Preface

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

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

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

3. Audit of the accounts of Government companies is conducted by the CAG under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Kerala State Road Transport Corporation, Kerala State Electricity Board and Kerala Industrial Infrastructure Development Corporation which are Statutory corporations, CAG is the sole Auditor. As per State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Kerala Financial Corporation in addition to the audit conducted by the Chartered Accountants appointed by the Corporation out of the panel of auditors approved by the Reserve Bank of India. In respect of Kerala State Warehousing Corporation, CAG has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2008-09 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2008-09 have also been included, wherever necessary.

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

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2009, the State of Kerala had 95 working PSUs (90 companies and 5 Statutory corporations) and 28 non-working PSUs (all companies), which employed 1.17 lakh employees. The working PSUs registered a turnover of Rs. 10,877.80 crore for 2008-09 as per their latest finalised accounts. This turnover was equal to 6.03 per cent of State GDP indicating an important role played by State PSUs in the economy. The PSUs had accumulated loss of Rs. 1,738.46 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2009, the investment (Capital and long term loans) in 123 PSUs was Rs. 7,731.81 crore. Power Sector accounted for nearly 34.66 per cent of total investment in 2008-09. The Government contributed Rs. 771.89 crore towards equity, loans and grants / subsidies during 2008-09.

Performance of PSUs

As per the latest finalised accounts, out of 95 working PSUs, 46 PSUs earned profit of Rs. 420.12 crore and 43 PSUs incurred loss of Rs. 526.84 crore. The major contributors to profit were Kerala State Electricity Board (Rs. 217.42 crore), Kerala State Beverages (Manufacturing & Marketing) Corporation Limited (Rs. 41.93 crore), Malabar Cements Limited (Rs. 28.20 crore) and The Plantation Corporation of Kerala Limited (Rs. 20.78 crore). The heavy losses were incurred by Kerala State Road Transport Corporation (Rs. 191.90 crore), The Kerala State Cashew Development Corporation Limited (Rs. 125.41 crore), Kerala Financial Corporation (Rs. 76.36 crore) and The Kerala State Civil Supplies Corporation Limited (Rs. 36.06 crore).

Audit noticed various deficiencies in the functioning of PSUs. A review of three years' Audit Reports of CAG shows that the State PSUs' losses of Rs. 589 crore and infructuous investments of Rs. 31.98 crore were controllable with better management. Thus, there is tremendous scope to improve the functioning and enhance profits. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for greater professionalism and accountability in the functioning of PSUs.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, out of 96 accounts finalised the statutory auditors had given unqualified certificates for five accounts, qualified certificates for 71 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for three accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for 25 accounts. Additionally, CAG gave adverse comments on 15 accounts and disclaimer comments on one account during the supplementary audit. The compliance of companies with the Accounting Standards remained poor as there were 30 instances of non-compliance in 81 accounts during the year.

Arrears in accounts and winding up

71 working PSUs had arrears of accounts of 198 accounts as of 30 September 2009. The extent of arrears was one to thirteen years. There were twenty eight non-working PSUs including six under liquidation.

Discussion of Audit Reports by COPU

The Audit Reports (Commercial) for 2002-03 onwards are yet to be discussed fully by COPU. These six Audit Reports contained 23 reviews and 131 paragraphs of which 3 reviews and 57 paragraphs have been discussed.

2. Performance reviews relating to Government companies

Performance reviews relating to ***Resources Management by three Plantation Sector Companies, Information Systems Audit Review on Computerisation in The Kerala Minerals and Metals Limited.*** Executive summary of audit findings is given below:

Resources Management by three Plantation Sector Companies

The performance Audit was conducted to assess the utilisation of resources by the three companies on the basis of well defined objectives and methodology which focused on the working of the Company during the period 2004-05 to 2008-09. Norms/ Standards fixed by Rubber Board and bench marks set on the basis of inter-company comparison of performance standards were adopted for evaluating the efficiency and economy of operations of the Companies.

Land Utilisation

The land holdings of the three Companies were not properly surveyed and demarcated and their possession was not adequately legalised to safeguard them from encroachments and to enable formulation of long term investment plans.

Plantation Management

The productivity of rubber plantations of these Companies was substantially lesser than the state average productivity reported by Rubber Board. The major reason for the shortfall was the low stock of rubber yielding trees in the different estates. PCK and SFCK failed in extracting the yield to the full potential owing to shortages in the strength of tappers as well as under utilisation of available strength. RPL fared better in the matter of yield exploitation though the productivity of its labour force was not up to the mark.

Manpower Management

Supervision and controls over field operations were relatively better in RPL and it was inadequate in both PCK and SFCK. PCK suffered from shortage of manpower for field supervision, inadequate controls over cost of operation and vastness of areas.

Replanting Projects

PCK took advantage of the attractive rubber prices prevailing during 2007-08 by giving away areas earmarked for replanting for contract tapping realising substantial revenue. RPL did not make use of the opportunity to reap the commercial gains.

RPL undertook replanting operations in a planned manner although low yielding areas were not given due priority for early replanting. PCK, however, refrained from implementing replanting programme, in spite of the very low yield potential of its older plantations that crossed the economical period of retention.

Processing and Marketing of Natural Rubber

Processing efficiency of centrifuging factories of PCK and RPL was below the industry standards due to non-modernisation of machinery. The two Companies also undertook manufacture of value added products incurring additional costs substantially higher than the marginal price advantage. Price realisation for natural rubber marketed by the Companies in both processed and unprocessed condition was not always matching with the optimum price levels recorded in the market.

Fund Management

Attractive market prices prevailed during the period covered in the performance audit helped the Company Managements in maintaining consistent profitability and fairly good reserves and surplus position. However, the fund management was not found to be as efficient as it should be, since optimum financial advantages of investments and tax benefit schemes were not being derived by them.

Relative strengths and weaknesses

The strengths of the companies as assessed by Audit were consistent profitability and sound financial position (for all the three Companies), easily manageable and compact areas (SFCK and RPL), predominantly high yielding rubber trees (SFCK), better infrastructure facilities (PCK and RPL) and time tested systems and practices (PCK). The weaknesses were distantly located planted areas, degradation of plantations due to clonal mixing and improper maintenance and upkeep during formative years (PCK), plantations that crossed the prime years of productivity (SFCK and RPL), failed expansion/diversification schemes (PCK and RPL) and inadequate internal controls over stock transfers of field crop (PCK and SFCK)

(Chapter 2.1)

Information System Audit Review on Computerisation in The Kerala Minerals and Metals Limited

The Kerala Minerals and Metals Limited was incorporated in February 1972 with the objective of carrying on the business of mining, processing of minerals and metals. Production facilities installed were fully integrated with the two units viz., Mineral Separation Unit (MS unit) and Titanium Dioxide Plant (TP unit).

IT initiative

The Company had developed several need based Applications by using Application Development tools, Power Builders and Oracle database from 1999-2000 onwards. It had computerised purchase, stores, production, marketing (domestic/ export sale), finance, attendance/ HR management, payroll management and Management Information System Modules.

Absence of strategic IT Plan

The Company did not have any approved and documented IT Policy and IT plan upto April 2009. Since initiation of computerisation project, lack of planning resulted in indefinite continuation of system development process even after completion of ten years.

System development

No documentation in respect of user requirement specification was made in respect of sales, purchase, stores and finance modules developed in-house by the Company. This led to an ad hoc system development approach.

System maintenance

No documented and approved Version Control Procedure was in existence with the result that different departments were using different versions as indicated from the fact that CENVAT statement generated from the accounts department were different from the one generated from the version supplied to auditors.

Purchase Module

Purchase Module did not provide for computing freight charges and facility for reporting the appropriate time for purchase. Information like stock level, quantities pending, quality checks and unreconciled quantities were manually filled in exposing the system to the risk of unintended human errors or deliberate manipulations.

Stores Module

Fast, slow/ non-moving categorisation was not subjected to review during the last several years which resulted in classification of non-moving items as fast moving items and non-moving items as slow moving items

Sales Module

Export invoices were prepared outside the system defeating the very purpose of computerisation. The duplication of invoice took place on account of system control. The system is exposed to the risk of changing the rate master by the end users.

Pay roll Module

The pay roll module was yet to be implemented despite its being ready for use since October 2006.

Finance Module

The programme for drawing up Profit and Loss Account and Balance Sheet on any date could not be utilised by the Company so far (September 2009) on account of deficiency in implementation.

Conclusion

The Company did not have an IT policy, strategy and long term plan which had resulted in ad hoc and disintegrated management of the system. None of the module is complete and self-supporting requiring human intervention at various stages of modules defeating the very purpose of computerisation. The Company should draw up and document IT Policy and ensure that all modules comply with the business tools and accounting standards wherever required.

(Chapter 2.2)

3. Performance reviews relating to Statutory Corporation

Performance review relating to 'Functioning of **Kerala State Road Transport Corporation**' was conducted. Executive summary of audit findings is given below:

Functioning of Kerala State Road Transport Corporation

The Kerala State Road Transport Corporation (KSRTC) provides public transport in Kerala through its 87 Depots, Sub-Depots and Operating Centres. The Corporation had a fleet strength of 5,115 buses as on 31 March 2009 and carried an average of 32.28 lakh passengers per day during the review period. It accounted for a share of 12.86 per cent in public transport with the rest coming from private operators. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation's books of accounts are in arrears since 2006-07. Based on provisional figures, it suffered loss of Rs. 148.28 crore in 2008-09. The accumulated losses and borrowings of the Corporation stood at Rs. 2,085.98 crore and 831.75 crore respectively as at 31 March 2009 (Provisional). The Corporation earned Rs. 22.44 per kilometre and expended Rs. 25.57 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to limit losses and serve its cause better.

Share in Public Transport

Out of 39,763 stage carriage buses licensed for public transport in 2008-09, about 12.86 per cent belonged to the Corporation. The percentage share decreased from 13.77 per cent in 2004-05 to 12.86 in 2008-09. The decline in share was mainly due to its operational inefficiency and lack of effective monitoring by top management. Vehicle density (including private operators) per one lakh population increased from 102 in 2004-05 to 117 in 2008-09 indicating improvement in the level of public transport in the State. However, the Corporation's vehicle density remained almost constant at 14 buses per one lakh population, which was due to the inability of the Corporation to expand its operations.

Vehicle profile and utilisation

The Corporation added 2,098 buses during 2004-09 at a total cost of Rs. 197.94 crore. However, the overage fleet increased from 15.91 per cent in 2004-05 to 26.26 per cent in 2008-09. The acquisition was primarily funded through commercial borrowings. The overall fleet utilisation of the Corporation marginally increased from 79.31 per cent in 2004-05 to79.60 per cent in 2008-09, which was less than All India Average (AIA) of 92 per cent. The overall vehicle productivity at 259 kilometres per day per bus in 2008-09 was less than the AIA of 313 kilometres. The passenger load factor stood at 66 per cent during 2008-09, which was higher than the AIA of 63 per cent. 84 per cent schedules were unprofitable and two per cent schedules were not even earning enough to meet variable cost of operations. The Corporation had not carried out preventive maintenance in up to 22 per cent cases in 2008-09.

Economy in operations

Manpower and fuel constitute 74.68 per cent of total cost. Interest, depreciation and taxes account for 16.18 per cent and are not controllable in the short-term. Thus, the major cost saving has to come from manpower and fuel. Manpower cost of the Corporation was Rs. 10.02 per effective KM which was higher than the AIA mainly due to implementation of pension scheme to the employees without creating separate fund. However, the expenditure on repairs and maintenance was Rs. 118.09 crore (Rs. 2.31 lakh per bus) in 2008-09, of which nearly 41.95 per cent was on manpower. The Corporation did not attain AIA in respect of fuel efficiency. Consumption of fuel in excess of AIA resulted in excess consumption of 10.58 crore litres of fuel valued at Rs.339.55 crore during 2004-09.

Revenue Maximisation

The Corporation has about 15.76 lakh square metres of land. As it mainly utilises ground floor/ land for their operations, the space above can be developed on public private partnership (PPP)/ Build Operate and Transfer (BOT) basis to earn steady income, which can be used to cross-subsidise its operations. Even though the Corporation identified 63 sites upto August 2008 for such projects since November 1998, not even a single project was completed so far (September 2009) due to delay in decision making.

Need for a regulator

The fare policy in Kerala is decided by the State Government which is same for both the Corporation as well as Private Operators. The fare policy adopted by the State Government is based on 'Price Index for Stage Carriage Operations' (PISCO) brought out by National Transportation Planning and Research Centre (NATPAC), an autonomous body under the Government of Kerala. Despite the request from the Government to update PISCO on quarterly basis, the updation was done in an ad hoc manner since the quarterly cost data was not furnished. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in Audit. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Though internal targets are fixed by the Management, it is deprived of authentic data with respect to unit level operations since the required registers/ records were not maintained properly. This had a detrimental effect on decision making. The Board of Directors did not evaluate the operational performance on a regular basis. The top Management of the Corporation has not demonstrated managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines.

Conclusion and Recommendations

Though the Corporation is incurring losses, it is mainly due to their high cost of operations. The Corporation can control the losses by improving operational efficiency and resorting to tapping non-conventional sources of revenue. This review contains 13 recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by avoiding delay in implementation of projects for constructing commercial complexes on BOT basis are some of these recommendations.

4. Transaction audit observations

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

Loss of Rs. 43.14 crore in four cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 4.4, 4.10, 4.14 and 4.19)

Loss of Rs. 12.43 crore in twelve cases due to non-safeguarding of the financial interests of organisation.

(Paragraphs 4.2, 4.3, 4.5, 4.6, 4.9, 4.12, 4.13, 4.15, 4.18, 4 20, 4.21 and 4.23)

Loss of Rs. 65.40 crore in three cases due to defective / deficient planning.

(Paragraphs 4.1, 4.7 and 4.11)

Loss of Rs. 6.42 crore in one case due to inadequate/ deficient monitoring.

(Paragraph 4.8)

Loss of Rs.0.21 crore in one case due to non realisation / partial realisation of objectives.

(Paragraph 4.22)

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

Failure of **The Kerala Minerals and Metals Limited** to ensure source of finance, assess market situation and lack of due professional care resulted in issue of purchase orders for machinery/ erection, its subsequent cancellation and wasteful expenditure of Rs. 58.57 crore.

(Paragraph 4.1)

Failure of **The Kerala Minerals and Metals Limited** to purchase balancing equipment for production of Synthetic Routile at an appropriate time resulted in cash loss of Rs. 18.55 crore on consequent purchase of the material from outside sources and interest loss of Rs. 56.16 lakh on idle investment in digesters

(Paragraph 4.2)

Decision of **Kerala Agro Machinery Corporation Limited** to collect sales tax at concessional rate on inter state sales, contrary to the provisions of Kerala Value Added Tax Act, 2003 and Government clarification thereon, resulted in a committed liability of Rs. 3.72 crore.

(Paragraph 4.4)

Decision of **Bekal Resorts Development Corporation Limited** to waive interest on defaulted lease rent resulted in a loss of income of Rs. 4.20 crore and undue favour to licensees.

(Paragraph 4.5)

Failure of **Kerala State Electricity Board** to maintain security deposit account of individual consumers resulted in non-payment of interest on security deposit and consequent committed additional liability of Rs. 38.19 crore.

(Paragraph 4.14)

Failure of **Kerala State Electricity Board** to negotiate with the contractor to reduce the rates for galvanization of line materials, while extending the delivery period for the convenience of the contractor, resulted in extra expenditure and undue benefit to the contractor amounting to Rs. 0.96 crore.

(Paragraph 4.15)

Kerala State Electricity Board did not either seize the opportunity to recover its money or pursue the matters to their logical end, as a result, recovery of money amounting to Rs. 7.63 crore remained doubtful.

(Paragraph 4.16)

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Kerala the State PSUs occupy an important place in the state economy. The State PSUs registered a turnover of Rs. 10,889.65 crore for 2008-09 as *per* their latest finalised accounts as of September 2009. This turnover was equal to 6.04 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Kerala State PSUs are concentrated in power sector. The State PSUs incurred a loss of Rs. 129.89 crore in the aggregate for 2008-09 as *per* their latest finalised accounts. They had employed 1.17 lakh[♣] employees as of 31 March 2009. The State PSUs do not include three Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings of these DUs are incorporated in the Civil Audit Report for the State.

1.2 As on 31 March 2009, there were 123 PSUs as *per* the details given below. Of these, four companies[§] were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[Ψ]	Total
Government companies[♦]	90	28	118
Statutory corporations	05	…	05
Total	**95**	**28**	**123**

1.3 During the year 2008-09, three PSUs[€] were established and one PSU[**] was closed down.

Audit Mandate

1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it

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♣ **As per the details provided by 98 PSUs.**

§ **Keltron Component Complex Limited, The Travancore Cements Limited, The Travancore Sugars and Chemicals Limited and Transformers and Electricals Kerala Limited.**

Ψ **Non-working PSUs are those which have ceased to carry on their operations.**

♦ **includes 619-B companies.**

€ **Kerala State Information Technology Infrastructure Limited, Kerala Medical Services Corporation Limited and KINESCO Power and Utilities Private Limited.**

** **Kerala Inland Fisheries Development Corporation Limited.**

were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act.

1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

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

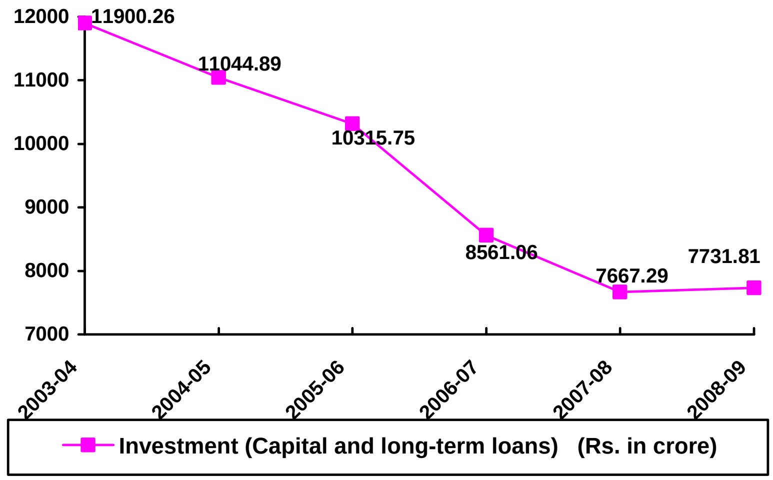
Investment in State PSUs

1.7 As on 31 March 2009, the investment (capital and long-term loans) in 123 PSUs (including 619-B companies) was Rs. 7,731.81 crore as *per* details given below.

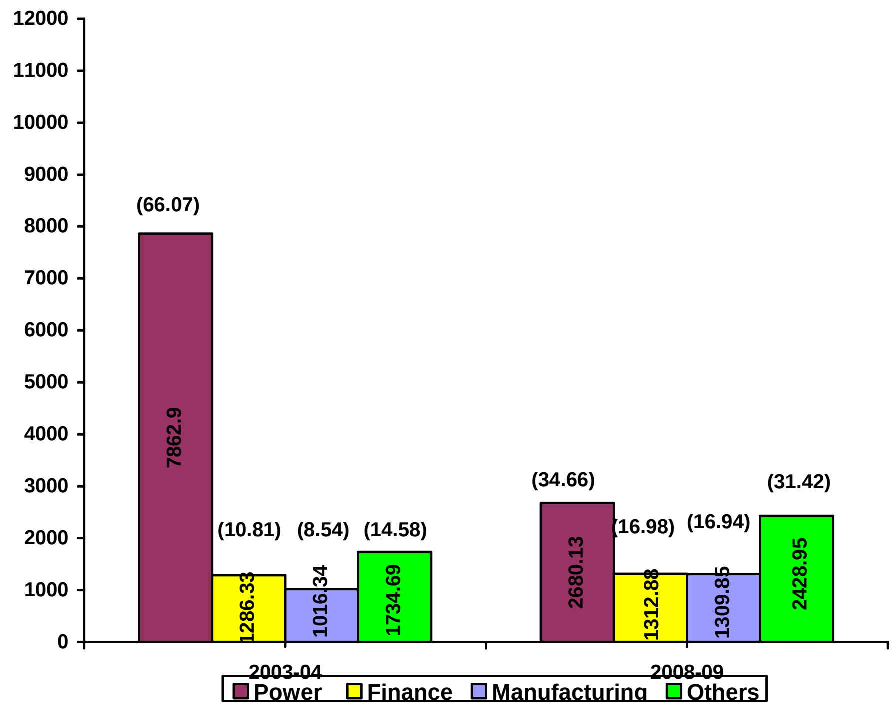
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	1,773.94	1,223.72	2,997.66	1,962.20	2,528.37	4,490.57	7,488.23
Non-working PSUs	70.54	173.04	243.58	…	…	…	243.58
Total	**1,844.48**	**1,396.76**	**3,241.24**	**1,962.20**	**2,528.37**	**4,490.57**	**7,731.81**

A summarised position of Government investment in State PSUs is detailed in ***Annexure 1.***

1.8 As on 31 March 2009, of the total investment in State PSUs, 96.85 *per cent* was in working PSUs and the remaining 3.15 *per cent* in non-working PSUs. This total investment consisted of 49.23 *per cent* towards capital and 50.77 *per cent* in long-term loans. The investment has declined by 35.03 *per cent* from Rs. 11,900.26 crore in 2003-04 to Rs. 7,731.81 crore in 2008-09 as shown in the graph below.



1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The major chunk of PSU investment was mainly in power sector during the five years which has seen its percentage share declining from 66.07 *per cent* in 2003-04 to 34.66 *per cent* in 2008-09 due to repayment of long term loans of Rs. 4575.55 crore during 2003-09.



(Figures in brackets show the percentage of total investment)

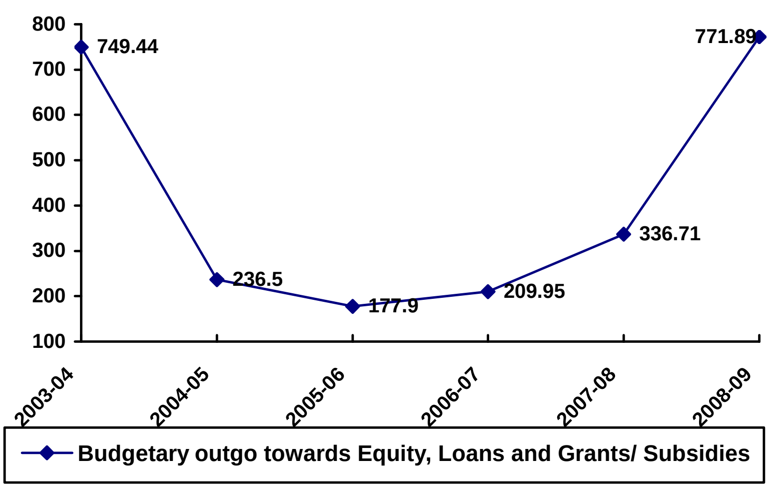
Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in ***Annexure 3***. The summarised details are given below for three years ended 2008-09.

(Amount: Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	14	31.69	17	56.81	21	279.18
2.	Loans given from budget	10	145.98	11	147.11	13	148.11
3.	Grants/Subsidy received	19	32.28	23	132.79	29	344.60
4.	Total Outgo (1+2+3)		209.95		336.71		771.89
5.	Loans converted into equity	…	…	1	23.94	01	22.22
6.	Loans written off	…	…	1	0.04	02	16.21
7.	Interest/Penal interest written off	…	…	2	18.10	03	18.56
8.	Total Waiver (6+7)	…	…		18.14		34.77
9.	Guarantees issued	11	363.68	11	1,809.26	11	2,593.10
10.	Guarantee Commitment	23	4,541.42	27	4,985.48	26	3,998.65

1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below.



The above chart indicates that the budgetary assistance in the form of equity, loan and grant/ subsidy by the State Government to PSUs decreased from Rs. 749.44 crore in 2003-04 to Rs. 177.90 crore in 2005-06. Thereafter, budgetary assistances by the State Government increased and it had reached Rs. 771.89 crore by 2008-09. During 2008-09, the State Government had waived loans and interest/ penal interest of Rs. 34.77 crore due from PSUs as against Rs. 18.14 crore waived during the previous year.

During the year 2008-09, the Government had guaranteed loans aggregating Rs. 2,593.10 crore obtained by eight working Government companies (Rs. 2,122.57 crore) and three Statutory corporations (Rs. 470.53 crore). At the end of the year, guarantees of Rs. 3,998.65 crore against 22 working Government companies (Rs. 2,995.85 crore) and four Statutory corporations (Rs. 1,002.80 crore) were outstanding. As per the provisions of the Kerala Ceiling on Government Guarantee Act 2003, the Government shall guarantee only loan taken by PSUs. The guarantee commission payable shall not be less than 0.75 *per cent* and payable on the actual balance, outstanding interest/ penal interest etc., as on 31 March of previous year. The amount due shall be paid in two equal instalments on 1st April and October of every financial year. The guarantee commission paid/payable to the Government by Government companies (Rs. 39.67 crore) and Statutory corporations (Rs. 6.58 crore) during 2008-09 was Rs. 46.25 crore out of which Rs. 24.44 crore had been paid and a balance of Rs. 21.81 crore was outstanding as on 31 March 2009. The PSUs which had major arrears were The Kerala State Cashew Development Corporation Limited (Rs. 3.92 crore), Roads and Bridges Development Corporation of Kerala Limited (Rs. 4.50 crore), Kerala State Electronics Development Corporation Limited (Rs. 5.86 crore) and Kerala State Power and Infrastructure Finance Corporation Limited (Rs. 3.82 crore).

Reconciliation with Finance Accounts

1.12 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 State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2,020.40	3,640.18	1,619.78
Loans	4,145.20	1,101.63	3,043.57
Guarantees	3,365.07	3,998.65	633.58

1.13 Audit observed that the differences occurred in respect of 88 PSUs and Audit has also written (April and August 2009) to the Chief Secretary and Principal Secretary (Finance) to the Government of Kerala to initiate steps to reconcile the difference as on 31 March 2008. The Finance Department, Government of Kerala has in turn taken up the matter with the respective PSUs. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

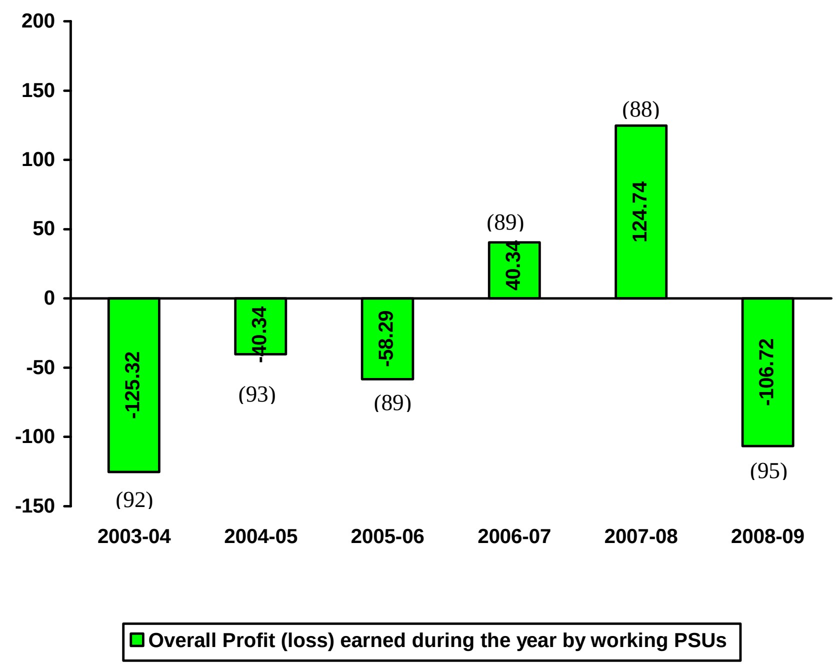
1.14 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in ***Annexures 2, 5 and 6*** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs' turnover and State GDP for the period 2003-04 to 2008-09.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover[∝]	7,608.00	7,614.42	8,222.23	8,846.01	10,082.22	10,877.80
State GDP	96,012	1,07,054	1,18,998	1,32,739	1,48,485	1,80,281
Percentage of Turnover to State GDP	7.92	7.11	6.91	6.66	6.79	6.03

The percentage of turnover of PSUs to the State GDP has been declining steadily.

1.15 Profit (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



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

As evident from the above chart, profit (loss) earned (incurred) by working PSUs had been fluctuating widely.

∝ **Turnover as per the latest finalised accounts as of 30 September.**

During the year 2008-09, out of 95 working PSUs, 46 PSUs earned profit of Rs. 420.12 crore and 43 PSUs incurred loss of Rs. 526.84 crore as per their latest finalised accounts, while two companies had neither profit nor loss. Remaining four companies had not commenced commercial activities. The major contributors to profit were Kerala State Electricity Board (Rs. 217.42 crore), Kerala State Beverages (Manufacturing & Marketing) Corporation Limited (Rs. 41.93 crore), Malabar Cements Limited (Rs. 28.20 crore) and The Plantation Corporation of Kerala Limited (Rs. 20.78 crore). Heavy losses were incurred by Kerala State Road Transport Corporation (Rs. 191.90 crore), The Kerala State Cashew Development Corporation Limited (Rs. 125.41 crore), Kerala Financial Corporation (Rs. 76.36 crore) and The Kerala State Civil Supplies Corporation Limited (Rs. 36.06 crore).

1.16 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs. 589 crore and infructuous investment of Rs. 31.98 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit (loss)	19.91	102.98	(129.89)	(7.00)
Controllable losses as per CAG's Audit Report	144.13	181.29	263.58	589.00
Infructuous Investment	20.19	9.49	2.30	31.98

1.17 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the losses can be minimised (or eliminated or the profits can be enhanced substantially). The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.18 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	7.82	7.90	7.73	9.84	7.87	4.89
Debt	8,500.68	7,608.35	6,850.33	5,052.48	4,085.37	3,925.13
Turnover[ϒ]	7,608.00	7,614.42	8,222.23	8,846.01	10,082.22	10,877.80
Debt/ Turnover Ratio	1.12:1	1:1	0.83:1	0.57:1	0.41:1	0.36:1
Interest Payments	49.98	316.19	472.03	460.86	407.33	733.76
Accumulated Profits (losses)	(2,134.46)	(2,343.09)	(2,445.52)	(2,447.73)	(2,026.74)	(2,055.58)

(Above figures pertain to all PSUs except for turnover which is for working PSUs).

[ϒ] **Turnover of working PSUs as *per* the latest finalised accounts as of 30 September.**

1.19 Return on capital employed which was 7.82 *per cent* in 2003-04 though gradually increased to 9.84 per cent during 2006-07 has shown a declining trend since 2007-08 and reduced to 4.89 *per cent* in 2008-09. At the same time accumulated loss of PSUs has increased from Rs. 2134.46 crore in 2003-04 to Rs. 2445.52 crore in 2005-06 and thereafter it reduced to Rs. 2055.58 crore in 2008-09. Similarly debt/ turnover ratio also steadily declined from 1.12:1 in 2003-04 to 0.36:1 in 2008-09.

1.20 The State Government had formulated (December 1998) a dividend policy under which all PSUs are required to pay a minimum return of twenty *per cent* on the paid up share capital contributed by the State Government. As per their latest finalised accounts, 46 PSUs earned an aggregate profit of Rs. 420.12 crore and 16 PSUs declared a dividend of Rs. 16.81 crore. The State Government policy on dividend payment was, however, complied with by only six companies.

Performance of major PSUs

1.21 The investment in working PSUs and their turnover together aggregated to Rs. 18,366.03 crore during 2008-09. Out of 95 working PSUs, the following three PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These three PSUs together accounted for 59.55 *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	**(2)**	**(3)**	**(4)**	**(5)**
Kerala State Electricity Board	2,653.37	5,135.85	7,789.22	42.41
Kerala State Road Transport Corporation	1,094.54	831.90	1,926.44	10.49
Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	1.03	1,220.37	1,221.40	6.65
Total	**3,748.94**	**7,188.12**	**10,937.06**	**59.55**

Some of the major audit findings of previous years for above PSUs are stated in the succeeding paragraphs.

Kerala State Electricity Board

1.22 The Board had finalised the accounts upto 2007-08 as of September 2009. The profit of the Board increased from Rs. 101.26 crore in 2005-06 to Rs. 217.42 crore in 2007-08. Similarly, the turnover too has risen from Rs. 3,734.70 crore in 2005-06 to Rs. 5,135.85 crore in 2007-08. However, the percentage of return on capital employed has declined from 7.48 to 7.30 in the same period.

1.23 The major audit findings from the past five years' Audit Reports are given below.

1.24 Deficiencies in Planning

- Lack of planning and co-ordination of work of 114 sub stations and allied works resulted in cost overrun of Rs. 31.61 crore *(paragraph 3.13 of Audit Report 2006-07).*

- Delay in completion of line due to revision of design work and estimate resulted in blocking up of funds invested in 12 substations amounting to Rs. 6.06 crore for 21 months *(paragraph 3.30 of Audit Report 2006-07).*

1.25 Deficiencies in implementation

- Inferior design and resultant frequent failure of equipments resulted in a generation loss of Rs. 4.12 crore in Malampuzha project *(paragraph 3.27 of Audit Report 2007-08).*

- Inept handling of a court case with a construction contractor resulted in idling of a sub station, constructed at a cost of Rs. 3.28 crore, for nine years *(paragraph 3.23 of Audit Report 2006-07).*

1.26 Deficiencies in monitoring

- Non-synchronisation of work of 4 sub-stations resulted in idling of substations valuing Rs. 91.72 crore and loss of envisaged benefits of Rs. 34 crore *(paragraph 3.14 of Audit Report 2006-07).*

1.27 Non-achievement of objectives

- Delay/ non-completion of 25 substations and lines by turnkey contractors resulted in loss of envisaged savings in transmission and distribution loss valuing Rs. 23.95 crore *(paragraph 3.16 of Audit Report 2006-07).*

- Delay/ non-implementation of two sub stations, executed departmentally, resulted in loss of envisaged benefits of Rs. 403.82 crore *(paragraph 3.21 of Audit Report 2006-07).*

1.28 Deficiencies in financial management

- The Board lost subsidy claim of Rs. 15.50 crore due to laxity in preferring subsidy claim in respect of seven small hydel projects (SHEPs) allowed by Ministry of Non-conventional Energy Sources *(paragraph 3.10 of Audit Report 2007-08).*

Kerala State Road Transport Corporation

1.29 The Corporation had arrears of accounts of three years as of September 2009. The arrears had remained as three years as of September 2006 as well. The arrears remained the same due to non-deployment of personnel.

1.30 The losses of the Corporation have risen continuously from Rs. 106.53 crore in 2002-03 to Rs. 191.90 crore in 2005-06. At the same time the turnover also rose from Rs. 669.75 crore in 2002-03 to Rs. 831.90 crore in 2005-06.

1.31 The major audit findings from the past five years' Audit Reports are given below:

1.32 Deficiencies in Planning

- Injudicious decision to outsource annual maintenance contract of mini buses despite availability of own facility resulted in avoidable expenditure of Rs. 1.23 crore *(paragraph 4.18 of Audit Report 2004-05).*

1.33 Deficiencies in implementation

- Decision to ignore a valid lowest offer and subsequent procurement of tyres and flaps at higher rates resulted in avoidable extra expenditure of Rs. 2.13 crore *(paragraph 4.18 of Audit Report 2007-08).*

1.34 Deficiencies in monitoring

- Failure to take follow-up action for display of advertisements on its Volvo buses resulted in revenue loss and interest expenditure of Rs. 1.38 crore *(paragraph 4.17 of Audit Report 2004-05).*

Kerala State Beverages (Manufacturing and Marketing) Corporation Limited

1.35 The Company had arrears of accounts for two years as of September 2009 which were for three years as of September 2006.

1.36 The profits of the Company have risen from Rs. 14.46 crore in 2002-03 to Rs. 51.58 crore in 2005-06 and decreased to Rs. 41.93 crore in 2006-07. Similarly, the turnover of the Company had risen from Rs. 985.20 crore in 2002-03 to Rs. 1,220.37 crore in 2006-07. The return on capital employed had also risen from 7.22 *per cent* to 39.87 *per cent*.

Conclusion

1.37 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

1.38 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	93	89	89	88	95
2.	Number of accounts finalised during the year	111	74	83	74	99
3.	Number of accounts in arrears	172	186	191	203	198
4.	Average arrears per PSU (3/1)	1.85	2.20	2.15	2.31	2.08
5.	Number of Working PSUs with arrears in accounts	71	68	70	71	71
6.	Extent of arrears (in years)	1 to 12	1 to 12	1 to 13	1 to 13	1 to 13

1.39 The performance of finalisation of accounts during the year 2008-09 has considerably improved compared to previous year. Average arrears per PSU ranged between 1.85 (2004-05) and 2.31 (2007-08). During 2008-09, thirteen[∂] working PSUs did not finalise even a single account which contributed to the accumulation of arrears in accounts. Further out of three newly established PSUs (2008-09), two[Ψ] PSUs have also not finalised their accounts till 30 September 2009.

