ₹0.51 crore[100].

Thus, failure of the Company to identify 7,204 women beneficiaries for free distribution of goats resulted in loss of GoI assistance amounting to ₹3.03 crore, besides non-achievement of the objective of the scheme, namely, equipping women to become self-employed/ entrepreneurs.

GoK replied (September 2018) that a committee was constituted (September 2018) for studying the changes to be made to the existing project and submit a realistic and practical report to the Government at the earliest. After studying the said report, GoI would be requested to extend the completion time of the project up to 2020.

The reply was not acceptable as there was undue delay in constituting the committee considering that the project was to be completed by March 2016.

[100] **₹2.26 crore x 10 *per cent per annum* x 27 months (From April 2016 to June 2018).**

Kerala State Road Transport Corporation

5.3 Sharing of revenue from Build, Operate and Transfer (BOT) projects

Due to non-adherence to the directions of Government of Kerala in payment of annuity by the BOT operator, the Corporation incurred an avoidable loss of interest of ₹0.40 crore. Further, the share of revenue amounting to ₹4.54 crore from the use of interest free security deposit remained to be claimed from the BOT operator.

Government of Kerala (GoK) approved (May 2007) the construction of four shopping complexes on Build, Operate and Transfer (BOT) basis by Kerala Transport Development Finance Corporation Limited (BOT Operator). The shopping complexes were to be constructed on the land owned by Kerala State Road Transport Corporation (Corporation) at Angamaly, Thampanoor, Kozhikode and Thiruvalla bus stations. In consideration of the use of land, the BOT operator was to pay the Corporation an annuity at the rate of 50 *per cent* of the net monthly income[101] generated from the BOT project after the construction period. The annuity was payable on quarterly basis.

The BOT operator completed the construction of all the four shopping complexes[102] between June 2012 and March 2016. Shops in Thiruvalla complex were not let out as the Municipality did not allot building number to the shopping complex due to violation of Fire and Safety Rules. In Kozhikode shopping complex, shops were not allotted due to court case arising from allotment of the entire space as a single block to MAK Associates, the highest bidder.

The BOT operator started allotting shops in Angamaly and Thampanoor shopping complexes with effect from August 2012[103] on the basis of highest monthly rent offered. As of February 2019, the percentage of allotment in these complexes was between 84 and 91 respectively.

Audit observations on sharing of revenue in these two shopping complexes are discussed below:

- According to the directions of the Government, the Corporation and the BOT operator were to execute an agreement for working out the net income. Such an agreement was not executed so far (February 2019) in respect of any of the shopping complexes.

- From the Angamaly shopping complex, the Corporation was to get ₹3.80 crore (based on the net income worked out by the BOT operator) towards the annuity from the BOT operator during July 2012 to March 2018[104]. The BOT operator did not, however, pay the share of net revenue to the

[101] Income after deducting all expenses related to operation and maintenance of the shopping complex.
[102] Angamaly in June 2012, Thampanoor in May 2014, Thiruvalla in October 2015 and Kozhikode in March 2016.
[103] Income from pay and park derived from May 2012 onwards.
[104] This includes share of income derived from parking fees during May 2012 to July 2012.

Corporation until November 2014 on the ground that the entire commercial space was not let out and hence, the monthly expenses for operation and maintenance of the building was not assessable. When the Corporation took up the issue with the BOT operator in November 2014, the BOT operator paid ₹3.01 crore as annuity on provisional basis in seven tranches between November 2014 and October 2017. The delay in payment of the annuity ranged between 18 and 773 days. After October 2017, no payment was received till date (July 2018) despite ₹0.79 crore remaining recoverable towards the share of the Corporation for the period from July 2017 to March 2018.

- Similarly, in respect of Thampanoor shopping complex, the Corporation was to get ₹0.39 crore towards the annuity from the BOT operator during January 2015 to March 2018. But no payment was received till date (July 2018).

- As the Corporation carried out its day to day operations with borrowed funds carrying rate of interest between 13 *per cent* and 14 *per cent* during 2012-13 to 2017-18, the delay in receipt of annuity from the BOT operator, resulted in loss of interest of ₹0.40 crore[105] to the Corporation.

- As per conditions of allotment of space, the successful bidders were to remit Interest Free Security Deposit (IFSD) equivalent to 18 times the amount offered as monthly rent. This amount would be retained by the BOT operator until the expiry/ termination of the lease period. As per the directions of the GoK, all the revenue derived by the BOT operator from the BOT project after the construction period was to be included in income.

  Audit observed that the BOT Operator collected ₹23.83 crore[106] from the tenants of the four shopping complexes during 2014-2018. Income sharing formula between the BOT operator and the Corporation did not consider the benefit derived by the BOT operator from IFSD. Considering the cost of debt incurred by the BOT Operator, benefit derived by the BOT operator from the use of IFSD worked out to ₹9.07[107] crore during 2014-15 to 2017-18.

  Although the benefit of ₹9.07 crore derived out of IFSD was to be shared with the Corporation, the same was not done by the BOT operator. Thus, the Corporation did not get 50 *per cent* (i.e., ₹4.54 crore) of this revenue.

Thus, due to non-adherence to the directions of the GoK in payment of annuity by the BOT operator, the Corporation incurred an avoidable loss of interest of ₹0.40 crore. Further, the share of revenue amounting to ₹4.54 crore from the use of IFSD remained to be claimed from the BOT operator.

[105] Calculated at the average cost of borrowing of 13.42 *per cent*. ₹0.37 crore in case of Angamaly and ₹0.03 crore in Thampanoor shopping complexes respectively.

[106] Angamaly ₹13.50 crore, Thampanoor ₹7.09 crore, Thiruvalla ₹3.20 crore and Kozhikode ₹0.04 crore.

[107] Interest has been worked out taking average balance (i.e. opening balance + closing balance / 2) of IFSD for each financial year.

GoK, while confirming (July 2019) that the Corporation and the BOT operator were yet to enter into an agreement, stated that only rental income was directly attributable to the operation and maintenance of the building and, hence, considered for calculation of annuity. GoK also replied that as per the accounts of the BOT operator, ₹502 crore was due from the Corporation towards outstanding loans and interest thereon. Government directed the Corporation to reconcile the loans accounts. Income sharing would be considered only after arriving at a final decision in these matters.

The reply of the GoK was not acceptable because as per the orders (October 2007) of the GoK, the BOT operator was to maintain full accounts of all fees including realisable fees and other revenues derived/ collected on account of the use of bus terminal complex. Fifty *per cent* of the net monthly income was to be shared between the Corporation and the BOT operator. Hence, the benefit derived out of IFSD was also sharable. Clearance of loan liability was not to be linked with the payment of annuity as the BOT operator paid ₹3.01 crore as annuity in respect of Angamaly project to the Corporation on provisional basis even when loan of ₹502 crore was due (March 2016) from the Corporation.

5.4 Investment of surplus funds by Public Sector Undertakings

Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of ₹5.68 crore due to such deposit in banks.

According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds/ profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 *per cent per annum* for periods ranging from 180 days to less than one year and 9 *per cent* for a period of one year and above with effect from 1 May 2015[108].

During the three years from 2015-16 to 2017-18, out of 136 PSUs in the State, 64 PSUs registered profits as per their latest finalised accounts. In order to examine compliance of PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit making PSUs.

Audit noticed that:

- Out of the 14 PSUs, seven PSUs[109] deposited their surplus funds of ₹554.37 crore in 570 fixed deposits (FDs) with scheduled/ co-operative banks when the rate of interest was lower than the rate offered by

[108]Revised to 7.00 *per cent* and 8.50 *per cent* respectively with effect from 01/03/2017.

[109]The Kerala State Financial Enterprises Limited (KSFE) – 186 FDs (₹181.74 crore), Kerala State Industrial Development Corporation Limited (KSIDC) – 275 FDs (₹272.55 crore), Malabar Cements Limited- 54 FDs (₹40 crore), Kerala Financial Corporation – 2 FDs (₹0.46 crore), Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited – 2 FDs (₹0.04 crore), The Plantation Corporation of Kerala Limited –37 FDs (₹46.50 crore) and The Kerala State Backward Classes Development Corporation Limited - 14 FDs (₹13.08 crore).

Treasury Fixed Deposits. This resulted in foregoing additional interest income of ₹5.68 crore.

Four PSUs namely, Malabar Cements Limited (MCL), Kerala State Industrial Development Corporation Limited (KSIDC), The Kerala State Financial Enterprises Limited (KSFE) and The Plantation Corporation of Kerala Limited (PCKL) replied (February/September 2018, May 2019) that there were difficulties in getting funds released from the Government Treasury due to temporary restriction on withdrawal limits *etc*. KSFE also replied that funds were parked in banks for period less than 180 days only while MCL stated that FDs had to be prematurely closed on several occasions to meet working capital requirements. Kerala Financial Corporation (KFC) replied (May 2019) that the amount was deposited as security for an Execution Petition as directed by Hon'ble High Court of Kerala. The replies of KSIDC, KSFE and MCL were endorsed (January/July/August 2019) by GoK.

The replies were not acceptable as treasury restrictions were not applicable for deposit of amount below ₹10 crore. The deposits made by KSFE, MCL and KSIDC were below ₹10 crore. All the FDs maintained by MCL in banks were for a period of one year or more and hence, cannot be considered as kept to meet working capital requirements. Further, premature closure facility was available for Treasury Fixed Deposits as well. The reply of KFC was not acceptable as the High Court did not specify that the deposit was to be made in bank.

The Finance Department, GoK replied (July 2019) that the PSUs were directed (August 2018) to deposit their own funds either in treasury or any scheduled bank according to their choice. The reply was not acceptable as the direction of GoK in August 2018 was not effective retrospectively and the deposits pointed out by Audit were made prior to it.

Thus, seven PSUs deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of the directions of the GoK and incurred loss of interest of ₹5.68 crore.

The Kerala State Cashew Development Corporation Limited

5.5 Infructuous expenditure

Decision to meet expenditure on an advertisement, which was not beneficial to the Company or Government, from the Company's fund resulted in infructuous expenditure of ₹0.39 crore.

As per Rule 60 of Kerala Government Servants' Conduct Rules, 1960 applicable to Public Sector Undertakings, employees/directors of PSUs shall not criticise any policy pursued or action taken by the Government. Clause no. III.B (15) of the Memorandum of Association of Kerala State Cashew Development Corporation Limited (the Company), a PSU, states that the Company can meet expenses on account of advertisements, only if incurred for the promotion of the Company or considered necessary for the attainment of the objectives of the Company.

The Company publishes advertisement for tender enquiries, recruitment of personnel and sales promotion. These advertisements are published in two to three local newspapers.

During 2012-13, the Company incurred an amount of ₹0.30 crore towards advertisement (sales promotion ₹0.16 crore, tender enquiries ₹0.09 crore and recruitment of personnel ₹0.05 crore). Apart from this, the Company also published an advertisement on 1 July 2012 in 13 newspapers incurring expenditure of ₹0.39 crore as directed by Board of Directors of the Company. The advertisement was in the nature of accusations against various departments of Government of Kerala alleging non-cooperation in the working of the Company.

Since the advertisement was not in the interest of the Company or the Government, the Industries Department, GoK, based on the opinion of Finance Department, directed (September 2012) the Managing Director of the Company to recoup the expenditure incurred on this advertisement from the Chairman and Board of Directors of the Company.

Against the appeal of the Managing Director of the Company for review of the decision, the Finance Department, GoK reiterated that the expenditure should be treated as a personal liability of the Chairman and the Directors of the Company. Overruling the objection of the Finance Department, the Council of Ministers, GoK allowed (October 2014) the Company to meet the advertisement expenditure from the resources of the Company. The Company paid the advertisement expenditure in October 2014.

Audit observed that the action of the Chairman and Board of Directors of the Company to publish an advertisement criticising the policies and initiative of the Government in itself was violative of codal provisions. Since the advertisements were not in the nature of tender enquiries or for recruitment of personnel and sales promotion, these advertisements did not serve the cause of the Company.
Thus, the decision to meet the expenditure on an advertisement, which was not beneficial to the Company or Government, from the Company's fund resulted in infructuous expenditure of ₹0.39 crore.

GoK replied (August 2018) that the said advertisement was not beneficial to the Government or the Company and undoubtedly squandered public money. An amount of ₹0.37 crore was due to various newspapers on account of the advertisement and the managements of the newspapers were pressing for an early settlement of their dues. The Council of Ministers considered the matter and decided to accord sanction to meet the expenditure incurred for the advertisement from the funds of the Company.

The reply was not acceptable as the decision to meet an expenditure which was not beneficial to the Government or Company was improper.

5.6 Delay in finalisation of Annual Accounts in State PSUs

Failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of the annual financial statements of PSUs within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crore by the Government of Kerala and expenditure incurred were properly accounted for. Moreover, the Government's investment in such PSUs remained outside the control of State Legislature.