1.40 In addition to above, there were also arrears in finalisation of accounts by non-working PSUs. Out of 28 non-working PSUs liquidation process was in progress in six PSUs. All the remaining 22 non-working PSUs, had arrears of accounts for one to 24 years.

1.41 The State Government had invested Rs. 948.79 crore (Equity: Rs. 111.44 crore, loans: Rs. 367.72 crore, and grants: Rs. 469.63 crore) in 41 PSUs during the years for which accounts have not been finalised as detailed in ***Annexure 4***. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

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

[∂] **Kerala State Poultry Development Corporation Limited, Meat Products of India Limited, Kerala Transport Development Finance Corporation Limited, The Kerala State Backward Classes Development Corporation Limited, Kerala Irrigation Infrastructure Development Corporation Limited, Kerala Police Housing and Construction Corporation Limited, Foam Mattings (India) Limited, Keltron Component Complex Limited, Kerala Automobiles Limited, The Kerala Ceramics Limited, Travancore Titanium Products Limited, Kerala Industrial Infrastructure Development Corporation and Kerala State Electricity Board.**

[Ψ] **Kerala State Information Technology Infrastructure Limited and Kerala Medical Services Corporation Limited.**

administrative departments and officials of the Government were informed every half year by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up with the Chief Secretary/ Finance Secretary in August 2008 and June 2009 to expedite the backlog of arrears in accounts in a time bound manner. Principal Secretary to Government of Kerala (Department of Industries and Bureau of Public Enterprises) instructed in October 2008 to include finalisation of accounts as an agenda in Board meetings, specified the dead line for clearance of arrears of accounts by December 2010 and to engage external agencies for preparing the accounts wherever necessary.

1.43 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Winding up of non-working PSUs

1.44 There were 28 non-working PSUs (all companies) as on 31 March 2009. Liquidation process had commenced in six PSUs. The numbers of non-working companies at the end of each year during past five years are given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
No. of non-working companies	21	25	25	25	28

The non-working PSUs are required to be closed down as their existence is not going to serve any purpose.

1.45 The stages of closure in respect of non-working PSUs are given below.

Sl. No.	Particulars	Companies	Statutory Corporations	Total
1.	Total No. of non-working PSUs	28	…	28
2.	Of (1) above, the No. under		…	
(a)	Liquidation by Court (liquidator appointed)	03[ϕ]	…	03
(b)	Voluntary winding up (liquidator appointed)	03[♥]	…	03
(c)	Closure, i.e. closing orders/ instructions issued but liquidation process not yet started.	22	…	22

[ϕ] **Keltron Power Devices Limited, Keltron Counters Limited and Keltron Rectifiers Limited.**

[♥] **Kerala Fishermens' Welfare Corporation Limited, Kerala Fisheries Corporation Limited and SIDECO Mohan Kerala Limited.**

1.46 During the year 2008-09, one[°] company was wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from three years to four years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make an early decision regarding winding up of 22 non-working PSUs where closing orders/ instructions have been issued but liquidation process has not yet started. The Government may consider setting up a cell to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.47 Seventy seven working companies forwarded their 96 audited accounts to PAG during the year 2008-09. Of these, 78 accounts of 67companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	6	33.38	14	33.67	14	33.88
2.	Increase in loss	7	21.42	14	31.68	31	28.72
3.	Non-disclosure of material facts	5	43.29	4	5.61	8	11.33
4.	Errors of classification	4	9.41	1	128.03	…	…

The comments on decrease in profit and increase in loss were on the increasing trend during the three years ended 2008-09.

1.48 During the year 2008-09, the statutory auditors had given unqualified certificates for five accounts, qualified certificates for 71 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for three accounts and disclaimers (meaning the auditors are unable to form an opinion on accounts) for 25 accounts. Additionally, CAG gave adverse comments on 15 accounts and disclaimer comments on one account during the supplementary audit. The compliance of companies with the Accounting Standards remained poor as there were 30 instances of non-compliance in 81 accounts during the year.

1.49 Some of the important comments in respect of accounts of companies are stated below.

[°] **Kerala Inland Fisheries Development Corporation Limited.**

The Travancore Cements Limited (2007-08)

- Net fund deficit of Rs. 1.57 crore in LIC gratuity fund as per actuarial valuation as on 31 March 2008 was not provided for. Consequently the profit for the year was overstated.

Roads and Bridges Development Corporation of Kerala Limited (2007-08)

- Loss carried to Balance Sheet as on 31 March 2008 (Rs. 16.42 crore) was understated by Rs. 1.60 crore due to capitalisation of ineligible borrowing cost violating Accounting Standard 16 and accounting of capital expenditure on projects in profit and loss account.

Keltron Crystals Limited (2007-08)

- Loss for the year 2007-08 (Rs. 51.46 lakh) was understated by Rs. 43.60 lakh due to non-provision of liabilities towards leave salary and non-provision of DA arrears for the period January 2005- February 2008.

The Kerala Minerals and Metals Limited (2007-08)

- Profit for the year 2007-08 (Rs. 6.13 crore) was overstated by Rs. 23.30 crore due to non-provision of loss on expansion projects which were abandoned.

The Kerala Minerals and Metals Limited (2006-07)

- The Company had not made any provision for doubtful advances to the extent of Rs. 22.11 crore.

The Plantation Corporation of Kerala Limited (2007-08)

- The Company had not charged depreciation of Rs. 43.32 crore on the development of property for various cultivation, viz, Rubber plantation, cashew, Oil Palm and other heads.

The Kerala State Financial Enterprises Limited (2006-07)

- There was a shortfall in the provision by Rs. 7.94 crore with respect to liability towards gratuity**.**

The Kerala State Financial Enterprises Limited (2006-07)

- Profit was overstated by Rs. 67.71 lakh due to non-provision of promotional expenses incurred in connection with Golden Jubilee Chitties Campaign during 1 September 2006 to 5 February 2007.

Kerala Police Housing and Construction Corporation Limited (2005-06)

- Loss for the year was understated by Rs. 97.88 lakh due to non-writing off debts, overstatement of supervision charges recoverable and recognition of supervisory charges in excess of the funds sanctioned by Government.

1.50 Similarly, out of five working Statutory corporations, three corporations forwarded their three accounts to PAG during the year 2008-09 upto 30 September 2009 and two Statutory corporations[∂] did not forward their accounts. Of these three, one account pertained to a Corporation where CAG was the sole auditor, which was completed. The remaining two accounts were selected for supplementary audit and Separate Audit Reports issued. The audit reports of statutory auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount: Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	1	296.53	1	247.91	…	…
2	Increase in profit	…	…	2	385.00	…	…
3	Decrease in loss	…	…	1	57.92	…	…
4	Increase in loss	…	…	…	…	2	6.73
5	Non-disclosure of material facts	1	4.54	2	246.46	2	18.41
6	Errors of classification	1	2.17	2	115.99	2	21.91

1.51 During the year 2008-09, three corporations furnished their accounts and all of them were issued qualified certificates.

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

Kerala State Electricity Board

- The revised claim of power purchased from Rajiv Gandhi Combined Cycle Power Plant of NTPC amounting to Rs. 5.82 crore was not provided for during 2007-08.

Kerala State Road Transport Corporation

- Loss for the year 2004-05 (Rs. 151.04 crore) was understated by Rs. 28.91 crore due to short/ non-provision of liability towards compensation for accident cases payable as per orders of MACT.

[∂] **Kerala State Electricity Board and Kerala Industrial Infrastructure Development Corporation.**

1.53 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/ internal control system in respect of 63 companies[£] for the year 2007-08 and 51 companies[µ] for the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made		Reference to serial number of the companies as *per* Annexure 2	
		2007-08	2008-09	2007-08	2008-09
1.	Non-fixation of minimum/ maximum limits of store and spares	3	5	A-1,53,74	A-01,17,65,82, 85
2.	Absence of internal audit system commensurate with the nature and size of business of the company	10	17	A-3,14,24, 33,43,47, 50,71,81, 89	A-3,6,7,11,17, 18,20,21,22,33, 41,47,59,80,84, 85,86
3.	Non-maintenance of cost record	6	9	A-3,7,16, 33, 53,66	A-3,6,7,11,20, 22,62,82,85
4.	Non-maintenance of proper records showing full particulars including quantitative details, situations, identity number, date of acquisitions, depreciated value of fixed assets and their locations	1	15	A-03	A-1,3,5,6,18,19, 20,21,22,50,57, 62, 65,80,85
5.	Lack of internal control over sale of power	…	…		

Recoveries at the instance of audit

1.54 During the course of propriety audit in 2008-09, recoveries of Rs. 15.33 crore were pointed out to the Management of various PSUs, of which, recoveries of Rs. 0.53 crore were admitted by PSUs. An amount of Rs. 1.92 crore was recovered during the year 2008-09 including those pointed out previously.

Status of placement of Separate Audit Reports

1.55 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

£ **Sr. No.A-6,88,84,6,10,9,14,14,15,55,12,59,67,66,75,57,11,13,12,7,4,3,5,2,58,48,47,46,50,45,C-29,7,18,7, A-60,62,38,39,80,20,40,71,14,90,61,70,33,83,87,01,64,69,73,53,34,25,77,34,16,29,28,34,25 in Annexure – 2.**

µ **Sr No. A-76,22,14,43,59,52,66,67,72,75,57,11,71,11,12,7,57,3,5,58,48,46,50,45,62,41,86,80,20,21,83,87,18,19, 70,33,35, 61,82,85,65,76,74,8,62,77,34,26,28,17,44 in Annexure – 2.**

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Kerala State Electricity Board	2006-07	2007-08	31.08.2009	Yet to be placed in the Legislature
2.	Kerala State Road Transport Corporation	2004-05	2005-06	17.09.2009	Yet to be placed in the Legislature
3	Kerala Financial Corporation	2007-08	2008-09	28.10.2009	Yet to be placed in the Legislature
4	Kerala State Warehousing Corporation	2004-05	2005-06	25.05.2009	Yet to be placed in the Legislature
5	Kerala Industrial Infrastructure Development Corporation	2007-08	2008-09	Accounts not finalised	

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

Disinvestment, Privatisation and Restructuring of PSUs

1.56 The Government had not laid down any policy in regard to disinvestment, privatisation and restructuring of PSUs so far (September 2009).

Reforms in Power Sector

1.57 The State has Kerala State Electricity Regulatory Commission (KSERC) formed in November 2002 under Section 17 (1) of the Electricity Regulatory Commissions Act 1998[π] with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences. During 2008-09, KSERC, however, issued no orders on annual revenue requirements and on others.

1.58 Memorandum of Understanding (MoU) was signed (August 2001) between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms programme in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

[π] **Since replaced with Section 82 (1) of the Electricity Act, 2003.**

		Milestone	Achievement as at March 2009
I	**By the State Government:**		
	Reduction in Transmission and Distribution losses	Reduction of loss to 17 *per cent* by December 2004	KSEB has targeted to reduce the loss by 2 *per cent* every year. T&D loss has been brought down to 20.98 *per cent* as on 31.03.2009.
	Electrification of all villages	100 *per cent*	All villages have been electrified as per previous census 2001.
	Metering of all distribution feeders	100 *per cent* by October 2001	Completed
	Metering of all consumers	100 *per cent* by December 2001	Completed
	Securitising outstanding dues of Central PSUs	Securitisation limit not to cross two months billing	An amount of Rs. 1158.25 crore outstanding as dues to CPSU as on 30.09.2001 has been securitised.
	Establishment of State Electricity Regulatory Commission (SERC)	October 2001	KSERC was constituted vide Government of Kerala Order (MS) No 14/2002/PD dated 14.11.2002
	Implementation of tariff orders issued by SERC during the year		No tariff orders have been issued during the year.
	Energy Audit of 11 KV metering	March 2002	Completed
	Energy Audit above 11 KV metering	October 2001	Completed
	Computerisation of accounting and billing in towns	Computerised billing & customer service centre - Town Schemes (target 66 nos) Billing collection & Accounting in towns (target 619 nos as on 31.03.07)	All Sections (640) have been computerised with ORUMA (Software developed by KSEB in Open Source Platform)
	Break even of distribution of power	To be achieved upto March 2002	Work in progress.
	Asian Development Bank loans for power sector reforms	Nil	

Discussion of Audit Reports by COPU

1.59 The status as on 30 September 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	Reviews	Paragraphs	Reviews	Paragraphs
2002-03	3	17	0	14
2003-04	2	21	1	16
2004-05	4	23	2	10
2005-06	5	29	0	09
2006-07	5	21	0	08
2007-08	4	20	0	0
Total	**23**	**131**	**3**	**57**

Chapter II

Performance reviews relating to Government Companies

2.1 Resources Management by Three Plantation Sector Companies

Executive Summary

India is the fourth largest rubber-producing country in the world and ranked first in productivity per hectare. About 82 per cent of the rubber planted areas and 92 per cent of natural rubber production in India are in the State of Kerala. Of the total land holdings under rubber cultivation in the state in estate sector (38645 hectares), a considerable extent (27.00 per cent) belonged to the three public sector undertakings viz. The Plantation Corporation of Kerala Limited, Kottayam (PCK); The State Farming Corporation of Kerala Limited, Punalur (SFCK) and the Rehabilitation Plantations Limited, Punalur (RPL) formed in 1962, 1972 and 1976 respectively. The total land holdings of the Companies were in the order of 15176 hectare (ha) for PCK (including cashew planted areas of 6358 ha), 2361 ha for SFCK (including cashew area of 230 ha.) and 2194 ha for RPL.

This performance Audit was conducted to assess the utilisation of resources by the three companies during the period 2004-05 to 2008-09. Norms/Standards fixed by Rubber Board and bench marks set on the basis of inter Company comparison of performance standards were adopted for evaluating the efficiency and economy of operations of the Companies.

Land Utilisation

The companies utilised 93 % (RPL), 90.19 % (PCK) and 89.41 % (SFCK) of the total landholdings available with them, for raising plantations. The rest of the areas were either used for infrastructure facilities or left as vacant patches, secondary forests etc.

The land holdings of the three Companies were not properly surveyed and demarcated and their possession was not adequately legalised to safeguard them from encroachments and to enable formulation of long term investment plans.

Plantation Management

The productivity of rubber plantations of these Companies was substantially lower than the state average productivity reported by Rubber Board. The major reason for the shortfall was the low stock of rubber yielding trees in the different estates. PCK and SFCK failed in extracting the yield to the full potential owing to shortages in the strength of tappers as well as under utilisation of available strength. RPL fared better in the matter of yield exploitation though the productivity of its labour force was not up to the mark.

Manpower Management

Supervision and control over field operations was relatively better in RPL and it was inadequate in both PCK and SFCK. PCK suffered from shortage of manpower for field supervision, inadequate controls over cost of operation and vastness of areas.

Replanting Projects

Rubber plantations over an area of 791.75 ha (12.06 per cent) in PCK and 1779.4 ha (87.20 per cent) in RPL were due for replanting. RPL undertook replanting operations in a planned manner although low yielding areas were not given due priority for early replanting. PCK, however, refrained from implementing replanting programme, in spite of the very low yield potential of its older plantations that crossed the economical period of retention.

Processing and Marketing of Natural Rubber

Processing efficiency of centrifuging factories of PCK and RPL was below the industry standards due to non modernisation of machinery. The two Companies also undertook manufacture of value added products incurring costs substantially higher than the marginal price advantage. Price realisation for natural rubber marketed by the Companies in both processed and unprocessed condition was not always matching with the optimum price levels recorded in the market.

Fund Management

Attractive market prices prevailed during the period covered in the performance audit helped the Company Managements in maintaining consistent profitability and fairly good reserves and surplus position. However, the fund management was not found to be efficient, since optimum financial advantages of investments and tax benefit schemes were not being derived by them.

Relative strengths and weaknesses

The strengths of the Companies as assessed by Audit were consistent profitability and sound financial position (for all the three Companies), easily manageable and compact areas (SFCK and RPL), predominantly high yielding rubber trees (SFCK), better infrastructure facilities (PCK and RPL) and time tested systems and practices (PCK). The weaknesses were distantly located planted areas, degradation of plantations due to clonal mixing and inadequate maintenance and upkeep during formative years (PCK), plantations that crossed the prime years of productivity (SFCK and RPL), failed expansion/diversification schemes (PCK and RPL) and inadequate internal controls over stock transfers of field crop (PCK and SFCK).

Introduction

2.1.1 Three Government Companies in the State viz, The Plantation Corporation of Kerala Limited (PCK), Kottayam, The Rehabilitation Plantations Limited (RPL), Punalur and The State Farming Corporation of Kerala Limited (SFCK), Punalur, were commonly and independently engaged in raising and development of rubber plantations and production and sale of processed natural rubber. PCK was incorporated (November 1962) in the State sector to take over the rubber plantations raised by Forest Department. RPL was formed (May 1976) in joint sector to implement a Government of India programme of rehabilitation of refugee plantation workers from Sri Lanka. SFCK, incorporated (April 1972) in State sector, was initially engaged in sugar cane cultivation in forest lands but switched over (1980) to rubber cultivation as the former activity was adjudged as unsustainable. PCK and SFCK had also raised/ taken over (1972 - 1983) cashew plantations, along with other alternate crops such as coconut, arecanut, vanilla, pepper etc. PCK had also attempted (September 2005) diversification by constructing a Tourist Resort at Adirappally and setting up (December 1989) a Rubber Wood Processing Unit at Kodumon. Both the projects did not fetch the expected returns on investment and were being operated at breakeven level without any significant growth potential. RPL, however, confined its activity to rubber cultivation. PCK and SFCK functioned under the administrative control of Agriculture Department and RPL under Labour and Rehabilitation Department of Government of Kerala. All the three Companies have ISO certification.

Present Activities

2.1.2 The Companies raised rubber plantations in forest areas allotted by Government and used the yield of field latex[1] for production of centrifuged latex[2] and by- products such as skim crepe[3], estate brown crepe[4] etc. PCK and RPL also processed scrap rubber[5] to produce crumb rubber[6] whereas SFCK disposed of scrap in unprocessed condition. The right of collection of crop from cashew estates was usually sold out by PCK and SFCK on the basis of competitive bids (tenders and auctions).

Organisational set up

2.1.3 The Board of Directors of PCK and SFCK consisted of 11 Directors each while RPL had nine Directors. The Managing Directors of all the three Companies were appointed by the State Government who were assisted by managers /officers.

As on 31 March 2009, PCK was having seven rubber estates and four cashew estates. SFCK and RPL were having only rubber estates numbering four and two respectively. Each of the estates was managed by managers/ assistant managers.

Scope of Audit

2.1.4 A horizontal review on the working of these Companies was last conducted in 1994 and findings included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1994. The report was treated (September 2002) as discussed by the Committee on Public Undertakings.

The business and economic scenario underwent changes during subsequent years giving rise to scope for a fresh study in view of the high profit potential of rubber cultivation in the State. Greater significance is also being attached to land utilisation during recent years. The present performance review conducted between January 2009 and May 2009 covers issues of the resource management by the three Companies during the five year period 2004-09.

Audit Objectives

2.1.5 The main objective of the performance review was to examine whether the resources viz., land and other infrastructure, manpower, finance etc., were

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[1] **White or slightly yellowish opaque liquid coming out on tapping rubber tree that contained 30-40 *per cent* rubber, 55-65 *per cent* water with low percentages of sugar, protein and ash.**
[2] **Concentrated latex of more than 60 *per cent* dry rubber content separated from field latex using a centrifuging machine.**
[3] **Manufactured out of skim lump, residue of centrifuging process.**
[4] **Manufactured out of cup lump and other higher grades of coagulated latex.**
[5] **Left over quantities of field latex collected after the day of tapping in solid form.**
[6] **Processed scrap rubber of 100% Dry Rubber Content (DRC).**

utilised optimally by the three Companies. Audit was conducted to ascertain whether:

- Land and other infrastructure were utilised optimally with measurable targets;
- Processing capacities were utilised optimally;
- The performance parameters were comparable among the three Companies and with industry standards;
- The Companies exploited the profit potential in sale of natural rubber, rubber nursery plants, right of felling of rubber trees etc;
- The Companies made use of the financial assistance and expert advice available from Rubber Board, Government of India and acted upon their recommendations;
- The financial resources were optimally made use of and surplus funds gainfully utilised;
- The replanting projects prepared were efficiently implemented by the three Companies; and
- The Companies had an effective internal control/ internal audit system.

Audit Criteria

2.1.6 Audit adopted the following criteria:

- Norms fixed by Rubber Board as well as other industry norms for evaluating performance standards;
- Targets fixed by the Companies in their annual budgets;
- Statutory regulations in matters pertaining to labour recruitment, provision of amenities to workers, wage fixation etc;
- Plantation Labour Committee decisions in matters relating to fixation of wage rates;
- Daily market prices published in local newspapers for judging fairness of sales price realised; and
- Recommendations of Rubber Board in matters like clone[a] selection, formulation of replanting schemes, tapping methods etc.

[a] **Rubber trees of same characteristics and same parentage.**

Audit Methodology

2.1.7 Audit adopted the following methodology:

- Compilation and analysis of performance data available with the Companies;
- Discussion with top management regarding key issues;
- Detailed system studies in Companies;
- Interviews with management to understand field conditions;
- Collection of necessary data from Rubber Board and inter company comparisons with reference to benchmarks; and
- Review of Project Reports and related documents in respect of specific projects.

Projects and Schemes implemented

2.1.8 RPL had been implementing replanting scheme since 2001 and completed replanting in an area of 1,095.45 hectares (ha) by the year 2008-09, incurring expenditure of Rs. 21.53 crore. No major replantation schemes were under implementation in other two Companies. PCK, however, outsourced slaughter tapping over an area of 852.30 ha out of total area of 5,984.69 ha of mature plantations to private parties, collecting revenue of Rs. 12.98 crore during 2007-09.

Audit findings

Findings emerging from the performance audit review are discussed in the succeeding paragraphs:

Financial Position and Working Results

2.1.9 The financial position and working results of the three Companies for the five years up to 2008-09 are given below: (details in ***Annexures 7 and 8***).

(Rs. in crore)

Year	Paid-up capital			Turnover			Profit		
	PCK	SFCK	RPL	PCK	SFCK	RPL	PCK	SFCK	RPL
2004-05	5.57[a]	9.04[b]	3.39[c]	31.12	15.22	14.08	5.50	5.23	5.27
2005-06	5.57	9.04	3.39	44.71	21.06	17.95	2.24	8.84	6.02
2006-07	5.57	9.04	3.39	50.31	18.93	21.45	12.19	12.25	11.32
2007-08	5.57	9.04	3.39	52.58	25.10	19.08	13.87	12.77	8.73
2008-09	5.57	9.04	3.39	70.23	22.85	19.73	20.78	20.79	7.58

[a] **Fully subscribed by Government of Kerala.**
[b] **Rs. 8.43 crore held by State Government and Rs. 0.61 crore by others.**
[c] **Rs. 2.06 crore held by State Government and Rs. 1.33 crore by Government of India.**

Audit observed that:

- The working results were not comparable amongst the three Companies since different accounting treatments were followed for high value transactions such as sale of rubber trees, stock valuation etc.

- The growth in turnover was also not comparable as substantial part of the areas of RPL were under replanting from 2001 onwards, whereas the replanted areas of PCK were being progressively brought under tapping during these years. The plantations of SFCK were nearing the age of replantation, showing signs of declining productivity.

- The percentage of profitability to turnover was only 5.01 to 29.59 in PCK as against 12.19 to 64.75 in SFCK and 33.56 to 52.80 in RPL. The main reason for lower profit margin of PCK's operations was low productivity of its plantations.

Land Management

2.1.10 Particulars of land utilisation by the three Companies as of March 2009 are given below:

(Area in hectares)

Company	Gross area under lease / free hold	Land under possession as per land records of Company	Land utilised for plantations	Percentage of utilisation	Area utilised for infrastructure including vacant patches and rocky area	Area in use unidentified with the Company
PCK	15384.35	15176.64	13688.37	90.19	401.26	1087.01
SFCK	2360.78	2360.78	2110.77	89.41	250.01	-
RPL	2193.77	2193.77	2040.51	93.00	153.26	-
Total	**19938.90**	**19731.19**	**17839.65**	**90.41**	**804.53**	**1087.01**

RPL, PCK and SFCK utilised 93 *per cent*, 90.19 *per cent* and 89.41 *per cent* of area respectively under possession for raising plantations.

It could be seen from the table that the extent of land utilised for raising/maintaining plantations was 93 *per cent* in RPL, 90.19 *per cent* in PCK and 89.41 *per cent* in SFCK. Purpose-wise details of utilisation of the remaining areas were not available in all the three Companies. While PCK identified areas unsuitable for planting and that used for infrastructure creation as 2.64 *per cent* (401.26 ha) of total holdings it did not have any details of utilisation of the left over area of 7.12 *per cent* (1087.01 ha).

Deficiencies noticed in land management are given below:

- The areas under plantation in the three Companies were not independently surveyed and demarcated either before or after takeover.

- No lease deeds were executed for the holdings of PCK at the estates of Thannithode (699.35 ha), Nilambur (582.58 ha), Mannarghat (545.85 ha) and Cheemeni (1378.35 ha) and part areas to the extent of 1333.08 ha in other estates. Payment of lease rent was also in arrears in PCK since 1999, following disputes over rates applicable. There were serious contradictions in the different orders issued by Government from time to time, fixing the rates of lease rent, which required to be removed, to enable final settlement of demands raised.

- Areas of Kasaragod estate of PCK and Chithelvetty estate of SFCK were subjected to encroachments by private parties. Companies could not undertake boundary protection measures due to the huge financial commitments involved.

Plantation Management

2.1.11 The three Companies had 17,839.65 ha of vested forest land under cultivation of rubber, cashew etc., as at the end of March 2009 as shown below:

Name of the Company	Name of Estate	Area under cultivation (Hectare) as on 31.3.09						
		Rubber		Cashew		Oil palm	Other crops	Total
		Mature	Immature	Mature	Immature			
PCK	Kodumon	1189.23	4.00				4.75	**1197.98**
	Chandanappally	1488.63	20.08	50.00				**1558.71**
	Thannithode	592.01		58.08			1.50	**651.59**
	Kallala	1115.49	51.67	277.97		142.09		**1587.22**
	Adirappally	1231.13	40.70	307.98	5.62	565.64		**2151.07**
	Nilambur	299.14		51.76	21.24		21.03	**393.17**
	Perambra	194.97	237.89	484.68	16.18		28.98	**962.70**
	Kasaragod		99.00	1248.90	842.10			**2190.00**
	Cheemeni			899.50	60.00			**959.50**
	Rajapuram			1419.43	103.00			**1522.43**
	Mannarghat			511.50			2.50	**514.00**
	Total	**6110.60**	**453.34**	**5309.80**	**1048.14**	**707.73**	**58.76**	**13688.37**
SFCK	Chithelvetty	605.95		105.35	15.00		15.00	**741.30**
	Kumaramkudy	397.01		20.00			20.00	**437.01**
	Mullumala	420.99		79.57			6.00	**506.56**
	Cherupittakavu	406.98			9.92		9.00	**425.90**
	Total	**1830.93**		**204.92**	**24.92**		**50.00**	**2110.77**
RPL	Kulathupuzha	832.00	475.89					**1307.98**
	Ayiranallur	242.27	490.35					**732.62**
	Total	**1074.27**	**966.24**					**2040.51**
Grand Total		**9015.80**	**1419.58**	**5514.72**	**1073.06**	**707.73**	**108.76**	**17839.65**

The share of the three Companies put together was 27.00 *per cent* (10,435.38 ha) of the total land holdings (38,645 ha) in estate sector for rubber cultivation and 7.84 *per cent* (6,587.78 ha) of cashew cultivated areas (84,000 ha) in Kerala.

Target and Achievement in rubber production

2.1.12 Annual production targets and achievements there against for the three Companies for the period 2004-09 were as shown below:

Estate	2004-05			2005-06			2006-07			2007-08			2008-09		
	T[b]	A[c]	P[d]	T	A	P	T	A	P	T	A	P	T	A	P
PCK															
Kodumon	1450	1380	95.17	1569	1296	82.6	1620	1502	92.72	1568	1441	91.9	1725	1806	104.7
Chandanappally	985	956	97.06	1215	1040	85.6	1415	1267	89.54	1534	1280	83.44	1648	1592	96.6
Thannithode	511	410	80.23	507	326	64.3	504	276	54.76	266	184	69.17	209	217	103.83
Kallala	917	734	80.04	958	655	68.37	973	841	86.43	998	866	86.77	1061	1116	105.18
Adirappally	1089	871	79.98	1190	737	61.93	1196	846	70.74	1130	776	68.67	1121	1097	97.86
Perambra	57	48	84.21	76	60	78.95	109	84	77.06	167	103	61.68	170	155	91.18
Nilambur	207	208	100.48	246	233	94.72	293	260	88.74	252	217	86.11	258	252	97.67
Total	**5216**	**4607**	**88.32**	**5761**	**4347**	**75.46**	**6110**	**5076**	**83.08**	**5915**	**4867**	**82.28**	**6192**	**6235**	**100.69**
SFCK															
Chithelvetty	759	660	87	784	651	83.01	916	638	69.76	724	621	85.71	805	563	69.86
Kumaramkudy	564	417	73.92	528	443	83.81	634	444	70.12	500	424	84.81	564	412	73.03
Mullumala	492	394	79.95	492	438	88.97	526	466	88.64	510	432	84.71	556	495	89.15
Cherupittakavu	432	345	79.85	432	337	78.11	486	359	73.72	403	362	89.87	436	378	86.65
Total	**2247**	**1816**	**80.81**	**2236**	**1869**	**83.55**	**2562**	**1907**	**74.48**	**2137**	**1839**	**86.05**	**2361**	**1848**	**78.26**
RPL															
Kulathupuzha	1565	1372	87.67	1320	1332	100.9	1325	1242	93.73	1275	1171	91.84	1172	1050	89.59
Ayiranallur	601	591	98.34	590	638	108.1	475	483	101.7	378	333	88.1	368	253	68.6
Total	**2166**	**1963**	**90.63**	**1910**	**1970**	**102.6**	**1800**	**1725**	**95.83**	**1653**	**1504**	**90.99**	**1540**	**1303**	**84.61**
Grand Total	**9629**	**8386**	**87.09**	**9907**	**8186**	**82.53**	**10472**	**8708**	**83.16**	**9705**	**8210**	**84.60**	**10093**	**9386**	**92.99**

Audit observed that:

- PCK followed the system of fixing production targets based on clone-wise productivity standards estimated by Rubber Board for the effective area under tapping. However, the production levels comparable with targets were recorded by only two of the estates viz., Kodumon and Chandanappally and in other estates it varied from year to year due to inconsistencies in production levels due to deficiencies in planted area management.

- RPL fixed its production targets based on yield projections in the project report as well as the production results achieved during the previous years. Though the targets were fixed on a realistic basis, the two estates of the Company could not fully achieve the targeted production during the two years 2007-09, in spite of intensive exploitation.

- In SFCK, production targets were arbitrarily fixed comparable to production levels achieved during previous years. Fixation of targets was unrealistic and unscientific as the productivity of rubber plantations had a close relation with their age. By following unscientific method of fixing the production targets not based on Rubber Board standards, the overall yield deficit for the five years 2004-09 was approximately 5,429 MT as against 2,262 MT recorded by the company method. Audit noticed that none of the estates achieved the targeted performance during the five years (2004-2009) even though the targets were fixed on lower

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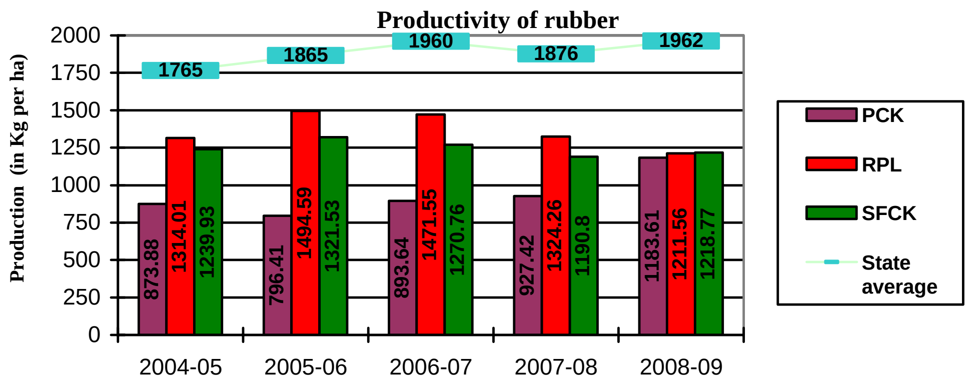
[b] Targeted quantity in MT.
[c] Achievement against target in MT.
[d] Percentage of achievement to targets.

side. The non-achievement of targets was due to non-exploitation of yield applying intensive tapping methods and high rate of task vacancies.

Yield from rubber plantations

The yield from rubber plantations of three Companies was lower than State average yield and PCK recorded lowest yield of less than 50 *per cent* during 2004-09.

2.1.13 The yield from rubber plantations of the three Companies was lower than the State average yield estimated by the Rubber Board every year. The yield ranged from 42.70 *per cent* to 60.33 *per cent* in PCK, 61.75 *per cent* to 80.14 *per cent* in RPL and 62.12 *per cent* to 70.86 *per cent* in SFCK of the state average yield during the period 2004-09 as given below:



Audit observed that:

- The shortfall in yield in respect of RPL and SFCK was due to the fact that major part of their plantations had completed the prime years of productivity. In PCK, shortfall in yield was significant since out of 5,268.61 hectares under own tapping (March 2009), 3,131.89 hectares (59.44 *per cent*) consisted of plantations of most productive age. The lower yield was due to improper maintenance of the plantations in their initial years. The Company replied (August 2009) that it could not carry out all the necessary rubber plant maintenance operations including manuring at the formative stages of development of plantations due to financial crisis faced when large extent of areas came under replanting at a time. The financial crisis was a result of ill-planned replantation scheme under which extensive areas were brought under replanting at a time leading to drop in revenue consequent to reduction in yielding areas.

- The plantations of SFCK mainly consisted of high yielding clones whereas; the other two Companies had a mix of different conventional clones.

- Intensive tapping methods were followed in RPL and SFCK when compared with PCK.

Clone-wise analysis of yield

2.1.14 Rubber plantations are raised using seedlings belonging to different ‘clones’ like RRIM600, GT1, RRII 105 etc., developed and named by Rubber Research Stations.

Rubber Board had specified the standard yielding capacity of different clones of rubber trees in the different years of tapping. The plantations of these Companies consisted of rubber trees of different clones in different ratios. A comparison of productivity of the plantations of the three Companies, adopting the average yield *per* hectare of different clones in the respective years of tapping, as against the standard yield *per* hectare is given below (details in ***Annexure 9***).

(Quantity in MT)

Year	PCK			SFCK			RPL		
	Standard	Actual (%)	Shortage	Standard	Actual (%)	Shortage	Standard	Actual (%)	Shortage
2004-05	6982	4389 (62.86)	2593	2601	2243 (86.24)	358	1920	1962 (102.19)	Nil
2005-06	7689	4285 (55.73)	3404	2606	2390 (91.71)	216	1640	1960 (119.51)	Nil
2006-07	8326	4958 (59.55)	3368	2712	2298 (84.73)	414	1464	1738 (118.72)	Nil
2007-08	7781	4854 (62.38)	2927	2746	2154 (78.44)	592	1397	1506 (107.80)	Nil
2008-09	7907	6236 (78.87)	1671	2756	2231 (80.95)	525	1313	1306 (99.47)	7
Total	**38685**	**24722 (63.91)**	**13963**	**13421**	**11316 (84.31)**	**2105**	**7734**	**8472 (109.54)**	**Nil**

It could be seen that:

- The yield record of PCK varied between 56 *per cent* to 79 *per cent* of the standard yield potential during the five years 2004-09. The yield deficit was due to low stand of tapping trees, non-performance of tapping tasks in full, inadequacy of field management and inadequate maintenance of replanted areas as discussed in paragraphs 2.1.15, 2.1.17 and 2.1.21 *Infra.*

- SFCK achieved 78 to 92 *per cent* of standard yield despite having 69 *per cent* of area planted with high yielding clone. As in the case of PCK, shortfall in yield was due to poor stand of tapping trees and short performance of tapping tasks.

- RPL, whose plantations were mostly of conventional clones recorded yield levels almost equal to or higher than (99 to 120 *per cent*) the standard yield despite the low stock of trees. Audit observed that relatively better practices in labour utilisation helped the company to achieve optimum production in spite of low stand of tapping trees.

The shortfall in yield as compared to standard yield during 2004-09 in two companies was Rs. 129.46 crore (PCK Rs. 117.31 crore, SFCK Rs. 12.15 crore).