According to the provisions of Section 136 (1) read with Sections 129 (2) and 96 (1) of the Companies Act, 2013, companies are required to finalise their annual financial statements and place the audited financial statements for every financial year along with annual reports in the Annual General Meeting within six months from the end of the relevant financial year (by September). The same shall also be placed in the State Legislature within three months thereafter (by December).

In compliance with the provisions of the Companies Act, 2013, State Public Sector Undertakings were to place their audited accounts up to the financial year 2017-18 along with the annual reports in the Annual General Meeting by September 2018. The same was also to be placed in the Legislature by December 2018.

Audit observed that:

- Out of 121 working PSUs in the State, 13 PSUs finalised their financial statements for the year 2017-18 as of September 2018. Only six PSUs did, however, place their audited financial statements in the State Legislature within December 2018 as shown in the **Table 5.2:**

Table 5.2: Details of placement of audited financial statements in the State Legislature as of July 2019

Particulars	Total	Annual General Meeting			State Legislature		
		Within 30/09/2018	After 30/09/2018	Not placed so far	Within 31/12/2018	After 31/12/2018	Not placed so far
Number of Working PSUs which finalised accounts up to the financial year 2017-18	13	6	7	0	6	6 [110]	1 [111]

The remaining 108 PSUs had arrears in finalisation of accounts for periods ranging between 1[112] and 11[113] years. Audit also observed that

[110] The Kerala State Financial Enterprises Limited, Autokast Limited, Indian Institute of Information Technology and Management-Kerala, Steel and Industrial Forgings Limited, Kerala State Power and Infrastructure Finance Corporation Limited, Kerala High Speed Rail Corporation Limited.
[111] Kerala State Electricity Board Limited.
[112] 22 PSUs had arrear in accounts of one year.
[113] Trivandrum Spinning Mills Limited (2007-08 to 2017-18).

during the accounts arrear period (2008-09 to 2017-18), the Government of Kerala infused budgetary assistance of ₹5,922.25 crore by way of equity, loans and grants to these PSUs.

- In order to ensure that State Public Sector Undertakings adhered to the provisions of the Companies Act on the finalisation of the annual financial statements, the Finance Department, Government of Kerala issued (September 2015) directions to Administrative Departments of the PSUs to withhold 10 to 15 *per cent* of budget allocation of defaulting PSUs. Further, no fresh Government guarantee was to be provided to defaulting PSUs to obtain loan.

  During 2015-16 to 2017-18, the Administrative Departments, however, released budget allocation of ₹218.63 crore (2015-16), ₹415.27 crore (2016-17) and ₹317.10 crore (2017-18) in full respectively to 23, 24 and 30 PSUs whose accounts were in arrears. Furthermore, six PSUs were given Government guarantee of ₹567.86 crore during 2016-17 for availing loans. During 2017-18 also, nine PSUs with accounts in arrears were given Government guarantee to the tune of ₹1,055.37 crore.

  Thus, though the Administrative Departments had the responsibility to oversee the activities of the PSUs and to ensure that the accounts were finalised and adopted by these PSUs within the stipulated period, the Administrative Departments did not withhold 10 to 15 *per cent* of budgetary assistance to PSUs with arrears in finalisation of accounts.

- As per Section 139 of the Companies Act, 2013, the Statutory Auditors of PSUs are appointed by the Comptroller and Auditor General of India (CAG).

  Audit observed that the CAG appointed Statutory Auditors for the years in which financial statements were in arrears as far back as September 2008. But these PSUs did not finalise the arrear accounts so far due to non-availability of qualified accounting staff. The Government of Kerala permitted (December 2016) PSUs to employ outside professionals at Government expense to overcome the shortage of accounting staff. But, this possibility was also not explored by 108 PSUs whose annual financial statements were in arrears for 1 to 11 years.

Thus, failure of the Administrative Departments in initiating punitive measures resulted in non-finalisation of annual financial statements within the stipulated period. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investment of ₹5,922.25 crore by Government of Kerala and expenditure incurred were properly accounted for. Moreover, Government's investment in such PSUs remained outside the control of State Legislature.

GoK replied that the PSUs were directed (17 July 2018) to submit a schedule for finalisation of accounts and complete their audit before 31 July 2018, but most of the PSUs did not comply with the same. The PSUs were directed (August 2018) to furnish a schedule of approval of accounts for each pending year to the Finance Department by 31 August 2018, failing which further fund release and pay revision of employees of PSUs would be stopped. The Chief Executives/Managing Directors of all PSUs were also informed (31 December 2018) that pay revision of employees in PSUs would be subject to finalisation of accounts up to previous year and also on maintenance of up-to-date accounts.

The reply was not acceptable as the Government did not implement its own earlier directions of withholding grants and denial of fresh government guarantee to PSUs with arrears in finalisation of accounts.

Thiruvananthapuram,
The

(S. SUNIL RAJ)
Accountant General
(Economic and Revenue Sector Audit)
Kerala

Countersigned

New Delhi,
The

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

Appendix 1

Summarised financial results of Power Sector Undertakings for the latest year for which accounts were finalised

(Referred to in Paragraph 1.8)

(₹ in crore)

Sl. No.	Name of the Company/ Corporation	Period of accounts	Net Profit / Loss (-) before Interest and Tax)	Net profit / Loss(-) after tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net Worth	Accumulated profit / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Kerala State Power and Infrastructure Finance Corporation Limited	2017-18	8.25	5.97	9.03	26.65	64.47	64.47	37.82
2	KINESCO Power and Utilities Private Limited	2016-17	3.15	1.54	55.48	0.10	5.05	3.15	3.05
3	Kerala State Electricity Board Limited	2017-18	85.27	-1,860.42	12,318.17	3,499.05	14,462.46	-1,472.08	-4,971.13
	Total		**96.67**	**-1,852.91**	**12,382.68**	**3,525.80**	**14,531.98**	**-1,404.46**	**-4,930.26**

Appendix 2

Details of SHEPs commissioned and SHEPs under implementation

(Referred to in Paragraph 2.1)

Sl. No.	Name of the projects	Installed capacity (MW)	Expected generation (MUs)	Estimated project cost (₹ crore)	Cost as per financial accounts (as on 31/03/2018) (₹ crore)
Commissioned SHEPs					
1	Chimmony	2.50	6.70	23.45	22.95
2	Adyanpara	3.50	9.01	28.56	46.11
3	Barapole	15.00	36.00	138.44	158.70
4	Vellathooval	3.60	12.17	35.32	40.22
5	Perunthenaruvi	6.00	25.77	67.90	93.05
6	Peechi	1.25	3.21	7.45	14.98
7	Vilangadu	7.50	22.63	37.83	108.46
	Total	**39.35**	**115.49**	**338.95**	**484.47**
Ongoing SHEPs					
1	Bhoothathankettu	24.00	83.50	231.21	136.70
2	Upper Kallar	2.00	5.15	23.56	13.77
3	Poringalkuthu	24.00	45.02	171.42	85.09
4	Chathankottunada-II	6.00	14.76	33.14	23.27
5	Kakkayam	3.00	10.39	30.32	29.64
6	Pazhassi Sagar	7.50	25.16	73.80	6.00
	Total	**66.50**	**183.98**	**563.45**	**294.47**
Projects to be taken up					
1	Anakkayam	7.50	22.83	91.66	…
2	Olikkal	5.00	10.26	45.75	…
3	Poovaramthode	3.00	5.88	38.57	…
4	Chathankottunada-I	3.50	7.98	-[114]	…
5	Chembukdavu-III	7.50	17.72	81.75	…
6	Peechad	3.00	7.74	17.46	…
7	Ladrum	3.50	12.13	30.09	…
8	Western Kallar	5.00	17.14	66.79	…
9	Marmala	7.00	23.02	70.18	…
	Total	**45.00**	**124.70**	**442.25**	…

[114] **Chathankottunada-I estimate is not prepared as project is at pre-construction stage.**

Appendix 3
Statement showing delay in award of civil and electromechanical works
(*Referred to in Paragraph 2.4*)

Sl. No.	Project	Scheduled date of award of work	Actual date of award of work	Delay (days)	Name of the contractor	Awarded cost (₹ in crore)	Reasons for delay
Civil works							
1	Perunthenaruvi	25/03/2010	11/11/2010	231	Paulose George Construction Company Pvt. Ltd.	34.83	Rectification of defects and shortfall in prequalification bid and delay in decision making for relaxing the prequalification criteria to open the price bid of unqualified bidders.
2	Bhoothathankettu	24/01/2014	07/02/2014	13	Sree Saravan Engg Bhavni (P) Ltd.-RPP Infra Projects	86.81	No substantial delay.
3	Poringalkuthu	30/05/2011	19/08/2011	112	GVR-GMW JV	91.61	Rectification of defects and shortfall in prequalification bid.
4	Adyanpara[115] (Tender invited on 02/07/2010)	Not Specified#	06/01/2012	402	KBL-ACEL Consortium	27.10	Delay in decision making as to the eligibility of the defaulted party in the original contract to participate in the retender at the risk and cost of the same party. Further delay in obtaining government approval to issue the work order to the defaulted contractor being the L1 in the retender.
5	Barapole (Tender invited on 18/01/2010)	Not Specified#	28/08/2010	71	PGCCL	73.95	Rectification of defects and shortfall in prequalification bid and delay in decision making for relaxing the prequalification criteria to open the price bid of unqualified bidders.
6	Kakkayam (Tender invited on 23/07/2010)	Not specified#	03/03/2011	70	K K Engineering Company	16.33	Reasons were not furnished.
Electromechanical works							
1	Perunthenaruvi	15/10/2010	27/07/2011	285	Flovel Energy (P) Ltd	13.33	Rectification of defects and shortfall in prequalification bid. After opening price bid, delay in finalising the L1 party due to deliberations for deciding the additional cost of civil work and technical and commercial deviation and negotiation with the party.

[115] **Civil and electrical works were tendered and awarded as a single package.**

2	Bhoothathankettu	07/04/2014	06/01/2015	274	SSEB-Hunan Zhaoyang Consortium	80.58	Rectification of defects and shortfall in prequalification bid and price bid. Deciding on complaint from one of the bidders and negotiation with L1.
3	Poringalkuthu	02/05/2013	04/10/2014	520	Allonward-SSIPL Consortium	41.10	Change in specifications and inviting price bid for two types of turbines from all the bidders. Rectification of defects and shortfall in prequalification bid and price bid.
4	Barapole (tender invited on 04/11/2010)	Not Specified#	05/09/2012	519	Kirloskar Brothers Ltd.	24.43	Bid documents were incomplete and deficient and sought clarifications/ corrections from the bidders. Discussions/correspondences with L1 after opening of price bid as there were deviations in technical specifications with that of KSEBL.
5	Kakkayam (tender invited on 20/12/2010)	Not Specified#	03/10/2012	895	Kirloskar Brothers Ltd.	9.75	Reasons were not furnished.

Considering the normal time of five months taken for awarding the contract in other cases.

Appendix 4
Statement showing position of equity and outstanding loans relating to State PSUs (other than power sector) as on 31 March 2018
(Referred to in Paragraph 3.3)

(₹ in crore)

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
A. WORKING GOVERNMENT COMPANIES											
COMPETITIVE ENVIRONMENT SECTOR											
1	Kerala Agro Machinery Corporation Limited	Agriculture#	March-1973	1.61	…	…	1.61	…	…	…	…
2	Kerala Forest Development Corporation Limited	Forest and Wild Life	January-1975	8.27	0.93	…	9.20	1.25	…	…	1.25
3	Kerala Livestock Development Board Limited	Agriculture	November-1975	7.33	…	…	7.33	…	…	…	…
4	Kerala State Horticultural Products Development Corporation Limited	Agriculture	March-1989	7.23	…	…	7.23	…	…	3.55	3.55
5	Kerala State Poultry Development Corporation Limited	Agriculture	December-1989	1.97	…	…	1.97	…	0.47	…	0.47
6	Meat Products of India Limited	Agriculture	March-1973	2.31	…	…	2.31	2.63	0.20	11.14	13.97
7	Oil Palm India Limited	Agriculture	November-1977	6.80	4.99	…	11.79	…	…	…	…
8	The Kerala Agro Industries Corporation Limited	Agriculture	March-1968	3.04	1.70	…	4.74	9.19	…	…	9.19
9	The Kerala State Cashew Development Corporation Limited	Industries$	July-1969	457.34	…	…	457.34	326.62	…	…	326.62
10	The Kerala State Coir Corporation Limited	Industries	July-1969	8.05	…	…	8.05	1.56	…	…	…
11	The Plantation Corporation of Kerala Limited	Agriculture	November-1962	5.57	…	…	5.57	…	…	…	…

 # Agriculture Development and Farmers' Welfare
$ Industries and Commerce

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
12	The Rehabilitation Plantations Limited	Labour and Skills	May-1976	2.06	1.33	…	3.39	…	…	…	…
13	The State Farming Corporation of Kerala Limited	Agriculture	April-1972	8.43	…	0.61	9.04	0.22	…	…	0.22
14	Aralam Farming Corporation (Kerala) Limited	SC and ST Development	June-2010	0.01	…	…	0.01	...	…	…	…
15	Vazhakulam Agro and Fruit Processing Company Limited	Agriculture	October-2013	0.03	…	0.02	0.05	0.50	…	5.94	6.44
16	Kerala Aqua Ventures International Limited	Fisheries and Port	December-2007	2.04	…	1.95	3.99	...	…	…	…
17	Kerala State Coconut Development Corporation Limited	Agriculture	October-1975	2.85	...	...	2.85	10.09	...	0.65	10.74
18	Kerala Cashew Board Limited	Industries	October-2017	15.00	...	3.11	18.11	…	…	…	…
19	The Kerala State Financial Enterprises Limited	Taxes	November-1969	100.00	...	...	100.00	…	…	…	…
20	Kerala Transport Development Finance Corporation Limited	Transport	February-1991	43.83	...	...	43.83	...	...	3,001.00	3,001.00
21	Kerala Police Housing and Construction Corporation Limited	Home	July-1990	0.27	...	...	0.27	8.65	...	...	8.65
22	Kerala State Construction Corporation Limited	Public Works	March-1975	0.88	...	...	0.88	2.05	...	...	2.05
23	Kerala State Industrial Development Corporation Limited	Industries	July-1961	301.24	...	...	301.24	...	...	...	...
24	Roads and Bridges Development Corporation of Kerala Limited	Public Works	September-1999	62.43	...	...	62.43	56.00	...	53.69	109.69
25	The Kerala Land Development Corporation Limited	Agriculture	December-1972	6.79	0.34	...	7.13	1.85	...	...	1.85

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
26	Kerala State Information Technology Infrastructure Limited	Electronics and Information Technology	January-2008	225.25	...	...	225.25	...	...	...	...
27	Kinfra Export Promotion Industrial Parks Limited	Industries	October-1994	...	...	0.25	0.25	...	...	6.78	6.78
28	Kinfra Film and Video Park Limited	Industries	June-2000	...	...	1.50	1.50	...	...	30.48	30.48
29	Kinfra International Apparel Parks Limited	Industries	August-1995	...	...	3.25	3.25	...	...	34.73	34.73
30	Marine Products Infrastructure Development Corporation Limited	Industries	March-1999	2.50	2.50	…	5.00	...	...	...	...
31	Kannur International Airport Limited	Transport	December-2009	350.00	...	637.00	987.00	…	…	557.79	557.79
32	Road Infrastructure Company Kerala Limited	Public Works	March-2012	0.26	...	0.24	0.50	...	...	...	...
33	Autokast Limited	Industries	May-1984	19.97	...	...	19.97	99.21	…	0.15	99.36
34	Foam Mattings (India) Limited	Industries	December-1978	6.67	...	...	6.67	7.25	...	...	7.25
35	Forest Industries (Travancore) Limited	Industries	August-1946	0.29	...	0.09	0.38	5.94	...	...	5.94
36	Kanjikode Electronics and Electricals Limited	Industries	March-1996	0.39	...	...	0.39	...	...	...	...
37	Keltron Component Complex Limited	Industries	October-1974	7.30	...	26.93	34.23	17.42	...	…	17.42
38	Keltron Electro Ceramics Limited	Industries	April-1974	...	...	3.18	3.18	0.47	...	1.35	1.82
39	Kerala Automobiles Limited	Industries	March-1978	10.98	...	...	10.98	47.43	...	...	47.43
40	Kerala Clays and Ceramic Products Limited	Industries	June-1984	1.32	...	...	1.32	7.18	...	...	7.18
41	Kerala Electrical and Allied Engineering Company Limited	Industries	June-1964	111.13	...	...	111.13	47.61	...	...	47.61

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
42	Kerala Feeds Limited	Agriculture	October-1995	32.34	...	6.32	38.66	28.27	...	...	28.27
43	Kerala State Bamboo Corporation Limited	Industries	March-1971	10.31	...	...	10.31	42.99	1.11	...	44.10
44	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	Taxes	February-1984	1.03	...	...	1.03	...	…	…	…
45	Kerala State Drugs and Pharmaceuticals Limited	Industries	December-1971	9.08	...	...	9.08	20.24	...	1.50	21.74
46	Kerala State Electronics Development Corporation Limited	Industries	September-1972	199.55	...	4.00	203.55	89.16	...	8.62	97.78
47	Kerala State Mineral Development Corporation Limited	Industries	June-1992	1.76	...	...	1.76	10.00	...	...	10.00
48	Kerala State Textile Corporation Limited	Industries	March-1972	64.27	...	30.25	94.52	160.24	...	34.99	195.23
49	Malabar Cements Limited	Industries	April-1978	26.00	...	...	26.00	...	...	48.67	48.67
50	Sitaram Textiles Limited	Industries	February-1975	42.46	...	...	42.46	21.98	...	1.87	23.85
51	Steel and Industrial Forgings Limited	Industries	June-1983	30.07	...	...	30.07	4.94	...	2.76	7.70
52	SAIL- SCL Kerala Limited	Industries	December-1969	13.02	13.02	0.39	26.43	13.12	…	53.16	66.28
53	Steel Industrials Kerala Limited	Industries	January-1975	36.56	...	...	36.56	6.21	...	…	6.21
54	The Kerala Ceramics Limited	Industries	November-1963	11.20	...	...	11.20	34.90	...	…	34.90
55	The Kerala Minerals and Metals Limited	Industries	February-1972	30.93	...	...	30.93	…	...	…	...
56	The Metal Industries Limited	Industries	March-1928	1.90	...	0.08	1.98	8.93	...	…	8.93
57	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	Ayush	September-1975	41.67	...	...	41.67	…	...	…	…
58	The Travancore Cements Limited	Industries	October-1946	2.47	...	0.24	2.71	30.89	...	...	30.89

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
59	The Travancore Sugars and Chemicals Limited	Taxes	June-1937	1.01	...	0.31	1.32	0.10	...	...	0.10
60	The Travancore Cochin Chemicals Limited	Industries	November-1951	16.91	...	4.40	21.31	13.72	…	…	13.72
61	Traco Cable Company Limited	Industries	February-1960	53.02	...	4.20	57.22	29.22	...	4.00	33.22
62	Transformers and Electricals Kerala Limited	Industries	December-1963	23.45	…	19.52	42.97	…	...	...	…
63	Travancore Titanium Products Limited	Industries	December-1946	13.43	...	0.34	13.77	26.83	....	6.62	33.45
64	United Electrical Industries Limited	Industries	October-1950	3.88	...	1.11	4.99	39.57	...		39.57
65	Malabar Distilleries Limited	Taxes	June-2009	0.01	...	2.45	2.46	…	...	…	…
66	Kerala State Coir Machinery Manufacturing Company Limited	Industries	January-1914	23.23	...	...	23.23	…	..	..	…
67	Trivandrum Spinning Mills Limited	Industries	November-1963	9.84	...	2.00	11.84	10.93	...	6.89	17.82
68	Bekal Resorts Development Corporation Limited	Tourism	July-1995	54.98	…	…	54.98	…	…	…	…
69	Kerala Medical Services Corporation Limited	Health and Family Welfare	December-2007	5.00	…	…	5.00	…	…	…	…
70	Kerala Shipping and Inland Navigation Corporation Limited	Coastal Shipping and Inland Navigation	December-1975	58.78	…	0.03	58.81	…	…	…	…
71	Kerala State Industrial Enterprises Limited	Industries	January-1973	1.20	…	…	1.20	1.10	…	1.90	3.00
72	Kerala State Maritime Development Corporation Limited	Fisheries and Port	December-1994	10.00	…	…	10.00	…	…	…	…

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
73	Kerala Tourism Development Corporation Limited	Tourism	December-1965	108.90	...	…	108.90	1.92	…	….	1.92
74	The Kerala State Civil Supplies Corporation Limited	Food and Civil Supplies	June-1974	141.56	…	…	141.56	…	…	…	…
75	Kerala Tourism Infrastructure Limited	Tourism	August-1989	28.20	…	4.02	32.22	…	…	…	…
76	Vizhinjam International Seaport Limited	Ports	December-2004	12.00	…	…	12.00	…	…	…	…
77	Kerala State Coastal Area Development Corporation Limited	Fisheries and Ports	December-2008	5.81	…	…	5.81	…	…	…	…
78	Kerala High Speed Rail Corporation Limited	Industries	September-2011	59.00	…	…	59.00	…	…	…	…
79	Kerala Rapid Transit Corporation Limited (Erstwhile Kerala Monorail Corporation Limited)	Public Works	December-2012	22.31	…	…	22.31	…	…	…	…
80	Kerala Rail Development Corporation Limited	Transport	January-2017	51.00	25.98	...	76.98	…	…	…	…
81	Muziris Projects Limited	Tourism	March-2014	0.05	…	…	0.05	…	…	…	…
82	Azhikkal Port Limited	Fisheries and Ports	March-2018	1.27	…	…	1.27	…	…	…	…
	Sector-wise Total			**3,050.90**	**50.79**	**757.79**	**3,859.48**	**1,248.38**	**1.78**	**3,878.23**	**5,128.39**
SOCIAL SECTOR											
83	Handicrafts Development Corporation of Kerala Limited	Industries	November-1968	2.45	0.61	...	3.06	14.31	...	...	14.31
84	Kerala Artisans' Development Corporation Limited	Industries	October-1981	5.60	...	...	5.60	0.99	...	....	0.99

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
85	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	General Education	August-1984	0.50	...	...	0.50	...	...	0.31	0.31
86	Kerala Small Industries Development Corporation Limited	Industries	November-1975	23.94	...	4.15	28.09	4.87	...	4.31	9.18
87	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	Backward Communities Development	June-1980	37.19	...	...	37.19	...	...	...	...
88	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	SC and ST Development	December-1972	124.18	73.97	...	198.15	...	...	17.43	17.43
89	Kerala State Film Development Corporation Limited	Cultural Affairs	July-1975	46.28	...	...	46.28	8.76	...	…	8.76
90	Kerala State Handicapped Persons' Welfare Corporation Limited	Social Justice	July-1979	3.60	...	...	3.60	2.63	...	...	2.63
91	Kerala State Handloom Development Corporation Limited	Industries	June-1968	57.24	...	0.05	57.29	17.23	...	...	17.23
92	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	Industries	November-1985	0.87	...	...	0.87	1.10	...	...	1.10
93	Kerala State Women's Development Corporation Limited	Social Justice	February-1988	6.58	0.49	...	7.07	...	...	211.37	211.37
94	Kerala Urban and Rural Development Finance Corporation Limited	Local Self Government	January-1970	5.59	...	0.61	6.20	25.00	...	...	25.00
95	The Kerala State Backward Classes Development Corporation Limited	Backward Communities Development	February-1995	135.35	...	...	135.35	...	...	621.89	621.89
96	Kerala State Minorities Development Finance Corporation	Minority Welfare	March-2013	60.45	…	…	60.45	...	32.12	…	32.12

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
97	Kerala State Housing Development Finance Corporation Limited	Housing	July-2013	0.82	…	…	0.82	…	…	…	…
98	Kerala State Welfare Corporation for Forward Communities	General Administration	November-2012	19.51	…	…	19.51	…	…	…	…
99	Vision Varkala Infrastructure Development Corporation Limited	Planning and Economic Affairs	February-2013	3.50	...	...	3.50	...	...	...	...
100	Kerala Irrigation Infrastructure Development Corporation Limited	Water Resources	November-2000	10.00	...	...	10.00	...	...	...	...
101	Pratheeksha Bus Shelters Kerala Limited	Public Works	June-2013	0.50	…	…	0.50	0.10	…	…	0.10
102	Ashwas Public Amenities Kerala Limited	Public Works	June-2013	0.05	…	…	0.05	…	…	0.10	0.10
103	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	General Administration	December-2001	0.50	…	…	0.50	…	…	…	…
104	Overseas Development and Employment Promotion Consultants Limited	Labour and Skills	October-1977	0.86	…	…	0.86	…	…	…	…
105	Norka Roots	NORKA	December-2002	0.78	…	0.74	1.52	...	…	…	...
106	Kerala Infrastructure and Technology for Education	General Education	July-2017	5.00	…	…	5.00	...	…	…	...
107	Indian Institute of Information Technology and Management - Kerala	Electronics and Information Technology	September-2000	111.78	…	…	111.78	…	…	…	…
108	Clean Kerala Company Limited	Local Self Government	December-2013	0.05	…	13.92	13.97	…	…	…	…
109	Kerala Academy for Skills Excellence	Labour and Skills	March-2012	26.94	…	…	26.94	…	…	…	…