Audit concludes that based on the average sales revenue *per* MT for the five years 2004-09, the shortfall in yield of 16,066.76 MT (PCK-13,962 MT, SFCK-2,104.76 MT) valued an estimated Rs. 129.46 crore (PCK - Rs. 117.31 crore, SFCK- Rs. 12.15 crore). When compared with the targets fixed by the Companies themselves during the said period, the yield deficit for the three Companies was 7,040.50 MT (PCK-4,106 MT, SFCK-2,262 MT and RPL-672.5 MT) valued at Rs. 52.22 crore (PCK-Rs. 34.25 crore, SFCK-Rs. 12.68 crore and RPL-Rs. 5.29 crore).

Stand of tapping trees

2.1.15 The stand (number of trees available in a specified area) of tapping trees on an average *per* hectare was expected to be 310 beyond the tenth year of planting. Audit observed that, in seven estates of PCK (excluding Kodumon), four estates of SFCK and two estates of RPL, the stand/ stock was below the standard with an overall average of 235 as given in ***Annexure 10***.

Audit observed that:

- The low stand of tappable trees was the major contributory cause for the shortfall in yield in the plantations of these Companies, as discussed in paragraph 2.1.13 *supra.*
- As against the mature area of 6,110.60 ha (PCK), 1,830.93 ha (SFCK) and 1,074.27 ha (RPL), the effective area[e] (with 310 nos. of trees *per* ha) was only 4,771.99 ha (PCK), 1,462.22 ha (SFCK) and 717.38 ha (RPL). The remaining area of 1,338.61 ha (PCK), 368.71 ha (SFCK) and 356.89 ha (RPL) were thus unproductive.

The poor stand of yielding trees in PCK's estates was due to inadequate gap filling and maintenance operations in replanted areas. In respect of SFCK and RPL, the yielding areas consisted of older plantations in which reduction in number of yielding trees occurred over the years, cause-wise data of which was not on record.

Yield pattern in areas replanted by PCK

2.1.16 An analysis of yield pattern in the areas replanted by PCK in their four major estates (Kodumon, Chandanappally, Adirappally and Kallala) between 1990 and 1996 was as given in ***Annexure 11***. Audit observed that the areas of Kodumon and Chandanappally having relatively better stand of tapping trees (293 to 346 *per* ha) could record 67 to 103 *per cent* of the standard yield fixed by Rubber Board whereas the yield recorded by replanted areas of Adirappally and Kallala having stand of tapping trees in the range of 227 to 245 was only 48 to 68 *per cent*. The overall shortfall in yield in 1,912.30 ha of replanted area (Kallala and Adirappally estates) when compared with yield recorded by plantations in 2,255.04 ha raised (Kodumon and Chandanappally) during the same period was 3,581.66 MT worth an estimated Rs. 30.22 crore for the period 2004-09.

The productivity of other three rubber estates of the Company was still lower. The overall average stand of tapping trees in Thannithode estate was only 195 trees *per* ha. Based on the expected stand of 310 trees *per* ha, the effective tapping area of the estate would be 372.39 ha against the gross planted area of 592.01 ha. While the average stand of tapping trees in the plantations of earlier years (when there were damages due to wild life attack) in Nilambur estate was in the range of 205 to 245, the stand of newly replanted areas was still lower (94 to 194 in 1997 and 2000 areas) although most of the new plantations

[e] **Effective area = Area actually required to grow the actual available yielding trees.**

were raised after providing power fencing. Though the plantations of Perambra estate were of the age group of 10 to 22 years and belonged to high yielding clones of RRII 105, the productivity of the areas was no better. As against the standard yield of 1250 kg to 1843 kg *per* ha estimated by the Rubber Board, the actual yield achieved by the estates was in the range of 509.31 to 859.09 kg *per* ha *per* annum during the period 2004-09.

Thus, the overall yield shortfall suffered by PCK was due to low stand of tappable trees in five out of seven estates which was the result of inadequate maintenance of plantations during formative years.

Inadequate field supervision and internal control

2.1.17 PCK reduced staff strength in its offices and estates from 2002-03 onwards to overcome the financial crisis then prevailing. When the financial position improved later (2008), the Management decided (January 2008) to restore the staff strength to the year 2003 level. Analysis of the staff position and strength of workers in the various estates indicated that even after replenishment, the available strength would not be adequate for intensive management of plantations. In the absence of required number of employees, the production is suffering.

The technical consultant appointed (August 2007) by the Board also reported (January 2008) that the shortages of staff affected the production performance.

2.1.18 SFCK management was not exercising proper internal control over the operational and financial transactions in the estates. Estate-wise trial balance and profit and loss accounts were not prepared. In the absence of estate-wise analysis of expenditure, comparison of financial data for ensuring economy in expenditure and to enable reconciliation of physical data with financial data was not possible. Physical and financial statements on different maintenance operations like replanting, weeding etc., were also not obtained from estates and, therefore, management was not aware of efficiency and economy of operation of each estate.

Management stated (April 2009) that it required additional staff strength for meeting the above requirements. Audit recommends that estate-wise cost data may be prepared as the expenditure will be more than offset by the benefits arising out of better MIS and faster results. It may also be possible to use the existing staff for the purpose.

Manpower Management

2.1.19 The three Companies engaged both regular and casual workers for carrying out tapping and plantation maintenance works in rubber estates, cultural operations and harvesting in cashew estates. The land (area in ha)-labour (number of tappers/workers) ratios of the three Companies as on March 2009 were as indicated below: (estate-wise details in ***Annexure 12***)

Company	Rubber estates		Cashew estates
	Tappers	General workers	General workers
PCK	4.96:1	6.65:1	19.06:1
SFCK	2.60:1	23.65:1	-
RPL	2.96:1	2.87:1	-

Audit observed that:

- The available manpower was unevenly deployed by PCK in the different rubber estates, at the cost of productivity. The Kodumon and Chandanappally estates having comparatively better productivity were provided with lesser number of tappers at 4.74 ha and 6.59 ha *per* tapper respectively, whereas the Perambra estate, which ranked last in productivity, maintained the best land-labour ratio of 3.28: 1, for tapping work.

- The estates of PCK were not keeping proper records showing activity-wise booking of labour on a day to day basis.

- SFCK was having better strength of tappers, still the Company experienced shortage of tappers due to inefficient utilisation, as discussed in paragraph *2.1.22 infra*.

- RPL could carry out tapping and other plantation maintenance works by engaging own workers, whereas, PCK and SFCK resorted to contract arrangements.

Performance of Tapping Tasks

2.1.20 While the yield potential itself was deficient due to inadequate stand of tapping trees as discussed in paragraph *2.1.14 supra*, exploitation of the available yield to the full extent was also not attained in these Companies, owing to non-performance of all tapping tasks, particularly in PCK and SFCK.

PCK suffered yield loss of 2,219 MT involving revenue loss of Rs. 19.23 crore due to non-performance of tapping tasks in full during 2004-09.

Audit observed that:

- PCK suffered loss of yield of approximately 2,219 MT involving possible revenue of Rs. 19.23 crore on non-performance of 1.44 lakh tappable tasks (8.02 *per cent* of the total tasks) during the five years 2004-09.

SFCK suffered yield loss of 684.32 MT involving revenue loss of Rs. 5.56 crore due to non-tapping for want of tappers during 2004-09.

- In SFCK, the tasks unperformed during 2004-09 were 50,299 nos. (6.03 *per cent*), involving yield loss of 684.32 MT worth Rs. 5.56 crore.

Audit observed that large scale absenteeism of workers on rolls was the main cause of non-performance of tapping tasks in full which was avoidable by adopting better management practices.

Delay in commencement of tapping in newly developed plantations of PCK

2.1.21 Rubber trees attain the minimum tappable girth of 45-50 cm (at a height of 125 cm from bottom) by the seventh year of planting.

Commencement of tapping in a gross area of 882.39 ha replanted between 1994 and 2000 in six rubber estates of PCK, had to be postponed up to eleventh year of planting, due to non-attainment of required girth standards, as well as non–availability of additional tappers, to open new areas.

The inefficient maintenance and upkeep of newly raised plantations and failure in engaging need based additional tappers resulted in loss of production.

Under performance of Tapping Tasks in SFCK

2.1.22 According to labour norms followed, a tapping task comprises of 300 to 350 tappable trees on an average. As the number of trees gets reduced, due to natural damages during the course of time, the tapping tasks need to be re-tasked periodically to maintain the task-norms fixed. Such re-tasking was not done in RPL and SFCK, as a result of which, the average number of trees *per* task as of March 2008 stood at 226 in RPL estates and 268 in SFCK estates, as against the norm of 300 trees in PCK, where re-tasking was done periodically. Since the RPL areas were already earmarked for replanting from 2001 onwards, intensive tapping was going on in its estates and hence norm was liberalised.

Failure of SFCK Management in enforcing the labour norms for tapping during 2004-09 resulted in a loss of Rs. 5.75 crore.

SFCK's tapping areas were either under normal tapping or '*Controlled Upward Tapping'* (CUT), requiring systematic refixing of tappable tasks. At the instance of Audit, Management decided in November 2008 to re-block the areas fixing the number of tapping trees as 300 *per* task and envisaged gain from re-fixing tapping tasks was Rs. 1.15 crore *per* annum. The minimum loss incurred by the Company due to its failure in enforcing the labour norms earlier i.e., during the five years 2004-09 amounted to approximately Rs. 5.75 crore.

Productivity of tappers

2.1.23 The average crop collection in PCK was 13.40 kg to 15.77 kg *per* task, while in SFCK it was in the range of 12.92 kg to 14.19 kg. In RPL it was in the range of 9.55 kg to 12.28 kg during the period 2004-08. The highest productivity record of PCK however, was due to contribution of its most productive estates at Kodumon and Chandanappally. The performance of other estates of PCK was at par or below par, when compared with SFCK/RPL estates. When compared with the standard of Kodumon and Chandanappally in task performance the extra cost on tapping and collection incurred by other estates of PCK worked out to Rs. 1.01 crore *per* annum.

RPL Management attributed (February 2009) the lower output of its tappers to the fall in yield of trees due to ageing.

PCK Management reasoned (August 2009) the higher cost in estates other than Kodumon and Chandanappally to the lower task performance and stated that re-tasking was in progress in those estates.

Higher cost of rain guarding in PCK estates

Avoidable extra expenditure due to payment of higher rates for rain guarding work by PCK during 2004-09 amounted to Rs. 75.85 lakh.

2.1.24 The tapping areas in PCK were having trees with relatively shorter girth standards when compared with those of SFCK and RPL due to age factors. Therefore, the rain guarding works should have been easier in PCK estates. Yet, the Company had been, allowing abnormally high labour rates for rain guarding work. While the rates admitted by SFCK and RPL were in the range of Re.1 to Rs. 2 *per* tree during the five years 2004-09, the rates of PCK ranged between Rs. 2.31 and Rs. 2.99 *per* tree on an average during the same period. When compared with average wage rates paid for by other two Companies, the avoidable extra expenditure incurred by PCK for rain guarding work for the five years 2004-09, amounted to Rs. 75.85 lakh.

It was observed that Rubber Board had recommended rain guarding only in areas where the yield was 675 kg *per* hectare *per* annum or more and 25 or more tapping days were annually lost by rain. Though, the Company was having large extent of areas with yield below 675 kg *per* annum, and tapping was done once in four days, no cost benefit analysis of rain guarding had been carried out and all the areas were rain guarded irrespective of yield potential.

Economy of field operations was therefore not given due consideration by PCK Management as evidenced by these instances.

Cost of tapping and collection

Cost of tapping per task was higher in PCK at Rs. 213.15 against Rs. 159 in SFCK and Rs. 129.31 in RPL.

2.1.25 High operating cost coupled with low productivity *per* tree had escalated the cost of tapping and collection for PCK. Analysis in Audit based on figures for 2007-08 revealed that average cost of tapping *per* task was Rs. 213.15 in PCK as against Rs. 159 in SFCK and Rs. 129.31 in RPL. The tapping cost *per* kg of production was Rs. 13.47 *per* kg for PCK, as against Rs. 12.20 for SFCK and Rs. 12.84 for RPL.

The cost of tapping was as high as Rs. 21.07 *per* kg of rubber and Rs. 17.27 *per* kg for Perambra and Thannithode estates of PCK respectively, and when expressed as a percentage of revenue realisation, it was 22.44 *per cent* for Perambra and 18.29 *per cent* for Thannithode against 11 to 13 *per cent* in other estates.

Inappropriate classification of tapping tasks

2.1.26 All the three Companies followed the decisions of Plantation Labour Committee (PLC), a joint body of Government, Company Managements and Labour Unions formed to fix the wage rates of plantation workers. Accordingly, the tapping tasks in the estates were to be classified into four classes, based on yield, taking yield *per* 100 trees *per* annum as the norm. Over kilo[f] wages for collection of rubber in excess of the standard minimum fixed for each class were to be distributed among tappers as an incentive for encouraging labour and maximising production.

[f] **Extra wages paid for collection of latex and scrap in excess of the standards fixed for different classes.**

Audit noticed that, due care was not exercised by PCK and SFCK to follow the classification norms, and many blocks remained incorrectly classified by PCK, whereas, SFCK arbitrarily classified the blocks, clone-wise, ignoring the stipulation of PLC to link it with productivity of tree rather than clone. In most of these cases the tasks were classified in classes higher than the appropriate one. The inappropriate classification had negative impact on productivity.

Replanting Programmes

Delay in replanting old plantations with low yield by PCK

2.1.27 According to an expert engaged by SFCK (November 2008), rubber plantations that were past the productive age of 30 years could be felled and replanted, when the yield *per* hectare dropped below 75 *per cent* of national average yield, (1705 kg – 1874 kg *per* ha) unless the market prices of rubber were so high that a lesser yield could also fetch adequate revenue to maintain viability.

Both PCK and RPL were having plantations raised between 1973 and 1978 to the extent of 791.75 and 1,779.4 ha respectively. Though the productivity of PCK plantations was only around 30 to 40 *per cent* of national average yield, the Management proposed replanting only from the year 2010. At the same time RPL had already replanted 1095.45 ha, although major part of their plantations was having productivity in excess of 75 *per cent* of national average.

RPL also adopted intensive tapping in these plantations and exploited the crop potential to the maximum extent. In the case of PCK, crop exploitation from older plantations was given the least priority owing to shortage of tappers and declining yield from trees. Thus, the overall average yield from older PCK plantations decreased steadily year to year (713.643 kg *per* ha in 2004-05 to 227.99 kg in 2007-08 and to 119.38 kg in 2008-09) whereas, it was on the increase in RPL till 2006-07 (1339 kg *per* ha in 2004-05 and 1462.43 kg *per* ha in 2006-07) since when there was marginal yield reduction consequent to optimum exploitation (1,339.580 kg in 2007-08 and 1,191.11 kg in 2008-09).

In view of the above, retention of the above plantations by PCK beyond the period of 30-32 years with yield levels below 50 *per cent* of national average was not appropriate, though the Company's financial position was conducive for taking up replantation as it held surplus funds in the range of Rs. 8.10 crore to Rs. 60.75 crore in fixed deposits during the period 2005-06 to 2008-09.

Improper implementation of Controlled Upward Tapping (CUT) in PCK

2.1.28 In order to tide over the financial crisis following implementation of extensive replantation programme, PCK decided (March 2000), in consultation with Rubber Board, to introduce Controlled Upward Tapping (CUT) in 1,102 ha aiming at projected yield increase of upto 50 to 70 *per cent*, estimated by Rubber Board. Rubber Board cautioned the Company to exercise control measures over the new tapping system and insisted for strict supervision, failing which it would not be result oriented. Five years after implementation of CUT (2004-05), Management noted (November 2005) that the system was practised in the estates in a callous manner with excess bark consumption, rendering renewed bark unfit for tapping and necessitating premature commencement of slaughter tapping before the normal period of exploitation (sixteen years) under CUT.

Company sought for (December 2005) the advice of Rubber Board in the matter and inspection revealed (March/April 2006) that severe damages had already occurred in the CUT areas due to improper implementation. The massive losses sustained by the Company due to reduction in economical life of plantations by about eleven years were, however, not assessed by Management. Decision of Board of Directors to conduct a detailed enquiry to fix responsibility for the losses was also not implemented.

Under exploitation of revenue potential from slaughter tapping areas

2.1.29 As recommended (December 2006) by Rubber Board, PCK decided (December 2006) to commence early slaughter tapping in failed CUT areas and replant them in phases from 2010 onwards. Considering the dearth of tappers and the opinion of Rubber Board not to engage own tappers for slaughter tapping, the Management decided to sell the slaughter tapping rights on contract basis. Though it was initially decided to give away the entire area of 1,102 ha for contract tapping, the Board later (March 2007) decided to exclude 287.96 ha on the plea that undertaking replanting in an extensive area at a time would be a difficult task. The rest of the areas (814.04 ha) was offered (March/April 2007) for sale in blocks of 1,000 tapping trees fixing benchmark price of Rs. 10 lakh *per* block for two years' slaughter tapping, most of which were sold out.

Decision of PCK to retain 287.96 ha under CUT instead of giving for contract slaughter tapping resulted in a revenue loss of Rs. 5.11 crore.

Slaughter tapping not undertaken in the excluded area of 287.96 ha resulted in phenomenal yield loss, realising which the Management finally decided (November 2008) to sell off those areas also for contract tapping. Tender cum auction process for sale was in progress (May 2009). The loss sustained by the Company on not giving away these areas for slaughter tapping contract along with other areas worked out to Rs. 5.11 crore based on actual yield/ revenue realisation from those areas up to March 2009.

Improper scheduling of slaughter tapping

2.1.30 The contract period of areas which were given for slaughter tapping by PCK was due to expire by May /June 2009. These areas could, therefore, be replanted only after one year. Audit observed that RPL finalised the felling contracts of rubber trees by November-December of a year and the felling activity was carried out between January to March of next year. The Company carried on with tapping even when the felling of trees was in progress and, therefore, crop exploitation to the maximum extent was made. Yield exploitation in PCK from areas earmarked for felling did not have the desired intensity as observed in RPL.

Processing of Natural Rubber

Shortages in field latex received at processing factories

2.1.31 The system of reconciliation of field weight of latex collected, as recorded in collecting stations, with the factory weight recorded at processing factories, was not in existence in PCK and SFCK. It was not ensured that the quantities transferred to factories, were properly taken into stock and there was no abnormal loss or pilferage in transit. Reconciliation made in Audit disclosed substantial quantity shortages in field latex taken into stock by the centrifuging factories of these Companies.

Audit noticed:

Unreconciled shortage of field latex in PCK factories was 884.02 MT valuing Rs. 7.28 crore. Similar shortage in SFCK was to the extent of 66.78 MT worth Rs. 0.62 crore.

- In PCK, based on factory figures, there were short receipts of field latex to the extent of 884.02 MT valuing Rs. 7.28 crore during the period 2004-09. The reasons for the abnormal shortages recorded at factories were not investigated, despite adopting factory receipt figures at gates. Shortage in quantity of latex already acknowledged by the factories to the extent of 15 MT valuing Rs. 14.08 lakh in 2007-08 as detected in Kodumon estate and reported by Audit was also not investigated by the Management. The field wet weight of latex was also recorded by Kodumon estate from 2008-09 onwards and it recorded a difference (net) of 21.020 MT (up to February 2009) with factory weight. Dry Rubber Content (DRC) test conducted by estate, in Rubber Board laboratory disclosed that the DRC reported by Factory Lab was lower.
- Similar short receipts at the processing factory of SFCK during the period 2005-08 were to the extent of 66.78 MT (DRC) valuing Rs. 0.62 crore.
- RPL had reconciled the field weight with factory weight and no abnormal variation between the two was observed in their estates, where the factory weight was in fact higher than field weight in the two estates. The overall excess was 233.12 MT in respect of Kulathupuzha estate and 36.71 MT in respect of Ayiranallur estate for the period 2004-09.

The huge quantity variations between field and factory stock accounts in SFCK and PCK exhibit absence of effective internal control over the vital areas of production, despatches and stock accounting.

PCK Management stated (August 2009) that the field weighment systems were unscientific and that steps will be taken to improve them. SFCK also agreed to introduce systematic reconciliation of quantity accounts.

Short production of Cenex due to lower centrifuging efficiency

Low rate of recovery of Cenex due to low centrifuging efficiency of factories of PCK and RPL resulted in a loss of revenue of Rs. 3.00 crore.

2.1.32 According to industry standards, not less than 87 *per cent* of the input field latex should be obtained as Cenex in the latex Centrifuging Factories. Against this, processing efficiency of PCK's centrifuging factories at Kodumon and Kallala ranged between 81.15 and 85.25 *per cent* during 2004-09. The loss of revenue on account of low rate of recovery of cenex amounted to Rs. 2.64 crore for the period 2004-09. Similar loss sustained by RPL (2004-09) where the average efficiency was in the range of 84.64 to 86.72 *per cent* amounted to Rs. 0.36 crore.

Audit observed that the centrifuging machines of the factories of PCK were installed in 1972 (Kodumon) and 1978 (Kallala) and their inefficiency was the major reason for short recovery of cenex.

Cost of conversion

2.1.33 The cost of conversion of field latex into cenex differed (2004-09) from Company to Company. On an average, it amounted to Rs. 8.61 *per* kg in PCK, Rs. 10.77 *per* kg in SFCK and Rs. 15.74 *per* kg in RPL during 2007-08. The higher cost of conversion in RPL and SFCK was due to lower capacity utilisation.

Uneconomic production of crumb rubber

Conversion of field scrap as crumb rubber using outdated technology by PCK and RPL resulted in loss of Rs. 4.84 crore.

2.1.34 PCK and RPL manufactured ISNR[g] grade Rubber (crumb rubber) out of field scrap collected from estates and marketed it through dealers on tender cum auction basis. The Companies had been using outdated technology for processing and hence desired quality standards were not maintained for this value added product. Out of a gross quantity of 3,734.35 MT of crumb rubber produced by PCK during 2004-08, 1,425.65 MT (38.18 *per cent*) was of inferior grade. Generation of inferior grade by RPL was 252 MT out of total production of 991 MT. As a result, the cost of production was as high as Rs. 11.31 to Rs. 14.86 *per* kg for PCK and Rs. 9.55 to Rs. 14.16 *per* kg for RPL (prime cost excluding overheads) whereas, the additional price advantage on value addition was very less. When compared with the prices realised by SFCK which is selling scrap totally unprocessed, the extra prices realised by PCK and RPL were meager. Loss due to conversion of scrap as crumb rubber by PCK and RPL amounted to Rs. 4.84 crore (PCK Rs. 3.44 crore, RPL Rs. 1.40 crore) during 2004-08.

RPL modernised (February 2009) its crumb rubber factory, investing Rs. 1.09 crore by replacing the existing diesel based drier with bio-fuel (Gasifire) based drier. Scrap rubber required to maintain single shift operation in a year was 600 MT. The actual generation of scrap for the last three years (2005-08) was only 300 MT *per* annum and with more areas coming under replantation in future years, it would take a fairly long period for the Company to ensure captive availability of scrap, to the required extent. The marginal contribution on processing being negligible, outsourcing the raw material was also not a viable option. The Management was yet (May 2009) to formulate a plan for meeting the raw material requirement.

PCK is also contemplating modernisation of its crumb rubber factory. As and when the proposal materialises, it would be still more difficult for RPL to utilise the spare capacity as the supplies from SFCK or PCK were the

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[g] **Indian Standard Natural Rubber.**

dependable source for RPL for meeting the raw material requirement at present.

Marketing Management

Short realisation of prices of Cenex

2.1.35 The three Companies fixed the prices of Cenex on mutual consultation. A price fixation committee represented by Government and Rubber Board was also involved in the pricing decisions. A comparison of selling prices fixed for the period 2005-09, however, disclosed several instances of mismatches in prices resulting in price of one Company being lesser than that of the other two Companies. The aggregate shortfall in revenue of the three Companies during the period amounted to Rs. 1.69 crore (PCK Rs. 126.13 lakh, SFCK Rs. 32.96 lakh and RPL Rs. 9.63 lakh).

Lower sales realisation for skim crepe

2.1.36 Analysis of sales realisation of skim crepe marketed by SFCK in comparison with the realisation recorded by the other two companies indicated, that the price realised by the Company was on the lower side most of the time during 2004-09. The monthly average price realisation of the Company in 19 out of 21 months (for which comparable data was available) between April 2004 to March 2009 was lower. As compared to the higher prices obtained by the other two Companies, there was overall shortfall in revenue of Rs. 19.08 lakh.

It was further observed that the Company idled its crepe milling plant and resorted to uneconomical sale of unprocessed skim (skim coagulum). Better revenue generation opportunity was thus lost. Revenue loss on this account during 2004-09 amounted to Rs. 61.59 lakh.

The Management attributed (July 2009) the lower price realisation to the absence of proper drying facility and frequent breakdown of the mill because of which the quality of the product was inferior. Audit observed that Company had sufficient resources to modernise the mill but the inertia in doing so caused the short realisation.

Low productivity of cashew estates of PCK

2.1.37 Bulk of the crop from PCK's exclusive estates of Kasaragod (959.50 ha), Rajapuram (1,281.68 ha), Cheemeni (959.50 ha) and Mannarghat (504.50 ha) were sold out at flowering stage rendering yield potential of the areas unascertainable. Based on revenue realisation (2005-09), the income generation from these areas was in the range of Rs. 3,024 to Rs. 9,469 *per* ha as against the estimated revenue potential of about Rs. 30,000 *per* ha based on yield statistics of cashew planted areas in the state published by Directorate of Cashew and Cocoa Development (DCCD). The revenue deficit in comparison with state average worked out to about Rs. 49.25 crore for the period 2005-09.

Audit noticed that the average stand of yielding trees was only 70 to 95 numbers *per* ha in different estates (4,198.28 ha) as against the general norm of 200 trees *per* ha. Areas to the extent of 783.13 ha (16 *per cent* of total area) was having stock of below 50 trees *per* ha and stock in 2014 ha (41.50 *per cent* of total area) was between 50 and 100 nos. The effective area under cashew cultivation based on stand of trees was only 2,236.58 ha as against the gross extent of 4,918.28 ha used for cashew cultivation in these estates. Considering the low revenue yielding capacity of the estates, the Company was not carrying out all the cultural operations except periodical weeding. Inadequate maintenance operations had contributed to lower productivity in these estates.

Cashew plantations in Rubber estates

2.1.38 The productivity of cashew area in rubber estates of PCK in 1,230.47 ha (March 2009) was worse than that of the exclusive cashew estates. The revenue generation from these areas was as shown in ***Annexure 13.***

Audit observed that:

- The net revenue was not even sufficient to meet the direct overheads on area management in the case of Thannithode estate having 58.08 ha of cashew plantation. The net income (Rs. 448 to 551 *per* ha) was lesser than the lease rent (Rs. 1300 *per* ha) payable.

- The cashew areas of 33 ha replanted in Perambra during year 2000 season incurring Rs. 6.56 lakh and those replanted during the year 2005 (1.59 ha) and 2006 (5.59 ha) incurring Rs. 1.69 lakh were having a stand of only 81, 15 and 39 trees *per* ha respectively.

- The stand *per* ha in cashew plantation raised (1994-2007) over 73 hectares in Nilambur estate at a cost of Rs. 30.48 lakh was only in the range of 9 to 93 Nos. The net income from these areas was less than Rs. 100 *per* ha *per* annum.

Fund Management

Attractive prices prevailed during the period 2004-09 helped the Companies to maintain consistent profitability and record sound reserves and surplus position. Deficiencies in fund management observed during the course of the performance audit are mentioned below:

Premature closure of Fixed deposits carrying higher rates of interest

2.1.39 In order to meet (March 2008) the demand for Agricultural Income Tax (AIT) (Rs. 7.54 crore), SFCK prematurely closed (March 2008) fixed deposits of Rs. 5.04 crore with Treasury and Rs. 2.50 crore with Kollam District Co-operative Bank fetching higher rates of interest, retaining other fixed deposits fetching lower rate of interest. The choice of deposits for closure was made, so as to maintain the ratio of treasury deposits and bank deposits at 1:1, as decided (February 2007) by the Board. As the Board was at

Injudicious decision by SFCK to close high interest bearing deposits vice low interest bearing deposits resulted in loss of potential income of Rs. 19.34 lakh.

liberty to change the ratio as and when required in the best financial interest of the Company, the reasons attributed were not justified. The Company was also having funds in fixed deposits with treasury much in excess of the mandatory requirement for claiming, replanting reserves as an allowable expenditure for AIT assessment. Thus, injudicious decision to close high interest bearing deposits vice low interest bearing deposits resulted in loss of potential interest income of Rs. 19.34 lakh during the period March 2008 to March 2009.

Non-utilisation of tax relief under Agricultural Income Tax, 1991 by SFCK

2.1.40 According to Section 9(3) of the Agricultural Income Tax Act, 1991, (a Kerala State Act) a sum not exceeding 20 *per cent* of the total agricultural income of the assessee, deposited under Investment Deposit Scheme (IDS) during previous year, could be claimed as rebate for the respective assessment year. The amount so deposited, could be withdrawn in future for the purpose of replantation, modernisation of factory, land development etc., covering the main spheres of activities.

Non-utilisation of tax relief under Agricultural Income Tax Act resulted in loss of rebate and interest amounting to Rs. 1.84 crore to SFCK.

Audit observed that the Company had funds amounting to Rs. 2.86 crore during the four years 2004-08 in fixed deposits fetching interest at 7.5 *per cent* only as against 10 *per cent* receivable on IDS. The income foregone by the Company by not depositing in IDS together with rebates foregone amounted to Rs. 1.84 crore (Rebate Rs. 1.72 crore and interest Rs. 12.04 lakh) during 2004-08.

Non-utilisation of tax benefits under Rubber Development Account Scheme

2.1.41 The Government of India introduced (2004-05) a scheme for promotion of rubber cultivation viz., Rubber Development Account Scheme (RDAS) as per which an income tax assessee carrying on business in rubber planting sector was eligible for a deduction of 40 *per cent* of its business income, under Section 33AB of Income Tax Act, in computing total income, if it deposited an equal amount with NABARD in any specified Scheme approved by Rubber Board. The amount so deposited also attracted simple interest at 5.5 *per cent* and was available for withdrawal for meeting capital expenditure after a period of six months. None of the three Companies availed of the tax benefits under the Scheme. The amount of unutilised tax benefits was, however, not ascertainable in respect of RPL and SFCK since, the income tax assessments of these Companies for the relevant period (2004-08) were not finalised till date (May 2009).

Failure to utilise tax benefits under Rubber Development Account Scheme resulted in avoidable payment (2007-08) of income tax by PCK amounting to Rs. 37.92 lakh.

It was noticed that PCK had not availed the benefit of the above scheme during the financial year 2007-08 (Assessment year 2008-09) during which it submitted a return with total business income of Rs. 3.16 crore and total tax liability of Rs. 1.08 crore. Had the Company opted to deposit Rs. 1.26 crore being 40 *per cent* of the total business income under RDAS, it could have reduced the income tax liability by Rs. 37.92 lakh when the Company was also keeping necessary surplus funds in fixed deposit.

Non-utilisation of financial assistance available from Rubber Board

2.1.42 Rubber Board formulated (December 2005) a scheme for financial assistance to large rubber growers in public sector for modernisation of latex centrifuging factories during 2005-06. SFCK obtained approval (January 2006) of Rubber Board for modernisation of their Effluent Treatment Plant (ETP) under this scheme. The Company failed in completing the project within the time limit (March 2009) fixed by Rubber Board. Thus, the Company had to forego the full amount of financial assistance amounting to Rs. 10 lakh available under the scheme. The delay in completion of work was attributed by Company to the delay in supply of required materials by the Company to the work contractor because of which no penalty was also recovered from the contractor.

Conclusion

- **The three Companies utilised 93 *per cent* (RPL), 90.19 *per* cent (PCK) and 89.41 *per cent* (SFCK) of their land holdings for raising plantations. The rest of the areas were either used for infrastructural facilities or left as vacant patches, secondary forests etc. The land holdings were not properly surveyed and demarcated. Areas were also not adequately safeguarded from encroachments.**

- **The productivity of the planted areas was below the state average productivity. Land being one of the costliest resources in the State, the phenomenal shortfall in productivity meant national loss of significant extent. The shortfall in productivity was due to lower stock of yielding trees in the planted areas in all the three Companies and under exploitation of yield due to ill-deployment/ utilisation of labour in PCK and SFCK. Unscientific tapping practices followed by PCK under inadequate supervision also resulted in massive losses by way of reduction in economical life of plantations.**

- **Supervision and internal control measures were found wanting in PCK and SFCK causing loss of production in crop delivered to factories.**

- **PCK and RPL did not maintain the centrifuging efficiency as per industry norms in the production of cenex, on account of non-modernisation of machinery.**

- **The Companies did not always obtain matching prices for their products on a consistent basis, although they were in same market.**

- **Manufacture of value added products was undertaken by PCK and RPL without proper cost-benefit analysis and suffered huge losses incurring additional input costs without matching price advantage.**

- **SFCK failed in availing of financial assistance from Rubber Board for modernisation of its centrifuging factory. PCK did not comply with the recommendations of Rubber Board in the implementation of Controlled Upward Tapping (CUT).**

- **Surplus funds available with the Companies have not been utilised ensuring optimum financial advantages.**

- **High revenue potential of slaughter tapping was not fully tapped by PCK.**

- **Replanting programme of PCK was not properly planned and executed.**

Recommendations

- **The companies should formulate an action plan to achieve productivity comparable with State/National average by eliminating task vacancies, systematic restocking of poorly stocked old plantations with modern high yielding clones and optimising production by enforcing closer supervision and control over field operations and tapping methods.**
- **Cost benefit analysis of value added products should be made at periodical intervals taking into account the fluctuations in the market prices and product mix changed from time to time to derive maximum financial advantages in the given situations.**
- **Cost control measures should be introduced in all the three companies on the basis of inter-company rates/ cost comparison of regular raising and maintenance operations.**
- **As was already done by PCK, RPL and SFCK should also exploit the revenue potential of slaughter tapping contracts in the areas earmarked for felling and replanting which would also help to overcome labour shortages experienced by both the Companies in tapping and field operations.**
- **Internal control systems should be strengthened by PCK and SFCK in the areas of field weighment of latex and scrap, transfer of crop from field to factories and effective inter-estate comparison of efficiency of operations.**
- **PCK should replant the poorly stocked cashew areas (most of which were already past their economical period of retention) with modern high yielding varieties to optimise the revenue potential of land now being under-exploited.**
- **Land holdings of the three Companies should be properly surveyed, demarcated, lease/title deeds executed and boundary protection measures taken to protect from encroachments. The ambiguities in Government orders on land leased out to PCK should be removed to facilitate settlement of lease rent without further delay.**

2.2 The Kerala Minerals and Metals Limited

Information System Review on Computerisation

Executive Summary

The Kerala Minerals and Metals Limited was incorporated in February 1972 with the objective of carrying on the business of mining, processing of minerals and metals. Production facilities installed were fully integrated with the two units viz., Mineral Separation Unit (MS unit) and Titanium Dioxide Plant (TP unit).

IT initiative

The Company had developed several need based Applications by using Application Development tool, Power Builders and Oracle database from 1999-2000 onwards. It had computerised purchase, stores, production, marketing (domestic/ export sale), finance, attendance/ HR management, payroll management and Management Information System Modules.

Absence of strategic IT Plan

The Company did not have any approved and documented IT Policy and IT plan upto April 2009. Since initiation of computerisation project, lack of planning resulted in indefinite continuation of system development process even after completion of ten years.

System development

No documentation in respect of user requirement specification was made in respect of sales, purchase, stores and finance modules developed in-house by the Company. This led to an ad-hoc system development approach.

System maintenance

No documented and approved Version Control Procedure was in existence with the result that different departments were using different versions as indicated from the fact that CENVAT statement generated from the accounts department were different from the one generated from the version supplied to auditors.

Purchase module

Purchase module did not provide for computing freight charges and facility for reporting the appropriate time for purchase. Information like stock level, quantities pending, quality checks and unreconciled quantities were manually filled in exposing the system to the risk of unintended human errors or deliberate manipulations.

Stores module

Fast, slow/ non-moving categorisation was not subjected to review during the last several years which resulted in classification of non-moving items as fast moving items and non-moving items as slow moving items.

Sales Module

Export invoices were prepared outside the system defeating the very purpose of computerisation. The duplication of invoice took place on account of lack of system control. The system is exposed to the risk of changing the rate master by the end users.

Pay roll Module

The pay roll module was yet to be implemented despite its being ready for use since October 2004.

Finance Module

The programme for drawing up Profit and Loss Account and Balance Sheet on any date could not be utilised by the Company so far (September 2009) on account of deficiency in implementation.