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
110	Bhavanam Foundation Kerala	Labour and Skills	January-2014	40.00	…	…	40.00	…	…	…	…
111	Trivandrum Engineering Science and Technology Research Park	Higher Education	March-2015	0.05	…	0.05	0.10	…	…	…	…
112	Cochin Smart Mission Limited	Local Self Government	March-2016	100.00	99.95	0.05	200.00	…	…	…	…
113	Impact Kerala Limited	Local Self Government	December-2017	0.10	…	…	0.10	…	…	…	…
114	Smart City Thiruvananthapuram Limited	Local Self Government	August-2017	0.05	…	0.05	0.10	…	…	…	…
	Sector-wise Total			**830.31**	**175.02**	**19.62**	**1,024.95**	**74.99**	**32.12**	**855.41**	**962.52**
	Total A (All Working Government Companies)			**3,881.21**	**225.81**	**777.41**	**4,884.43**	**1,323.37**	**33.90**	**4,733.64**	**6,090.91**
B. WORKING STATUTORY CORPORATIONS											
COMPETITIVE ENVIRONMENT SECTOR											
1	Kerala State Warehousing Corporation	Agriculture	February-1959	7.25	5.75	…	13.00	5.50	....	32.44	37.94
2	Kerala Financial Corporation	Finance	November-1953	220.27	...	6.23	226.50	…	...	2,015.53	2,015.53
3	Kerala Industrial Infrastructure Development Corporation	Industries	February-1993	…	…	…	…	400.26	...	17.01	417.27
4	Kerala State Road Transport Corporation	Transport	April-1965	773.64	23.21	...	796.85	2,335.81	…	3,100.00	5,435.81
	Sector-wise Total			**1,001.16**	**28.96**	**6.23**	**1,036.35**	**2,741.57**	…	**5,164.98**	**7,906.55**
	Total B (All Working Statutory Corporations)			**1,001.16**	**28.96**	**6.23**	**1,036.35**	**2,741.57**	…	**5,164.98**	**7,906.55**
	Grand Total (A+B)			**4,882.37**	**254.77**	**783.64**	**5,920.78**	**4,064.94**	**33.90**	**9,898.62**	**13,997.46**
C. NON-WORKING GOVERNMENT COMPANIES											

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
COMPETITIVE ENVIRONMENT SECTOR											
1	The Kerala Premo Pipe Factory Limited	Water Resources	September-1961	1.31	...	...	1.31	…	...	0.25	0.25
2	Kerala Garments Limited	Industries	July-1974	…	...	0.48	0.48	3.96	...	0.15	4.11
3	Kerala Special Refractories Limited	Industries	November-1985	2.91	...	...	2.91	1.07	...	...	1.07
4	The Kerala Asbestos Cement Pipe Factory Limited	Local Admn.	March-1984	0.06	...	...	0.06	…	...	...	…
5	SIDECO Mohan Kerala Limited	Industries	August-1980	…	...	0.17	0.17	…	...	0.82	0.82
6	Keltron Counters Limited	Industries	July-1964	…	...	4.97	4.97	5.05	...	...	5.05
7	Keltron Power Devices Limited	Industries	January-1976	…	...	15.38	15.38	…	...	6.38	6.38
8	SIDKEL Televisions Limited	Industries	March-1984	…	...	0.44	0.44	…	...	…	…
9	Astral Watches Limited	Industries	February-1978	…	...	0.95	0.95	1.08	...	1.81	2.89
10	Keltron Rectifiers Limited	Industries	March-1976	…	...	6.63	6.63	1.65	...	7.02	8.67
11	Trivandrum Rubber Works Limited	Agriculture	November-1963	1.76	...	0.59	2.35	7.22	...	2.42	9.64
12	Kerala State Wood Industries Limited	Forest and Wildlife	September-1981	0.75	...	0.95	1.70	8.23	...	...	8.23
13	Kerala State Detergents and Chemicals Limited	Industries	June-1976	1.55	...	...	1.55	8.96	...	10.72	19.68
14	Kunnathara Textiles Limited	Industries	September-1975	0.22	...	0.48	0.70	…	...	...	…

Sl. No.	Sector and Name of the Company/ Corporation	Name of the Depart ment	Month and Year of incorporation	Paid-up capital				Loans outstanding at the close of 2017-18			
				State Govern ment	Central Govern ment	Others	Total	State Govern ment	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)
15	Vanjinad Leathers Limited	Industries	April-1974	…	0.19	0.18	0.37	…	...	...	…
	Sector-wise Total			**8.56**	**0.19**	**31.22**	**39.97**	**37.22**	**...**	**29.57**	**66.79**
	Total C (All Non-Working Government Companies)			**8.56**	**0.19**	**31.22**	**39.97**	**37.22**	**...**	**29.57**	**66.79**
	Grand Total (A+B+C)			**4,890.93**	**254.96**	**814.86**	**5,960.75**	**4,102.16**	**33.90**	**9,928.19**	**14,064.25**

Notes:

1. **Sl. No. 48 - Equity Capital of ₹2 crore given by Malabar Cements Limited was reduced from share capital as the same was given to Trivandrum Spinning Mills as ordered by GoK during 2016 and hence, the Equity share capital got reduced to ₹94.52 crore.**
2. **Sl. No. 74 - ₹133.46 crore of loan amount from GoK was taken as advance share capital for the year 2014-15. However, GoK has approved conversion of loan amount of ₹133 crore only. Hence, share capital got reduced by ₹0.46 crore.**
3. **Sl. No. 79 - State Government has resumed ₹5.73 crore during 2017-18.**
4. **Sl. No. 86 - Grant received from GoK shown as advance share capital earlier was rectified now and hence, paid up capital reduced. However, closing figures of 2011-12 and opening balance of 2012-13 shows a difference of ₹2 crore in advance share capital.**
5. **Sl. No. 97 - GoK had resumed an amount of ₹9.47 crore which is reflected in the capital structure.**

Appendix 5

Statement showing differences between Finance Accounts of Government of Kerala and accounts of State PSUs (other than power sector) in respect of balances of Equity, Loans and Guarantee as on 31 March 2018

(Referred to in Paragraph 3.7)

(₹ in crore)

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
1	Kerala Agro Machinery Corporation Limited	Agriculture	1.61	…	0.44	…	1.17	…	…	…
2	Kerala Forest Development Corporation Limited	Forest and Wildlife	8.27	1.25	8.27	1.75	…	-0.50	…	…
3	Kerala Livestock Development Board Limited	Agriculture	7.33	…	7.33	1.05	…	-1.05	…	…
4	Kerala State Horticultural Products Development Corporation Limited	Agriculture	7.23	…	7.48	…	-0.25	…	…	…
5	Kerala State Poultry Development Corporation Limited	Agriculture	1.97	…	1.00	…	0.97	…	…	…
6	Meat Products of India Limited	Agriculture	2.31	2.63	0.98	13.03	1.33	-10.40	…	…
7	Oil Palm India Limited	Agriculture	6.80	…	6.20	…	0.60	…	…	…
8	The Kerala Agro Industries Corporation Limited	Agriculture	3.04	9.19	3.05	9.09	-0.01	0.10	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
9	The Kerala State Cashew Development Corporation Limited	Industries	457.34	326.62	457.34	251.61	…	75.01	…	…
10	The Kerala State Coir Corporation Limited	Industries	8.05	1.56	8.05	0.26	…	1.30	…	…
11	The Plantation Corporation of Kerala Limited	Agriculture	5.57	…	5.57	0.72	…	-0.72	…	…
12	The State Farming Corporation of Kerala Limited	Agriculture	8.43	0.22	8.43	…	…	0.22	…	…
13	Aralam Farming Corporation (Kerala) Limited	SC and ST Development	0.01	…	…	…	0.01	…	…	…
14	Vazhakulam Agro and Fruit Processing Company Limited	Agriculture	0.03	0.50	0.03	…	…	0.50	…	…
15	Kerala Aqua Ventures International Limited	Fisheries and Port	2.04	…	…	…	2.04	…	…	…
16	Kerala State Coconut Development Corporation Limited	Agriculture	2.85	10.09	2.85	10.94	…	-0.85	…	…
17	The Kerala State Financial Enterprises Limited	Taxes	100.00	…	50.00	…	50.00	…	7,912.00	…
18	Kerala Police Housing and Construction Corporation Limited	Home	0.27	8.65	1.27	121.00	-1.00	-112.35	…	…
19	Kerala State Construction Corporation Limited	Public Works	0.88	2.05	0.88	1.08	…	0.97	…	…
20	Kerala State Industrial Development Corporation Limited	Industries	301.24	…	340.24	18.21	-39.00	-18.21	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
21	Roads and Bridges Development Corporation of Kerala Limited	Public Works	62.43	56.00	62.43	156.00	…	-100.00	…	…
22	The Kerala Land Development Corporation Limited	Agriculture	6.79	1.85	6.79	2.19	…	-0.34	…	…
23	Kerala State Information Technology Infrastructure Limited	Electronics & Information Technology	225.25	…	130.40	…	94.85	…	…	…
24	Marine Products Infrastructure Development Corporation Limited	Industries	2.50	…	…	…	2.50	…	…	…
25	Kannur International Airport Limited	Transport	350.00	…	1,239.00	…	-889.00	…	…	…
26	Road Infrastructure Company Kerala Limited	Public Works	0.26	…	…	…	0.26	…	…	…
27	Autokast Limited	Industries	19.97	99.21	1.63	95.15	18.34	4.06	…	…
28	Foam Mattings (India) Limited	Industries	6.67	7.25	5.15	…	1.52	7.25	…	…
29	Forest Industries (Travancore) Limited	Industries	0.29	5.94	0.29	6.75	…	-0.81	…	…
30	Kanjikode Electronics and Electricals Limited	Industries	0.39	…	…	…	0.39	…	…	…
31	Keltron Component Complex Limited	Industries	7.30	17.42	…	20.21	7.30	-2.79	…	…
32	Keltron Electro Ceramics Limited	Industries	…	0.47	…	1.92	…	-1.45	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
33	Kerala Automobiles Limited	Industries	10.98	47.43	10.98	42.99	…	4.44	4.93	…
34	Kerala Clays and Ceramic Products Limited	Industries	1.32	7.18	1.32	6.19	…	0.99	…	…
35	Kerala Electrical and Allied Engineering Company Limited	Industries	111.13	47.61	77.48	69.14	33.65	-21.53	19.87	…
36	Kerala Feeds Limited	Agriculture	32.34	28.27	21.30	…	11.04	28.27	…	…
37	Kerala State Bamboo Corporation Limited	Industries	10.31	42.99	6.59	42.90	3.72	0.09	…	…
38	Kerala State Drugs and Pharmaceuticals Limited	Industries	9.08	20.24	8.98	67.84	0.10	-47.60	…	…
39	Kerala State Electronics Development Corporation Limited	Industries	199.55	89.16	199.55	94.66	…	-5.50	…	…
40	Kerala State Textile Corporation Limited	Industries	64.27	160.24	57.78	146.76	6.49	13.48	1.11	…
41	Malabar Cements Limited	Industries	26.00	…	26.01	48.67	-0.01	-48.67	…	…
42	Sitaram Textiles Limited	Industries	42.46	21.98	36.70	…	5.76	21.98	…	…
43	Steel and Industrial Forgings Limited	Industries	30.07	4.94	19.67	5.16	10.40	-0.22	…	…
44	SAIL- SCL Kerala Limited	Industries	13.02	13.12	16.67	42.58	-3.65	-29.46	…	…
45	Steel Industrials Kerala Limited	Industries	36.56	6.21	36.31	40.17	0.25	-33.96	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
46	The Kerala Ceramics Limited	Industries	11.20	34.90	6.38	34.48	4.82	0.42	…	…
47	The Kerala Minerals and Metals Limited	Industries	30.93	…	30.93	0.85	…	-0.85	…	…
48	The Metal Industries Limited	Industries	1.90	8.93	1.41	8.53	0.49	0.40	…	…
49	The Travancore Cements Limited	Industries	2.47	30.89	0.27	30.89	2.20	…	…	…
50	The Travancore Sugars and Chemicals Limited	Taxes	1.01	0.10	1.00	0.10	0.01	…	…	…
51	The Travancore Cochin Chemicals Limited	Industries	16.91	13.72	16.91	13.55	…	0.17	…	…
52	Traco Cable Company Limited	Industries	53.02	29.22	50.10	35.34	2.92	-6.12	34.33	…
53	Transformers and Electricals Kerala Limited	Industries	23.45	…	19.43	16.09	4.02	-16.09	…	…
54	Travancore Titanium Products Limited	Industries	13.43	26.83	13.43	32.24	…	-5.41	…	…
55	United Electrical Industries Limited	Industries	3.88	39.57	3.88	33.73	…	5.84	…	…
56	Malabar Distilleries Limited	Taxes	0.01	…	…	…	0.01	…	…	…
57	Kerala State Coir Machinery Manufacturing Company Limited	Industries	23.23	…	…	…	23.23	…	…	…
58	Trivandrum Spinning Mills Limited	Industries	9.84	10.93	7.73	14.92	2.11	-3.99	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
59	Bekal Resorts Development Corporation Limited	Tourism	54.98	…	55.94	…	-0.96	…	…	…
60	Kerala Shipping and Inland Navigation Corporation Limited	Coastal Shipping and Inland Navigation	58.78	…	45.21	…	13.57	…	…	…
61	Kerala State Industrial Enterprises Limited	Industries	1.20	1.10	31.28	27.50	-30.08	-26.40	…	…
62	Kerala State Maritime Development Corporation Limited	Fisheries and Port	10.00	…	9.75	…	0.25	…	…	…
63	Kerala Tourism Development Corporation Limited	Tourism	108.90	1.92	108.90	1.78	…	0.14	…	…
64	The Kerala State Civil Supplies Corporation Limited	Food and Civil Supplies	141.56	…	141.56	45.22	…	-45.22	…	…
65	Kerala Tourism Infrastructure Limited	Tourism	28.20	…	36.36	…	-8.16	…	…	…
66	Vizhinjam International Seaport Limited	Fisheries and Port	12.00	…	…	…	12.00	…	…	…
67	Kerala State Coastal Area Development Corporation Limited	Fisheries and Port	5.81	…	5.09	…	0.72	…	…	…
68	Kerala High Speed Rail Corporation Limited	Industries	59.00	…	…	…	59.00	…	…	…
69	Kerala Rapid Transit Corporation Limited (Erstwhile Kerala Monorail Corporation Limited)	Public Works	22.31	…	24.59	…	-2.28	…	…	…
70	Muziris Projects Limited	Tourism	0.05	…	…	…	0.05	…	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
71	Azhikkal Port Limited	Ports	1.27	…	…	…	1.27	…	…	…
72	Handicrafts Development Corporation of Kerala Limited	Industries	2.45	14.31	2.16	14.41	0.29	-0.10	3.46	…
73	Kerala Artisans' Development Corporation Limited	Industries	5.60	0.99	2.20	0.93	3.40	0.06	…	…
74	Kerala Small Industries Development Corporation Limited	Industries	23.94	4.87	21.86	4.12	2.08	0.75	…	…
75	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	Backward Communities Development	37.19	…	54.45	1.55	-17.26	-1.55	…	…
76	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	SC and ST Development	124.18	…	141.18	0.40	-17.00	-0.40	…	…
77	Kerala State Film Development Corporation Limited	Cultural Affairs	46.28	8.76	48.43	8.21	-2.15	0.55	…	…
78	Kerala State Handicapped Persons' Welfare Corporation Limited	Social Justice	3.60	2.63	3.60	2.57	…	0.06	…	…
79	Kerala State Handloom Development Corporation Limited	Industries	57.24	17.23	53.24	13.80	4.00	3.43	…	…
80	Kerala State Palmyrah Products Development and	Industries	0.87	1.10	0.87	1.43	…	-0.33	0.18	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts: State Government Paid up capital	As per PSUs' accounts: State Government Loan	As per Finance Accounts: Paid-up capital	As per Finance Accounts: Loans outstanding at the close of 2017-18	Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
	Workers' Welfare Corporation Limited									
81	Kerala State Women's Development Corporation Limited	Social Justice	6.58	…	9.99	…	-3.41	…	211.37	…
82	Kerala Urban and Rural Development Finance Corporation Limited	Local Self Government	5.59	25.00	6.12	165.95	-0.53	-140.95	…	…
83	The Kerala State Backward Classes Development Corporation Limited	Backward Communities Development	135.35	…	125.35	…	10.00	…	748.00	…
84	Kerala State Minorities Development Finance Corporation	Minority Welfare	60.45	…	53.65	…	6.80	…	32.12	…
85	Kerala State Housing Development Finance Corporation Limited	Housing	0.82	…	10.27	…	-9.45	…	…	…
86	Kerala State Welfare Corporation for Forward Communities	General Administration	19.51	…	20.29	…	-0.78	…	…	…
87	Vision Varkala Infrastructure Development Corporation Limited	Planning and Economic Affairs	3.50	…	5.57	…	-2.07	…	…	…
88	Kerala Irrigation Infrastructure Development Corporation Limited	Irrigation	10.00	…	9.79	…	0.21	…	…	…
89	Pratheeksha Bus Shelters Kerala Limited	Public Works	0.50	0.10	0.10	…	0.40	0.10	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
90	Ashwas Public Amenities Kerala Limited	Public Works	0.05	…	0.10	…	-0.05	…	…	…
91	Kerala Infrastructure and Technology for Education	General Education	5.00	…	…	…	5.00	…	…	…
92	Clean Kerala Company Limited	Local Self Government	0.05	…	…	…	0.05	…	…	…
93	Bhavanam Foundation Kerala	Labour and Skills	40.00	…	…	…	40.00	…	…	…
94	Trivandrum Engineering Science and Technology Research Park	Higher Education	0.05	…	...	…	0.05	…	…	…
95	Cochin Smart Mission Limited	Local Self Government	100.00	…	…	…	100.00	…	…	…
96	Kerala State Warehousing Corporation	Agriculture	7.25	5.50	7.50	37.93	-0.25	-32.43	…	…
97	Kerala Financial Corporation	Finance	220.27	…	316.43	…	-96.16	…	545.68	490.74
98	Kerala Industrial Infrastructure Development Corporation	Industries	…	400.26	…	572.34	…	-172.08	…	…
99	Kerala State Road Transport Corporation	Transport	773.64	2,335.81	744.01	2,711.58	29.63	-375.77	…	…
100	The Kerala Premo Pipe Factory Limited	Water Resources	1.31	…	1.31	8.35	…	-8.35	…	…
101	Kerala Garments Limited	Industries	…	3.96	…	4.02	…	-0.06	…	…
102	The Kerala Asbestos Cement Pipe Factory Limited	Local Self Government	0.06	…	…	…	0.06	…	…	…
103	Keltron Counters Limited	Industries	…	5.05	…	0.84	…	4.21	…	…

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSUs' accounts		As per Finance Accounts		Equity difference	Loan difference	Guarantee Commitment as per PSUs' accounts	Guarantees (given by Government) outstanding as per Finance Accounts
			State Government Paid up capital	State Government Loan	Paid-up capital	Loans outstanding at the close of 2017-18				
(1)	(2)	(3)	(5)	(6)	(7)	(8)	(11)	(12)	(13)	(14)
104	SIDKEL Televisions Limited	Industries	…	…	…	1.72	…	-1.72	…	…
105	Astral Watches Limited	Industries	…	1.08	…	…	…	1.08	…	…
106	Keltron Rectifiers Limited	Industries	…	1.65	…	…	…	1.65	…	…
107	Trivandrum Rubber Works Limited	Agriculture	1.76	7.22	2.75	5.24	-0.99	1.98	…	…
108	Kerala State Wood Industries Limited	Forest and Wildlife	0.75	8.23	1.35	7.13	-0.60	1.10	…	…
109	Kerala State Detergents and Chemicals Limited	Industries	1.55	8.96	…	9.03	1.55	-0.07	…	…
110	Kunnathara Textiles Limited	Industries	0.22	…	1.71	2.72	-1.49	-2.72	…	…

Appendix 6

Statement showing position of State Government investment in working State PSUs (other than power sector), accounts of which are in arrears, during the period of arrears

(Referred to in Paragraph 3.8.1)

(₹ in crore)

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Working Government companies							
1	Kerala State Horticultural Products Development Corporation Limited	2012-13	6.48	2013-14	…	…	15.00
				2014-15	0.25	…	5.44
				2015-16	0.25	…	12.00
				2016-17	…	…	5.00
				2017-18	0.25	…	…
2	Kerala State Poultry Development Corporation Limited	2012-13	1.97	2013-14	…	...	9.00
				2014-15	…	...	10.50
				2015-16	…	…	7.00
				2016-17	…	…	6.00
				2017-18	…	…	7.57
3	Meat Products of India Limited	2013-14	2.31	2014-15	..	1.77	1.00
				2015-16	…	1.00	4.50
				2017-18	…	…	1.17
4	The Kerala Agro Industries Corporation Limited	2012-13	4.74	2013-14	…	…	15.79
				2014-15	…	…	0.82
				2015-16	…	…	2.55
				2016-17	…	…	1.93
				2017-18	…	…	0.75

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
5	The Kerala State Cashew Development Corporation Limited	2012-13	200.64	2013-14	40.70	20.00	…
				2014-15	15.00	30.00	…
				2015-16	41.00	…	…
				2016-17	110.00	…	…
				2017-18	50.00	65.00	…
6	The Kerala State Coir Corporation Limited	2014-15	8.05	2015-16	…	…	3.08
				2016-17	…	…	7.09
7	Aralam Farming Corporation (Kerala) Limited	2014-15	0.01	2017-18	…	…	5.19
8	Vazhakulam Agro and Fruit Processing Company Limited	2016-17	0.05	2017-18	0.03	…	…
9	Kerala Cashew Board Limited	First Accounts not finalised		2017-18	…	15.00	…
10	Handicrafts Development Corporation of Kerala Limited	2015-16	3.06	2016-17	…	…	0.65
				2017-18	…	5.00	1.00
11	Kerala Artisans' Development Corporation Limited	2014-15	4.60	2015-16	0.50	…	…
				2016-17	…	…	0.50
12	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	2007-08	23.70	2008-09	3.50	…	…
				2009-10	3.00	…	…
				2010-11	3.50	…	…
				2011-12	3.50	…	…
				2012-13	…	…	4.50
				2013-14	…	4.90	0.10
				2014-15	…	…	2.00
				2015-16	6.00	…	…

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				2016-17	…	…	6.00
				2017-18	…	…	5.25
13	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2015-16	150.00	2016-17	24.51	4.79	1.60
				2017-18	17.97	…	4.25
14	Kerala State Film Development Corporation Limited	2013-14	32.62	2014-15	4.00	…	1.41
				2015-16	4.00	…	1.41
				2016-17	4.00	…	1.41
				2017-18	1.67	…	1.41
15	Kerala State Handicapped Persons' Welfare Corporation Limited	2010-11	3.60	2011-12	…	…	1.50
				2012-13	…	…	3.30
				2013-14	…	…	5.85
				2014-15	…	…	2.25
				2015-16	…	…	7.45
				2016-17	…	…	2.25
				2017-18	…	…	4.26
16	Kerala State Handloom Development Corporation Limited	2016-17	41.96	2017-18	15.33	0.55	0.06
17	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2013-14	0.87	2017-18	…	0.10	…

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
18	Kerala State Women's Development Corporation Limited	2013-14	7.07	2014-15	…	…	8.25
				2015-16	…	…	6.69
				2016-17	…	…	8.50
				2017-18	…	…	5.45
19	Kerala Urban and Rural Development Finance Corporation Limited	2015-16	6.42	2016-17	0.31	…	…
20	The Kerala State Backward Classes Development Corporation Limited	2016-17	124.85	2017-18	10.30	…	…
21	Kerala State Minorities Development Finance Corporation	2015-16	29.20	2016-17	20.00	…	…
				2017-18	11.25	…	…
22	Kerala State Housing Development Finance Corporation Limited	First Accounts not finalised		2013-14	1.27	…	…
				2014-15	9.00	…	…
23	Kerala State Welfare Corporation for Forward Communities Limited	2012-13	0.51	2013-14	5.00	…	5.00
				2014-15	4.00	…	14.49
				2015-16	10.00	…	17.01
				2016-17	…	…	28.59
				2017-18	…	…	27.61
24	Kerala Police Housing and Construction Corporation Limited	2013-14	0.27	2014-15	...	9.50	…
				2015-16	…	9.50	…
				2016-17	…	9.50	…

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
25	Kerala State Industrial Development Corporation Limited	2016-17	301.24	2017-18	…	…	482.22
26	Kerala State Information Technology Infrastructure Limited	2015-16	193.90	2016-17	11.06	…	…
				2017-18	20.30	…	…
27	Pratheeksha Bus Shelters Kerala Limited	2016-17	0.05	2017-18	…	…	0.10
28	Ashwas Public Amenities Kerala	2016-17	0.05	2017-18	…	…	0.10
29	Kerala Infrastructure and Technology for Education	First Accounts not finalised		2017-18	5.00	…	32.00
30	Kanjikode Electronics and Electricals Limited	2009-10	0.10	2010-11	0.15	…	…
				2011-12	0.14	…	…
				2014-15	…	0.07	…
31	Keltron Component Complex Limited	2016-17	34.23	2017-18	…	2.25	…
32	Kerala Automobiles Limited	2013-14	10.98	2014-15	…	4.00	…
				2015-16	…	2.50	…
				2016-17	…	4.50	…
				2017-18	…	7.00	…
33	Kerala Electrical and Allied Engineering Company Limited	2016-17	111.13	2017-18	…	9.25	…
34	Kerala Feeds Limited	2012-13	38.66	2013-14	8.00	…	11.10
				2014-15	21.47	7.00	8.08
				2015-16	5.00	12.00	3.00