Conclusion

The Company did not have an IT policy, strategy and long term plan which had resulted in ad-hoc and disintegrated management of the system. None of the module is complete and self-supporting requiring human intervention at various stages of modules defeating the very purpose of computerisation. The Company should draw up and document IT Policy and ensure that all modules comply with the business rules and accounting standards wherever required.

Introduction

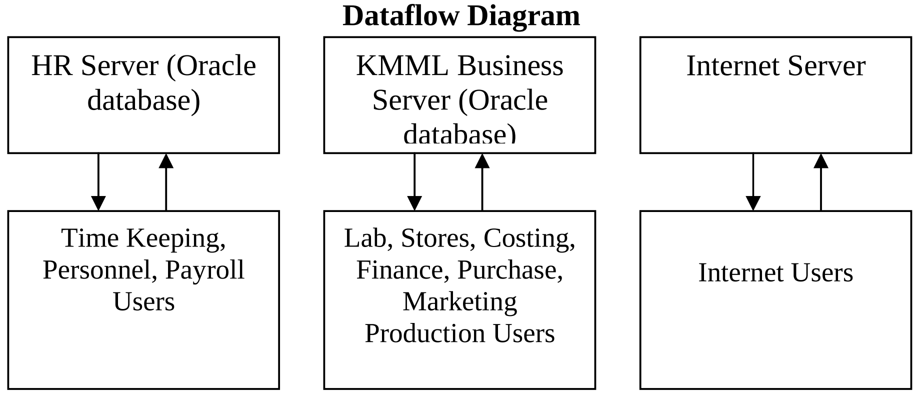
2.2.1 The Kerala Minerals and Metals Limited (Company) was incorporated in February 1972 with the objective of carrying on the business of mining and processing of minerals and metals. Production facilities installed were fully integrated with the two Units viz., Mineral Separation Unit (MS Unit) and Titanium Dioxide plant (TP Unit).

The IT Resource management vests with EDP department headed by Joint General Manager (EDP), directly under the Chairman and Managing Director (CMD) and assisted by Manager (EDP) and one Assistant. There were 244 PCs, three Servers and accessories connected over LAN and Oracle RDBMS[1], Power Builder, Adobe PageMaker, Symantec Antivirus and MS office applications. The Company has an optical fiber backbone for establishing network connectivity inside the Company with structured cabling to connect the Personal Computers (PCs) to the network. The databases for various applications were maintained in Oracle[2] RDBMS.

2.2.2 The Company has developed from 1999-2000 onwards several need-based Applications by using Application development tool PowerBuilder[3] and Oracle database. It had computerised Purchase, Stores, Production, Marketing (Domestic/ Export Sales), Finance, Attendance Management/HR Management and Pay roll management (THP) and Management Information System (MIS module). The company had two different mail Servers (kmml.com and kmmlmail.com) for external email communication.

2.2.3 The data flow diagram is indicated below:

Dataflow Diagram



[1] Relational Database Management System.
[2] RDBMS software by Oracle Corporation.
[3] An Application development tool by Sybase Inc.

Audit Objectives and scope

2.2.4 The main objective of audit was to ensure that computerisation contributed to achieve business objectives effectively and efficiently. Other objectives were to evaluate:

i) the process of system development life cycle and its management;
ii) adequacy of IT security; and
iii) adequacy and effectiveness of built in controls in the system to ensure data integrity.

Scope of audit included review of the performance of all major Applications developed in-house (purchase, stores, sales, pay roll and Finance) and their utilisation in business processes, test check of transactions processed through the System for the year 2006-07 to 2008-09 and performance of IT assets. Risk Assessment and preliminary study was carried out in October 2008 and final Audit carried out during April 2009 to May 2009.

Audit Methodology

2.2.5 The audit methodology included:

i. data collection through questionnaire;
ii. discussions with Officers and end users of the applications;
iii. examination of files and documents including system documents, inspection and checking of Computer and related infrastructures, simulation of possible threats and business process; and
iv. data analysis using CAAT[4] tool IDEA[5], data analysis using Microsoft Access[6] and Oracle SQL[7] and cross checking with manual records wherever required.

Audit Criteria

2.2.6 The criteria considered for assessing the achievement of audit objectives were Best practices in Information Technology (IT) system development, Input and internal controls for data entry in various modules/ documents and monitoring thereof, adherence to Business rules, Manuals and Procedures**,** Accounting Standards and various Statutory Acts and Rules.

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[4] **Computer Aided Audit Technique.**
[5] **A CAAT tool by Caseware Inc.**
[6] **RDBMS by Microsoft Corporation.**
[7] **Structured Query Language.**

Audit Constraints

2.2.7 Adequate documentations in respect of system requirement, business process, application development, testing and formal acceptance were not available except in the case of Time office, Human resource management and Payroll (THP) application and therefore audit had to depend on interviews with key personnel and end users for information in many cases.

Audit Findings

2.2.8 The following observations highlight that the Company could not achieve optimum maturity level even after ten years from the commencement of the automation project.

Absence of Strategic IT Plan

2.2.8.1 A well established Strategic IT plan would work as a baseline for systematic development of IT infrastructure in a time bound manner to improve the efficiency of the business operations of an enterprise.

The Company did not have any approved and documented IT policy and IT Plan (till April 2009) since initiation of the computerisation project (1999). It was only on 5 May 2009; a formal IT policy paper (signed by CMD) containing only operational procedure was issued and made available to Audit. This did not have the approval of the Board (30 May 2009). Lack of planning has resulted in indefinite continuation of system development process even after completion of 10 years.

The company in its reply (August 2009) stated that IT policy document has been prepared but is yet to be submitted to the Board of Directors.

Deficient System Development

2.2.8.2 No documentation in respect of User Requirement Specification (URS) and System Requirement Specification (SRS) was made in respect of Sales, Purchase, Stores and Finance modules developed in-house by the Company. This led to an ad-hoc system development approach followed by the Company to meet immediate requirements. No document to support formal testing, acceptance and post implementation review of the modules were available.

The Company replied that proper documentations could not be done during initial phases of IT system development due to non-availability of IT infrastructure and IT manpower. However, detailed manuals incorporating user requirement specification and features of each module are under preparation (August 2009).

Inadequate System Security

2.2.8.3 A scrutiny of the system security revealed the following deficiencies:

- User Ids were not programmed for locking up on specified unsuccessful sign-in attempts.
- There was no password policy specifying the structure and length of password, changing of passwords at intervals, secrecy to be maintained etc. As a result, current password length ranged from 2 to 11 characters.
- Users were not forced to change the initial passwords set by DBA. None of the users changed their passwords even after six months.
- It was also seen that User names and passwords for the applications were stored in a user defined table (Muser) without encryption allowing DBA/Programmer to access the table and view all user passwords including that of heads of the department who are the Business Process Owners (BPOs).
- Full version of Application Development Tool (PowerBuilder) including source code was installed at the users end instead of compiled version whereby the user access is restricted to the desired level exposing the application at client machine to the risk of unauthorised access and manipulation of programs by the end users.

The management stated (August 2009) that the security lapses pointed out in audit are being addressed in the proposed IT policy pending approval of Board of Directors and the development tool will be removed after installation of compiled version.

Lapses in System Maintenance

2.2.9 Access to the three basic commands insert, update and delete (DML)[8] for data manipulation in database tables should be granted to selected authorized users at appropriate levels. However, it was observed that all the users were able to run these data manipulation functions without audit trial due to deficient programming (hard coding of database username and password and installation of source code at client side) leading to a serious threat in database management.

2.2.10 According to the Management, the Applications were subjected to version change at least 10 times a year. However, no documented and approved version control procedure was in existence with the result that different departments were using different versions as indicated from the fact that the CENVAT statements generated from the Accounts department was different from the one generated from the version supplied to Auditors.

The Company stated that Users can be prevented from applying DML by installing compiled version of application and removing development tool for

[8] **Data Manipulation Language which can manipulate data.**

which action is in progress. Further, single compiled version for each module is being introduced for version control.

PURCHASE MODULE

2.2.11 The purchase module processes and stores transactions in respect of purchase requests, purchase enquiry processing, quotations, price comparison statements, purchase order etc. An analysis of this module indicated the following deficiencies:

2.2.12 The System did not provide for capturing freight charges as a part of material cost in respect of stores & spares. This was against business rules and requirement under Accounting Standard 2 (AS 2) which states that the cost of inventories should comprise of all costs of purchase incurred in bringing the inventories to their present location and condition. The non-compliance to AS 2 led to continuous qualification by Auditors in their Auditors Report to the shareholders for the last three years.

The management replied that the details of transportation cost of stores and spares were not available in several cases at the time of valuation which is not correct as it indicates management failure in adhering to the requirement of Accounting Standard.

2.2.13 For an efficient scheduling of purchases, lead-time for purchase of each item should be fixed. Though data was available for generating lead-time the system did not provide for a facility for reporting the appropriate time for initiating purchase orders. A test check of purchase orders during 2008-09 revealed that :

i) Out of 2,257 purchase orders issued, 1,700 were initiated through system from request stage and 557 at purchase orders stage. This means, the system provides for initiation of purchase quantity at two different stages which is not proper.

ii) In 1,674 cases out of 1,700 purchase orders issued, the indenting departments indicated that they required the material within 20 to 90 days from the date of requisition.

iii) Only in 60 cases supplies were made in time.

iv) In 241 cases the delivery was done with a delay upto 320 days from user requirement date.

v) In 887 cases, purchase orders were issued after user requirement date, and the supplies were made with a delay upto 663 days.

The management is yet to initiate corrective action.

2.2.14 Though, columns were provided in the purchase indent forms for capturing present stock level, quantities pending quality checks and un-executed quantities against previous purchase orders and the same were available in the system, these were not generated and printed on the indents.

Instead, these were collected from the system and manually filled in exposing the system to the risk of unintended human errors or deliberate manipulations.The Company stated that suitable modifications in the program are being done.

2.2.15 CENVAT credit can be availed by the company on capital goods and raw material inputs based on documents like invoice and bill of entry immediately on receipt of goods in factory. It was observed that:

2.2.16 Even though the system provided for capturing CENVAT eligible materials in the material master (Table MITEM), the database manager failed to update this field with the result that the system was not able to generate automated CENVAT eligible statements based on Stores Inward Book (SIB). As a result credit for CENVAT could not be availed in time (ie. by 5th of next month). The delay in taking CENVAT credit amounting to Rs. 39.06 lakh in 60 out of 7,936 cases during 2008-09 ranged from 35 days to 145 days.

2.2.17 Besides, the Management was deprived of the required information for decision making on the materials for which credit was not taken due to the incomplete data.

STORES MODULE

2.2.18 The stores module maintains records like Stores Inward Book (SIB) and Stores Receipt Notes (SRN), Material Issue Notes (MIN) and generates Stores ledger and other MIS for inventory control. The following deficiencies were noticed during audit:

2.2.19 The system was enabled for FSN (Fast/Slow/Non-moving) analysis of inventory. There were 16 items valued at Rs. 2.33 lakh that continued to be classified as fast moving even though it was non-moving for more than five years. Further, 2,787 items valued at Rs. 7.97 crore were classified as slow moving even though it was non-moving for three to five years as on 31 March 2009. This indicated that FSN Categorisation was not subjected to review during the last several years.

The management replied that action is in progress for FSN categorisation.

2.2.20 As per the decision taken by the Board in its 154th meeting held on 02 September 2002 the value of non-moving stock were to be written off after retaining value of Re.1 per item. The total provision for non-moving inventory was Rs. 1.64 crore (2006-07) which was not reviewed thereafter. The under provision towards non-moving stock in the accounts for 2007-08 was to the extent of Rs. 7.25 crore as indicated below:

Provision required on 31.3.2008 for stock non moving for more than 3 years	Rs. 889.60 lakh
Accumulated provision in accounts	Rs. 164.25 lakh
Under Provision as on 31.3.2008	Rs. 725.35 lakh

Company stated that the non-moving items in the stock includes insurance spares which may be required at any time and in other cases the usability has to be ascertained before making provision. However, the fact remains that the non-moving stock was not reviewed after 2006-07.

2.2.21 In order to reduce the investment on inventory, various control levels such as maximum, minimum and re-order quantity were fixed in the system. However, the dates on which such levels were fixed and parameters applied were not available and the levels once fixed were not subjected to review at all. As a result, inventory levels for stores, spares and fuels increased from Rs. 4,858.93 lakh in 2005-06 to Rs. 6,191.59 lakh in 2007-08. Also, the Company's failure to conduct periodical review of the inventory led to accumulation of non-moving stock to the tune of Rs. 8.89 crore as on 31 March 2008. The management stated that corrective action is being initiated.

SALES MODULE

2.2.22 Sales module processes sales orders. It comprises of two sub-modules - one for domestic and the other for export transactions. However, only 'Domestic sales' module was integrated with finance module. Ledger accounts were automatically posted from sales module and generate documents like Contract Review Record, Dispatch Note, Packing list, Proforma invoices and Commercial invoices. Subsidiary records like Sales register and MIS reports such as monthly off-take, monthly sales analysis etc., were other main outputs.

2.2.23 Export sales module is operated by marketing department. Though the data relating to commercial invoices were available in the system, export invoices were prepared outside the system defeating the very purpose of computerisation. This was due to deficiencies in the database design providing insufficient field length for entering various data items like Vessel/Flight No., Remarks, Port of discharge etc. Non-incorporation of this requirement in the module affected the efficiency in export sale process.

2.2.24 Invoices are created by marketing section against each Dispatch Note. On verification of the database it was noticed that there were two cases of creating more than one invoice against one Dispatch Note as given below.

INVNO	DESPNOTENO	DESPDT	ACCODE	SUBACCODE	AMT	TOTAL	ENT	INVDT
207	DN/202/2009-2010	13/04/2009	3267D101A	3267D101AP	2155102	2155102	JEJ	13/04/2009
208	DN/202/2009-2010	13/04/2009	3267D101A	3267D101AP	2155102	2155102	SE2	13/04/2009
650	DN/652/2004-2005	25/05/2004	3267D159SC	3267D122V	58429.5	58429.5	KKK	25/05/2004
651	DN/652/2004-2005	25/05/2004	3267D159SC	3267D122V	58429.5	58429.5	ANI	25/05/2004

On enquiry it was informed that invoices No: 208 and 651 were duplicate invoices inadvertently generated. Though the duplicate invoices were cancelled in the General Ledger by passing a journal entry, Sales Register generated by the system still showed these duplicates as valid invoices. As a result, the total of sales register for the month of April 2009 showed an excess sale of Rs. 21,55,102. Also, the MIS 'Sales Register Type wise' showed an excess amount in respect of basic amount, central excise and VAT amount. Moreover, MIS 'Monthly Sales Analysis' showed an excess quantity of 16 MT as lifted by Asian Paints and therefore the MIS itself was giving wrong information involving financial risk as any exaggerated sales quantity may lead to payment of quantity discount at enhanced rates.The duplication of invoice took place on account of lack of system control as it was possible to generate invoices from the same Dispatch note by two persons sitting in two different work stations and therefore requires immediate corrective action.

2.2.25 Where rates were revised in Master table previous rates and rate change details were not available for verifying the correctness of transaction records for sales.

2.2.26 The price master accommodated one rate at a time even when the Company had multiple rates for different customers. It was informed that such situations were handled by changing the rate master just prior to creation of such invoices. The system is exposed to the risk of changing the rate master by end users, which was not appropriate.

The management stated that suitable changes in the program/table structure are being made to address the above deficiencies.

PAYROLL

2.2.27 Payroll of the employees were processed (Batch process) through a COBOL[9] program uploading the inputs (in MS Excel) received from various departments. The program mainly generates documents like pay slip and various statements related to earnings and deductions.

2.2.28 The Company developed (2004) an integrated computer application for Time office, Human resource management and Payroll (THP) by engaging an external agency (OCL Informatic Limited) at a cost of Rs. 2,29,000. The application has three modules namely Time Office, Human Resource and Payroll. Time Office and Human resource modules were implemented (2006) successfully and the same is working satisfactorily. But the Pay roll module was yet to be implemented (April 2009) despite its being ready to use since October 2006. The Company stated that the pay roll module of THP could not be implemented as complexities in pay structure were not envisaged at the time of its development. Thus the failure was due to improper system development documentation.

2.2.29 Apart from people deployed in time office and four officials deployed in accounts section for payroll related work, an Assistant Grade-I of EDP section was exclusively assigned the work of processing payroll by incorporating the inputs received from the various sections. All these manual works were avoidable as all inputs required for processing of salary was

[9] **Acronym for a third generation computer programming language (Common Business Oriented Language).**

already available in THP. Pay & allowances given to Assistant Grade-I (EDP) for last three years were as indicated below.

Year	Salary (Rs.)	Over time (Rs.)	Total (Rs.)
2006-07	2,44,277	50,911	2,95,188
2007-08	2,79,758	75,921	3,55,679
2008-09	3,24,611	97,717	4,22,328
Total	8,48,646	2,24,549	Rs. 10,73,195

Work related to Pay and allowances done at EDP section was avoidable as fully functional user-friendly software was available with the Company, which could be operated directly by users in Accounts/Time Office and Rs. 10.73 lakh saved towards the pay and allowance for data entry staff.

2.2.30 On review of the infrastructure and process of payment of pay and allowances at MS unit of the Company, it was noticed that the unit had infrastructure (Punching machine for attendance, Computers, printers and trained staff) but the management did not take any effort to implement THP application at MS Unit. The Company stated (December 2008) that the scope of implementation of THP software at MS units was being explored. However, no action was taken till date (31 May 2009). In its further reply (August 2009) it was stated that THP as such could not be implemented in MS Unit as it is covered under Mines Act, 1952. The reply is not tenable since the deviations required could have been accommodated in the THP if proper system study was conducted at the time of development of the software.

FINANCE MODULE

2.2.31 Finance module has the provision for journal vouchers, Debit/Credit Note for adjustments and Purchase/Sales returns. This module was integrated with Purchase, Sales and Stores module and generates Ledger accounts and reports like Cash flow statement, Trial Balance, Profit and Loss account and Balance Sheet.

2.2.32 The finance module contains a facility CENVAT ENTRY used for generating CENVAT returns by calling SIBs (Stores Inward Book) from Stores module. But the initial data captured in SIBs did not contain break up of excise elements like Basic Duty, Education Cess and Secondary and Higher Education Cess. So an employee had to be provided additionally for checking the applicable rates and updating the statements which was avoidable had the data been captured initially in the required format. Total avoidable manpower cost on this count worked out to Rs. 6.39 lakh during the period from April 2006 to March 2009. The Company stated that suitable program modifications are being incorporated.

2.2.33 As per the business rules Fixed Assets shall be managed through a Fixed Asset Register. Depreciation shall be calculated on an annual basis and accounted for in this register besides accounting for deletions and additions to such assets. However, while implementing the module, fixed asset management and depreciation requirements were not provided in the system. Statements for fixed assets were prepared outside the system using MS Excel. Further, the program for drawing up Profit and Loss account and Balance Sheet on any date also could not be utilised by the Company so far on account of the above deficiency in implementation.

The Company stated that the required modifications will be included while developing new system.

2.2.34 The annual accounts (i.e. Profit and Loss account and Balance Sheet) for the year 2007-08 was certified by the statutory auditors on 20 September 2008. As per Accounting Rules all the Ledger accounts are to be closed before certification. However, the accounts were open for modifications even after this date. For instance, 48 journal entries (No: 1367 to 1414) were passed and posted in the accounts upto 26 September 2008 ignoring the Accounting Rules prescribed. Further, the auditor's certificate to the effect that the financial statements were in agreement with the books of accounts of the Company on the date of certification was also found to be wrong on account of the above mentioned deficiencies. The Companies Act, 1956 expressly prohibits alterations in balance of any account after certification, and if done would tantamount to re-opening of accounts.

Even though the system was having provision for closing the accounts, no procedure was fixed and documented for such closure. The Management could not produce any authority regarding the re-opening of final accounts for the year 2007-08 for editing and postings.

The Company stated that due to some technical reasons delay has occurred in closing accounts for posting in 2007-08 and steps would be taken to lock the accounts in time in future.

Management of Bank Accounts

2.2.35 The table created for monitoring banking transactions could not monitor missing cheque numbers and the system was not capable of generating any list of cancelled cheques for effecting proper monitoring/ internal control due to non-incorporation of 'Cheques lot management' features in the system. Company stated that this feature will be added while going in for online system.

2.2.36 A total of 14,369 records were available in the system for 2008-09. Though the field for date of realisation of cheques was provided in the table, this field was not filled except in 2 records, leading to capturing of incomplete data.

2.2.37 In 47 cases of Bank payments, cheque dates were older than voucher date by more than 180 days. Few examples are given below.

Table :TCHEQUES				
ORIGVNO	YEARSET	VDATE	VCHQDDDATE	VAMOUNT
BP9615	11	10/03/2009	08/08/2008	66873
BP7897	11	06/01/2009	02/06/2008	6613
BP9614	11	10/03/2009	14/05/2008	28657
BP7893	11	06/01/2009	10/04/2008	5501

This indicates that these cheques were not supported by vouchers, which is not in order. Reason for not generating vouchers at the time of payment was not available. The system was not designed to ensure that no cheques are prepared without generating a voucher with proper authorisation through the system.

The Company stated that this was due to input error. However Company is yet to initiate remedial measures for ensuring validity of the inputs made in the system.

2.2.38 As on 20 April 2009, as per system 141 transactions in 5 bank accounts pertaining to the period 28 February 2008 to 20 April 2009 with a net debit value of Rs. 5.37 crore were kept unaccounted in the subsidiary/main ledger. This has happened on account of design defects, as the program does not provide for accountal of such items under suspense accounts till its clearance through bank reconciliation. This resulted in generation of distorted monthly financial statements.

2.2.39 Cash Flow Statement was generated based on voucher authorisation dates. Out of total 1,06,067 Bank/Cash vouchers generated during 2007-08 to 2008-09, delays in authorisations of 49,555 cases were noticed. In 199 cases the delay involved was 30 to 60 days and in 42 cases delay was ranging from 91 to 277 days. Delay in authorising Bank/Cash vouchers resulted in unreliable cash flow statement and therefore could not be utilised by the management as a reliable MIS.

The Company stated that the delay was due to advance planning for proper fund management. Reply is not tenable as cash flow statement prepared based on voucher authorisation date would not give reliable information.

2.2.40 As per Accounting Standard- 3 “an enterprise should prepare a cash flow statement and present it for each period for which financial statement is presented. The cash flow statement should report cash flows during the period classified under operating, investing and financing activities”. However, the report generated by the Finance module was not in this form and the Finance department was manually preparing it by using MS Excel for annual financial statement.

2.2.41 On review of sub-ledgers data, it was noticed that account No: 3,26,700 (Sundry Debtors – TiO2) was showing debit balance of Rs. 2,40,319.17 from the year 2000-01. However in the place of Account name “???” was entered instead of customer name. Since logs were not available, deliberate correction carried out could not be ruled out. The Company stated that the balance related to the period prior to 2000-01 for which details of the customer is not available.

2.2.42 Cost accounting and cost audit are mandatory in respect of KMML under section 209 (1) (d) of the Companies Act, 1956. Cost accounting system adopted for determination of cost by the unit was on actual basis. The cost records were prepared based on the financial accounting and books. Though the system provided for 38 cost centres, cost centre-wise booking of expenditure was done only in respect of raw materials. Consumption statements in respect of stores and spares do not represent the actual cost since freight and handling charges were not booked as part of cost of stores and spares. As the initial booking of expenditure other than materials was not cost centre-wise, calculation of depreciation was not programmed in the application and apportionment of expenditure was not incorporated with reference to the accepted basis of apportionment. Cost accounts were written up outside the system on an annual basis just to meet the statutory requirements. Consequently the management could not utilise various MIS reports cost centre-wise / department-wise for decision making and cost reduction plan. This has also resulted in avoidable expenditure on manpower to the extent of Rs. 15.26 lakh (towards salary and allowance for Costing Assistant) for preparation of cost records for the last three years.

The Company stated that action for booking freight and handling charges 'cost centre-wise' has been initiated and possibility for generating cost records through the system is being explored.

The matter was referred to the Government (July 2009), their reply is awaited.

CONCLUSION

Lack of a long term and comprehensive IT policy and need based casual implementation of IT systems resulted in ad-hoc and disintegrated management of the system. An IT system, which can take care of almost all important business processes, is available; but none of the modules is complete and self-supporting requiring human intervention at various stages of the modules defeating the very purpose of computerisation. This has not only caused avoidable expenditure but also affected efficiency, transparency, speed and security badly. Even after lapse of 10 years since the commencement of the project and after spending an amount of Rs. 80 lakh for hardware alone, the Company could not achieve all the business objectives efficiently through computerisation so far. Even now a vision about the integrated IT System and a time bound implementation plan are still lacking and the project is going on without any ending.

RECOMMENDATIONS

i) The Company should frame long term IT Plan and IT directions to optimise resources efficiently.

ii) Initiate action for implementation of integrated software in both TP and MS units with uniform rules to handle identical functions to derive the benefits of enterprise wide information for management decision-making.

iii) Initiate corrective action for removal of program design defects and database level risks.

iv) Create definite procedures for closure of books of accounts to ensure that ledger accounts are not re-opened for postings/editing after certification of accounts by Auditors.

v) Fix Control levels for management of inventory.

vi) Incorporate necessary amendments in program for segregation of tax components in source documents.

vii) Ensure that all modules comply with the business rules and accounting standards wherever required.

viii) Document all essential existing business process and system specification.

ix) Eliminate human intervention completely by suitably modifying the program.

x) Formulate password policy and Business Continuity Plan and circulate among users. Strengthen security of the system by ensuring Physical and logical access controls.

xi) Ensure that the same version of the software is used in all departments.

Chapter III

Performance audit relating to Statutory Corporation

Kerala State Road Transport Corporation

3. Performance Review on the performance of Kerala State Road Transport Corporation

Executive Summary

The Kerala State Road Transport Corporation (KSRTC) provides public transport in Kerala through its 87 Depots, Sub Depots and Operating Centres. The Corporation had a fleet strength of 5,115 buses as on 31 March 2009 and carried an average of 32.28 lakh passengers per day during the review period. It accounted for a share of 12.86 per cent in public transport with the rest coming from private operators. The performance audit of the Corporation for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Corporation's books of accounts are in arrears since 2006-07. Based on provisional figures, it suffered loss of Rs. 148.28 crore in 2008-09. The accumulated losses and borrowings of the Corporation stood at Rs. 2,085.98 crore and Rs. 831.75 crore respectively as at 31 March 2009 (Provisional). The Corporation earned Rs. 22.44 per kilometre and expended Rs. 25.57 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to limit losses and serve its cause better.

Share in Public Transport

Out of 39,763 stage carriage buses licensed for public transport in 2008-09, about 12.86 per cent belonged to the Corporation. The percentage share decreased from 13.77 per cent in 2004-05 to 12.86 in 2008-09. The decline in share was mainly due to its operational inefficiency and lack of effective monitoring by top management. Vehicle density (including private operators) per one lakh population increased from 102 in 2004-05 to 117 in 2008-09 indicating improvement in the level of public transport in the State. However, the Corporation's vehicle density remained almost constant at 14 buses per one lakh population, which was due to the inability of the Corporation to expand its operations.

Vehicle profile and utilisation

The Corporation added 2,098 buses during 2004-09 at a total cost of Rs. 197.94 crore. However, the overage fleet increased from 15.91 per cent in 2004-05 to 26.26 per cent in 2008-09. The acquisition was primarily funded through commercial borrowings. The overall fleet utilisation of the Corporation marginally increased from 79.31 per cent in 2004-05 to 79.60 per cent in 2008-09, which was less than all India average (AIA) of 92 per cent. The overall vehicle productivity at 259 kilometres per day per bus in 2008-09 was less than the AIA of 313 kilometres. The passenger load factor stood at 66 per cent during 2008-09, which was higher than the

AIA of 63 per cent. 84 per cent schedules were unprofitable and two per cent schedules were not even earning enough to meet variable cost of operations. The Corporation had not carried out preventive maintenance in up to 22 per cent cases in 2008-09.

Economy in operations

Manpower and fuel constitute 74.68 per cent of total cost. Interest, depreciation and taxes account for 16.18 per cent and are not controllable in the short-term. Thus, the major cost saving has to come from manpower and fuel. Manpower cost of the Corporation was Rs. 10.02 per effective KM which was higher than the AIA mainly due to implementation of pension scheme to the employees without creating separate fund. However, the expenditure on repairs and maintenance was Rs. 118.09 crore (Rs. 2.31 lakh per bus) in 2008-09, of which nearly 41.95 per cent was on manpower. The Corporation did not attain AIA in respect of fuel efficiency. Consumption of fuel in excess of AIA resulted in excess consumption of 10.58 crore litres of fuel valued at Rs. 339.55 crore during 2004-09.

Revenue Maximisation

The Corporation has about 15.76 lakh square metres of land. As it mainly utilises ground floor/ land for their operations, the space above can be developed on public private partnership (PPP)/ Build Operate and Transfer (BOT) basis to earn steady income, which can be used to cross-subsidise its operations. Even though the Corporation identified 63 sites upto August 2008 for such projects since November 1998, not even a single project was completed so far (September 2009) due to delay in decision making.

Need for a regulator

The fare in Kerala is decided by the State Government which is same for both the Corporation as well as Private Operators. The fare policy adopted by the State Government is based on 'Price Index for Stage Carriage Operations' (PISCO) brought out by National Transportation Planning and Research Centre (NATPAC), an autonomous body under the Government of Kerala. Despite the request from the Government to update PISCO on quarterly basis, the updation was done in an ad hoc manner since the quarterly cost data was not furnished. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in Audit. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.

Inadequate Monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. Though internal targets are fixed by the Management, it is deprived of authentic data with respect to unit level operations since the required registers/ records were not maintained properly. This had a detrimental effect on decision making. The Board of Directors did not evaluate the operational performance on a regular basis. The top Management of the Corporation has not demonstrated managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines.

Conclusion and Recommendations

Though the Corporation is incurring losses, it is mainly due to its high cost of operations. The Corporation can control the losses by improving operational efficiency and resorting to tapping non-conventional sources of revenue. This review contains nine recommendations to improve the Corporation's performance. Creating a regulator to regulate fares and services and tapping non-conventional sources of revenue are some of these recommendations.

Introduction

3.1 In Kerala, the public road transport is provided by the Kerala State Road Transport Corporation (Corporation), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows the private operators to provide public transport. The State has reserved 31 routes exclusively for the Corporation while allowed both Corporation and private operators to operate on other routes. The fare structure is controlled and approved by the Government. This structure is same for both the Corporation as well as private operators.

3.2 The Corporation was incorporated on 15 March 1965 by the Government of Kerala under Section 3 of the Road Transport Corporations Act, 1950 as a wholly owned Corporation of the State Government. The Corporation is under the administrative control of the Transport Department of the Government of Kerala. The Management of the Corporation is vested with a Board of Directors comprising Chairman & Managing Director and nine Directors appointed by the Government of Kerala. The day-to-day operations are carried out by the Chairman & Managing Director, who is the Chief Executive of the Corporation, with the assistance of five Executive Directors (Technical, Operation, Administration, Vigilance and Maintenance & Works) and the Financial Advisor & Chief Accounts Officer. The Corporation has five Zonal Offices, 28 Depots, 41 Sub Depots, 18 Operating Centres, one Central Workshop and four Regional Workshops. The bus body building and tyre retreading operations are carried out at Central and Regional Workshops of the Corporation.

3.3 The Corporation had a fleet strength of 5,115 buses as on 31 March 2009. It carried an average of 32.28 lakh passengers *per* day during 2004-05 to 2008-09. During 2008-09, the Corporation's share in the passenger transport operations in the State was 12.86 *per cent* and the remaining 87.14 *per cent* was accounted for by private operators. The turnover of the Corporation was Rs. 1,045.09 crore in 2008-09, which was equal to 0.58 *per cent* of the State Gross Domestic Product (Rs. 1,80,281 crore). The Corporation employed 34,470 employees as at 31 March 2009 out of which 12,999 were temporary employees who were paid on daily basis. As assessed by Management, only around 60 *per cent* of the temporary employees could be deployed on a regular basis.

3.4 A review on the working of the Corporation was included in the Report of the Comptroller and Auditor General of India for the year 1999-2000 (Commercial), Government of Kerala. The Report was discussed by the Committee on Public Undertakings (COPU) and its recommendations were included in the 66th Report (2004-06). The main recommendations contained in that Report, presented (July 2004) to the Legislature, were as under:

- The Corporation should improve its operational performance in all respects;

- Norms fixed for docking of vehicles for repair should be adhered to;
- Spare parts should be acquired every year only after ascertaining the balance stock available in each store;
- Norms for fuel consumption should be specified depending upon the age of vehicles, route, etc.;
- Area-wise norms should be fixed for utilisation of tyres; and
- Fresh norms to be fixed for engine oil consumption.

The extent to which the directions issued by COPU have been complied with are commented in paragraphs 3.15 to 3.102 below.

Scope of Audit and Audit Methodology

3.5 The present review conducted during January 2009 to May 2009 covers the performance of the Corporation during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Corporation. The audit examination involved scrutiny of records at the Head Office, Central Workshop at Thiruvananthapuram, two Regional Workshops at Kozhikode and Aluva, nine Depots and 14 Sub Depots♣. Two out of four Regional Workshops were selected on the basis of bus building capacity, tyre re-treading facility and regional representation. Depots and Sub Depots were selected on the basis of regional representation, topography and number of schedules and profitability. The selected Depots and Sub Depots had a fleet strength of 1,634 buses (31.95 *per cent*) against 5,115 buses held by Corporation and represented 41.81 *per cent* of total revenue (2007-08).

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

Audit Objectives

3.7 The objectives of the performance audit were to assess:

♣ **Depots/ Sub Depots/ Workshops selected : Aluva, Chalakkudy, Ernakulam, Guruvayoor, Kalpetta, Karunagapally, Kasaragode, Kattakkada, Kilimanoor, Kothamangalam, Kozhikode, Mala, Malappuram, Mananthavady, Mavelikkara, North Paravur, Pala, Palakkad, Ponnani, Thodupuzha, Thrissur, Thiruvananthapuram City, Vizhinjam, Central Workshop at Thiruvananthapuram, two Regional Workshops at Kozhikode and Aluva.**

Operational Performance

- the extent to which the Corporation was able to keep pace with the growing demand for public transport;
- whether the Corporation succeeded in recovering the cost of operations;
- the extent to which the Corporation was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

Financial Management

- whether the Corporation was able to meet its commitments and recover its dues efficiently; and
- the possibility of realigning the business model of the Corporation to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Corporation operated adequately on uneconomical routes.

Monitoring by Top Management

- whether the monitoring by Corporation's top management was effective.

Audit Criteria

3.8 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages for performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;
- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;

- instructions of the Government of India (GOI) and Government of State and other relevant rules and regulations;
- corporate policy for investment of funds; and
- procedures laid down by the Corporation.

Financial Position and Working Results

3.9 The Corporation has finalised its accounts up to the year 2005-06 only. Hence authentic financial data was unavailable for three years from 2006-07 to 2008-09 and analysis was made on the basis of provisional figures made available by the Corporation. The financial position of the Corporation for the five years up to 2008-09 is given below.

(Rs. in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	142.95	147.95	152.95	155.66	180.65
Reserve & Surplus (including Capital Grants but excluding Depreciation Reserve)	12.18	30.05	68.09	26.51	3.79
Borrowings (Loan Funds)	405.11	461.43	553.14	570.10	831.75
Current Liabilities & Provisions	1,110.70	1,225.45	1,125.95	1,324.28	1,309.36
Total	**1,670.94**	**1,864.88**	**1,900.13**	**2,076.55**	**2,325.55**
B. Assets					
Gross Block	454.40	478.81	479.53	519.26	625.26
Less: Depreciation	285.16	309.84	349.60	391.18	442.04
Net Fixed Assets	169.24	168.97	129.93	128.08	183.22
Capital works-in-progress (including cost of chassis)	Nil	2.78	Nil	Nil	Nil
Investments	0.03	0.03	0.03	0.03	0.03
Current Assets, Loans and Advances	79.41	75.00	54.28	40.17	56.32
Accumulated losses	1,422.26	1,618.10	1,715.89	1,908.27	2,085.98
Total	**1,670.94**	**1,864.88**	**1,900.13**	**2,076.55**	**2,325.55**

3.10 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/ loss and earnings and cost *per* kilometre of operation are given below.