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
				2016-17	9.49	…	7.00
				2017-18	5.01	2.40	…
35	Kerala State Bamboo Corporation Limited	2013-14	9.36	2014-15	0.50	…	0.20
				2015-16	…	7.30	…
				2016-17	…	3.26	1.45
				2017-18	…	3.00	…
36	Kerala State Drugs and Pharmaceuticals Limited	2016-17	9.08	2017-18	…	28.15	…
37	Kerala State Electronics Development Corporation Limited	2015-16	200.00	2017-18	…	0.50	…
38	Kerala State Textiles Corporation Limited	2013-14	96.52	2015-16	…	17.46	…
				2016-17	…	16.56	…
				2017-18	…	25.89	…
39	Sitaram Textiles Limited	2016-17	42.46	2017-18	…	3.30	…
40	SAIL -SCL Kerala Limited	2016-17	26.43	2017-18	…	3.00	…
41	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2016-17	38.67	2017-18	3.00	…	…
42	The Travancore Cements Limited	2014-15	2.71	2015-16	…	4.00	…
				2017-18	…	5.00	…
43	Traco Cable Company Limited	2016-17	57.22	2017-18	…	8.07	…
44	Travancore Titanium Products Limited	2012-13	13.77	2014-15	…	3.00	…
				2015-16	…	3.00	…
				2016-17	…	9.99	…
				2017-18	…	3.44	…

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
45	United Electrical Industries Limited	2016-17	4.99	2017-18	…	4.50	…
46	Kerala State Coir Machinery Manufacturing Company Limited	2015-16	23.23	2016-17	…	…	8.61
				2017-18	…	…	6.22
47	Trivandrum Spinning Mills Limited	2006-07	7.73	2009-10	2.11	…	…
				2013-14	…	1.00	…
				2014-15	…	1.50	…
				2016-17	…	1.90	…
				2017-18	…	1.90	…
48	Bekal Resorts Development Corporation Limited	2015-16	51.68	2017-18	3.00	…	…
50	Kerala Medical Services Corporation Limited	2011-12	0.01	2012-13	…	…	200.00
				2013-14	…	…	220.00
				2014-15	…	…	165.00
				2015-16	…	…	225.00
				2016-17	…	…	339.87
				2017-18	…	…	455.90
51	Kerala Shipping and Inland Navigation Corporation Limited	2016-17	58.81	2017-18	…	…	21.73
52	Kerala Tourism Development Corporation Limited	2012-13	83.70	2013-14	6.50	…	…
				2014-15	…	…	2.70
				2015-16	5.00	…	…
				2016-17	6.50	…	…
				2017-18	7.20	…	…

Sl. No.	Name of the Company/ Corporation	Year up to which accounts finalised	Paid up capital as per latest finalised accounts	Period of accounts pending finalisation	Investment made by State Government during the years for which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
53	The Kerala State Civil Supplies Corporation Limited	2014-15	142.02	2015-16	…	…	457.00
				2016-17	…	…	686.49
				2017-18	…	…	525.14
54	Kerala Tourism Infrastructure Limited	2016-17	32.22	2017-18	1.25	…	…
55	Vizhinjam International Seaport Limited	2015-16	12.00	2016-17	…	…	52.44
				2017-18	…	…	141.11
56	Kerala State Coastal Area Development Corporation Limited	2012-13	2.81	2013-14	3.00	…	39.20
				2014-15	…	…	0.59
				2015-16	…	…	34.13
				2017-18	5.81	…	…
57	Norka Roots	2013-14	1.52	2014-15	…	…	13.37
				2015-16	…	…	19.32
				2017-18	…	…	35.30
58	Kerala Academy for Skills Excellence	2016-17	26.94	2017-18	…	…	35.00
59	Bhavanam Foundation Kerala	2016-17	40.00	2017-18	…	…	12.50
60	Kerala Rail Development Corporation Limited	First Accounts not finalised		2017-18	50.00	…	1.00
61	Kerala Aqua Ventures International Limited	2012-13	3.99	2015-16	…	…	2.57
62	Muziris Projects Limited	First Accounts not finalised		2017-18	…	…	4.03
63	Smart City Thiruvananthapuram Limited	First Accounts not finalised		2017-18	0.05	…	38.00

<table>
<tr><th rowspan="2">Sl. No.</th><th rowspan="2">Name of the Company/ Corporation</th><th rowspan="2">Year up to which accounts finalised</th><th rowspan="2">Paid up capital as per latest finalised accounts</th><th rowspan="2">Period of accounts pending finalisation</th><th colspan="3">Investment made by State Government during the years for which accounts are in arrears</th></tr>
<tr><th>Equity</th><th>Loans</th><th>Grants</th></tr>
<tr><th>(1)</th><th>(2)</th><th>(3)</th><th>(4)</th><th>(5)</th><th>(6)</th><th>(7)</th><th>(8)</th></tr>
<tr><td>64</td><td>Azhikkal Port Limited</td><td colspan="2">First Accounts not finalised</td><td>2017-18</td><td>1.27</td><td>…</td><td>…</td></tr>
<tr><td></td><td colspan="4">Total A (Working Government companies)</td><td>600.90</td><td>383.30</td><td>4,588.85</td></tr>
<tr><td colspan="8">B. Working Statutory corporations</td></tr>
<tr><td>1</td><td>Kerala State Warehousing Corporation</td><td>2015-16</td><td>12.50</td><td>2017-18</td><td>0.50</td><td>7.58</td><td>…</td></tr>
<tr><td>2</td><td>Kerala Industrial Infrastructure Development Corporation</td><td>2016-17</td><td>…</td><td>2017-18</td><td>…</td><td>20.94</td><td>26.02</td></tr>
<tr><td rowspan="3">3</td><td rowspan="3">Kerala State Road Transport Corporation</td><td rowspan="3">2014-15</td><td rowspan="3">711.09</td><td>2015-16</td><td>39.55</td><td>214.00</td><td>…</td></tr>
<tr><td>2016-17</td><td>40.61</td><td>…</td><td>…</td></tr>
<tr><td>2017-18</td><td colspan="3">Information not furnished</td></tr>
<tr><td></td><td colspan="4">Total B (Statutory corporations)</td><td>80.66</td><td>242.52</td><td>26.02</td></tr>
<tr><td></td><td>Grand Total (A)+(B)</td><td></td><td></td><td></td><td>681.56</td><td>625.82</td><td>4,614.87</td></tr>
<tr><td></td><td>Aggregate of Equity, Loans and Grants</td><td></td><td></td><td></td><td></td><td></td><td>5,922.25</td></tr>
</table>

Appendix 7
Statement showing summarised financial results of State PSUs (other than power sector) as per their latest finalised financial accounts
(Referred to in Paragraph 3.11)

(₹ in crore)

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
A. WORKING GOVERNMENT COMPANIES										
COMPETITIVE ENVIRONMENT SECTOR										
1	Kerala Agro Machinery Corporation Limited	2016-17	2017-18	2.86	1.90	153.35	1.61	113.15	113.15	111.54
2	Kerala Forest Development Corporation Limited	2016-17	2018-19	2.86	2.66	20.43	9.20	24.77	23.77	14.57
3	Kerala Livestock Development Board Limited	2014-15	2017-18	0.48	0.33	11.49	7.33	18.72	18.72	11.39
4	Kerala State Horticultural Products Development Corporation Limited	2012-13	2018-19	0.49	0.34	30.78	6.48	5.11	1.56	-4.92
5	Kerala State Poultry Development Corporation Limited	2012-13	2018-19	…	-0.04	21.38	1.97	4.23	3.85	1.88
6	Meat Products of India Limited	2013-14	2016-17	0.02	-0.14	8.67	2.31	5.70	-12.92	-15.23
7	Oil Palm India Limited	2016-17	2017-18	1.61	1.81	52.65	11.79	46.22	46.22	34.43
8	The Kerala Agro Industries Corporation Limited	2012-13	2016-17	2.00	0.35	48.92	4.74	57.08	-8.87	-13.61
9	The Kerala State Cashew Development Corporation Limited	2012-13	2016-17	-20.94	-88.77	161.73	200.64	-719.59	-981.24	-1,181.88
10	The Kerala State Coir Corporation Limited	2014-15	2016-17	1.43	0.78	114.03	8.05	45.52	2.34	-5.71
11	The Plantation Corporation of Kerala Limited	2016-17	2017-18	-10.04	-7.68	73.88	5.57	167.32	138.68	133.11

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
12	The Rehabilitation Plantations Limited	2017-18	2018-19	-4.19	-3.98	27.87	3.39	147.97	147.97	144.58
13	The State Farming Corporation of Kerala Limited	2017-18	2018-19	0.18	-3.45	17.01	9.04	64.97	64.75	55.71
14	Aralam Farming Corporation (Kerala) Limited	2014-15	2016-17	-0.02	-0.02	…	0.01	-0.30	-0.30	-0.31
15	Vazhakulam Agro and Fruit Processing Company Limited	2016-17	2017-18	-2.29	-2.41	5.33	0.05	1.61	-4.99	-5.04
16	Kerala Aqua Ventures International Limited	2012-13	2015-16	-1.03	-1.19	0.18	3.99	10.89	0.45	-3.54
17	Kerala State Coconut Development Corporation Limited	2013-14	2017-18	0.25	0.25	…	2.85	-1.86	-17.83	-20.68
18	Kerala Cashew Board Limited	First Accounts not finalised								
19	Kerala Transport Development Finance Corporation Limited	2016-17	2018-19	105.60	-41.32	101.04	43.83	805.89	74.31	30.48
20	The Kerala State Financial Enterprises Limited	2017-18	2018-19	1,158.80	144.41	1,923.64	100.00	664.12	664.12	564.12
21	Kerala Police Housing and Construction Corporation Limited	2013-14	2018-19	1.94	0.51	49.31	0.27	30.65	-2.31	-2.58
22	Kerala State Construction Corporation Limited	2015-16	2017-18	32.71	17.73	629.21	0.88	33.65	33.65	32.77
23	Kerala State Industrial Development Corporation Limited	2016-17	2017-18	34.51	25.66	38.09	301.24	637.26	518.04	216.80
24	Roads and Bridges Development Corporation of Kerala Limited	2016-17	2018-19	-3.33	-7.83	10.25	62.43	53.20	-2.80	-65.23
25	The Kerala Land Development Corporation Limited	2013-14	2017-18	-2.47	-2.47	1.97	7.13	-19.08	-20.96	-28.09

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
26	Kerala State Information Technology Infrastructure Limited	2015-16	2016-17	-0.30	-0.37	0.25	193.90	190.36	190.36	-3.54
27	Kinfra Export Promotion Industrial Parks Limited	2016-17	2017-18	2.51	1.68	2.34	0.25	26.68	22.22	21.97
28	Kinfra Film and Video Park Limited	2016-17	2017-18	0.49	0.80	7.53	1.50	29.44	4.69	3.19
29	Kinfra International Apparel Parks Limited	2016-17	2017-18	-0.55	0.87	3.77	0.25	30.80	-5.91	-6.16
30	Marine Products Infrastructure Development Corporation Limited	2016-17	2017-18	0.51	0.35	0.24	5.00	9.90	9.90	4.90
31	Kannur International Airport Limited	2015-16	2016-17	-0.52	-0.52	…	869.77	1,184.28	881.15	11.38
32	Road Infrastructure Company Kerala Limited	2013-14	2017-18	…	…	4.15	0.05	0.05	0.05	…
33	Autokast Limited	2017-18	2018-19	-12.98	-16.03	10.23	19.97	-128.81	-142.86	-162.83
34	Foam Mattings (India) Limited	2016-17	2018-19	-1.86	-1.86	5.44	6.67	4.01	-0.38	-7.05
35	Forest Industries (Travancore) Limited	2013-14	2017-18	0.92	0.04	31.81	0.38	7.76	1.82	1.44
36	Kanjikode Electronics and Electricals Limited	2009-10	2010-11	-0.04	-0.04	0.31	0.10	0.57	0.13	0.03
37	Keltron Component Complex Limited	2016-17	2017-18	-2.75	-6.41	62.46	34.23	-7.92	-16.38	-50.61
38	Keltron Electro Ceramics Limited	2016-17	2018-19	1.16	-0.23	11.56	3.18	3.32	0.40	-2.78
39	Kerala Automobiles Limited	2013-14	2017-18	-7.52	-7.72	5.98	10.98	-11.04	-33.87	-44.85
40	Kerala Clays and Ceramic Products Limited	2017-18	2018-19	-3.89	-4.88	0.96	1.32	1.26	-2.11	-3.43
41	Kerala Electrical and Allied Engineering Company Limited	2016-17	2017-18	-10.09	-17.03	115.95	111.13	-33.84	-53.32	-164.45
42	Kerala Feeds Limited	2012-13	2017-18	-22.97	-22.85	271.35	38.66	40.67	28.67	-9.99
43	Kerala State Bamboo Corporation Limited	2013-14	2017-18	-5.24	-7.15	11.25	9.36	8.18	-30.17	-39.53
44	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2015-16	2017-18	55.79	35.13	3,079.42	1.03	1,002.09	1,002.09	1,001.06