(Rs. in crore)

Sl.No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	764.04	831.70	876.16	883.82	1,062.14
2.	Operating Revenue$^{\phi}$	750.55	817.21	860.58	868.67	1,045.09
3.	Total Expenditure	915.08	1,023.60	1,018.11	1,076.22	1,210.42
4.	Operating Expenditure$^{\psi}$	860.64	965.23	959.54	1,014.22	1,121.51
5.	Operating Profit/ Loss	-110.09	-148.02	-98.96	-145.55	-76.42
6.	Profit/ Loss for the year	-151.04	-191.90	-141.95	-192.40	-148.28
7.	Accumulated Profit/ Loss	(-)1,422.26	(-)1,618.10	(-)1,715.89	(-)1,908.27	(-)2,085.98
8.	Fixed Costs					
	Personnel Costs	388.14	400.42	395.48	439.77	474.21
	Depreciation	36.92	40.62	39.76	41.58	50.86
	Interest	54.44	58.37	58.57	62.00	88.91
	Other Fixed Costs	29.76	49.67	41.16	40.43	46.87
	Total Fixed Costs	509.26	549.08	534.97	583.78	660.85
9.	Variable Costs					
	Fuel & Lubricants	301.89	363.18	372.88	375.94	429.73
	Tyres & Tubes$^{\infty}$	22.21	28.49	30.47	25.71	22.03
	Other Items/ spares	29.60	28.10	26.28	33.98	37.66
	Taxes (MV Tax, Passenger Tax, etc.)	49.84	51.67	49.94	52.76	56.10
	Other Variable Costs	2.28	3.08	3.58	4.05	4.05
	Total Variable Costs	405.82	474.52	483.15	492.44	549.57
10.	Effective KMs operated (in lakh)	4,299.89	4,402.17	4,223.06	4,182.63	4,732.55
11.	Earnings *per* KM (Rs.) (1/10)	17.77	18.89	20.75	21.13	22.44
12.	Fixed Cost *per* KM (Rs.) (8/10)	11.84	12.47	12.67	13.96	13.96
13.	Variable Cost *per* KM (Rs.) (9/10)	9.44	10.78	11.44	11.77	11.61
14.	Cost *per* KM (Rs.) (12+13)	21.28	23.25	24.11	25.73	25.57
15.	Net Earnings *per* KM (Rs.) (11-14)	-3.51	-4.36	-3.36	-4.60	-3.13
16.	Traffic Revenue§	750.55	817.21	860.58	868.67	1,045.09
17.	Traffic revenue *per* KM (Rs.) (16/10)	17.46	18.56	20.38	20.77	22.08

ϕ Operating revenue includes traffic earnings, passes and season tickets, etc.

ψ Operating expenditure includes expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

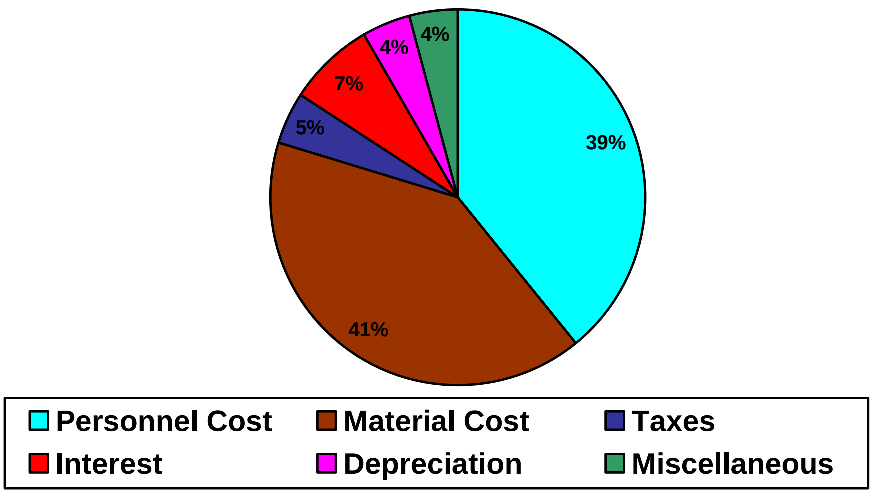
∞ The purchase value of tyre and tubes were taken as consumption from 2006-07 onwards since the accounts were not finalised.

§ Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Elements of Cost

3.11 Personnel costs and material costs constitute the major elements of costs. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

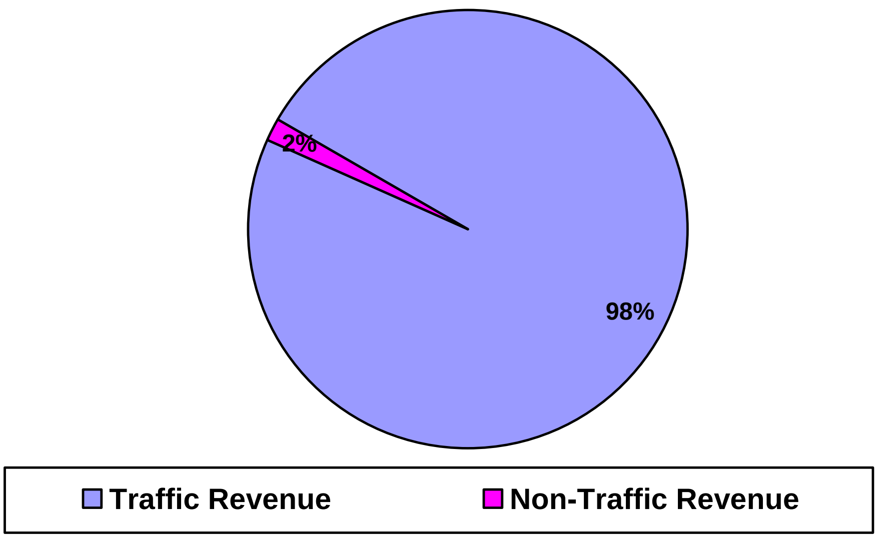
Components of various elements of cost



Elements of revenue

3.12 Traffic revenue and non-traffic revenue constitute the elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



Audit Findings

3.13 Audit explained the audit objectives to the Corporation during an 'entry conference' held on 20 February 2009. Subsequently, audit findings were reported to the Corporation and the Government in June 2009 and discussed in an 'exit conference' held on 27 July 2009, which was attended by Additional Chief Secretary, Transport Department, Government of Kerala, Chairman & Managing Director and Financial Advisor & Chief Accounts Officer of the Corporation. The Government also replied to audit findings in August 2009. The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

Operational Performance

3.14 The operational performance of the Corporation for the five years ending 2008-09 is given in ***Annexure 14***. The operational performance of the Corporation was evaluated on various operational parameters as described below. It was also seen whether the Corporation was able to maintain pace with the growing demand of public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Corporation in public transport

3.15 The Government of Kerala has nationalised 31 routes and earmarked them exclusively for the Corporation. In other routes the Corporation as well as private operators are operating based on the permits issued by the transport authority from time to time. Apart from the allocation of routes, no specific policy on transport has been adopted by the Government of Kerala.

Operation of 365 mini buses for regular services instead of routes where the illegal parallel services operated resulted in loss of revenue of Rs. 8.46 crore.

3.16 National Transportation Planning and Research Centre (NATPAC), an autonomous body under the Government of Kerala, conducted (April 2003) a study and recommended the introduction of mini buses to improve the share of the Corporation in public transport by restricting operation of parallel services*. Even though the Corporation purchased 365 mini buses at a total cost of Rs. 30.02 crore from 2003 to 2007, these buses were utilised for regular services instead of routes where there was drain of revenue on account of illegal parallel services and did not result in attaining the intended objective. Due to less carrying capacity of mini buses as compared to normal buses, the operation of these buses resulted in loss of Rs. 8.46 crore.

3.17 The Government replied (August 2009) that the operation of mini buses was not viable since the findings of study by NATPAC were wrong. The reply is not convincing since the Corporation did not deploy the mini buses in a co-ordinated manner to counter the parallel services as recommended by NATPAC

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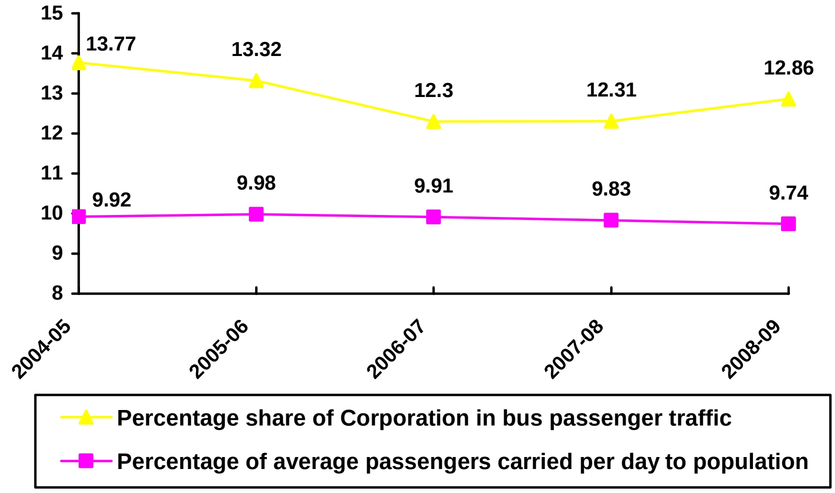
* **Contract carriages illegally operated as stage carriages.**

since the mini buses were operated on the routes on which the large buses could operate. So, the Corporation could not improve its share in public transport.

3.18 Line-graphs depicting the percentage share of the Corporation in the bus passenger traffic of the State based on vehicles held by the Corporation vis-à-vis total number of stage carriages in the State and percentage of average passengers carried per day by the Corporation to the population of the State during five years♠ ending 2008-09 are given below:



3.19 The table below depicts the growth of public transport in the State.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Corporation's buses φ	4,644	4,688	4,559	4,893	5,115
2.	Private stage carriages φ	29,092	30,518	32,517	34,870	34,648
3.	Total buses for public transport φ	33,736	35,206	37,076	39,763	39,763**
4.	Percentage share of Corporation	13.77	13.32	12.30	12.31	12.86
5.	Percentage share of private operators	86.23	86.68	87.70	87.69	87.14
6.	Estimated population (crore)	3.30	3.33	3.36	3.39	3.39
7.	Vehicle density *per* one lakh population (Total)	102	106	110	117	117
8	Vehicle density *per* one lakh population (Corporation)	14	14	14	14	15

3.20 The Corporation, however, has not been able to keep pace with the growing demand for public transport. Though the overall number of public transport vehicles *per* lakh population increased by 14.71 *per* cent from 102 in 2004-05 to 117 in 2008-09, number of the Corporation's buses *per* lakh

♠In the absence of availability of figures for 2004-05, figures of 2003-04 have been adopted for comparison purpose.

φ These are the figures at the end of the respective years.

****In the absence of availability of figures for 2008-09, figures of 2007-08 have been adopted.**

population remained almost stagnant. The effective *per* capita KM operated *per* year is given below.

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	4,299.89	4,402.16	4,223.06	4,182.63	4,732.55
Estimated Population (crore)	3.30	3.33	3.36	3.39	3.42
Per Capita KM *per* year	13.02	13.22	12.57	12.34	13.84

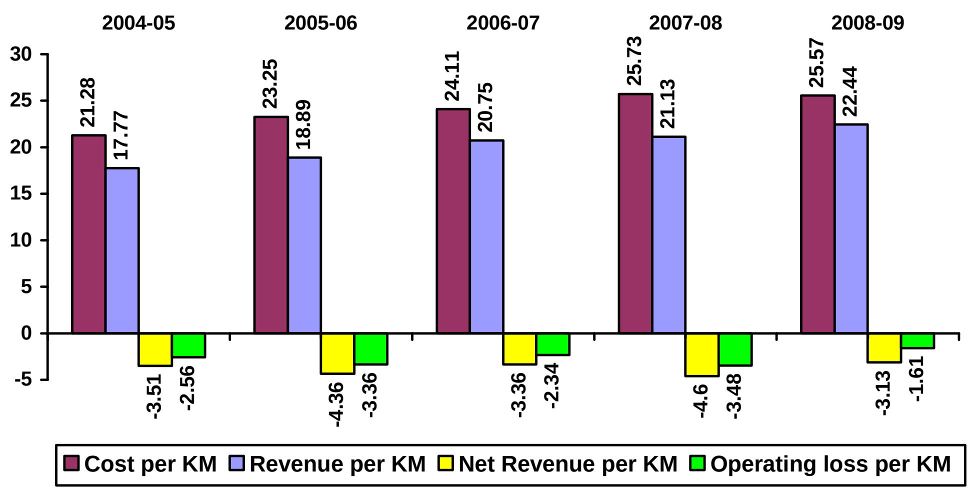
3.21 Even though the Corporation succeeded in maintaining 9 to 10 *per cent* of passengers carried per day to total population and operated 12.34 to 13.84 per capita KM throughout the five years under review, its presence continued to be extremely low in the public transport space.

3.22 Public transport has definite benefits over personalised transport in terms of costs, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the Corporation was not able to maintain its share in transport mainly due to operational inefficiencies as described later.

3.23 The Government replied (August 2009) that the Corporation had not tried to expand its operations till 2007 as the concept of variable costs and fixed costs was not properly understood till then and the Management was under the mistaken notion that operating additional distance would add to the losses.

Recovery of cost of operations

3.24 The Corporation was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue remained negative as given in the graph⊗ below:



⊗**Cost *per* KM represents total expenditure divided by effective KM operated.**
Revenue *per* KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue *per* KM is revenue *per* KM reduced by cost *per* KM.
Operating loss *per* KM would be operating expenditure *per* KM reduced by operating income *per* KM.

3.25 The operating loss per KM showed a fluctuating trend due to additional revenue earned from periodical fare revisions. It decreased in 2008-09 due to decrease in fuel cost. Though the Corporation was not able to achieve the All India Averages for cost per KM (Rs. 19.94) in any of the years under review, its revenue *per* KM continuously increased during the review period and was higher than the AIA (Rs. 18.22) except in 2004-05. This was mainly because of the high fares and high load factor. The deteriorating performance has been impacting the ability of the Corporation to provide public transport services adequately as it is not able to replace its overage fleet on time. The large number of Depots/Sub Depots/Operating Centres (units) had contributed to the operational losses of the Corporation because it followed the policy of opening new units mainly on the basis of infrastructural facilities offered by the local bodies without giving due consideration to financial viability.

Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* KM at Rs. 0.49, Rs. 0.47 and Rs. 0.34 respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

3.26 Audit noticed that the number of units was relatively more as compared to other Road Transport Corporations as shown below.

Particulars	KSRTC		APSRTC		Karnataka SRTC	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
No. of units at the end of the year	84	85	212	204	57	59
Average No. of buses held during the year	4,724	4,666	19,499	19,350	5,196	5,839
Route KM in lakh	2.42	2.42	9.03	9.78	4.07	4.66
No. of units per 100 buses	1.78	1.82	1.09	1.05	1.10	1.01
No. of vehicles per unit	56	55	92	95	91	99
No. of units per lakh route KM.	35	35	23	21	14	13

3.27 It was also noticed in Audit that as on 31 March 2007 in 44 out of 85 units the average number of buses held ranged between 8 and 49 only. The Management gave assurance (July 2004) to the Committee on Public Undertakings that four loss incurring units (Erumely, Vatakara, Vadakkancherry and Mallappally) would be closed, but these units were still operational (September 2009). Further, two Sub Depots[◊] and two Operating Centres [**] were opened in February 2006, December 2006, October 2007 and January 2008 respectively. In Parassala-Angamally State highway sector having a distance of 289 KMs, there were 16 operating units and the average distance between two operating units was 18 KMs only.

◊ **Thalassery and Kattappana.**
**** Piravom and Aryankavu.**

3.28 The Government stated (August 2009) that present financial stringency was not the result of the present performance. It was also stated that the total revenue had increased from Rs. 815.52 crore in 2005-06 to Rs. 1,045.09 crore in 2008-09. With respect to the Audit observation on large number of units, it was replied (January 2009) that the earlier policy of opening operating units without considering financial viability had been done away with and only viable units were being opened at present. However, Audit observed that the increase in revenue in 2008-09 was mainly due to increase in fare and the reply is silent about the non-implementation of the assurance given by the Corporation to COPU.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

3.29 The Corporation has its own fleet of buses. It had not, at any time made a cost benefit analysis of hiring buses from private operators. Key operational data such as route/trip-wise earnings, reasons for cancellation of scheduled distance, punctuality and records relating to repairs and maintenance of buses were not properly compiled/ maintained by the Corporation and the absence of this data hampered Audit analysis considerably.

3.30 The Association of State Road Transport Undertakings (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. However, the Corporation adopted the norm of reckoning the life of a bus as 10 years or 10 lakh kilometres of operation whichever was earlier in tune with improved technical parameters of new buses. But the Corporation failed to adhere to its own norms. The table below shows the age-profile of the buses held by the Corporation for the period of five years ending 2008-09.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total No. of buses at the beginning of the year	4,348	4,644	4,688	4,559	4,893
2.	Additions during the year	519	269	92	517	701
3.	Buses scrapped during the year (1+2-4)	223	225	221	183	479
4.	Buses held at the end of the year	4,644	4,688	4,559	4,893	5,115
5.	No. of buses more than 10 years old	739	982	1,129	1,452	1,343
6.	Percentage of over-age buses (more than 10 years)	15.91	20.95	24.76	29.68	26.26

Percentage of overage buses increased from 15.91 *per cent* to 26.26 *per cent* in 2008-09.

3.31 During 2004-09, the Corporation added 2,098 new buses at a cost of Rs.197.94♦ crore. The expenditure was funded through external borrowings from financial institutions. To achieve the norm of right age buses, the Corporation was required to buy 1,343 new buses additionally which would have cost it Rs. 149.07 crore approximately††. However, the Corporation did not generate adequate resources through its operations to finance the replacement of buses. It suffered a loss of Rs. 615.84 crore before charging of depreciation during 2004-09, and hence was not in a position to deploy internal funds for fleet augmentation. Thus, the Corporation's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

3.32 The Corporation had not generated sufficient internal resources to carry out its capital and revenue activities during the period under review. Hence, the Corporation raised loans from financial institutions. Fresh loans raised during each year were higher than the loans repaid during that year. Therefore the loan amount of Rs. 321.23 crore as on 31 March 2004 increased to Rs. 831.75 crore as on 31 March 2009. Besides, the Corporation also took a loan of Rs. 666.99 crore to meet its working capital requirement during the period 2004-2009. In view of operating losses and mounting debts, the Corporation faces a challenging task ahead.

3.33 The over aged fleet requires high maintenance and results in extra cost and less availability of vehicles compared to underage fleet, other things being equal. This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Corporation to replace its fleet on a timely basis. The increase in percentage of overage buses is a result of inability of the Corporation, due to its operational inefficiency, to generate funds to replace buses.

♦ Since the capitalised cost of vehicles was not available in the absence of final accounts from 2006-07, the total amount borrowed from 2004-05 to 2008-09 for financing vehicle purchase was adopted by Audit.
†† Calculated on the basis of average cost of Rs. 11.10 lakh per bus as provided by Management.

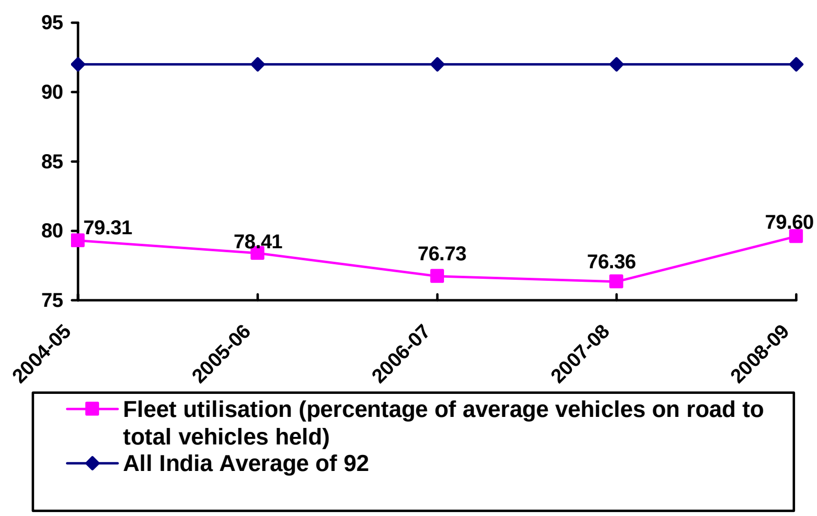
3.34 Government stated (August 2009) that the aged fleet has not led to extra maintenance cost as proved by the fact that RTCs of neighbouring states with fleet of much lower average age were incurring higher expenditure towards repairs and maintenance. The reply is not convincing since the Corporation has not ascertained the actual repairs and maintenance cost for 2007-08 and 2008-09 and only estimates are provided in the provisional accounts for these years. Further, as the bus-wise expenditure in respect of repairs and maintenance was not being recorded by the Corporation it was not in a position to prove the above claim.

Fleet Utilisation

3.35 Fleet utilisation represents the ratio of buses on road to those held by the Corporation. The Corporation had not set any target of fleet utilisation during the period from 2004-05 to 2008-09. The fleet utilisation during this period varied from 76.36 *per cent* to 79.60 *per cent* in 2008-09 as compared to the All India Average[∝] of 92 *per cent*, as indicated in the graph given below.

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.40, 98.40 and 98.30 *per cent* respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)

Fleet utilisation of the Corporation remained lower than All India Average of 92 *per cent* in 2004-09.



3.36 Fleet utilisation showed a decreasing trend up to 2007-08 and then improved, mainly because the Management closely monitored the utilisation of 1,218 new buses inducted in 2007-08 and 2008-09. Further 155 mini buses costing Rs. 12.87 crore, whose average utilisation was only 55 *per cent* were withdrawn from the fleet during these years.

3.37 The main reasons which contributed to low fleet utilisation, as analysed by Audit in ten selected Depots and Sub Depots were as follows:

- Shortage of crew (drivers/ conductors) (paragraph 3.58).

∝ All India Average is for the year 2006-07 which has been used for comparison for the period under review.

- Breakdowns on account of inadequate servicing/ maintenance (paragraph 3.61).

- Off road buses for 6,789 days for want of motor vehicle inspection certificates (paragraph 3.66).

3.38 From the above, it can be concluded that the Corporation was not able to achieve an optimum utilisation of its fleet strength, which in turn impacted its operational performance adversely.

3.39 Government replied (August 2009) that the figures included by Audit regarding fleet utilisation were incorrect since fleet utilisation is calculated based on the total number of buses held minus the spare buses. It was further stated that the detention of buses for Certificate of Fitness repair was inevitable, holiday cancellation was in the best interests of the Corporation and that the Corporation was facing acute shortage of manpower.

3.40 The reply is not convincing since the Central Institute of Road Transport, Pune has clearly defined fleet utilisation as the ratio of buses held (including spare buses) to the buses on road. Non-utilisation of vehicles for want of timely renewal of Certificate of Fitness was avoidable. Further, manpower *per* bus of the Corporation stood at 5.74 in 2006-07, which was much higher than the manpower *per* bus of Karnataka State Road Transport Corporation at 4.99 in that year.

Vehicle Productivity

3.41 Vehicle productivity refers to the average Kilometres run by each bus per day in a year. The vehicle productivity of the Corporation vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the table below.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity based on average vehicles held (KM)	262	255	248	247	259
2.	Overage fleet (percentage)	15.91	20.95	24.76	29.68	26.26

3.42 There has been continuous increase in over age fleet leading to decrease in vehicle productivity except in 2008-09 when it had increased but could not attain its own level of 2004-05. The increase in vehicle productivity during 2008-09 was primarily due to addition of new buses during 2007-08 and 2008-09.

3.43 Compared to the All India Average of 313 KMs *per* day, the vehicle productivity of the Corporation has been on lower side for all the years under review. The lower productivity is mainly on account of:

> **Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs per day respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)**

- Deficient route planning (paragraph 3.50)
- Excess time taken for servicing/repairs (paragraph 3.58)
- Want of crew (paragraph 3.58)
- Cancellation of scheduled kilometres (paragraph 3.58)

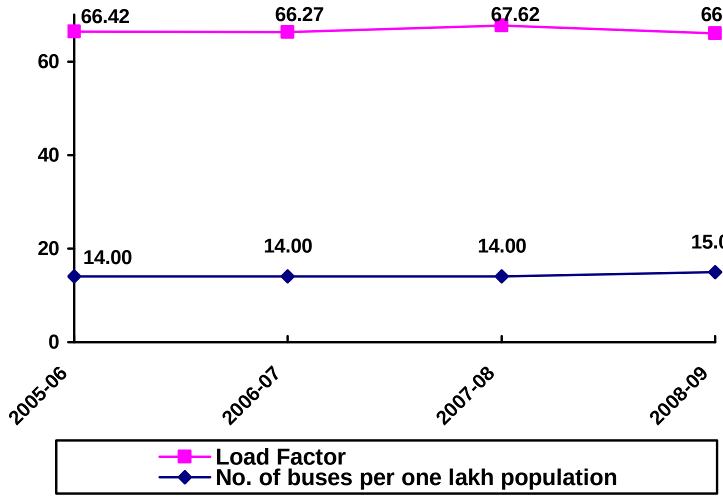
3.44 The Corporation had not fixed any specific norms for vehicle productivity. Further, vehicle productivity achieved in 2004-2005 could not be maintained in subsequent years. One of the major reasons for low vehicle productivity was non-adherence to the norm fixed for steering duty. The Corporation had fixed norms for steering duty hours and spread over duty time in each schedule as six and a half hours and eight hours respectively. The Corporation has adopted a practice of assigning double duties to all its crew. A test check in Audit of the duty hours of 2,918 schedules in the selected Depots during review period revealed that in 397 schedules, duty hours were below standards from one hour to three and a half hours against the 13 hours duty (double shift).

3.45 Government stated (August 2009) that the slight fall in the vehicle productivity during 2005-06 to 2008-09 when compared to 2004-05 was due to the introduction of services as chain services in selected route in competition with private stage carriages and small adjustments in duty norms would be more beneficial to the Corporation than extending the schedule to odd timings to suit the duty norms. The reply is not convincing since introduction of chain services in competition with private stage carriages may not be of much benefit to the Corporation. Moreover, shortfall commented in Audit does not relate to small adjustment as short duty ranged from about one hour to three and a half hours against the norm of 13 hours per double shift duty.

Capacity Utilisation

Load Factor

3.46 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The Corporation did not have any system to compile the data required for assessing the load factor. Compilation and analysis in Audit of the load factor for the four years up to 2008-09‡‡ revealed that the Corporation maintained a load factor above All India Average (63 *per cent*) in all years. A graph depicting the Load factor vis-à-vis number of buses *per* one lakh population is given below.



3.47 The load factor could have been improved by conducting scientific route planning, and restricting operation of illegal parallel services.

3.48 The table below provides the details for break-even load factor (BELF) for traffic revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* KM.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM (in Rs.)	21.28	23.25	24.11	25.73	25.57
2.	Traffic revenue per KM (in Rs.)	17.46	18.56	20.38	20.77	22.08
3.	EPKM at 100% Load factor (in Rs.)	26.29§§	27.94	30.75	30.72	33.45
4.	Break Even Load Factor considering only traffic revenue (1/3) (percentage)	80.94	83.21	78.41	83.76	76.44

3.49 The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

Route Planning

3.50 Appropriate route planning to tap demand leads to higher load factor. However, the Corporation does not have a system for scientific route planning. It had not, at any time during the period under review, assessed the demand for

‡‡ Since schedule-wise collection details for the year 2004-05 were not available with the Corporation, load factor for that year could not be calculated.

§§ Load factor for the year 2005-06 was adopted for 2004-05 due to non-availability of data for the year.

its services on a scientific basis and planned the routes accordingly. Generally, services were being introduced/ modified on the basis of requests received from people's representatives without assessing financial and operational viability.

3.51 The Corporation had not compiled the route-wise revenue details. Instead of routes, the services are made up of schedules, each schedule comprising of a number of trips. An analysis by Audit of schedule-wise revenue details for the four years up to 2008-09 is given in the table below.

Particulars	Total No. of Schedules*	No. of Schedules making Profit	No. of Schedules not meeting total cost	No. of Schedules not meeting variable cost
2004-05	NA	NA	NA	NA
2005-06	6,511	367 (5.64)	6,144 (94.36)	135 (2.07)
2006-07	5,007	169 (3.38)	4,838 (96.62)	152 (3.04)
2007-08	5,489	486 (8.85)	5,003 (91.15)	125 (2.28)
2008-09	7,300	1,148 (15.73)	6,152 (84.27)	121 (1.66)

Figures in brackets indicate percentage to total schedules.

3.52 Some schedules are profitable while others are not. Though some of the schedules now appearing unprofitable would become profitable once the Corporation improves its efficiency, there would still be some uneconomical schedules. Given the scenario of mixed schedules and obligation to serve uneconomical schedules, the Corporation should decide an optimum quantum of different schedules so as to optimise its revenue while serving the cause. However, no such exercise was carried out by the Corporation. Further, the operating units of the Corporation did not compile and analyse trip-wise profitability despite instructions issued in this regard by the Management.

3.53 The details in the table indicate that the profit making schedules increased from 5.64 *per* cent in 2005-06 to 15.73 *per cent* in 2008-09 and those not meeting total cost showed a declining trend. Those not meeting variable cost had decreased to 1.66 *per cent* in 2008-09 from 2.07 *per cent* in 2004-05. Even though the above trend indicated slight improvement in performance, Audit noticed that the profitability for schedules was improved by cancelling a few of the uneconomic trips within the schedule whereas buses available due to such cancellation were not gainfully utilised in other schedules.

*** Including additional schedules and special trips operated over and above notified schedules.**

Due to operation of 291 buses during 2007-09 on routes with EPKM less than Rs. 20 resulted in a loss of revenue of Rs. 4.37 crore.

3.54 Further, the State Government approved procurement of 1,000 buses in 2007-08 with the stipulation that these vehicles should be operated only on routes having earning per kilometre (EPKM) of Rs. 20 and above. Audit scrutiny, however, revealed that out of 942 buses inducted for operations during 2007-08 and 2008-09, 291 buses were operated in routes where EPKM was below Rs. 20 and ranged between Rs. 8.27 and Rs. 19.98 only. The loss of revenue due to less EPKM worked out to Rs. 4.37 crore. Moreover, in order to improve EPKM, the Management had ordered (January 2009) that all schedules fetching EPKM below Rs. 15 should be stopped. However, Audit noticed that during the period January 2009 to March 2009, the Corporation operated 732 schedules covering 45.72 lakh km with EPKM below Rs. 15. This was in violation of the orders of January 2009.

3.55 Government replied (August 2009) that the percentage of profit making schedules had increased due to concerted efforts initiated from 2007-08 onwards to deploy more buses on routes serviced by private operators where the demand was higher. However, the fact remains that the Corporation could have increased its earnings and at the same time provided better travel facilities to the public by concentrating on routes where illegal parallel services are operated instead of deploying more buses in competition to private operators.

Cancellation of Scheduled Kilometres

3.56 A review of the operations indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, shortage of crew and other factors like breakdown, accidents, late arrivals, strikes, planned cancellation on holidays, etc.

3.57 The details of scheduled kilometres, effective kilometres, cancelled kilometres calculated as difference between the scheduled kilometres and effective kilometres are furnished in the Table below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
		(In lakh KMs)				
1	Scheduled kilometres	4,751.00£	5,289.53	5,358.48	5,401.01	5,530.03
2	Effective kilometres	4,299.89	4,402.17	4,223.06	4,182.63	4,732.55
3	Kilometres cancelled	451.11	887.36	1,135.42	1,218.38	797.48
4	Percentage of cancellation	9.49	16.78	21.19	22.56	14.42
Cause-wise analysisΨ						
5	Want of buses	204.40	477.13	671.03	554.12	270.03
6	Want of crew	28.00	93.97	148.29	205.30	55.50
7	Others	218.71	316.26	316.10	458.96	471.95
8	Contribution *per* KM (in Rs.)	8.02	7.78	8.94	9.00	10.47
9	Avoidable cancellation (want of buses and crew) (lakh KM)	232.40	571.10	819.32	759.42	325.53
10	Loss of contribution (8X9) (Rs. in crore)	18.64	44.43	73.25	68.35	34.08

Due to cancellation of scheduled kilometres for want of bus and crew, the Corporation lost contribution of Rs. 238.75 crore.

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)

3.58 It can be seen from the above table that the percentage of cancellation of scheduled kilometres increased from 9.49 *per cent* to 22.56 *per cent* in 2007-08 and decreased thereafter to 14.42 *per cent*. Over age buses and shortage of staff were the major reasons for higher percentage of cancellation besides planning of schedules without addition of sufficient buses. Due to cancellation of scheduled kilometres for want of buses and crew, the Corporation was deprived of contribution of Rs. 238.75 crore during 2004-05 to 2008-09. Further, the Corporation's failure to repair the buses as *per* the norms of 14 days and 30 days respectively for minor and major repairs also resulted in cancellation of scheduled kilometres. During the five years up to 2008-09, in 23 Depots test checked, 1,953 buses were over docked for repairs beyond the prescribed norms, resulting in loss of 43,319 bus days leading to loss of contribution of Rs. 9.33 crore. Further, test check of the records of Regional Workshop Kozhikode revealed that two buses were docked from November 2006 and June 2007 for more than 127 and 177 days respectively for want of spares resulting in loss of contribution of Rs. 19.11 lakh. The Corporation had not maintained reliable data relating to holiday cancellation and night trip cancellation.

3.59 The Government stated (August 2009) that the cancellation of schedules had not caused any loss to the Corporation since it was done to reduce the

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£ In the absence of availability of scheduled kilometres, Gross kilometres operated during 2004-05 have been taken as scheduled kilometres for the purpose of calculations.

Ψ In the absence of cause-wise analysis by the Corporation, test check in Audit of five Depots in respect of the period under review was conducted and cause-wise percentage so computed was extrapolated on the over all data.

operation of uneconomic trips/schedules. The reply is not convincing since Audit had excluded planned cancellation while working out the loss. Further, by avoiding cancellation for want of buses and crew, the Corporation could have earned contribution towards fixed costs.

Maintenance of vehicles

Preventive Maintenance

3.60 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/ other mechanical failures. The Corporation had fixed its own schedule for preventive maintenance based on which monthly maintenance∏, weekly maintenanceϒ, battery maintenance, fuel maintenance and tyre inflation of vehicles were to be conducted. Audit observed that the required preventive maintenance schedules were not being adhered to. Most of the Depots were not maintaining prescribed registers for recording preventive maintenance due and done. A test check of monthly garage inspection reports conducted by Assistant Works Managers of selected Depots for 2008-09♦ revealed lack of preventive maintenance as detailed below.

Type	Monthly Maintenance	Weekly Maintenance	Fuel System Maintenance	Oil Change	Tyre Inflation	Battery Maintenance
No. of buses Due	1,055	22,709	2,042	3,039	46,873	23,561
No. of buses Done as per norms	966	18,986	1,871	2,992	36,423	22,330
Percentage Done as per norms	91.56	83.61	91.63	98.45	77.71	94.78

3.61 It can be seen from the above table that preventive maintenance for tyre inflation was carried out only in 77.71 *per cent* cases. Audit observed that one of the major reasons for breakdown was tyre puncture. The high incidence of breakdowns was also due to the ineffectiveness of preventive maintenance carried out. The Corporation itself identified that 1,236, 959 and 196 cases of breakdowns were due to maintenance lapse in 2006-07, 2007-08 and 2008-09 respectively.

Consumption of engine oil in excess of norms by 6.04 lakh litres during 2005-08 caused an extra expenditure of Rs. 4.55 crore.

3.62 The Corporation had fixed (January 2006) Depot-wise norms for consumption of engine oil based on the previous consumption pattern of the Depots. It was noticed in Audit that the Corporation's consumption of engine oil was in excess of norms by 6.04 lakh litres during 2005-06 to 2007-08♦ which caused an extra expenditure of Rs. 4.55 crore.

3.63 Government replied (August 2009) that lapses in preventive maintenance were due to lack of adequate and skilled staff. However, the fact

∏ Maintenance of suspension system, clutch system, cabin repairs, wheel bearings, brake liners, etc.
ϒ General check-up, oil level checking, lubrication of moving parts, etc.
♦ Data relating to previous years was not made available by the Corporation.
♦ Data for 2004-05 was not made available by the Corporation and the consumption was within norms in 2008-09.

remains that the Corporation had not explored the possibility of outsourcing preventive maintenance work or hiring of skilled staff on contractual basis.

Repairs & Maintenance

3.64 A summarised position of fleet holding, over-aged buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses (at the end of the year)	4,644	4,688	4,559	4,893	5,115
2.	Over-age buses (more than 10 years old)	739	982	1,129	1,452	1,343
3.	Percentage of over-age buses	15.91	20.95	24.76	29.68	26.26
4.	R&M Expenses (Rs. in crore)	97.59	101.65	108.75	118.03	118.09
5.	R&M Expenses *per* bus (Rs. in lakh) (4/1)	2.10	2.17	2.39	2.41	2.31
6.	Percentage of Manpower cost on R&M Expenses	38.34	34.65	39.99	41.97	41.95

3.65 It can be seen from the above table that R&M expenses per bus were steadily increasing up to 2007-08 and then decreased in 2008-09. The impact of over-age buses on R & M is reflected by the fact that when the number of over-age buses came down in 2008-09, the *per* bus R & M cost also decreased. Bus-wise details of the R & M were not available with the Corporation. Hence Audit could not work out the economy of maintaining the over-aged buses. However, it may be observed that the average cost of a bus, which stood at Rs. 11.10 lakh in 2008-09 is expended by the Corporation in less than five years on R & M of one bus.

Docking of vehicles for fitness Certificates

3.66 The buses are required to be repaired and made fit before sending the same to Regional Transport Offices (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules, 1989. As the date of expiry of the fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. A test check of the records revealed that in 10 out of 23 selected Depots/ Sub-Depots, there was delay ranging from 1 to 194 days beyond the date fixed for Motor Vehicle Inspection Report/ Certificate resulting in loss of 6,789 bus days. The loss of contribution due to the same has already been included under paragraph 3.58. It was observed in Audit that the Corporation did not have any system to monitor and ensure timely repairs. Further, the Corporation failed to obtain fitness certificates due to reasons like non- rectification of defects in time and poor condition of the buses, which are *prima facie* controllable by Management.

3.67 The Government attributed (August 2009) delay to lack of qualified and experienced staff. However, proper planning by Management could have resulted in avoiding the same as date of expiry of the Fitness Certificate is known in advance.

Manpower Cost

3.68 The cost structure of the organisation shows that manpower and fuel constitute 74.68 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short-term – account for 16.18 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs. 6.13 and Rs. 6.21 cost *per* effective KMs respectively during 2006-07.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

3.69 Manpower is an important element of cost which constituted 39.17 *per cent* of total expenditure of the Corporation in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. Besides regular employees, the Corporation also deploys temporary staff in various categories who are paid on daily basis. The payment to these temporary employees is quite less than the payments made to regular employees. Management has assessed that around 60 *per cent* of these could be deployed on regular basis. Based on Management's assessment of 60 *per cent* deployment of temporary employees, the Table below provides the details of manpower, its cost and productivity.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	27,962	28,034	26,147	28,262	29,270
2.	Manpower Cost (Rs. in crore)	388.14	400.42	395.48	439.77	474.21
3.	Effective KMs (in lakh)	4,299.89	4,402.17	4,223.06	4,182.63	4,732.55
4.	Cost per effective KM (Rs.)	9.03	9.10	9.36	10.51	10.02
5.	Productivity *per* day *per* person (KMs)	42.13	43.02	44.25	40.55	44.30
6.	Total Buses (No.)	4,644	4,688	4,559	4,893	5,115
7.	Manpower *per* bus	6.02	5.98	5.74	5.78	5.72

Manpower cost was higher than All India Average (2004-09) due to implementation of pension scheme.

3.70 Manpower cost was higher than the All India Average during all the years under review mainly because of the implementation of pension scheme on par with State Government employees in the Corporation in 1984 following a Government Order without creating a pension fund by the Corporation or Government support. As per the latest finalised accounts of 2005-06, pension and related expenditure constituted 48.45 *per cent* of total personnel cost. Manpower per bus was reduced from 6.02 in 2004-05 to 5.72 in 2008-09.

3.71 The productivity per day per person increased from 42.13 KM in 2004-05 to 44.25 KM in 2006-07. The decrease in productivity of manpower from 2006-07 was mainly due to recruitment of additional staff without corresponding increase in the effective distance operated. Besides, the

Corporation was not adhering to the steering duty norms as already mentioned in paragraph 3.44.

Wages and salaries of traffic personnel were higher than NATPAC norms resulting in extra expenditure of Rs. 243.69 crore during 2004-09.

3.72 The Corporation had not fixed any norms for manpower productivity. As per the norms fixed by NATPAC for fare fixation, expenditure on wages and salaries was only Rs. 2.63 per KM up to May 2005 after which it increased to Rs. 2.65 and again increased to Rs. 2.93 in June 2008. But the Corporation's wages and salaries of traffic personnel were higher than the norms of NATPAC in all the five years under review resulting in an extra expenditure of Rs. 243.69 crore as detailed in the table below.

Sl.No.	Year	2004-05	2005-06	2006-07	2007-08	2008-09
1	Traffic Personnel Cost (Rs. in crore)	163.96	168.11	153.24	159.88	189.92
2	Effective Kilometres (in lakh)	4,299.89	4,402.17	4,223.06	4,182.63	4,732.55
3	Traffic Personnel Cost (Rs. *Per* KM)	3.81	3.82	3.63	3.82	4.01
4	Norm fixed by NATPAC (Rs. *per* KM)	2.63	2.65	2.65	2.65	2.93
5	Under recovery of wages (Rs. in crore) [(3-4) x 2]	50.74	51.51	41.39	48.94	51.11

Fuel Cost

3.73 Fuel is a major cost element which constituted 35.50 *per cent* of total expenditure in 2008-09. Control of fuel costs by a Road Transport Undertaking has a direct bearing on its productivity. The Table below gives the targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre i.e., KMPL), All India Average and estimated extra expenditure.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (in lakh)	4,751.00	4,831.00	4,304.43	4,302.84	4,963.01
2.	Actual Consumption (in crore litres)	12.18	12.23	10.64	10.52	11.88
3.	Kilometre obtained per litre (KMPL)	3.90	3.95	4.05	4.09	4.18
4.	Target of KMPL fixed by Corporation	4.50	4.50	4.50	4.50	4.50
5.	All India Average in the category♦	4.94	4.94	4.94	4.94	4.94
6.	Consumption as per All India Average (in crore litres) (1/5)	9.62	9.78	8.71	8.71	10.05
7.	Excess Consumption (in crore litres) (2-6)	2.56	2.45	1.93	1.81	1.83
8.	Average cost per litre (in Rs.)	26.60	31.65	34.67	34.22	35.55
9.	Extra expenditure (Rs. in crore) (7X8)	68.10	77.54	66.91	61.94	65.06

North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL.
(Source: STUs profile and performance 2006-07 by CIRT, Pune)

3.74 It can be seen from the above table that the mileage obtained *per* litre has continuously shown an increasing trend over the period under review though the Corporation could not achieve its target of 4.5 KMPL. The Corporation had identified the main reasons for excessive fuel consumption as bad driving habits, operation of over-aged vehicles, and excessive number of stops. A test check in Audit of statements of Petrol, Oil and Lubricants (POL) for two months in each year under review, in 23 Depots, showed that up to January 2007 the Corporation had no mechanism in place to monitor vehicle-wise or driver-wise data for consumption of fuel so as to exercise effective management control though the internal manuals prescribed for the recording and analysis of such data. From 2007-08, the Management initiated several measures to control excessive consumption of fuel. It directed operating units to record driver-wise KMPL. Drivers who consistently failed to obtain good mileage were counselled and trained and their performance monitored. A mileage based incentive scheme was also introduced to motivate drivers to achieve better KMPL. However, test check in Audit of 23 selected Depots revealed that in seven Depots*, driver-wise KMPL data was not maintained. Fuel issue to Depots was strictly controlled by fixing monthly/ daily quotas and fuel tankers were purchased for transporting fuel with a view to avoid pilferage. A Fuel Cell was also set up at top Management level for monitoring fuel efficiency. Further, in nine Depots φ, the fuel accounts were not properly maintained. Due to partial implementation of

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♦ **All India Average is for 2006-07, which has been taken for comparison purpose in all the years under review.**

* **Thodupuzha, Pala, Vizhinjam, Thiruvalla, Mala, Thiruvananthapuram City and Thrissur.**

φ **Thodupuzha, Pala, Vizhinjam, Ernakulam, Thiruvalla, Kattakkada, Karunagappally, Aluva and Mavelikkara.**

Consumption of 10.58 crore litres of fuel (2004-09) in excess of All India Average resulted in extra expenditure of Rs. 339.55 crore.

the Management's initiatives, the top Management may not be in a position to exercise effective control over the issue. However, these efforts helped the Corporation to improve its mileage. Inspite of these, the Corporation consumed 10.58 crore litres of fuel in excess as compared to All India Average during 2004-05 to 2008-09 resulting in extra expenditure of Rs. 339.55 crore.

3.75 As per the recommendations of COPU (July 2004), the Corporation had fixed unit-wise and engine-wise norms for fuel consumption in January 2006. Audit observed that these norms were fixed on the basis of previous performance only. However, the same were not monitored to take follow up action.

3.76 Government replied (August 2009) that the low mileage obtained by the Corporation compared to the All India Average was due to peculiarities of the State such as high co-efficient of friction in Kerala roads, uneven terrain, higher number of stops etc., and the target of 4.5 KM per litre of fuel was fixed only to motivate the crew to achieve better fuel efficiency. It was also stated that the Management had initiated concrete measures to improve fuel efficiency as proved by the increasing trend from 2004-05 to 2008-09.

3.77 The reply is not convincing since the measures taken by the Corporation had partially succeeded in increasing fuel efficiency which shows that within the State specific constraints, it was possible to improve performance. This is further corroborated by the fact that buses operated by Tamil Nadu State Transport Corporation (TNSTC) in the Thiruvananthapuram- Nagercoil inter-state route were able to obtain higher mileage[♦] than the Corporation's buses plying on the same route though they had more number of stops. The fact remains that though fuel cost was the major element in the Corporation's operating costs, proportionate attention was not given to improve fuel efficiency.

Body Building

3.78 The Corporation has body building units at all the Workshops. In the absence of data with the Corporation, Audit could not ascertain the expenditure incurred on these body building units. The Corporation also outsourced fabrication of buses to private contractors. Based on information provided by the Management, the cost and efficiency of building bodies of ordinary buses in the Corporation's own Workshops is compared against the private contractors in the table given below:

♦ **TNSTC was able to achieve the mileage of 5.3 KM per litre.**

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total No. of buses fabricated in house	Nil	Nil	1	569	756
2.	Cost of fabrication *per* bus for ordinary buses (Rs. in lakh)	NA	NA	6.09	4.12	4.28
3.	No. of days taken to fabricate an ordinary bus	NA	NA	84	25	20
4.	No. of buses fabricated through private contractors	336	190	9	Nil	Nil
5.	Cost of fabrication *per* bus (Rs. in lakh)	5.29	5.29	5.29	NA	NA
6.	No. of days taken to fabricate a bus	43	51	90	NA	NA

3.79 The Corporation decided to outsource bus body building by inviting tenders from 2002-03 onwards. The Corporation got fabricated 535 buses during 2004-05 to 2006-07 through outsourcing at the total fabrication cost of Rs. 28.30 crore. In August 2007, it was decided to fabricate the bus bodies in the Central Workshop and four regional Workshops. Accordingly, the Corporation fabricated 1,325 buses at a total cost of Rs. 55.80 crore during 2007-08 and 2008-09. The comparatively low cost of fabrication achieved by the Corporation in 2007-08 and 2008-09 was due to the fact that most of the employees engaged for body building were temporary employees paid on a daily basis.

Financial Management

3.80 Raising of funds for capital expenditure, i.e., for replacement/ addition of buses happens to be the major challenge in financial management of Corporation’s affairs. This issue has been covered in paragraph 3.31. The section below deals with the Corporation’s efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

3.81 The Corporation gives its buses on hire for which parties were required to pay in advance the charges at prescribed rates *per* kilometre basis at the time of booking. It was, however, noticed during Audit that the charges due were not promptly recovered from the parties. As *per* the provisional accounts an amount of Rs. 14.92 crore was due as on 31 March 2009 from various debtors which mainly comprised of Government Departments. Audit noticed that the Corporation did not prepare year-wise break up of debtors and age-wise details were not maintained. In the absence of maintenance of primary records by the Corporation, Audit could not vouchsafe the party-wise debts.

3.82 Further, the Corporation provides free/ concessional passes to various categories of public like students, physically challenged, etc., as detailed in the table below.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	No. of student passes issued (No. in lakh)	6.19	5.27	5.67	5.68	6.02
2.	No. of other passes issued	45,197	46,220	47,384	48,114	48,822
3.	Loss assessed for student passes (Rs. in crore)	28.82	30.11	32.18	33.13	44.90
4.	Loss assessed for other passes (Rs. in crore)	66.22	67.39	68.64	71.91	72.70
5.	Total loss claimed from Government (Rs. in crore)	95.04	97.50	100.82	105.04	117.60
6.	Amount actually received	Nil	Nil	Nil	Nil	Nil

3.83 It can be seen from the above that against Rs. 516 crore claimed from the Government during the five years ended 2008-09, the Corporation could not realise any amount. The Government stated (April 2009) that reimbursement of concessional passes would arise only if the Corporation is on self sustaining basis. The Government has been releasing funds to the Corporation without repayment being made to enable the Corporation to stand on its own feet.

Realignment of business model

3.84 The Corporation is mandated to provide an efficient, adequate and economic road transport to public. Therefore, the Corporation cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Corporation to tap non-traffic revenue sources to cross-subsidise its operations. However, the share of non-traffic revenues was nominal at 1.71 *per cent* of total revenue during 2004-09. This revenue of Rs. 75.76 crore during 2004-09 was mainly from advertisements and restaurant/ shop rentals. Audit observed that the Corporation has not substantially tapped non-traffic revenue sources.

3.85 Over a period of time, the Corporation has come to acquire sites at prime locations in cities, district and tehsil headquarters. The Corporation generally uses the ground floor/ land for its operations, leaving ample scope to construct and utilise spaces above. Audit observed that the Corporation owned land measuring 15.76 lakh square metres. The Management assessed (January 2007) the market value of the land at Rs. 800 crore. Audit observed that the Corporation had land at important locations admeasuring 7.92 lakh square metres as shown below.

Particulars	Cities (Municipal areas)	District HQrs.	Tehsil HQrs.	Total
Number of sites	**56**	**1**	**8**	**65**
Area (Sq. mtrs.)	**6,89,123**	**10,117**	**92,717**	**7,91,957**

3.86 It is, thus, possible for the Corporation to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, etc., (from first or second floor onwards) in the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Corporation and can yield substantial revenue for the Corporation which can only increase year after year.

3.87 The Board of Directors of the Corporation decided (November 1998) to implement projects for constructing commercial complexes at Depots/locations viable for such projects. The Corporation identified 63 such locations upto August 2008. Cost estimates for six of these projects totalling Rs. 201.30 crore have been approved and architects appointed. However, the tender for only Angamaly project has been awarded (July 2008) at a total cost of Rs. 22 crore. Further, the Corporation had taken up four projects to be implemented by itself through advance rent deposit scheme at a total cost of Rs. 14.44 crore. None of the projects has been completed so far (September 2009).

3.88 Audit observed that in spite of initiating the action by Management in November 1998 for commercial exploitation of available land, no project has been completed as yet (September 2009). Thus, due to slow pace of progress and lack of effective action by Management, Corporation was deprived of the benefit from such projects till date. Timely Management action could have helped the Corporation to bring in the steady stream of revenue.

3.89 Further, Audit observed that in the absence of availability of competent staff for undertaking and supervising civil works, the Management may reconsider its decision to execute the projects on rent deposit scheme basis and look for PPP/ BOT route so as to avoid its own monetary and manpower investment.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

3.90 Fare Structure of stage carriages operated in Kerala was decided by the State Government. At the instance of the Government, National Transportation Planning and Research Centre (NATPAC) brought out a ‘Price Index for Stage Carriage Operations’ (PISCO) in 1998, based on limited survey carried out on stage carriages in various regions of the State. Transport Department of the Government requested (February 2004) NATPAC to undertake the task of routine updating of PISCO on quarterly basis. However, the updation by NATPAC was done in an ad hoc manner since the quarterly cost data was not furnished by the private operators and authenticated by the Transport

Department. Based on PISCO, bus fare in Kerala was upwardly revised by the State Government three times and reduced♥ once (February 2009) during the period under review. The fare which stood at Rs. 0.35 *per* KM in April 2004 was increased to Rs. 0.55 per KM in July 2008 and subsequently reduced to Rs. 0.52 per KM from February 2009.

Fare table for ordinary buses (Rs. *per* KM)

Stages	2004-05	2005-06	2006-07	2007-08	2008-09
First 5 KMs	3.00	3.50	3.50	3.50	4.50
First 10 KMs	4.50	5.00	5.00	5.00	5.50
25 KMs	10.50	12.00	12.00	12.00	14.00
100 KMs	42.00	48.00	48.00	48.00	55.00

3.91 The revised fare was not sufficient to recover the cost of operation of the Corporation since the Corporation could not achieve the fuel standard of 4.5 KM *per* litre of HSD considered by NATPAC for fare fixation. Also, the Corporation's manpower cost exceeded the norms fixed by NATPAC. These have been discussed under paragraph 3.72.

3.92 The table below shows how the Corporation could have curtailed cost and increased revenue with better operational efficiency.

Due to lower vehicle and manpower productivity besides excess consumption of fuel (2004-09), the Corporation sustained avoidable loss of Rs. 1,034.31 crore.

Sl.No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM	21.28	23.25	24.11	25.73	25.57
2.	Revenue *per* KM	17.46	18.56	20.38	20.77	22.08
3.	Loss of revenue due to less vehicle productivity (*per* KM)	1.56	1.77	2.34	2.41	2.18
4.	Excess cost due to low manpower productivity (*per* KM)	1.18	1.17	0.98	1.17	1.08
5.	Excess cost due to excess consumption of fuel (*per* KM)	1.58	1.76	1.58	1.48	1.37
6.	Ideal revenue *per* KM (2+3)	19.02	20.33	22.72	23.18	24.26
7.	Ideal cost *per* KM [1-(4+5)]	18.52	20.32	21.55	23.08	23.12
8.	Net revenue *per* KM (2-1)	-3.82	-4.69	-3.73	-4.96	-3.49
9.	Net ideal revenue *per* KM (6-7)	0.50	0.10	1.17	0.10	1.14
10.	Effective KMs (in lakh)	4,299.89	4,402.16	4,223.06	4,182.63	4,732.55
11.	Avoidable loss (in Rs. crore) [(8-9) X 10]	185.76	210.86	206.93	211.64	219.12

3.93 The above Table does not take into account other inefficiencies such as low fleet utilisation, excess tyre cost, defective route planning, etc. Nonetheless, it shows that the net loss could be lower, if the operations are properly planned and efficiently managed, than what they actually are. Thus, the case made by the Corporation for increase in fare, includes its inefficiencies and in a way would make the commuters pay more than what they should be actually paying.

♥ **Consequent to reduction in price of HSD.**

3.94 The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Adequacy of services on uneconomical routes

3.95 The Corporation had about 15.73 *per cent* profit making schedules as of March 2009 as shown in Table under paragraph 3.51. However, the position would change if the Corporation improves its efficiency. Nonetheless, there would still be some routes which would be uneconomical. Though the Corporation is required to cater to these routes, the Corporation has not formulated norms for providing services on uneconomical routes. It has instead, adopted the practice of classifying all loss making schedules as being operated to fulfil social obligations. In the absence of norms, the adequacy of services on uneconomical routes cannot be ascertained in Audit. The desirability to have an independent regulatory body to specify the quantum of services on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

Monitoring by top management

MIS data and monitoring of service parameters

3.96 For an organisation like Kerala State Road Transport Corporation to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. In the light of this, Audit reviewed the system existing in the Corporation.

3.97 The Corporation had a comprehensive system for recording operational and financial data by way of a series of specific registers for recording each aspect of functioning. The system was designed in such a way as to enable regular monitoring and comparison with norms. However, it was observed that the registers, including the Cash Book, were not being maintained properly in any of the Depots test checked. Cost accounts were not being maintained even at the Workshops. This was attributed by the Corporation to shortage of manpower. The effect of non-maintenance of vital records has been that the Management is deprived of authentic data with respect to unit level operations and this has a detrimental effect on decision making.

3.98 The Corporation implemented (1986) computerisation with limited application. The data relating to bus operations are initially collected, compiled and reported at unit level, which is subsequently furnished to EDP Wing at Head Office for analysis. EDP Wing generates various operational reports for evaluation by top Management. However, these reports were not being used by the top Management to exercise control over operational areas.

3.99 The Corporation has not made an attempt to treat each bus as a cost centre to assess its performance. Though revenue earned by each bus is available, the expenditure incurred for its operation (including cost of repairs & maintenance, fuel, labour, etc.) is not computed. The Board of Directors though meeting regularly did not evaluate the operational performance to take corrective actions.

3.100 Several proposals were approved by the Government to tide over the financial difficulty. But Management failed to implement such proposals in their true spirit and strengthen its financial viability. Major instances include Government's Order (May 2003) to convert each unit into profit-centres, closing down loss incurring units, conducting trial study for inducting hired buses on long distance routes and hiring of qualified managerial staff.

3.101 Though the Management issued written instructions from 2007-08 onwards to all units to improve various aspects of its functioning, Audit noticed that the system to monitor the actual implementation of these instructions was ineffective. For instance, despite repeated instructions, the units are not maintaining and analysing trip-wise earnings, and driver-wise mileage. Further, the orders in force to ensure attendance of temporary (empanelled) crew by imposing penalty on defaulters were not enforced by the units.

3.102 The top Management of the Corporation is expected to demonstrate managerial capability to set realistic and progressive targets, address areas of weakness and take remedial action wherever the things are not moving on expected lines. However, such ability was not seen either from records or performance of the Corporation during the period under review except to a limited extent from 2007-08 to 2008-09.

Conclusion

Operational performance

- **The Corporation could not keep pace with the growing demand for public transport as its share declined from 13.77 *per cent* in 2004-05 to 12.86 *per cent* in 2008-09.**

- **The Corporation could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies, weak financial management and inadequate/ ineffective monitoring by top Management.**

- **The Corporation was not running its operations efficiently as its performance on important operational parameters like fleet**

utilisation, vehicle productivity and fuel cost was below All India Average.

- **The Corporation did not carry out the preventive maintenance as required in two to 22 *per cent* cases, affecting the roadworthiness of its buses.**

- **The Corporation did not ensure economy in operations as its manpower and fuel costs were higher than the All India Average.**

Financial management

- **The Corporation did not demonstrate utmost discipline in raising its claims for dues in time and follow up recovery of dues to logical end.**

- **The Corporation has tremendous potential to tap non-conventional sources of revenue but the Management's delay in taking timely action deprived the Corporation of steady stream of revenue from the same.**

Fare policy and fulfillment of social obligations

- **Though the State Government has a fare policy, it is not implemented in true spirit.**

- **No policy yardstick has been laid down for operation on uneconomical routes. Therefore, the adequacy of operations could not be ascertained in Audit.**

Monitoring by top management

- **Though the Corporation had comprehensive Management Information System in place, it was not implemented properly. Therefore, the monitoring by its top management of key operational parameters and service standards was largely ineffective.**

On the whole, there is immense scope to improve the performance of the Corporation. However, the present set-up of the Corporation does not seem to be equipped to handle this. Effective monitoring of key parameters, coupled with certain policy measures, can see improvement in performance.

Recommendations

Operational performance

- **Fleet utilisation may be increased by closely monitoring bus-wise utilisation.**

- **The Corporation may increase vehicle productivity by adhering to the norms of steering duty.**

- **The Corporation may devise a suitable mechanism to analyse schedule-wise profitability and control the losses on that account while serving the social cause.**

- **The Corporation may record and analyse cause-wise reasons for cancellation of scheduled kilometres and take corrective actions.**

Financial performance

- **The Government/ Corporation may consider devising a policy for tapping non-conventional sources of revenue on a large scale, which will result in steady inflow of revenue without additional investment.**

- **The Government/ Corporation may consider outsourcing the work of record maintenance so that financial records are properly maintained.**

Fare policy and fulfillment of social obligations

- **The Government may consider creating a regulator to regulate fares and also services on uneconomical routes.**

Monitoring by top management

- **The Management may make effective use of the MIS system in place and follow up the instructions issued by it to exercise effective adequate control over operational areas.**

- **Management should regularly monitor important operational parameters to take remedial measures and adequately follow up the same to achieve desired objectives.**

Chapter IV

4. TRANSACTION AUDIT OBSERVATIONS

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

Government Companies

The Kerala Minerals and Metals Limited

4.1 Wasteful expenditure due to lack of due professional care

Failure to ensure source of finance, assess market situation and lack of due professional care resulted in issue of purchase orders for machinery/ erection, its subsequent cancellation and wasteful expenditure of Rs. 58.57 crore.

The Company is engaged in the production and sale of Titanium Dioxide Pigment (TDP). As envisaged in the corporate plan for expansion and modernisation (June 2003), the Company took up (2004-2007) implementation of expansion scheme for enhancement in production capacity for TDP from twenty two thousand MT to one lakh MT per annum in three phases (eight projects). The estimated cost of the projects was Rs. 760 crore, proposed for funding from own resources. This was based on the projection that Company had equity and reserve fund of Rs. 327 crore, fixed deposit of Rs. 187 crore and was making profit since 1999-2000, which was expected to continue in future also. The technical consultancy for carrying out the expansion project was entrusted (January 2004) to MECON, Ranchi, on total responsibility basis, which included preparation of Detailed Project Report (DPR) also.

Audit observed (January 2009) that the Company, even before the submission of DPR, which was essential for taking any investment decisions, issued (January 2005-July 2006) orders for machinery/ erection valuing Rs. 431.19 crore. According to the DPR submitted (June 2006) by MECON the estimated cost of the project on completion was projected at Rs. 1,115 crore against the originally estimated cost of Rs. 760 crore, an escalation of 47 *per cent*.

In view of enormous escalation in cost, the Board of Directors constituted (July 2006) a sub-committee to review the project and to submit recommendations. The sub-committee recommended (December 2006) to implement the expansion scheme after re-considering the financial situation, profit expectations and growth, debt servicing, stagnancy in the market situation, development, vigilance and legal implications.

The Board of Directors after considering the recommendations decided (February 2007) to abandon four projects involving capital cost of Rs. 500 crore (Mineral Separation Plant-Rs. 120 crore, Synthetic Rutile Plant-Rs. 250 crore, Oxygen Plant-Rs. 90 crore and Desalination Plant- Rs. 40 crore) subject to Government approval. The Government of Kerala accorded (January 2008) approval for the abandonment of these projects considering the fiscal position of the Company. The Board of Directors decided (March 2008) to abandon the remaining four projects also, involving a capital cost of Rs. 260 crore subject to Government approval which was awaited (September 2009). However, the cancellation of purchase orders did not take place so far (September 2009).

As a result of abandonment of the project, the purchase orders for machinery/ erection valuing Rs. 431.19 crore issued (January 2005 to July 2006) became unnecessary and amount of Rs. 58.57 crore (including consultancy fee of Rs. 18.62 crore) towards Desalination Plant, Oxygen Plant, Dredge and Wet Contraction Plant etc., incurred became wasteful expenditure.

Management stated (January 2009) that despite increase in production of TDP (2001-2008) the profitability had decreased drastically due to decrease in customs duty, appreciation of Rupee against US Dollar, lack of market demand etc., and expansion in production capacity of TDP to one lakh MT per annum was not desirable without expansion of supplies of raw material (ilmenite, synthetic rutile etc) and utilities (oxygen, nitrogen etc.).

Audit observed that the Management had taken up (2003) implementation of the expansion project involving investment of Rs. 760 crore by taking into consideration the reserve fund and equity and fixed deposit of Rs. 514 crore and anticipated profits in future years, while ignoring the fact that the Company was selling TDP at reduced prices from 2001-02 itself due to stiff competition from Multi National Companies (MNCs). The market share of the Company in 2003-04 was only 46.80 *per cent* for local demand and 29.30 *per cent* for domestic demand, due to poor quality of the product as compared to that of MNCs. The profit of Rs. 111.48 crore in 1999-2000, had declined to Rs. 49.65 crore in 2003-04, and to Rs. 17.82 crore in 2005-06 due to unfavourable market situation, when the company issued (January 2005-July 2006) purchase orders for machinery / erection valuing Rs. 431.19 crore. Moreover, the decisions were not taken based on the DPR or any other investment plan. However, the decision to abandon the project was based on the receipt of DPR (during June 2006).

Audit concludes that it is a case of deficient planning. The Company was overambitious in estimating its capabilities to ensure source of finance for the project, but ignored to assess the market situation and failed to exercise due professional care resulting in issue of purchase orders for machinery/ erection. Thus, payment of advance of Rs. 58.57 crore for purchase orders became wasteful, due to subsequent abandonment of projects and the amount otherwise available for meeting working capital requirements, had eroded due to wasteful investment. The Company had also invited future liability towards consequential losses due to cancellation of purchase orders and litigation. The Company should ensure the viability before embarking upon such major expansion projects in future.

Management stated (April 2009) that the finance for the expansion project was to be sourced from internal generation and external borrowings. As the profitability was down, the expansion schemes earlier envisaged in the corporate plan were found to be unfeasible and therefore, abandoned, with the approval of the Government. The reply is not acceptable as deficient planning without ensuring source of funding coupled with hasty decision to place purchase orders for machinery resulted in wasteful expenditure of Rs. 58.57 crore on abandonment of the projects.

The matter was reported to Government in March 2009; their reply was awaited (September 2009).

4.2 Avoidable Expenditure

Failure to purchase balancing equipments for the production of Synthetic Routile at an appropriate time resulted in cash loss of Rs. 18.55 crore on purchase of Synthetic Routile from outside sources and interest loss of Rs. 56.16 lakh on idle investment in digesters.

The Company had (2003-04) an installed capacity of 30,000 MT per annum (July 2003) for the production of Synthetic Routile (SR) also known as beneficiated ilmenite which is the input for production of TDP. At the same time, the synthetic routile plant had six Rotary Globe Digesters (Digesters) and four balancing equipments (Calciners, Roasters etc) rendering two digesters excess. The wasteful expenditure of Rs. 2.62 crore on these two redundant digesters was commented in the Report of the Comptroller and Auditor General of India (Commercial) for 2003-04 (Paragraph 2.1.30).

In July 2003 the Company also had an approved project proposal for increasing the annual production capacity for SR from 30,000 to 55,000 MT by installing two more digesters, one calciner and one roaster and other related equipments, with a capital outlay of Rs. 40 crore. The work order for supply/installation of two digesters was placed (May 2004) at a contract price of Rs. 1.60 crore with period of completion as February 2005. Despite knowing that, the digesters would not be operational without other balancing equipments such as calciner, roaster etc., the Company did not initiate action to purchase balancing equipments (July 2003-May 2004).

In February 2005, because of serious problems in disposal of waste, the proposal for increasing the capacity for SR production from 30,000 to 55,000

MT was dropped. According to the Management (June 2007) in the absence of adequate capacity for production of SR, the Company would have to purchase SR from outside sources incurring additional expenditure of Rs. 10,000 per MT. The Company had already created surplus capacity for digesters for 20,000 MT, which would ensure annual savings of about Rs. 16.87 crore, provided balancing equipments (Calciner, Roaster etc.) involving an amount of Rs. 27.98 crore were purchased/ installed.

The two digesters received (March 2005) were commissioned (November 2007, January 2008) at the cost of Rs. 3.65 crore of which Rs. 3.12 crore was paid as of March 2006. However these digesters could not be put to use for want of balancing equipments.

After the commissioning (January 2008) of two more digesters, the Company had eight digesters resulting in excess capacity, which could not be fully utilised for want of balancing equipments. In the absence of matching capacity, the Company had to purchase 20,043 MT of SR at prices higher than the variable cost of SR produced by the Company, during the two years 2006-2008 resulting in avoidable expenditure of Rs. 18.55 crore.

Thus, the defective and deficient planning in assessing the capacity for SRs envisaging savings and failure to safeguard the financial interest of the Company resulted in cash loss of Rs. 18.55 crore on purchase (2006-2008) of 20,043 MT of SR from outside sources at higher prices. Further an investment of Rs. 3.12 crore on the two digesters had also remained (April 2006 - March 2008) idle which resulted in loss of interest of Rs. 56.16 lakh (calculated @ 9 *per cent* per annum).

The matter was reported to Government/ Management in May 2009; their reply was awaited (September 2009).

4.3 Payment of inadmissible overtime wages

Erroneous calculation of hourly rate of overtime wages resulted in payment of inadmissible overtime wages to the extent of Rs. 2.92 crore.

The Company has two plants, Mineral Separation Plant and Titanium Dioxide Pigment (TDP) unit. The Company has been paying overtime wages to workers engaged in the TDP unit other than office staff for duty in excess of nine hours a day or forty eight hours a week in line with the provisions of Factories Act, 1948. Overtime wage was payable at double the ordinary rate of wages.

The Company paid (April 2006 to March 2009) overtime wages amounting to Rs. 12.27 crore to workers employed in manufacturing process.

Audit noticed (March 2009) that for working out the hourly rate of wages in a month, the Company had reckoned 180 hours (24 days X 7.5 hours) as the standard whereas as per the Factories Act, the effective hours per month was 240 hours (30 days X 8 hours) even though there was no specific provision for this in the wage settlement with the workers. As a result of this erroneous calculation of hourly wage, the company had paid excess overtime wages of Rs. 2.92 crore to workers employed in the TDP unit during April 2006 to March 2009.

Thus, erroneous calculation of hourly rate of overtime wages resulted in excess payment of overtime wages amounting to Rs. 2.92 crore.

Government stated (July 2009) that, on being pointed out by Audit, the Company modified the method of calculation of overtime wages reckoning monthly working time as 240 hours. The Company, however, had to restore the earlier method owing to objections of trade unions.

It is suggested that the Company shall, in the absence of any wage settlement agreement to the contrary, comply with the relevant provisions of the Factories Act on payment of overtime wages in order to obviate inadmissible over time wages.

Kerala Agro Machinery Corporation Limited

4.4 Committed loss due to short-collection of sales tax

Decision to collect sales tax at concessional rate on inter-state sales, contrary to the provisions of Kerala Value Added Tax Act, 2003 and Government clarification thereon, resulted in a committed liability of Rs. 3.72 crore.

The Company, engaged in the manufacture and sale of agricultural implements was allowed (August 1991) to levy Central Sales Tax (Kerala) at a concessional rate of two *per cent* against the general rate of four *per cent* in respect of inter- state sale of power tillers under Section 8(5) of the Central Sales Tax Act, 1956 (CST Act). In April 2005, Kerala Value Added Tax Act, 2003 (KVAT Act) was introduced by the Government of Kerala by repealing the CST Act and rescinding all the existing concessions given under Section 8(5) of the CST Act.

The Company, however, continued to collect CST on power tillers at concessional rate of 2 *per cent* during 2005-2008 against the general rate of four *per cent* during 2005-2007 and at three *per cent* during 2007-08 on the presumption that the concessions would be reinstated by the Government as the monthly sales tax returns continued to be accepted by the Sales Tax Department without any objection. Sales tax returns are finally accepted by the

Sales Tax Department only at the time of completion of assessment at a later date. Amount of Sales tax short collected on inter-state sale of power tillers in the period 2005-08 aggregating to Rs. 203.71 crore was Rs. 3.28 crore.

According to Section 31(5) of KVAT Act, delayed payment of differential tax between the general and pre-KVAT Act rates attracts simple interest at 12 *per cent* per annum. After a lapse of thirty months (April 2005 - September 2007) the Company requested (October 2007) the Government to restore the concessional rate of two *per cent* on inter-state sale of power tillers with retrospective effect from April 2005. The request was not accepted (April 2008) by the Government on the ground that all earlier notifications issued under section 8(5) of the CST Act, had been rescinded consequent upon notification of the KVAT Act.

Thus, the decision of the Company to continue to charge concessional rate of sales tax despite knowing that it was in violation of the provisions of KVAT Act resulted in a committed loss of Rs. 3.72 crore (including simple interest of Rs. 43.65 lakh) to the Company (during the three years 2005-08). As the concession in CST stood withdrawn from April 2005, the Company should have started collecting CST at normal rate with immediate effect.

The Government, in interim reply, stated (May 2009) that the State Taxes department had informed that individual exemptions are not contemplated in the VAT scenario and there is no provision in the KVAT Act for reduction of CST with retrospective effect. Accordingly the Taxes department rightly rejected the request of the Company. Although the Company has requested for waiver of the liability, the fact remains that these sales were already concluded and that the differential tax is irrecoverable from the customers. Thus, the Company will have to bear the liability for payment of sales tax short collected plus interest thereon of Rs. 3.72 crore.

Bekal Resorts Development Corporation Limited

4.5 Avoidable loss of interest on lease rent and undue favour to licensees

Decision to waive interest on defaulted lease rent resulted in a loss of income of Rs. 4.20 crore and undue favour to licensees.

The Company entered (February 2004 and December 2005) into agreements with five[1] private parties for the allotment of resort sites, developed in 164.40 acres of land on lease basis, at rates agreed upon on tender basis. The licence period was initially for two years from the date of agreement, within which period, each licensee was to develop resorts of five stars or above status in the sites provided and lease deeds were to be executed on completion of

[1] Escapade Resorts Private Limited, Air Travel Enterprises India Limited, Khanna Hotels (Pvt.) Ltd., Holiday Group of Companies and Bharath Hotels Limited.

construction of resorts and commencement of commercial operation. The licensees had to pay a licence fee of Rs. 1 lakh each as advance before the end of April of every year and lease rent from the date of expiry of two years. It was the duty of the licensees to obtain all Statutory and legal clearances from the local/municipal/Government agencies for the construction of the buildings.