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
45	Kerala State Drugs and Pharmaceuticals Limited	2016-17	2017-18	0.42	-5.23	27.96	9.08	-65.90	-96.78	-105.86
46	Kerala State Electronics Development Corporation Limited	2015-16	2017-18	16.86	13.81	410.26	200.00	83.35	-0.71	-200.71
47	Kerala State Mineral Development Corporation Limited	2016-17	2017-18	-0.09	-0.09	0.80	1.76	-0.32	-0.32	-2.08
48	Kerala State Textile Corporation Limited	2013-14	2016-17	-13.35	-20.03	59.43	96.52	73.75	-12.00	-108.52
49	Malabar Cements Limited	2016-17	2018-19	4.29	2.55	226.46	26.01	299.88	251.21	225.20
50	Sitaram Textiles Limited	2016-17	2018-19	-3.13	-5.75	8.47	42.46	-19.12	-23.89	-66.35
51	Steel and Industrial Forgings Limited	2017-18	2018-19	-0.66	-1.19	54.09	30.07	58.84	51.99	21.92
52	SAIL- SCL Kerala Limited	2016-17	2017-18	-6.61	-13.62	4.14	26.43	2.81	-36.07	-62.50
53	Steel Industrials Kerala Limited	2016-17	2017-18	0.76	0.02	30.43	36.56	16.18	8.55	-28.01
54	The Kerala Ceramics Limited	2017-18	2018-19	-4.37	-8.85	4.02	11.20	-11.98	-79.08	-90.28
55	The Kerala Minerals and Metals Limited	2016-17	2017-18	29.55	11.35	727.04	30.93	568.52	569.74	538.81
56	The Metal Industries Limited	2016-17	2018-19	-1.12	-2.59	2.72	1.98	-5.10	-12.54	-14.52
57	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2016-17	2017-18	15.10	9.58	95.76	38.67	109.99	109.99	71.32
58	The Travancore Cements Limited	2014-15	2016-17	-12.94	-15.06	29.01	2.71	-16.29	-36.39	-39.10
59	The Travancore Sugars and Chemicals Limited	2016-17	2017-18	4.66	3.39	59.32	1.32	12.49	12.39	11.07
60	The Travancore Cochin Chemicals Limited	2017-18	2018-19	38.74	27.47	243.10	21.31	33.99	28.99	7.68
61	Traco Cable Company Limited	2016-17	2017-18	10.34	1.34	135.84	57.22	3.41	-7.91	-65.13
62	Transformers and Electricals Kerala Limited	2016-17	2018-19	6.93	3.97	181.82	42.97	64.08	64.08	21.11
63	Travancore Titanium Products Limited	2012-13	2017-18	-6.17	-11.31	168.37	13.77	14.47	-10.40	-24.17

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
64	United Electrical Industries Limited	2016-17	2018-19	-4.05	-8.87	11.67	4.99	-32.72	-48.53	-53.52
65	Malabar Distilleries Limited	2016-17	2017-18	-0.01	-0.01	0.00	2.46	1.08	1.08	-1.38
66	Kerala State Coir Machinery Manufacturing Company Limited	2015-16	2018-19	-1.11	-1.09	2.54	23.23	21.04	21.04	-2.19
67	Trivandrum Spinning Mills Limited	2006-07	2017-18	-0.06	-0.09	…	7.73	-0.35	-11.80	-19.53
68	Bekal Resorts Development Corporation Limited	2015-16	2018-19	3.98	2.81	3.94	51.68	55.01	55.01	3.33
69	Kerala Medical Services Corporation Limited	2011-12	2017-18	3.71	2.54	216.98	0.01	8.01	7.95	7.94
70	Kerala Shipping and Inland Navigation Corporation Limited	2016-17	2017-18	-0.32	-0.38	8.93	58.81	42.18	42.18	-16.63
71	Kerala State Industrial Enterprises Limited	2014-15	2017-18	-3.28	-5.03	36.31	1.20	39.86	29.29	28.09
72	Kerala State Maritime Development Corporation Limited	2015-16	2017-18	-2.10	-2.21	1.79	10.00	1.49	1.49	-8.51
73	Kerala Tourism Development Corporation Limited	2012-13	2017-18	-7.45	-17.77	99.61	83.70	49.83	43.69	-40.01
74	The Kerala State Civil Supplies Corporation Limited	2014-15	2017-18	-56.90	-107.43	3,927.11	142.02	-188.31	-188.31	-330.33
75	Kerala Tourism Infrastructure Limited	2016-17	2018-19	2.42	-0.74	0.83	32.22	37.63	36.63	4.41
76	Vizhinjam International Seaport Limited	2015-16	2017-18	-45.34	-45.14	…	12.00	838.83	-48.11	-60.11
77	Kerala State Coastal Area Development Corporation Limited	2012-13	2015-16	1.24	0.78	0.93	2.81	4.47	4.53	1.72
78	Kerala High Speed Rail Corporation Limited	2017-18	2018-19	-1.09	-1.09	…	59.00	43.23	43.23	-15.77
79	Kerala Rapid Transit Corporation Limited (Erstwhile Kerala Monorail Corporation Limited)	2014-15	2015-16	-0.05	-0.05	…	28.05	27.94	27.94	-0.11

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
80	Kerala Rail Development Corporation Limited	First Accounts not finalised								
81	Muziris Projects Limited	First Accounts not finalised								
82	Azhikkal Port Limited	First Accounts not finalised								
	Sector Wise Total			**1,262.91**	**-202.80**	**13,905.89**	**3,313.41**	**6,727.23**	**3,454.00**	**140.59**
SOCIAL SECTOR										
83	Handicrafts Development Corporation of Kerala Limited	2015-16	2017-18	-2.91	-4.41	6.83	3.06	-23.08	-27.01	-30.07
84	Kerala Artisans' Development Corporation Limited	2014-15	2018-19	0.34	0.16	17.33	4.60	3.41	1.68	-2.92
85	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	2007-08	2012-13	0.06	0.06	0.13	0.50	-0.11	-0.11	-0.61
86	Kerala Small Industries Development Corporation Limited	2011-12	2013-14	3.19	1.95	199.08	29.67	46.23	-9.31	-38.98
87	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited	2007-08	2018-19	-0.48	-0.57	0.57	23.70	21.32	17.84	-5.86
88	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2015-16	2018-19	27.11	26.50	8.69	150.00	126.34	113.99	-36.01
89	Kerala State Film Development Corporation Limited	2013-14	2018-19	-1.13	-1.51	9.38	32.62	3.96	-0.64	-33.26
90	Kerala State Handicapped Persons' Welfare Corporation Limited	2010-11	2016-17	-1.16	-1.32	1.09	3.60	13.86	1.62	-1.98

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
91	Kerala State Handloom Development Corporation Limited	2016-17	2017-18	-5.94	-7.76	18.78	41.96	-25.85	-42.59	-84.55
92	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2013-14	2016-17	-0.31	-0.96	0.19	0.87	2.05	-0.66	-1.53
93	Kerala State Women's Development Corporation Limited	2013-14	2018-19	0.14	0.06	4.16	7.07	61.54	7.57	0.50
94	Kerala Urban and Rural Development Finance Corporation Limited	2015-16	2017-18	11.63	2.16	11.86	6.42	56.72	21.03	14.61
95	Kerala State Backward Classes Development Corporation Limited	2016-17	2018-19	38.41	21.84	53.04	124.85	748.24	315.81	190.96
96	Kerala State Minorities Development Finance Corporation Limited	2015-16	2018-19	0.43	0.43	2.34	29.20	48.23	29.07	-0.13
97	Kerala State Housing Development Finance Corporation Limited	First Accounts not finalised								
98	Kerala State Welfare Corporation for Forward Communities Limited	2012-13	2014-15	-0.10	-0.10	…	0.51	0.41	0.41	-0.10
99	Vision Varkala Infrastructure Development Corporation Limited	2016-17	2017-18	-0.31	-0.31	…	3.50	0.53	0.53	-2.97
100	Kerala Irrigation Infrastructure Development Corporation Limited	2013-14	2015-16	0.14	0.14	0.29	10.00	9.91	9.91	-0.09
101	Pratheeksha Bus Shelters Kerala Limited	2016-17	2017-18	0.17	0.12	0.29	0.05	0.22	0.22	0.17
102	Ashwas Public Amenities Kerala Limited	2016-17	2017-18	-0.02	-0.02	0.01	0.05	-0.06	-0.06	-0.11
103	Kerala Infrastructure and Technology for Education	First Accounts not finalised								

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
104	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	2016-17	2017-18	2.45	2.45	56.40	0.50	10.23	10.23	9.73
105	Overseas Development and Employment Promotion Consultants Limited	2016-17	2017-18	0.47	0.33	0.91	0.86	3.58	3.37	2.51
106	Norka Roots	2013-14	2017-18	-0.03	-0.03	2.70	1.52	8.86	4.82	3.30
107	Indian Institute of Information Technology and Management - Kerala	2017-18	2018-19	-1.03	-1.03	3.24	111.78	102.58	102.58	-9.20
108	Clean Kerala Company Limited	2013-14	2014-15	-0.16	-0.12	…	0.25	0.13	0.13	-0.12
109	Kerala Academy for Skills Excellence	2016-17	2017-18	4.10	4.10	2.62	26.94	26.66	26.66	-0.28
110	Bhavanam Foundation Kerala	2016-17	2017-18	0.10	0.10	…	40.00	40.10	40.10	0.10
111	Trivandrum Engineering Science and Technology Research Park	2015-16	2018-19	-0.03	-0.03	…	0.01	0.21	-0.02	-0.03
112	Cochin Smart Mission Limited	2016-17	2017-18	-1.73	-1.73	…	200.00	198.27	198.27	-1.73
113	Impact Kerala Limited	First Accounts not finalised								
114	Smart City Thiruvananthapuram Limited	First Accounts not finalised								
	Sector Wise Total			**73.40**	**40.50**	**399.93**	**854.09**	**1,484.49**	**825.44**	**-28.65**
	Total A (All Working Government Companies)			**1,336.31**	**-162.30**	**14,305.82**	**4,167.50**	**8,211.72**	**4,279.44**	**111.94**
B. WORKING STATUTORY CORPORATION										
COMPETITIVE ENVIRONMENT SECTOR										
1	Kerala State Warehousing Corporation	2015-16	2018-19	-1.60	-3.09	18.87	12.50	12.80	-17.39	-29.89
2	Kerala Financial Corporation	2017-18	2018-19	200.26	8.30	370.54	226.50	2,083.67	325.07	98.57

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
3	Kerala Industrial Infrastructure Development Corporation	2016-17	2017-18	10.53	-1.13	21.91	…	1,148.35	136.01	136.01
4	Kerala State Road Transport Corporation	2014-15	2017-18	-1,016.51	-1,431.29	1,817.86	711.09	-1,192.68	-4,329.99	-5,041.08
	Sector Wise Total			**-807.32**	**-1,427.21**	**2,229.18**	**950.09**	**2,052.14**	**-3,886.30**	**-4,836.39**
	Total B (All Working Statutory Corporations)			**-807.32**	**-1,427.21**	**2,229.18**	**950.09**	**2,052.14**	**-3,886.30**	**-4,836.39**
	Grand Total (A+B)			**528.99**	**-1,589.51**	**16,535.00**	**5,117.59**	**10,263.86**	**393.14**	**-4,724.45**
C. NON-WORKING GOVERNMENT COMPANIES										
COMPETITIVE ENVIRONMENT SECTOR										
1	The Kerala Premo Pipe Factory Limited	1985-86	1999-2000	-0.27	-0.27	…	0.35	1.58	0.16	-0.19
2	Kerala Garments Limited	2008-09	2009-10	0.35	-0.25	0.03	0.48	-3.68	-9.75	-10.23
3	Kerala Special Refractories Limited	2014-15	2016-17	-0.12	-0.12	…	2.91	1.23	0.16	-2.75
4	The Kerala Asbestos Cement Pipe Factory Limited	1984-85	1986-87	…	…	…	0.06	…	0.06	…
5	SIDCO Mohan Kerala Limited	2007-08	2012-13	…	-1.16	…	0.17	-0.66	-5.96	-6.13
6	Keltron Counters Limited	2012-13	2016-17	0.08	0.08	…	4.97	-3.41	-33.96	-38.93
7	Keltron Power Devices Limited	2005-06	2014-15	…	-0.53	…	15.37	-6.42	-14.28	-29.65
8	SIDKEL Televisions Limited	1999-2000	2004-05	-0.48	-0.48	…	0.44	-1.14	-3.70	-4.14
9	Astral Watches Limited	2010-11	2011-12	-0.03	-0.32	…	0.95	-0.62	-4.97	-5.92
10	Keltron Rectifiers Limited	2005-06	2014-15	-0.07	-0.07	…	8.50	0.55	-15.07	-23.57
11	Trivandrum Rubber Works Limited	2001-02	2010-11	-1.01	-1.02	1.52	2.35	-10.66	-23.64	-25.99