One[2] resort site was surrendered (March 2008) as coastal regulation zone clearance could not be obtained from the Government, rendering investment of Rs. 3.32 crore on 33.39 acres unfruitful. Resort could not be constructed in another site[3] due to the failure of the Company in providing a railway gate and peripheral road, though, licence agreement was executed as early as in December 2005, resulting in idle investment of Rs. 3.42 crore on 45.94 acres and consequent loss of income by way of rent amounting to Rs. 35.27 lakh per annum since December 2007.

In the case of remaining three sites[4], though the licence agreements were executed as early as in February-May 2004, the licensees did not take proper action to construct the resorts and commence commercial operation within two years, due to their failure in obtaining the Statutory clearances. The Company decided (October 2007) to give moratorium for payment of lease rent for two years, on condition that accrued rent during moratorium period shall be paid in four half yearly instalments, with interest at PLR rate, commencing from the completion of moratorium period (February - May 2008). Two parties[5] remitted (February / June 2008) the first instalment of lease rent and all the three parties[6] requested to extend the licence period upto December 2008.

Accordingly, the Company decided (September 2008) to give moratorium for payment of lease rent for a period of three years after the expiry of licence period and the accumulated licence fee (Rs. 3.08 crore) was allowed to be spread over during the remaining lease period of 25 years commencing from February / May 2009. The Company also decided to waive the interest (Rs. 4.20 crore) on defaulted lease rent, computed at 7.5 *per cent* for the first three years and ten *per cent* thereafter. Necessary supplementary agreements were also signed (December 2008) with two parties[7].

The decision of the Company to waive the interest on defaulted lease rent due to failure of licensees in getting clearances from designated agencies, without the request of the licensees and purchase of unsuitable land for resorts in two locations resulted in avoidable loss of interest income of Rs. 4.20 crore and undue favour to licensees. Further, wasteful / idle investment of Rs. 6.74 crore on 79.33 acres of land resulted in loss of income from lease rent of Rs. 35.27 lakh per annum.

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[2] Escapade Resorts Private Limited.
[3] Air Travel Enterprises India Limited.
[4] Bharath Hotels Limited, Khanna Hotels (Pvt.) Limited, Holiday Group of Companies.
[5] Khanna Hotels (Pvt.) Ltd and Holiday Group of Companies.
[6] Khanna Hotels (Pvt.) Ltd., Bharath Hotels Limited and Holiday Group of Companies.
[7] Khanna Hotels (Pvt.) Ltd. and Bharath Hotels Limited.

The Management/ Government stated (May, July 2009), that the three licensees had not complied with the basic lease agreement provisions on construction of resorts, remittance of licence fee and lease rent and the Company had taken rigorous steps to collect the arrears. It also stated that the defaulting parties represented that the delay in completing the construction was due to delay in getting statutory clearances from Government of India and requested for extension of licence period and time for payment of lease rent. Therefore, the Company decided to extend lease period and give moratorium for payment of lease rent, waiver of interest on defaulted lease rent etc.

However, the decision of the Company to waive the interest (Rs. 4.20 crore), *suo moto*, resulting in undue favour being given to licensees was uncalled for.

Kerala Police Housing and Construction Corporation Limited

4.6 Avoidable loss of interest

Failure of the management in evaluating fund requirements resulted in avoidable loss of interest of Rs. 1.10 crore due to depositing funds in call deposits account.

The Company was having sums ranging from Rs. 33.78 crore to Rs. 41.44 crore in call deposits with State Bank of Travancore during 2007-08, earning interest at 4.5 *per cent* per annum. The amounts deposited in call deposits were the withdrawals from Treasury Personal Deposit (TP) Account intended for keeping funds received towards Central/ State Sponsored Schemes for modernisation of police forces. The minimum monthly balance maintained in call deposits during the year 2007-08 was as given below:

Month	Amount (Rs. in crore)
April 2007	33.78
May 2007	33.83
June 2007	38.33
July 2007	36.78
August 2007	38.71
September 2007	37.93
October 2007	40.66
November 2007	40.16
December 2007	44.64
January 2008	44.39
February 2008	43.39
March 2008	41.14

While the Company was withdrawing funds ranging from Rupees five crore to Rupees six crore from TP account every month, for depositing in call deposits, day to day expenses were met through transfers from call deposit account, of sums ranging from Rs. 0.76 crore to Rs. 5.75 crore, every month to current account with State Bank of Travancore.

Audit observed (March 2009) that the minimum balance held in call deposit account during 2007-08 was Rs. 33.78 crore and had the Company deposited at least Rs. 33 crore in fixed deposits for 180 days with bank fetching minimum interest rate of 6.75 *per cent* per annum, the Company would have earned additional income of Rs. 1.10 crore (after adjusting Rs. 1.13 crore actually received as interest on call deposits) during the year.

The reply of the Management (November 2008) endorsed by the Government (April 2009) stated that funds received from Government of India in respect of Centrally Sponsored Schemes are deposited in call deposits, as Clause 17 (xii) of the Articles of Association of the Company authorises to operate only call deposits and current accounts as the funds deposited by various agencies will be required for payment of work bills of various schemes executed. The Board of Directors has already directed the Managing Director to keep the unutilised funds in fixed deposits for a period ranging from 30 days to one year. However, as suggested by Audit, necessary amendments in the Articles of Association will be made later. The reply is not convincing as the Management failed to evaluate the actual fund requirements periodically and deposit the surplus funds in fixed deposits fetching higher rate of interest by amending the Articles of Association following the procedure as per section 31 of the Companies Act, 1956 as Memorandum of Association (clause III B (ii) permitted the investment of surplus funds in any manner other than in shares and stock). Thus, the Company had to forego an income of Rs. 1.10 crore. The Company should take immediate steps to amend its Articles of Association so as to safeguard its financial interests.

Indian Institute of Information Technology and Management-Kerala

4.7 Loss due to want of mandatory approval for technical courses

Failure to obtain mandatory approval for conduct of technical courses and absence of independent own campus arising from non-provision of necessary land by the State Government resulted in uneconomic working and loss of Rs. 5.69 crore.

The Company was formed (September 2000) with the objective of conducting various educational and training programmes in Information Technology (IT) and Management and to give consultancy services to Government of Kerala in its drive for computerisation. It started a post graduate diploma course in IT beginning June 2001 session with 60 seats for B.Tech / BE and MCA graduates at a fee of Rs. 0.75 lakh without obtaining the mandatory recognition from the All India Council for Technical Education (AICTE) to conduct such courses. The Company at this stage was not having its own campus and other infrastructure in stipulated minimum of eight to ten hectares of land to run an educational institution as per the provisions of the AICTE Act, 1987. The Government of Kerala allotted (2003) ten acres (4.07 hectares) of land to the Company at Thiruvananthapuram to build its campus but withdrew the allotment in 2003. The Company meanwhile upgraded (2005) the diploma courses into post-graduate diploma courses [MS (IT)] at a fee of Rs. 1.50 lakh. This was again without obtaining the mandatory approval of AICTE and creating basic educational infrastructure facilities.

The Company was served (March 2007) a show cause notice from AICTE for conducting technical education programmes without their prior approval. AICTE directed (June 2008) the Company to close down the technical courses conducted by it citing unsatisfactory reply to show cause notice and submit a fresh proposal for approval. But, the Company neither terminated the courses, nor applied for fresh sanction to conduct the courses leading AICTE to categorise (2006-07) the Company in the list of unapproved institutions conducting technical courses. AICTE also advised students not to take admission in the courses conducted by the Company, as it had consequences in terms of their eligibility for employment, higher studies etc.

As against the planned student strength of 60, the number of students joining the institution in the first year (2001-02) were 49, which increased to 65 in 2003-04 and started declining from 2004-05 (60) and to a mere 12 in 2008-10. There were ten faculty members taking classes for 12 students as of March 2008 whereas the Company had been incurring huge expenditure on pay and allowances, electricity, rent, entrance test and other educational expenses etc.

According to the Memorandum and Articles of Association, the Company was envisaged to be run on no profit-no loss basis. As the income by way of fees collected from the students was not sufficient to run the institution, the Company was incurring continuous losses since inception (2001) and its accumulated losses stood at Rs. 5.69 crore as on 31 March 2008.

This failure of the Company to obtain mandatory AICTE approval for its technical courses due to non-fulfillment of criterion and absence of independent own campus arising from non-provision of necessary land by the State Government resulted in uneconomic working and a loss of Rs. 5.69 crore.

The Management stated (January 2009) that the contribution of the Company could not be gauged merely by looking at the expenditure in relation to student fee received. There has been added emphasis on research activities and development efforts to social sector. This contention of the Management is not convincing as the fact remains that there was an adverse impact on the eligibility / acceptability of technical / professional education imparted to students in the absence of any recognition/approval from AICTE. The action of the Company to start courses without mandatory approval was in disregard of the extant law / regulations. Further the Company did not follow prudent financial management practices to run the institution on a no profit-no loss basis as per Memorandum of Association.

Government replied (June 2009) that the substantial portion of the expenditure incurred has gone towards creation of basic infrastructure and also intimated that 0.96 acres of land has been allotted, appointed an architect and the work would be tendered soon. Necessary action has also been taken for obtaining affiliation / approval of a University / AICTE.

Audit suggests that the Company should start technical education courses only after obtaining due permission from controlling bodies to avoid conflict of interest. In the instant case, the responsibility should be fixed for violation of mandatory provisions and consequent loss.

Kerala Transport Development Finance Corporation Limited

4.8 Undue favour to Shriram Investments

Avoidable loss and undue favour to Shriram Investments Limited, a marketing agency, by allowing them to enter into agreement with loanees and to collect security deposits of Rs. 6.42 crore.

The Company formed with the main object of financing Kerala State Road Transport Corporation and to assist other transport undertakings started (October 2001), a direct lending scheme to transport operators in Kerala viz., Small Road Transport Operators (SRTO) loans scheme, as proposed by Shriram Investments Limited (SIL), Chennai, engaged in arranging finance for heavy commercial vehicles. According to the agreement (October 2001) with SIL, the Company was to finance 100 *per cent* of invoice price of chassis of vehicles and 75 *per cent* of body building cost of new vehicles and 50 *per cent* of assessed value of used / second hand vehicles with 25 *per cent* margin money, based on the select list of borrowers prepared by SIL.

The loans in respect of new/ used vehicles were to be repaid in sixty / forty eight, Equated Monthly Instalments (EMI) commencing from the end of second month of sanction of loan. The rate of interest at the time of sanction of loan remained unchanged throughout. SIL was entering into agreements with the loanees and collecting instalments from borrowers. The Company's security for loans was the corporate guarantee by SIL, personal guarantee of individual transport operator, personal guarantee by the Directors of SIL and all the vehicles financed by the Company should be hypothecated in favour of the Company and the fact noted/ exhibited on the vehicles.

According to the agreement (Clause 9), SIL was entitled to collect service charge not exceeding three *per cent* and ten to twenty *per cent* of loan amount as security deposit from the borrowers. In order to make transactions between the borrower and SIL transparent, SIL requested (October 2003) the Company to enhance the rate of interest on loans from 12.5 *per cent* to 14.5 *per cent* with effect from November 2003. This difference of 2 *per cent* was proposed to be treated as service charges and passed on to SIL, after the remittance of loans in full by SIL. The agreement with SIL was modified accordingly (October 2003).

The Company disbursed loans amounting to Rs. 125.77 crore (Rs. 55.90 crore during October 2001-October 2003 and Rs. 69.87 crore during November 2003- April 2006). SIL received a commission of Rs. 2.34 crore during November 2003-April 2006 and also collected security deposit as per agreement terms amounting to Rs. 5.59 crore (October 2001-October 2003).

Audit noticed that despite deciding to stop the collection of 20 *per cent* of the loan amount as security deposit from borrowers and limit the service charges to 2 *per cent* only (with effect from November 2003) by increasing the rate of interest and collecting the same in instalments from borrowers, the Company failed to ensure that, SIL was not collecting security deposit from borrowers because of lack of monitoring of loan agreements with ultimate borrowers. Further, SIL changed the moratorium period from 60 days to 30 days without the knowledge and approval of the Company. The agreements entered between the Company and the loanees were also not made available to Audit. Two cases where complaints were registered with the Company only were susceptible to verification in audit, as the Company had given full freedom to SIL for dealing with the loanees. The Company also had issued (April 2005) a power of attorney relaxing the provisions of original agreement condition allowing SIL to seize the vehicles of borrowers, collection of instalments and issue of receipts etc., on behalf of the Company. The tie-up with SIL was, however, discontinued in April 2006 and the reasons for the same were not available on record.

Thus, decision to permit SIL, to directly enter into agreements with loanees and deficient monitoring resulted in non-transparent deals and undue benefit of Rs. 2.21 crore to SIL for the entire loan period of 60 months in respect of 1,458 loanees for new vehicles sanctioned during 2001-2006. Potential interest income unauthorisedly received by SIL at the minimum interest rate of 7.5 *per cent* charged by the Company during the period for 60 months amounted to Rs. 0.83 crore in addition to Rs. 5.59 crore collected as security deposit during October 2001-April 2006. Audit observes that appointment of a private canvassing agency in a Government financing institution for promoting SRTO loan scheme was unjustified as it led to lack of transparency in dealings.

The Company had registered (December 2008) a complaint with the State police stating that as reported by the loanees, SIL, assumed themselves to be lenders of money and charged high rates of finance charges and are suspected to have changed the EMI amounts and requested to register a case against them.

Audit suggests that in future, when the Company embarks upon direct lending schemes to beneficiaries through marketing/ canvassing agents, it should be ensured that the provisions of the agreement with the agencies are strictly enforced so that, the agency should not profit out of the scheme due to the lack of proper monitoring by the Company.

The matter was reported to Government/ Management in June 2009; their reply was awaited (September 2009).

4.9 Wasteful expenditure on commission to Marketing Agents

Decision to appoint two unqualified and inexperienced marketing/ verification agents for promoting the loan schemes, resulted in wasteful expenditure on commission and verification charges amounting to Rs. 40.96 lakh.

The Company was formed with the main object of financing Kerala State Road Transport Corporation for purchase of vehicles and to assist other transport undertakings. Grant of personal housing finance and personal loan schemes are the sub-objectives of the Company. The Company launched (February 2005) a new housing scheme viz., AISWARYA Griha Housing Finance Scheme and decided (March 2005) to appoint Direct Marketing Agents (DMA) for promotion and canvassing genuine and needy customers for the housing scheme, in places where the Company was not having branches. Based on applications invited (March 2005), through advertisements, the Company short listed two firms viz. H- Worknet and Powerlink Services (P) Ltd., (Powerlink).

Both the firms, although did not possess the minimum desired experience of five years in marketing housing loans of Nationalised and other Commercial banks, were issued appointment letters (September 2005) which were prima facie managed by same persons and closely related to each other. As per the agreement entered (October, November 2005) with the DMAs for a period of three years, commission was payable at specified rates (half *per cent* to one *per cent*) on the loan canvassed in different slabs (Rs. 10 lakh to Rs. 50 lakh and above).

The Board of the Company authorised (August 2005) the Managing Director (MD) only to appoint the two firms as DMAs, for housing loan schemes, but the MD appointed (February 2006) the two firms as canvassing and verification agents of housing and other loans as well, with a commission of Rs. 500 per file for housing, vehicle and consumer durable loans etc., and Rs. 300 per file for personal loans exceeding the delegated authority/ powers. The DMAs were paid Rs. 40.96 lakh, as commission (Rs. 37.26 lakh) and as verification charges (Rs. 3.70 lakh) during the four years 2005-08 (up to November 2008).

Audit noticed (January 2009) that the Company had not fixed any monthly or region-wise target for DMAs and continued paying commission and verification charges without assessing the usefulness of their services. The Company should have been aware that using the DMAs for verification of loan applications would create conflict of interest as the verification process was the integral function of the Company. Thus, the Officers of the Company had failed in protecting the financial interest of the Company. Out of Rs. 75.32 crore loan disbursed (2005-09), Rs. 55.97 crore (74 *per cent*) in 45 cases was DMAs' share and out of this, 37 cases involving Rs. 49.56 crore were in Thiruvananthapuram district only, where, the head office of the Company was situated. The business generated by the two DMAs in other eleven districts of the State was only Rs. 6.41 lakh (11.45 *per cent*) defeating the very objective of appointing the DMAs, viz., expanding the customer base to districts where Company was not having branches.

It was also noticed that the directors of both the firms had availed (2006-07) housing loan of Rs. 90.39 lakh. In addition to the above, Powerlink Builders, with the same address of Powerlink Services also was granted (2007-08) housing loan of Rs. 2 crore. Aggregate amount of commission paid to the two DMAs on these three loans (Rs. 2.90 crore) amounted to Rs. 2.90 lakh.

Audit observes that the decision to appoint a marketing agency for canvassing loans by a Government Company by appointing two firms was not a transparent step. The DMAs selected were unqualified and inexperienced firms having partners/ directors closely related to each other. Permitting, these DMAs to canvass and verify the documents of borrowers, to do business at places where Company, itself had its head office, without any strong business objective resulted in conflict of interest as well as wasteful expenditure of Rs. 40.96 lakh by way of commission and verification charges. On being pointed out by Audit (January 2009) the Government issued directions (February 2009), to stop payment of commission to DMAs in places where the Company had branches, and the direction was implemented with immediate effect.

The Government stated (July 2009) that the appointment of marketing and verification agents was as per Board resolution and there was no default in repayment of loan given to directors of DMA firms though the directors/ partners of two firms appointed as marketing/ verification agents are related persons. The reply of the Government is not convincing as the final Board decision on 23 March 2005 was to appoint the two firms as Direct Marketing Agents alone and the audit contention of appointment of one and the same firm as marketing agent as well as verification agent was against the financial interest of the Company has not been contested. Thus the Officers of the Company failed to protect the financial interest of the Company and major share of business canvassed by the two firms was from the place where the head office of the Company is situated giving them undue advantage by abdicating their own responsibility.

Audit suggests that the Management / Government should take immediate steps to fix the responsibility for this act and direct to recover the undue benefits passed on to the DMAs and should appoint DMA firms after due diligence.

4.10 Undue benefit

Decision to refund rent for the period of 18 months during which Reliance Retail Limited occupied the premises, resulted in undue benefit of Rs. 15.92 lakh.

The Company decided (October 2005) to allot shops and office space on lease and invited tenders (July 2006). Reliance Retail Limited (RRL) which submitted their bid (August 2006) for an area of 4411.60 square feet for a lease rent of Rs. 1.11 lakh per month, was allotted (August 2006) the space for 3 years from 7 December 2006 to 6 December 2009. RRL also remitted the security deposit of Rs. 1.11 crore.

Government of Kerala, meanwhile, directed (December 2007) the Company to revoke the agreement with RRL and it consequently terminated the agreement (June 2008). However, RRL requested (January 2008) the Company either to allow them to operate with the approval of Government of Kerala or to refund the entire security deposit along with entire rent paid. The Company returned the security deposit of Rs. 1.11 crore along with rent of Rs. 15.92 lakh (net amount after adjusting TDS deducted by RRL) for the period from January 2007 to June 2008 while neither the directives of State Government nor the lease agreement contained provision for refund of rent collected for the period of occupation in case of premature termination of the agreement by the lessor.

This decision of the Company to refund the rent for the period of 18 months during which RRL occupied the premises did not follow the principle of *quid pro quo* and caused it a loss of Rs. 15.92 lakh.

Management stated (June 2009) that the agreement had not envisaged anything in such a peculiar condition. This showed that the agreement was not properly drafted by envisaging all the possibilities.

The matter was reported to Government in April 2009; their reply was awaited (September 2009).

Kerala Forest Development Corporation Limited

4.11 Wasteful expenditure on wattle plantations

Decision of the Company to raise wattle plantation without conducting suitability study resulted in wasteful expenditure of Rs. 1.14 crore.

The Company engaged in raising of all species of forest plantations for the development of timber based industries in the State, wrote off (2007-08) the entire expenditure incurred on wattle plantations amounting to Rs. 1.14 crore. The wattle plants were raised (1994-98) in 312.60 hectares at Silent Valley in Munnar, which were expected to give an yield of 3150 MT after eight years (2002-07) fetching expected revenue of Rs. 42.51 lakh.

The felling of wattle did not take place due to non-availability of grown-up plants in the area. As per the report (October 2007) of the Manager, Silent Valley Sub-unit, the survival rate of the plants ranged from a meager 4 *per cent* to 50 *per cent.* The reported height of the plants was only 2 to 3 metres and Girth at Breast Height (GBH) 10 to 19 centimeters and hence they could not be commercially exploited. The growth of the plants was retarded since high altitude place was not suitable for the growth of the plant.

Audit noticed that the Eucalyptus plantation raised in 1978 in same plots of land had failed and as a substitute of Eucalyptus, the Company identified wattle as an ideal species for planting in high elevated areas with the favourable planting experience of other departments/States. The Company without proper studies regarding the suitability of the land for raising wattle plantations went for mass planting of wattle from 1994 to 1998; which eventually failed. Even the meager anticipated revenue of Rs. 42.51 lakh could not be realised due to total failure of the plantations.

Thus, the decision (1994-98) of the Company to raise wattle plantation without conducting any suitability study was a case of defective planning which resulted in wasteful expenditure of Rs. 1.14 crore.

The Management/ Government stated (June, July 2009) that such a massive under-performance of the species and resultant failure in terms of expected yields was never anticipated. The fact remained that deficient planning and failure to conduct suitability study by the Management prior to plantation resulted in wasteful expenditure to the Company.

Audit recommends that the Company should undertake proper feasibility study and cost benefit analysis before undertaking such activities.

Travancore Titanium Products Limited

4.12 Avoidable payment of demurrage charges

Delay in initiating action to obtain EPCG licence resulted in payment of avoidable demurrage charges amounting to Rs. 37.62 lakh.

The Company is engaged in the manufacture and sale (both domestic and export) of Anatase grade[♦] titanium dioxide pigment. Government of Kerala accorded (May 2005) sanction for the Company's project to implement pollution control measures in two phases along with Company's expansion and modernisation plans. The project cost of Phase I[≈] was pegged at Rs. 225.80 crore and MECON (a GoI Company) was engaged as the project management consultant.

Chematur Ecoplanning Oy, Finland and their associates, AVI Europe Limited, UK (AVI) were contracted (February 2006) for the supply of technical know-how and import of proprietary equipments for Phase I of the project. As per the Export Promotion Capital Goods (EPCG) scheme envisaged in the Foreign Trade Policy 2004-09, Company was eligible for concessional import duty rate of 5 *per cent* on these imported items as against the normal import duty of 34.47 *per cent*. To avail this concessional rate of duty, an application in self declaration form had to be submitted to the Regional Licensing Authority (RLA) along with specified documents and the RLA shall issue the licence within 3 days.

AVI despatched (2 April 2007) first consignment of the order which reached Cochin Port on 13 May 2007. The Company, however, did not take delivery of the equipments within the free delivery period i.e., by 23 May 2007 since it had applied (1 June 2007) for EPCG licence only after arrival of goods. The consignment was finally cleared (2 July 2007) after obtaining (27 June 2007) EPCG licence. Owing to delay in clearing the consignment, the Company had to pay (July 2007) demurrage charges of Rs. 37.62 lakh imposed by the Cochin Port Trust.

Audit observed that the Company had initiated (June 2007) action for obtaining EPCG licence only after the receipt of equipments at Cochin Port (13 May 2007) even though AVI had notified the despatch of equipments in April 2007 itself.

[♦] It is a mineral form of Titanium dioxide which has low density and is used in the manufacture of paper, plastic, interior paint, etc., as pigment.

[≈] Involving construction of Acid Recovery Plant, Copperas Recovery Plant and Neutralisation Plant with water recovery module.

Thus, defective planning and monitoring and delay in initiating action to obtain EPCG licence resulted in payment of avoidable demurrage charges of Rs. 37.62 lakh.

Management reply (July 2009) as endorsed by Government stated that at the time of import the Company was in deep financial trouble because of the rise in cost of titanium dioxide due to increase in price of major inputs, sulphur and fuel. By 2007 export price was matching with the domestic price and availing EPCG Scheme was beneficial to the Company. But the fact remained that the Management was well aware of the difficult financial position of the Company and action was not taken in time to obtain the EPCG licence, so that demurrage charges could have been avoided.

Malabar Cements Limited

4.13 Avoidable expenditure due to lack of transparency

Changes made in contract conditions after the opening of tender/quotation resulted in lack of transparency in conditions advertised and avoidable extra expenditure of Rs. 16.97 lakh.

In response to tenders invited (June 2007) for supply of limestone with moisture content of three to eight *per cent* with pro-rata reduction in quantity for excessive moisture content, Venkateswara Cements Limited (VC) quoted (August 2007), the lowest rate of Rs. 580.25 per MT, which was reduced (September 2007) to Rs. 570 per MT (including transportation charges-Rs. 389 per MT and loading charges-Rs. 20 per MT). Based on the request of VC at the time of negotiation (September 2007), prior to the issue of order (September 2007), the contract was split up (September 2007) into two viz., one for supply of limestone by VC and another for loading and transportation by Raja Transport (RT) and the accepted maximum level of moisture content was increased from three *per cent* to six *per cent*. This resulted in changes in tender conditions after the opening of tender and lack of transparency as all the tenderers did not get equal opportunity to quote their lowest rates as it was a composite contract for supply of limestone at Company's factory at Walayar.

The contract was for supply of 3,60,000 MT of limestone for two years (September 2007 to September 2009) at 15,000 MT per month. The Company amended (November 2007) the stipulation for the level of moisture content in limestone from six *per cent* to three *per cent* in the order and if the moisture content exceeded this level, pro-rata reduction in the basic value of material and loading charges only (excluding transportation charges) was to be made. The amendment, however, was not extended to transportation cost, even though, that was a major component (68 *per cent*) of the composite rate of Rs. 570 per MT quoted / agreed upon.

VC supplied (November 2007 to October 2008) 61,262 MT of limestone through RT with moisture content varying between 8.27 to 12.29 *per cent*. While proportionate reduction was made from payment for basic material cost as per amended conditions, no recovery / reduction could be effected from transportation cost in the absence of stipulation / enabling provision in the contract, even though transportation cost accounted for 68 *per cent* of total cost.

The Government in reply stated (July 2009) that tenders were framed with a general understanding of the situation. However, based on offers and situation, suitable changes need to be made in order to ensure continuous supply of essential raw materials. The reply is not acceptable since tender conditions were modified after opening of tender resulting in lack of transparency in tender conditions published in news papers i.e., other tenderers were not given equal opportunity to quote fresh rates.

Thus, the changes made in the conditions of the contract after opening of tender exhibited lack of transparency in working of the Company and the Company bore the avoidable extra expenditure of Rs. 16.97 lakh due to transportation of excess moisture laden limestone.

Statutory Corporations

Kerala State Electricity Board

4.14 Avoidable committed liability

Failure to maintain security deposit account of individual consumers resulted in non-payment of interest on security deposit and consequent committed additional liability of Rs. 38.19 crore.

The Board by virtue of the provisions of Electricity Act, 2003 and Kerala Electricity Supply Code 2005, was empowered to collect security deposit equivalent to two/ three months electricity bill from consumers having monthly/ bimonthly billing cycle during the period of agreement in force. At the same time, the Board had to pay interest on these security deposits at bank rates prevailing as on 1 April of the financial year commencing from April 2005, by way of deduction from consumer's electricity bills commencing from first quarter of financial year 2005-06, every year. In case of default / delay in payment of interest, the interest payable was to be at double the normal rate. The Board fixed (November 2005) the rate of interest as 6 *per cent* for the period 2005-2008.

The security deposits eligible for interest held by the Board at the beginning of April 2005, April 2006 and April 2007 were Rs. 478.44 crore, Rs. 545.46 crore and Rs. 624.08 crore respectively on which the aggregate interest payable at six *per cent* amounted to Rs. 98.87 crore had they been credited on due dates. The Board however, gave a credit of Rs. 60.68 crore only to consumers during the three years (2005-2008) resulting in short payment of interest of Rs. 38.19 crore.

Since the non-payment of interest on security deposit attracted interest at double the normal rate (12 *per cent*), the Board had to pay Rs. 76.38 crore as against Rs. 38.19 crore payable as per the requirements of Kerala State Electricity Supply Code 2005. Audit observed that, non-payment of interest on security deposit to all consumers in time, as per Statutory requirements was due to incomplete maintenance of security deposit accounts of individual consumers during the period prior to 1 April 2005. The Board has treated the opening balance of security deposit of those consumers whose accounts are not maintained as Re.1 on which interest was not paid.

This failure to maintain security deposit accounts of individual consumers and consequent delay in credit of interest on security deposit resulted in avoidable liability of Rs. 38.19 crore for the Board.

Audit suggests that the Board should undertake vigorous time bound exercise to streamline its financial and consumer records so that these types of unwarranted liabilities can be avoided as this deficiency is going to lead to further future liabilities on this account.

The matter was reported to Government/ Management in June 2009; their reply was awaited (September 2009).

4.15 Undue benefit to the contractor

Failure to negotiate with the contractor to reduce the rates for galvanization of line materials, while extending the delivery period for the convenience of the contractor, resulted in extra expenditure and undue benefit to the contractor amounting to Rs. 95.53 lakh.

The Board invited (December 2007) tenders for galvanizing 4165 MT of line materials (V Cross Arms-3575 MT and Stay rods-590 MT) with a probable amount of contract of Rs. 6.31 crore. Out of two offers received (December 2007), the offer of The Metal Industries Limited, Shoranur (a State PSU) was rejected for lack of experience while the other offer of Alsteel Industrials, Kollam, which had quoted a price of Rs. 18.18 per kg (excluding transportation) was selected and the pre-qualification committee recommended (April 2008), the offer for sanction by the Board, subject to ensuring the reasonableness of the rates with reference to IEEMA[1] circulars.

[1] Indian Electrical & Electronics Manufacturers' Association.

The Board further negotiated the price to Rs. 18 per kg (excluding transportation) and a work order for galvanizing 4165 MT of line materials (Cross Arms-2707 MT and Stay rods-1458 MT) was issued (May 2008) and an agreement concluded (June 2008). As per agreement entire quantity was to be supplied by December 2008. The contractor delayed supply and requested (February 2009) extension of time up to March 2009, which was duly approved by the Board, without any financial commitment on both the sides. The contractor completed the supply of 4,158.576 MT of galvanized material during December 2008 - April 2009.

Audit noticed that at the time of inviting (December 2007) tenders, the price of zinc was reckoned as Rs. 1.74 lakh per MT and was witnessing a declining trend since January 2008. The price of zinc was Rs. 1.18 lakh/MT at the time of negotiation (March 2008) and Rs. 0.69 lakh/MT (November 2008) when first lot was supplied (December 2008) by the contractor. The contractor did not complete supply of galvanized material as per schedule (December 2008) and extension was granted (March 2009) to the contractor, the price of zinc had further declined to Rs. 0.68 lakh per MT. Out of the total cost of galvanization, the cost of zinc was 42 *per cent*. Despite decline in zinc prices by 32 *per cent* to 60 *per cent* during December 2007 to November 2008, no attempt was made to re-negotiate the price by the Board even when there was an opportunity while extending the delivery period to the convenience of contractor.

Thus, failure of the Board to negotiate the rates for galvanization of line material while extending the delivery period for the convenience of the contractor was an opportunity foregone which resulted in an extra expenditure and undue benefit to the contractor amounting to Rs. 95.53 lakh.

Audit suggests that the delivery time extension should be made by competent authority in the same way as a new purchase decision is dealt with to protect the financial interest of the Board.

The matter was reported to Government / Management in June 2009; their reply was awaited (September 2009).

4.16 Opportunity to recover money ignored

Kerala State Electricity Board, a PSU did not either seize the opportunity to recover its money or pursue the matters to their logical end, as a result, recovery of money amounting to Rs. 7.63 crore remains doubtful.

A review of unsettled paras from Inspection Reports (IRs) pertaining to period up to 2003-04 showed that there were 42 paras in respect of Kerala State Electricity Board (Board) involving a recovery of Rs. 7.63 crore. As per the extant instructions contained in Article 63 of Kerala Financial Code Vol: I, Board was required to take remedial action within one month after receipt of Inspection Reports from Audit. However, no effective action had been taken to take the matters to their logical end, i.e., to recover money from the concerned parties. As a result, the Board has so far lost the opportunity to recover its money which could have augmented the finances.

The paras mainly pertain to recovery on account of short assessment of current charges, penal charges and non-recovery of consumers' contribution amounts etc.

Above cases, point out the failure of the Board to safeguard its financial interests. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of the Power Department and Board management periodically; have not yielded the desired results in these cases.

The Board should initiate immediate steps to recover the money and complete the exercise in a time bound manner.

The matter was reported to Government / Management in June 2009; their reply was awaited (September 2009).

4.17 Lack of remedial action on audit observation

Kerala State Electricity Board, a PSU did not either take remedial action or pursue the matters to their logical end in respect of 48 IR paras, resulting in foregoing the opportunity to improve their functioning.

A review of unsettled paras from Inspection Reports pertaining to period up to 2003-04 showed that there were 48 paras in respect of Kerala State Electricity Board (Board) which pointed out deficiencies in the functioning of this PSU. As per the extant instructions contained in Article 63 of Kerala Financial Code Vol: I, Board was required to take remedial action within one month after receipt of Inspection Reports from Audit. However, no effective action had been taken to take the matters to their logical end, i.e., to take remedial action to address these deficiencies. As a result, the Board has so far lost the opportunity to improve its functioning in this regard.

The paras mainly pertain to delay in execution of major works and resultant excess expenditure, idling of equipments, short realisation of electrical connection charges, non-reconciliation of bank accounts, non-identification of defaulters, cost overrun and transmission and distribution loss etc.

Above cases point out the failure of the Board to address the specific deficiencies and ensure accountability of its staff. Audit observations and their repeated follow up by Audit, including bringing the pendency to the notice of their Administrative Department and Board management periodically, have not yielded the desired results in these cases.

The Board should initiate immediate steps to take remedial action on these paras and complete the exercise in a time bound manner.

The matter was reported to Government/ Management in June 2009; their reply was awaited (September 2009).

4.18 Undue benefit to a distribution licensee

Relaxation of existing rules / procedures and stipulation of Kerala State Electricity Regulatory Commission on giving two service connections at different voltage, resulted in revenue loss and undue benefit to Thrissur Municipal Corporation amounting to Rs. 75.05 lakh.

Thrissur Municipal Corporation (TMC) is a deemed distribution licensee under section 14 of Electricity Act, 2003, even though no agreement evidencing distribution licence existed between the TMC and the Kerala State Electricity Board. The licensee had (March 2007) a connected load of 20 MVA (2 x 10 MVA) in excess of the contracted demand of 8 MVA at 66 KV which was irregular as per stipulation of Kerala State Electricity Regulatory Commission (KSERC) in Supply Code 2005. Pending construction of own 110 KV Substation, to tide over the difficulty, TMC requested (March 2007) for an additional 11 KV supply from KSEB's 110 KV substation at Ollur.

The Board sanctioned (April 2007) a temporary connection of 11 MVA in HT IV tariff, which was higher than 66 KV grid tariff, from Board's own infrastructure as a special case. According to standing orders (1987), of the Board which provide that no additional load/ power allocation should be given to a defaulting consumer and concurrence of the KSERC is essential for giving supply to a consumer at two points at different voltage levels, TMC did not satisfy both the requirements when additional load was sanctioned (April 2007).

Audit noticed that TMC owed Rs. 3.55 crore (April 2007) to the Board towards electricity tariff pertaining to the period January 1986-November 2002, including interest at concessional rate of three *per cent* per annum and also delayed the execution of HT agreement upto September 2007, resulting in delay of regular billing by five months (April-August 2007) and loss of interest to the Board amounting to Rs. 2.30 lakh. The additional load was shifted to TMC's substation in April 2008 and an amount of Rs. 2.88 crore was overdue from TMC towards defaulted payments as of January 2009.

The Board, however, based on the request (May 2007) from TMC, immediately, after giving (April 2007) connection, accorded (June 2007) sanction, for converting the tariff from 11 KV HT IV to 11 KV Grid 1 tariff, with a lesser rate. The revenue, thus, foregone by the Board by converting the connection to Grid 1 tariff (11 KV) for the period (April 2007–March 2008) amounted to Rs. 75.05 lakh.

Audit observed that by granting relaxation in existing rules, procedures and stipulation of KSERC, on giving two different service connections to TMC at different voltage, Board incurred loss of revenue and extended undue benefit to TMC amounting to Rs. 75.05 lakh during April 2007 to March 2008.

The matter was reported to Government / Management in June 2009; their reply was awaited (September 2009).