Sl. No.	Sector/ Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Net Profit / Loss before Dividend, Interest and Tax	Net profit / Loss(-) after dividend, tax and interest	Turnover	Paid-up capital (including advance to Share Capital)	Capital employed	Net worth	Accumulated profit (+) / loss(-)
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**
12	Kerala State Wood Industries Limited	2016-17	2018-19	-0.36	-0.36	…	1.70	-0.96	-9.48	-11.18
13	Kerala State Detergents and Chemicals Limited	2014-15	2015-16	-0.09	-0.09	…	1.55	-4.02	-31.33	-32.88
14	Kunnathara Textiles Limited	Data not available								
15	Vanjinad Leathers Limited	Data not available								
	Sector-wise Total			**-2.00**	**-4.59**	**1.55**	**39.80**	**-28.21**	**-151.76**	**-191.56**
	Total C (All Non-Working Government Companies)			**-2.00**	**-4.59**	**1.55**	**39.80**	**-28.21**	**-151.76**	**-191.56**
	Grand Total (A+B+C)			**526.99**	**-1,594.10**	**16,536.55**	**5,157.39**	**10,235.65**	**241.38**	**-4,916.01**

Appendix 8

(Referred to in Paragraph 4.2)

a. List of the supply chain in The Kerala State Civil Supplies Corporation Limited as on 01/04/2018

Sl. No.	Name of the Outlet	Total No. of outlets
1	Subsidised Store	967
2	Super Markets	416
3	Peoples Bazar	28
4	Hyper Market	5
5	Apna Bazar	1
6	Maveli Superstore	1
7	Medical Stores	106
8	Petrol Bunk	12
9	Mobile Maveli Store	21
10	LPG Outlet	3
11	Kerosene Depot	-
	Total	**1,560**

b. List of Regional Offices

<table>
<tr><th>Sl. No.</th><th>Name of Regional Office</th><th>Revenue Districts covered</th><th>Number of Depots under the Region</th><th>Depots selected for detailed audit scrutiny</th><th>Value of procurement (₹ in crore)</th></tr>
<tr><td rowspan="5">1</td><td rowspan="5">Thiruvananthapuram Region</td><td rowspan="3">Thiruvananthapuram</td><td rowspan="3">4</td><td>Thiruvananthapuram</td><td>Above 100</td></tr>
<tr><td>Nedumangad</td><td>Above 100</td></tr>
<tr><td>Attingal</td><td>Between 50-100</td></tr>
<tr><td rowspan="2">Kollam</td><td rowspan="2">4</td><td>Kottarakkara</td><td>Between 50-100</td></tr>
<tr><td>Kollam</td><td>Above 100</td></tr>
<tr><td rowspan="4">2</td><td rowspan="4">Kottayam Region</td><td rowspan="2">Kottayam</td><td rowspan="2">5</td><td>Kottayam</td><td>Above 100</td></tr>
<tr><td>Kanjirappally</td><td>Between 50-100</td></tr>
<tr><td>Pathanamthitta</td><td>4</td><td>…</td><td>…</td></tr>
<tr><td>Idukki</td><td>3</td><td>…</td><td>…</td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">Ernakulam Region</td><td>Ernakulam</td><td>5</td><td>North Paravur</td><td>Between 50-100</td></tr>
<tr><td>Alappuzha</td><td>5</td><td>Chengannur</td><td>Below 50</td></tr>
<tr><td rowspan="4">4</td><td rowspan="4">Palakkad Region</td><td rowspan="2">Palakkad</td><td rowspan="2">4</td><td>Palakkad</td><td>Between 50-100</td></tr>
<tr><td>Alathur</td><td>Between 50-100</td></tr>
<tr><td>Thrissur</td><td>4</td><td>…</td><td>….</td></tr>
<tr><td>Malappuram</td><td>6</td><td>Nilambur</td><td>Below 50</td></tr>
<tr><td rowspan="4">5</td><td rowspan="4">Kozhikode Region</td><td>Kozhikode</td><td>4</td><td>Kozhikkode</td><td>Between 50-100</td></tr>
<tr><td>Kannur</td><td>3</td><td>Thalassery</td><td>Above 100</td></tr>
<tr><td>Kasaragode</td><td>2</td><td>Kanhangad</td><td>Between 50-100</td></tr>
<tr><td>Wayanad</td><td>3</td><td>…</td><td>…</td></tr>
</table>

Appendix 9

Statement showing circulars issued in 2008 and 2015 for fixation of price of commodities in The Kerala State Civil Supplies Corporation Limited

(Referred to in Paragraph 4.10)

Circular number 20/2008

<table>
<tr><th>Items</th><th>Selling Rate if delivery at outlets</th><th>Selling rate if delivery at depots</th></tr>
<tr><td>Rice other than branded rice</td><td>Minimum margin of 5 per cent on Purchase Price</td><td>Minimum margin of 8 per cent if delivery at depots</td></tr>
<tr><td>Edible Oil and Branded Rice</td><td>Minimum margin of 10 per cent on Purchase Price</td><td rowspan="3">Selling Price to be increased by 2 per cent from the selling Rate, for delivery at depot.</td></tr>
<tr><td>Tea, Coffee, Curry Powder and Salt</td><td>Minimum margin of 15 per cent of Purchase Price</td></tr>
<tr><td>Other Non-subsidised commodities</td><td>
<table>
<tr><th rowspan="2">Percentage of margin * on Purchase Price (PP)</th><th colspan="2">Selling Price= Highest of the following :</th></tr>
<tr><th>PP + x % on PP</th><th>MRP - x % of margin</th></tr>
<tr><td>Less than 20</td><td>11%</td><td>20%</td></tr>
<tr><td>Between 20 - 30</td><td>16%</td><td>25%</td></tr>
<tr><td>More than 30</td><td>22.50%</td><td>30%</td></tr>
</table>
</td></tr>
</table>

Circular number 07/2015

Margin on Purchase Price (*per cent*)	Discount on Maximum Retail Price (*per cent*)
Less than 30	5
Between 30- 35	7
Between 35- 40	8
Between 40-45	9
Between 45-50	10
Between 50-75	15
Above 75	25

Appendix 10

Statement showing details of loans outstanding and default position

(Referred to in Paragraph 5.1.1)

Year	Loans outstanding (including defaulted loan)		Default position of loans at branches		Default position of loans at SDT offices[116]	Non-Performing Asset (NPA)[117]
	Amount (₹ in crore)	Number	Amount (₹in crore)	Number	(₹ in crore)	
2015-16	3,940.85	5,40,426	636.10	1,30,135	669.24	730.13
2016-17	4,696.29	5,58,885	963.02	1,76,842	726.84	967.40
2017-18	5,224.29	5,07,627	1,005.66	1,54,415	904.59	1,162.53

[116] Includes chitty default also for which break-up is not available.
[117] A default loan is classified as Non-Performing Asset when six instalments are not paid.

Appendix 11

Statement showing the types of loans in The Kerala State Financial Enterprises Limited and its features

(Referred to in Paragraph 5.1.4)

Sl. No.	**Type of loan**	**New Name**	**Description**	**Tenure**	**Rate of interest prevailing from 01/04/2017**	**Penal Interest**
					(In *per cent*)	
1	Gold Loan	---	• Short term advances up to ₹25 lakh. • Loan should not exceed 75 *per cent* of market rate. • Loan plus interest should not exceed 85 *per cent* of the market rate. • If defaulted, Company is entitled to sell the gold security through auction.	6 months	9.50 up to ₹20,000	1
					10.50 for above ₹20,000	1
2	New Chitty Loan	Chitty Loan	• Only to chitty subscribers. • Maximum of 50 *per cent* of the chitty sala or ₹75 lakh. • 10 *per cent* of the total chitty instalments should be remitted.	Tenure of Chitty	13	2
3	Reliable Customer Loan (RCL)	KSFE Personal Loan	• Should be a customer continuously for a period of 12 months. • Maximum loan up to ₹25 lakh.	60 months	12	6

4	New Housing Finance Scheme (NHFS)	KSFE Housing Loan	• To provide loans to individuals for purchase of dwelling site, construction of dwelling house, renovations. • The loanee should complete the construction within 4 months after availing the last instalment or within 12 months after availing the first instalment whichever is earlier. • Completion certificate shall be obtained from any government civil engineer or approved architect.	30 years or 70 years of age of loanee	9 up to ₹10 lakh	9
					9.75 for above ₹10 lakh	8.25
5	Consumer/Vehicle Loan	---	• For acquisition of consumer durables and motor vehicles. • Maximum loan amount per person is ₹15 Lakh or 90 *per cent* of the cost of article / vehicle.	12-60 months	13	2
6	Employees Special Car Loan	---	• For purchase of new four wheelers. • Up to a maximum of 85 *per cent* of the 'on the road cost'.	6-84 months	12 for loans up to 35 months	1.50

Appendix 12

Statement showing shortage in collection of security

(Referred to in Paragraph 5.1.4)

(₹ in lakh)

Sl. No.	Name of branch	No. of loans	Loan number	Loan amount	Future liability	Required estimated market value of property	Value of property assessed by the Company	Shortage
1	Pattikad	1	RCL 565	3.00	4.66	9.32	5.30	4.02
2	Meppayur	1	RCL 187	2.00	8.40	16.80	15.00	1.80
		1	RCL 311	2.50	8.31	16.62	14.40	2.22
		1	RCL251	3.00	9.26	18.52	14.85	3.67
3	Perambra	1	RCL 1793	2.00	8.11	16.22	9.05	7.17
		1	NHFS 43	3.90	3.90	6.76	5.25	1.51
		1	NHFS 23	4.50	4.50	7.80	6.11	1.69
4	Chittar	1	RCL 372	2.00	9.52	19.05	15.50	3.55
5	Malayinkeezhu	1	NHFS 40	10.00	10.00	17.33	15.04	2.29
	Total	**9**		**32.90**	**66.66**	**128.42**	**100.50**	**27.92**

Appendix 13

Statement showing overvaluation of property

(Referred to in Paragraph 5.1.4)

(₹ in lakh)

Sl. No.	Branch	Number of loan	Loan number	Loan amount	Future liability	Required market value	Value of property assessed by the Company	Value of property as per MoP	Shortage of value of security
1	Pattikkad	1	RCL 696 *	5.00	9.97	19.94	30.00	5.25	14.69
2	Chelakkara	1	RCL 924 #	2.00	10.57	21.14	100.00	7.60	13.54
3	Kattakada	1	NCL 2373 #	5.00	5.00	10.00	11.00	0.74	9.26
		1	RCL 1555 #	4.00	6.22	12.44	12.47	6.93	5.51
4	Balaramapuram Evening	1	RCL 208 #	2.00	3.36	6.72	6.25	0.56	6.16
	Total	**5**		**18.00**	**35.12**	**70.24**	**159.72**	**21.08**	**49.16**

*Paddy field
Rubber plantation

Appendix 14

Statement showing the details of acceptance of personal surety in excess of maximum limit

(Referred to in Paragraph 5.1.4)

Name of branch	Name of the loanee (Shri/ Smt.)	No. of sureties	No. of loans	Maximum sureties that can be given	Surety accepted and amount of loan	Surety accepted in excess of the maximum
				(₹ in lakh)		
Kattanam	Somanathan Pillai	9	5	15.28	27.20	11.92
	Jayalakshmi	4	3	9.00	13.45	4.45
Malayinkeezhu	Jawahar CL	4	3	6.85	20.75	13.90
	Susmitha	1	1	3.78	9.20	5.42
Kattakkada	Jawahar CL	6	3	11.65	16.70	5.05
Alappuzha Evening	Aleyamma	4	4	8.50	17.00	8.50
Total			**19**	**55.06**	**104.30**	**49.24**