4.19 Avoidable extra expenditure

Avoidable extra expenditure of Rs. 1.07 crore due to purchase of Mild Steel Flats under single tender system.

The delegation of powers of Deputy Chief Engineer (Dy.CE), Civil Circle, Pallom of Kerala State Electricity Board (Board) for purchase of steel items from Government Companies, Steel Authority of India Limited (SAIL) and Visakhapatnam Steel Plant (VSP) was raised (December 2006 & May 2007) from Rs. 12 lakh to Rs. 50 lakh at a time, in order to meet urgent requirements to achieve targeted production of fabricated parts during May 2005-March 2008, with an overall ceiling of Rs. 2.50 crore. Later, based on the request of the Dy.CE sanction was given (May 2008) to purchase items not available with SAIL / VSP upto value of Rs. 50 lakh at a time with an overall limit of Rs. 5 crore from other suppliers during the years 2006-08 on condition that non-availability of items from SAIL and VSP must be ensured before purchase through open tenders.

The Dy.CE invited tenders for purchase of Mild Steel (MS) Flats (1091 MT) during 2005-2007 of different specifications by placing advertisements in local dailies having limited circulation in and around Kottayam district only contrary to the provisions of Kerala Government Stores Purchase Manual and Tender Regulations. The Board received offers for supply from only two firms viz., Binu and Company (BC) and Alsteel Industrials from the nearby district of Kollam, except in one case where one dealer (Pipe Distributors) from Kochi had responded.

Audit observed, as evidenced from records that the proprietor of BC was also the authorised signatory of Alsteel Industrials and as such there was only one offer / tender in all the cases. The Board while evaluating the offers ignored the market trend and did not verify availability and prevailing prices of other reliable sources such as SAIL / VSP. The offers of BC were invariably accepted in all cases.

The Board purchased 960.215 MT of MS flats of different specifications in 14 purchase orders, at rates ranging from Rs. 32,150 to Rs. 39,970 per MT from BC during the two years 2005-07 involving an expenditure of Rs. 3.82 crore. Audit compared these rates to the rates at which MS flats were purchased at prevailing market price by Kerala Small Industries Development Corporation Limited (SIDCO), a Government Company, acting as agency for procurement and supply of steel items to small entrepreneurs and found that the difference ranged between Rs. 2,150 per MT to Rs. 13,942 per MT in four types of MS flats during the same period.

The delegation of powers given to the Dy.CE by the Board for purchase of steel items were thus grossly misused by resorting to purchase of MS flats from a single private party without adhering to normal tender procedures for publicity and comparison of prevailing market price as per Kerala Government Stores Purchase Manual resulting in avoidable extra expenditure of Rs. 1.07 crore during the two years 2005-2007.

It is suggested that the delegation of financial powers given to different circles be reviewed and internal control procedure strengthened. The Board should also follow its tendering procedures scrupulously.

The matter was reported to Government/ Management in April 2009; their reply was awaited (September 2009).

4.20 Avoidable loss of revenue

Failure of KSEB to convert HT connection into more beneficial LT connection has resulted in avoidable revenue loss of Rs. 43.18 lakh.

The Board had in Kerala Financial Corporation (KFC) a High Tension (HT) power consumer with a maximum contracted demand of 150 KVA for Ernakulam Branch Office. Due to restructuring (March 2006) of KFC's space requirement it retained part of the building and leased out balance to four institutions[Ψ]. KFC submitted (December 2006) an application to KSEB for conversion of the single HT connection into separate Low Tension (LT) connection for each floor of the building after the scheme for conversion into LT was approved (April 2006) by the Electrical Inspectorate. KSEB received separate application for each floor with processing fee submitted by KFC in December 2006 and the contract demand as per the conversion schedule was

[Ψ] South Indian Bank on ground floor; Small Industries Development Bank of India on the second; Bajaj Allianz on the third and Geojit Financial Services Limited on the fourth, fifth and sixth floors.

fixed at 334 KW. Conversion into LT is, however, yet to take place (September 2009).

Audit observed that the energy charge applicable under LT VI C and VII A category was Rs. 8.40 and Rs. 8.05 per unit respectively, whereas energy charge under HT category was Rs. 6.66 per unit, yet KSEB did not take any steps for conversion of the HT connection into LT connection even after two years of application. As a result, the Board could not bill 1.90 million units of power consumed by KFC during April 2007 to June 2009 at the more beneficial LT tariff resulting in revenue loss of Rs. 43.18 lakh.

This failure of KSEB to convert HT connection into more beneficial LT connection due to inadequate and deficient monitoring of applications from electricity consumers led to non-safeguarding of financial interests of the organisation and resulted in avoidable revenue loss of Rs. 43.18 lakh to the Board.

Government replied (July 2009) that the delay in conversion to LT connection was due to delay in submission of necessary documents by KFC. The reply is not acceptable as KFC had submitted the application and processing fee as early as in December 2006 and any additional documents / information could have been called for by the Board.

It is suggested that the Board should strengthen its internal control mechanism to monitor consumer application / requests and make the response a time bound exercise.

4.21 Avoidable extra expenditure

Failure of the KSEB in analysing the extra cost involved in invoices of fuel resulted in extra expenditure of Rs. 27.88 lakh.

The Board entered into (January 1999) an agreement with Bharat Petroleum Corporation Limited (BPCL) for purchase of fuel[π] for its Kozhikode Diesel Power Project (KDPP), Nallalam, valid for a period of 15 years (up to 2013), at the rate applicable on the date of drawal. According to the agreement, the total operation facilities including receipt of the product at Nallalam, storage and transferring of the product from Nallalam tanks to buyer's service tanks was also the responsibility of the seller.

In order to avail the excise duty concession on fuel consumed for power generation, the storage facilities at Nallalam were declared (March 2000) as a bonded warehouse of BPCL. Consequent to withdrawal (September 2004) of

[π] Low Sulphur Heavy Stock (LSHS)/ High Speed Diesel (HSD)/ Low Sulphur Furnace Oil (LSFO) / Low Sulphur Waxy Residue (LSWR) exemption by Government of India for products drawn from bonded ware houses, KDPP resorted (December 2004) to sourcing the fuel directly from Kochi Refineries Limited (KRL) of BPCL at Kochi to avail the excise duty exemption.

The Government of India withdrew (July 2005) the excise duty exemption for fuel used for power generation but KDPP switched over in October 2008 to sourcing of fuel from storage tanks at Nallalam. At the same time KRL continued invoicing fuel supplies as if withdrawals were from KRL, Kochi.

Audit noticed that depot prices included basic price at Kochi including transportation cost to Nallalam, in which excise duty, education cess, sales tax (KVAT) and cess thereon amounting to Rs. 109.03 per MT had been included. The extra expenditure, thus, incurred on 25,571.903 MT fuel during the period from November 2008 to February 2009 amounted to Rs. 27.88 lakh.

This failure of the Board in analysing the extra cost involved in invoicing the fuel drawn from storage tanks at Nallalam at depot prices at Kochi which included transportation cost from Kochi to Nallalam and duties thereon and other levies etc., resulted in avoidable extra expenditure of Rs. 27.88 lakh (November 2008-February 2009).

Government stated (June 2009) that the present practice followed was as per the agreement. Considering the interest on advance payment on bulk stock stored in the tank, purchasing fuel at depot price at Kochi was beneficial to the Board. The reply will not hold good as the agreement required payment only on withdrawal basis and Management failed to opt for invoicing on withdrawal basis at Nallam, as was done prior to September 2004.

Audit recommends that this deficient purchase procedure be amended so as to avoid further loss to the Board.

Kerala State Warehousing Corporation

4.22 Avoidable cash loss on procurement of urea

Injudicious decision to procure 1,850 MT urea without approval of Government and its subsequent sale at a cash loss of Rs. 20.72 lakh.

The State Government entrusted (November 2003-October 2004) to the Corporation the implementation of the Centrally Sponsored Scheme with twin objective for spraying of bio-pesticides on coconut trees against tree disease causing mite and supply of fertilizer kits to farmers containing Urea, Super Phosphate, Magnesium Sulphate etc., in nine districts of the State and sanctioned and released Rs. 9.40 crore for the purpose of spraying bio-pesticides alone.

The Corporation sprayed (November 2004-March 2006) bio-pesticides on 74.5 lakh coconut trees in nine districts, spending Rs. 8.48 crore and also purchased (February 2005) 1,850 MT of urea adequate for use on 25 lakh coconut trees by spending Rs. 91.75 lakh utilising funds received for spraying bio-pesticides. The utilisation certificates submitted (May 2006) by the Corporation for Rs. 9.40 crore were not accepted (August 2006) by the Agriculture Department for want of certificate accepting purchase of urea from subordinate offices as it was without the specific approval of the Government. The Corporation abandoned (November 2006) the fertilizer application scheme for want of further funds from the Government.

Despite knowing the fact that urea was purchased out of funds intended for spraying bio-pesticides, the Corporation did not seek prior specific approval of Government for deviation from the directions. The whole of urea purchased (February 2005) remained in the warehouses of the Corporation without issue to the farmers for twelve months (February 2005- January 2006), resulting in loss of weight and nutrient value. The Corporation's request (February 2006) for the disposal of urea was ultimately approved (November 2006) with a severe criticism by the Government. The available 1,790 MT of urea was sold (April 2007) at a reduced price of Rs. 71.03 lakh, resulting in a cash loss of Rs. 20.72 lakh.

Thus, the injudicious decision to purchase 1,850 MT urea by utilising funds received for spraying bio-pesticides for coconut trees, without specific approval of the Government and its subsequent sale at reduced prices resulted in a cash loss of Rs. 20.72 lakh.

The Management reply as endorsed by the Government stated (May 2009) that the Corporation decided to purchase 1,850 MT urea from advance given for spraying operations, without sanction either from the Government or Director of Agriculture. Even though, the Corporation was directed to remit back the cost of urea, the amount was yet (September 2009) to be refunded.

Kerala Financial Corporation

4.23 Avoidable payment of interest

Failure of the Corporation in remitting the prescribed amount of advance income tax despite having sufficient cash surplus resulted in avoidable payment of interest of Rs. 26.97 lakh.

As per Section 234 B and C of the Income Tax (IT) Act, 1961, a Corporate assessee has to pay 90 *per cent* of the tax in advance when the amount of tax payable exceeds five thousand rupees per annum. The advance tax is payable in four quarterly instalments between June and March months of the corresponding financial year. Failure to pay at least *90 per cent* of the tax in advance by March attracts interest at the rate of 12 *per cent* per annum (section 234 B ibid). Similarly for failure to pay instalments of advance tax by specified dates, interest is chargeable at the rate of one *per cent* per month (Section 234 C ibid).

Kerala Financial Corporation (KFC), a Statutory Corporation established under the State Financial Corporation Act, 1951 was liable to pay advance tax on its assessed income under the provisions (Section 8) of the Act ibid. KFC had an assessed income of Rs. 6.97 crore and Rs. 8.08 crore respectively during the financial years 2005-06 and 2006-07. Advance tax payable on the assessed income was Rs. 2.11 crore and Rs. 2.45 crore respectively against which the advance tax actually paid (March 2006 / December 2006/March 2007) by the Corporation was only Rs. 1.57 crore (2005-06) and Rs. 0.59 crore (2006-07). The Corporation had also defaulted in payment of quarterly instalments. As a result of short payment of advance tax and failure to pay instalments of advance tax, the IT Authorities imposed penal interest of Rs. 39.97 lakh (Rs. 14.42 lakh for 2005-06 and Rs. 25.55 lakh for 2006-07) on the Corporation and the penal interest was paid in October 2007 / 2008.

Audit noticed that the Corporation had failed in remitting advance tax after correct assessment of the taxable income despite notices by the IT Department. The Corporation in this period also had sufficient cash balance to defray the advance income tax.

The failure of the Corporation in remitting the prescribed amount of advance income tax despite having sufficient cash surplus resulted in avoidable payment of interest of Rs. 26.97 lakh[♠] besides non-compliance with tax laws.

It is recommended that the Management should ensure payment of the advance tax on due dates as well as filing of the Income Tax Return in time to avoid unintended liabilities.

The matter was reported to Government / Management in May 2009; their reply was awaited (September 2009).

General

4.24 Follow-up action on Audit Reports

Explanatory notes[♣] outstanding

4.24.1 The Audit Reports of the CAG represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various Government Companies and Statutory Corporations. It is,

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♠ Rs. 39.97 lakh as reduced by interest of Rs. 13.00 lakh (at the rate of 6 *per cent* per annum for 7 months) applicable to advance income tax (from April to October).

♣ Explanatory notes refer to the explanations furnished by Administrative Departments to the Legislature Secretariat, on reviews / paragraphs contained in Audit Reports placed before the Legislature.

therefore, necessary that they elicit appropriate and timely response from the executive**.** Finance Department, Government of Kerala issued (April 2005) instructions to all Administrative Departments to submit explanatory notes indicating a corrective / remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within two months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

The Audit Reports for the years up to 2007-08 have been presented to the State Legislature but ten departments did not furnish explanatory notes on 61 out of 94 paragraphs / reviews relating to the Audit Reports for the year 2004-05 to 2007-08 as of September 2009.

Compliance to Reports of Committee on Public Undertakings (COPU) outstanding.

4.24.2 As per the Handbook of Instructions for Speedy Settlement of Audit Objections issued by the State Government the replies to paragraphs are required to be furnished within two months from the presentation of the Reports by COPU to the State Legislature. Action Taken Notes (ATNs) to 398 paragraphs pertaining to 91 Reports of the COPU presented to the State Legislature between July 2000 and July 2009 had not been received as of September 2009 as shown below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where ATNs not received
1998-2000	2	13
2001	2	6
2001-2004	12	55
2004-2006	26	93
2006-2008	31	155
2008-2011	18	76
Total	**91**	**398**

Response to inspection reports, draft paragraphs and reviews

4.24.3 Audit observations made during audit and not settled on the spot are communicated to the heads of the PSUs and the concerned departments of the State Government through Inspection Reports (IRs). The heads of PSUs are required to furnish replies to the IRs through the respective heads of departments within a period of six weeks. IRs issued up to March 2009 pertaining to 91 PSUs disclosed that 3,377 paragraphs relating to 739 IRs remained outstanding at the end of September 2009. Of these, 211 IRs containing 1,406 paragraphs had not been replied to for one to five years. Department-wise break-up of IRs and paragraphs outstanding as on 30 September 2009 is given in ***Annexure 15***.

Similarly draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary / Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 11 draft paragraphs and one draft review forwarded to various departments during March-June 2009 as detailed in ***Annexure 16*** had not been replied to so far (September 2009).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to IRs / draft paragraphs / reviews and ATNs on recommendations of COPU as per the prescribed time schedule, (b) action is taken to recover loss / outstanding advances / overpayment in a time bound schedule, and (c) the system of responding to audit observations is revamped.

Thiruvananthapuram **(S.NAGALSAMY)**
The **Principal Accountant General (Civil and Commercial Audit),**
Kerala

Countersigned

New Delhi **(VINOD RAI)**
The **Comptroller and Auditor General of India**

Annexure 1

Statement showing particulars of up-to-date capital, loans outstanding and manpower as on 31 March 2009 in respect of Government companies and Statutory Corporations

(*Referred to in paragraph 1.7*)

(Figures in columns 5 (a) to 6 (d) are Rupees in crore)

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	Kerala Agro-Machinery Corporation Limited (KAMCO)	Agriculture	March 1973	1.61	…	…	1.61	…	…	...	…	…	567
2	Kerala Forest Development Corporation Limited (KFDC)	Forest	January 1975	7.02	0.93	…	7.95	1.19	…	1.38	2.57	0.32:1 (0.49:1)	804
3	Kerala Livestock Development Board Limited (KLDB)	Agriculture	November 1975	7.33	...	...	7.33	…	…	…	…	…	347
4	Kerala State Horticultural Products Development Corporation Limited (Horticorp)	Agriculture	March 1989	5.93	…	…	5.93	…	…	3.50	3.50	0.59:1 (0.60:1)	139

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
5	Kerala State Poultry Development Corporation Limited (KEPCO)	Animal Husbandry	December 1989	1.97 (1.62)	...	…	1.97 (1.62)	…	…	…	…	…	25
6	Meat Products of India Limited (MPIL)	Animal Husbandry	March 1973	1.36	…	0.45	1.81	0.13	0.20	0.18	0.51	0.28:1 (0.28:1)	93
7	Oil Palm India Limited (OPIL)	Agriculture	November 1977	6.80	4.99	…	11.79	…	…	…	…	…	940
8	The Kerala Agro-Industries Corporation Limited (KAICO)	Agriculture	March 1968	3.05	1.70	…	4.75	4.96	…	0.04	5.00	1.05:1 (1.05:1)	80
9	The Kerala State Cashew Development Corporation Limited (KSCDCL)	Industries	July 1969	200.64 (83.85)	…	…	200.64 (83.85)	161.88	…	…	161.88	0.81:1	18080
10	The Kerala State Coir Corporation Limited (KSCCL)	Industries	July 1969	8.05	…	…	8.05	1.43	…	…	1.43	0.18:1 (0.18:1)	180
11	The Plantation Corporation of Kerala Limited (PCKL)	Agriculture	November 1962	5.57	…	…	5.57	…	…	…	…	…	2597

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
12	The Rehabilitation Plantations Limited (RPL)	Labour and Rehabilitation	May 1976	2.06	1.33	…	3.39	…	…	…	…	…	1460
13	The State Farming Corporation of Kerala Limited (SFCK)	Agriculture	April 1972	8.43	…	0.61	9.04	0.22	…	…	0.22	0.02:1 (0.02:1)	1048
Sector-wise total				**259.82 (85.47)**	**8.95**	**1.06**	**269.83 (85.47)**	**169.81**	**0.20**	**5.10**	**175.11**	**0.65:1**	**26360**
FINANCE													
14	Handicrafts Development Corporation of Kerala Limited (HDCKL)	Industries	November 1968	2.16	0.61	…	2.77	1.20	…	…	1.20	0.43:1 (0.81:1)	135
15	Kerala Artisans' Development Corporation Limited (KADCO)	Industries	October 1981	3.79 (1.84)	…	…	3.79 (1.84)	0.52	1.16	…	1.68	0.44:1 (0.18:1)	19
16	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited (KSTNSWCL)	General Education	August 1984	0.50	…	…	0.50	…	…	0.31	0.31	0.62:1 (12.90:1)	4

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
17	Kerala Small Industries Development Corporation Limited (SIDCO)	Industries	November 1975	23.09 (2.09)	…	…	23.09 (2.09)	2.06	…	1.13	3.19	0.14:1 (0.14:1)	519
18	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited (KSDCCCSCRCL)	SC and ST Development	December 1980	27.20 (3.50)	…	…	27.20 (3.50)	…	…	…	…	(0.15:1)	24
19	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited (KSDCSCSTL)	SC and ST Development	December 1972	43.76	38.99	…	82.75	…	…	9.22	9.22	0.11:1 (0.13:1)	133
20	Kerala State Film Development Corporation Limited (KSFDCL)	Cultural Affairs	July 1975	20.17 (0.65)	…	…	20.17 (0.65)	5.07	…	1.37	6.44	0.32:1 (0.18:1)	292

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
21	Kerala State Handicapped Persons' Welfare Corporation Limited (KSHPWCL)	Social Welfare	September 1979	2.20 (0.20)	…	…	2.20 (0.20)	2.63	…	…	2.63	1.20:1 (1.20:1)	60
22	Kerala State Handloom Development Corporation Limited (Hanveev)	Industries	June 1968	14.97 (0.80)	…	0.05	15.02 (0.80)	13.77	…	…	13.77	0.92:1 (0.96:1)	344
23	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited (KELPALM)	Industries	November 1985	0.87	…	…	0.87	0.25	…	…	0.25	0.29:1 (0.29:1)	22
24	Kerala State Women's Development Corporation Limited (KSWDCL)	Social Welfare	February 1988	5.01	0.80	…	5.81	…	…	11.44	11.44	1.97:1 (1.97:1)	48
25	Kerala Transport Development Finance Corporation Limited (KTDFC)	Transport	February 1991	43.83	…	…	43.83	…	…	…	…	…	51

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
26	Kerala Urban & Rural Development Finance Corporation Limited (KURDFC)	Local Self Government	January 1970	0.51	…	0.45	0.96	3.11	…	…	3.11	3.24:1 (3.05:1)	13
27	The Kerala State Backward Classes Development Corporation Limited (KSBCDC)	SC and ST Development	February 1995	61.96	…	…	61.96	…	…	228.57	228.57	3.69:1 (3.27:1)	165
28	The Kerala State Financial Enterprises Limited (KSFE)	Taxes	November 1969	20.00 (10.00)	…	…	20.00 (10.00)	…	…	…	…	…	4111
29	Kerala Venture Capital Fund Private Limited (KVCFPL)	Finance	September 1999	…	…	0.10	0.10	…	…	…	…	…	…
30	Kerala Venture Capital Trustee Private Limited (KVCTPL)	Finance	September 1999	…	…	0.01	0.01	…	…	…	…	…	…
Sector-wise total				**270.02 (19.08)**	**40.40**	**0.61**	**311.03 (19.08)**	**28.61**	**1.16**	**252.04**	**281.81**	**0.91:1**	**5940**

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
INFRASTRUCUTRE													
31	Kerala Irrigation Infrastructure Development Corporation Limited (KIIDCL)	Irrigation	August 2000	0.21	…	…	0.21	…	…	…	…	…	…
32	Kerala Police Housing and Construction Corporation Limited (KPHCCL)	Home	July 1990	0.27	…	…	0.27	…	…	1.53	1.53	5.67:1 (21.32:1)	232
33	Kerala State Construction Corporation Limited (KSCCL)	Public Works	March 1975	0.88	…	…	0.88	2.05	…	…	2.05	2.33:1 (2.34:1)	155
34	Kerala State Industrial Development Corporation Limited (KSIDC)	Industries	July 1961	300.24 (1.00)	…	…	300.24 (1.00)	...	…	…	…	(0.01:1)	82
35	Roads and Bridges Development Corporation of Kerala Limited (RBDCK)	Public Works	September 1999	9.43	…	…	9.43	…	…	104.72	104.72	11.10:1 (7.97:1)	29

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
36	The Kerala Land Development Corporation Limited (KLDCL)	Agriculture	December 1972	6.71	0.34	…	7.05	1.74	…	…	1.74	0.25:1 (0.25:1)	85
37	Kerala State Information Technology Infrastructure Limited (KSITIL)	Information Technology	January 2008	25.10	…	…	25.10	…	…	…	…	…	…
38	Kinfra Export Promotion Industrial Parks Limited (KEPIP)	Industries	October 1994	…	…	0.25	0.25	…	…	6.11	6.11	24.44:1 (0.02:1)	6
39	Kinfra Film and Video Park (KFVP)	Industries	June 2000	…	…	1.50	1.50	…	…	…	…	…	1
40	Kinfra International Apparel Parks Limited (KIAP)	Industries	August 1995	…	…	0.25	0.25	…	…	…	…	…	6
41	Marine Products Infrastructure Development Coreporation Limited (MPIDCL)	Fisheries	March 1999	2.50	…	2.50	5.00	…	…	…	…	…	…
Sector-wise total				**345.34 (1.00)**	**0.34**	**4.50**	**350.18 (1.00)**	**3.79**	**…**	**112.36**	**116.15**	**0.33:1**	**596**

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
MANUFACTURING													
42	Autokast Limited (Autokast)	Industries	May 1984	19.97 (1.00)	…	…	19.97 (1.00)	49.41	…	0.15	49.56	2.48:1 (2.12:1)	295
43	Foam Mattings (India) Limited (FOMIL)	Industries	December 1978	5.15	…	…	5.15	…	…	…	…	…	164
44	Forest Industries (Travancore) Limited (FIT)	Industries	August 1946	0.29	…	0.09	0.38	0.75	…	0.19	0.94	2.47:1 (2.50:1)	106
45	Kanjikode Electronics and Electricals Limited (KEEL)	Industries	March 1996	0.10	…	…	0.10	…	…	…	…	…	22
46	Keltron Component Complex Limited (KCCL)	Industries	October 1974	…	…	5.53	5.53	7.30	0.15	3.86	11.31	2.05:1 (1.81:1)	274
47	Keltron Crystals Limited (KCL)	Industries	October 1974	…	…	1.34	1.34	…	…	4.00	4.00	2.99:1 (2.99:1)	91
48	Keltron Electro Ceramics Limited (KECL)	Industries	April 1974	3.18	…	…	3.18	…	…	1.35	1.35	0.42:1 (0.43:1)	90

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
49	Keltron Magnetics Limited (KML)	Industries	March 1975	…	…	0.25	0.25	…	…	…	…	…	20
50	Keltron Resistors Limited (KRL)	Industries	April 1975	…	…	1.60	1.60	…	…	0.92	0.92	0.58:1 (0.58:1)	38
51	Kerala Automobiles Limited (KAL)	Industries	March 1978	10.23	…	…	10.23	3.15	…	1.95	5.10	0.50:1 (0.21:1)	274
52	Kerala Clays and Ceramic Products Limited (KCCPL)	Industries	June 1984	1.32	…	…	1.32	…	…	…	…	…	328
53	Kerala Electrical and Allied Engineering Company Limited (KEL)	Industries	June 1964	71.38 (3.00)	…	…	71.38 (3.00)	4.54	11.27	0.28	16.09	0.23:1 (0.23:1)	978
54	Kerala Feeds Limited (KFL)	Animal Husbandry	October 1995	21.09	…	6.32	27.41	…	…	…	…	…	187
55	Kerala State Bamboo Corporation Limited (KSBCL)	Industries	March 1971	7.49 (0.80)	…	…	7.49 (0.80)	2.06	…	1.16	3.22	0.43:1 (0.61:1)	138
56	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited (BEVCO)	Taxes	February 1984	1.03	…	…	1.03	…	…	…	…	…	2900

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
57	Kerala State Drugs and Pharmaceuticals Limited (KSDPL)	Industries	December 1971	7.58 (1.50)	…	…	7.58 (1.50)	43.79	…	1.73	45.52	6:1 (5.17:1)	232
58	Kerala State Electronics Development Corporation Limited (KELTRON)	Industries	September 1972	115.16 (11.80)	…	…	115.16 (11.80)	142.05	…	3.10	145.15	1.26:1 (1.17:1)	1298
59	Kerala State Mineral Development Corporation Limited (KEMDEL)	Industries	June 1992	1.76	…	…	1.76	…	…	…	…	…	6
60	Kerala State Textile Corporation Limited (KSTCL)	Industries	March 1972	57.72 (39.34)	…	0.25	57.97 (39.34)	2.99	…	…	2.99	0.05:1 (0.03:1)	670
61	Malabar Cements Limited (MCL)	Industries	April 1978	26.00	…	…	26.00	…	…	20.09	20.09	0.77:1 (0.57:1)	975
62	Sitaram Textiles Limited (STL)	Industries	February 1975	5.94	…	…	5.94	15.00	…	0.38	15.38	2.59:1 (2.51:1)	240
63	Steel and Industrial Forgings Limited (SIFL)	Industries	June 1983	10.40	…	…	10.40	4.21	…	…	4.21	0.40:1 (0.40:1)	284
64	Steel Complex Limited (SCL)	Industries	December 1969	3.00	…	4.00	7.00	37.61	…	12.88	50.49	7.21:1 (4.11:1)	179

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
65	Steel Industrials Kerala Limited (SILK)	Industries	January 1975	36.56	…	…	36.56	26.87	…	3.34	30.21	0.83:1 (0.83:1)	203
66	The Kerala Ceramics Limited (Kerala Ceramics)	Industries	November 1963	6.46	…	4.75	11.21	1.50	…	0.85	2.35	0.21:1 (0.21:1)	144
67	The Kerala Minerals and Metals Limited (KMML)	Industries	February 1972	30.93	…	…	30.93	…	…	…	…	…	1705
68	The Metal Industries Limited (MIL)	Industries	March 1928	1.87	…	0.07	1.94	0.35	…	0.01	0.36	0.19:1 (0.19:1)	58
69	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited (OUSHADI)	Health	September 1975	8.87 (2.50)	…	…	8.87 (2.50)	…	…	…	…	…	562
70	The Travancore Cements Limited (TCL)	Industries	October 1946	0.26	…	0.24	0.50	1.26	…	…	1.26	2.52:1 (2.52:1)	480
71	The Travancore Sugars and Chemicals Limited (TSCL)	Taxes	June 1937	1.01	…	0.30	1.31	0.10	…	0.09	0.19	0.14:1 (0.26:1)	110
72	The Travancore-Cochin Chemicals Limited (TCCL)	Industries	November 1951	16.91	…	4.40	21.31	3.72	…	37.76	41.48	1.95:1 (2.07:1)	743

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
73	Traco Cable Company Limited (TRACO)	Industries	February 1960	23.50 (10.68)	…	0.20	23.70 (10.68)	10.06	…	…	10.06	0.42:1 (0.42:1)	618
74	Transformers and Electricals Kerala Limited (TELK)	Industries	December 1963	33.41	…	9.56	42.97	…	…	…	…	…	806
75	Travancore Titanium Products Limited (TTPL)	Industries	December 1946	1.43	…	0.34	1.77	…	…	45.00	45.00	25.42:1	889
76	United Electrical Industries Limited (UEIL)	Industries	October 1950	3.99	…	…	3.99	5.31	…	…	5.31	1.33:1 (1.33:1)	135
Secor-wise total				**533.99 (70.62)**	**…**	**39.24**	**573.23 (70.62)**	**362.03**	**11.42**	**139.09**	**512.54**	**0.89:1**	**16242**
POWER													
77	Kerala State Power and Infrastructure Finance Corporation Limited (KSPIFCL)	Power	March 1998	15.83	…	10.82	26.65	…	…	…	…	…	11

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
78	KINESCO Power and Utilities Private Limited (KINESCO)	Industries	September 2008	…	…	0.10 (0.10)	0.10 (0.10)	…	…	0.01	0.01	0.10:1	…
Sector-wise total				**15.83**	**…**	**10.92 (0.10)**	**26.75 (0.10)**	**…**	**….**	**0.01**	**0.01**	**0.10:1**	**11**
SERVICES													
79	Bekal Resorts Development Corporation Limited (BRDCL)	Tourism	July 1995	47.19 (6.20)	…	…	47.19 (6.20)	…	…	…	….	….	17
80	Indian Institute of Information Technology and Management - Kerala (IIITM-K)	Information Technology	September 2000	NIL♠	…	…	…	…	…	…	..	…	15
81	Kerala Medical Services Corporation Limited (KMSCL)	Health and Family Welfare	December 2007	11.00 (10.00)	…	…	11.00 (10.00)	…	…	…	…	…	…
82	Kerala Shipping and Inland Navigation Corporation Limited (KSINCL)	Coastal Shipping & Inland Navigation	December 1975	21.21 (5.50)	…	…	21.21 (5.50)	…	…	…	…	…	312

♠ **Share capital is Rs. 200 only.**

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
83	Kerala State Ex-Servicemen Development Rehabilitation Corporation Limited (KEXCON)	General Admn	December 2001	0.50 (0.50)	…	…	0.50 (0.50)	…	…	…	…	…	12
84	Kerala State Industrial Enterprises Limited (KSIE)	Industries	January 1973	1.20	…	…	1.20	…	…	…	…	…	109
85	Kerala State Maritime Development Corporation Limited (KSMDCL)	Fisheries	December 1994	9.50	…	…	9.50	…	…	…	…	…	25
86	Kerala Tourism Development Corporation Limited (KTDC)	Tourism	December 1965	70.70 (21.00)	…	…	70.70 (21.00)	2.04	…	2.60	4.64	0.07:1 (0.24:1)	630
87	Overseas Development and Employment Promotion Consultants Limited (ODEPCL)	Labour and Rehabilitation	October 1977	0.66	….	…	0.66	…	…	…	…	(0.07:1)	16

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
88	The Kerala State Civil Supplies Corporation Limited (SUPPLYCO)	Food and Civil Supplies	June 1974	8.56	…	…	8.56	133.46	…	…	133.46	15.59:1 (15.59:1)	3250
89	Tourist Resorts (Kerala) Limited (TRKL)	Tourism	August 1989	34.18 (10.46)	…	4.02	38.20 (10.46)	…	…	…	…	…	12
90	Vizhinjam International Seaport Limited (VISL)	Ports	December 2004	34.20 (25.70)	…	…	34.20 (25.70)	…	…	…	…	…	11
Sector-wise total				**238.90 (79.36)**	**…**	**4.02**	**242.92 (79.36)**	**135.50**	**…**	**2.60**	**138.10**	0.57:1	**4409**
Total A (All sector wise working Government companies)				**1663.90 (255.53)**	**49.69**	**60.35 (0.10)**	**1773.94 (255.63)**	**699.74**	**12.78**	**511.20**	**1223.72**	**0.69:1 (0.55:1)**	**53558**
B. Working Statutory corporations													
AGRICULTURE & ALLIED													
1	Kerala State Warehousing Corporation (KSWC)	Agriculture	February 1959	4.75	…	4.75	9.50	0.50	…	…	0.50	0.05:1 (0.06:1)	520
Sector-wise total				**4.75**	**…**	**4.75**	**9.50**	**0.50**	**…**	**…**	**0.50**	**0.05:1 (0.06:1)**	**520**

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
FINANCE													
2	Kerala Financial Corporation (KFC)	Finance	December 1953	197.83 (130.00)	…	6.23	204.06 (130.00)	…	…	513.60	513.60	2.52:1 (2.72:1)	270
Sector-wise total				**197.83 (130.00)**	…	**6.23**	**204.06 (130.00)**	**…**	…	**513.60**	**513.60**	**2.52:1 (2.72:1)**	**270**
INFRASTRUCTURE													
3	Kerala Industrial Infrastructure Development Corporation (KINFRA)	Industries	February 1993	…	…	…	…	15.00	…	…	15.00	…	45
Sector-wise total				**…**	**…**	**…**	**…**	**15.00**	**….**	**…**	**15.00**	**…**	**45**
POWER													
4	Kerala State Electricity Board (KSEB)	Power	April 1957	1553.00	…	…	1553.00	…	…	1100.37	1100.37	0.71:1 (1.20:1)	26941
	Sector-wise total			**1553.00**	**…**	**…**	**1553.00**	**…**	**…**	**1100.37**	**1100.37**	0.71:1 (1.20:1)	**26941**

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
SERVICES													
5	Kerala State Road Transport Corporation (KSRTC)	Transport	March 1965	172.43	23.21	…	195.64	335.88	…	563.02	898.90	4.59:1 (4.13:1)	34470
Sector-wise total				**172.43**	**23.21**	**…**	**195.64**	**335.88**	**…**	**563.02**	**898.90**	**4.59:1 (4.13:1)**	**34470**
Total B (All sector wise working Statutory corporations)				**1928.01 (130.00)**	**23.21**	**10.98**	**1962.20 (130.00)**	**351.38**	**0.00**	**2176.99**	**2528.37**	**1.29:1 (1.64:1)**	**62246**
Grand Total (A+B)				**3591.91 (385.53)**	**72.90**	**71.33 (0.10)**	**3736.14 (385.63)**	**1051.12**	**12.78**	**2688.19**	**3752.09**	**1:1 (1.13:1)**	**115804**
C. Non working Government companies													
AGRICULTURE & ALLIED													
1	Kerala State Coconut Development Corporation Limited (KSCDCL)	Agriculture	October 1975	2.85	…	…	2.85	1.45	…	5.25	6.70	2.35:1 (2.35:1)	…
2	The Kerala Fisheries Corporation Limited (KSFCL)	Fisheries	April 1966	4.85	…	…	4.85	2.38	…	…	2.38	0.49:1 (0.49:1)	…
Sector-wise total				**7.70**	**…**	**…**	**7.70**	**3.83**	**…**	**5.25**	**9.08**	**1.18:1**	**…**

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
FINANCE													
3	Kerala Fishermen's Welfare Corporation Limited (KFWCL)	Fisheries	January 1978	0.42	…	…	0.42	1.96	…	…	1.96	4.67:1 (4.66:1)	…
Sector-wise total				**0.42**	**…**	**…**	**0.42**	**1.96**	**…**	**…**	**1.96**	**4.67:1**	**…**
MANUFACTURING													
4	The Kerala Premo Pipe Factory Limited (KPPFL)	Local Admn	September 1961	1.31	…	…	1.31	…	…	0.25	0.25	0.19:1 (0.19:1)	…
5	The Chalakudy Refractories Limited (CRL)	Industries	March 1969	3.47	…	…	3.47	…	…	1.09	1.09	0.31:1 (0.32:1)	…
6	Kerala Garments Limited (KGL)	Industries	July 1974	…	…	0.48	0.48	1.68	…	0.20	1.88	3.92:1 (3.91:1)	…
7	Kerala Special Refractories Limited (KSRL)	Industries	November 1985	2.91	…	…	2.91	1.07	…	…	1.07	0.37:1 (0.37:1)	2
8	The Kerala Asbestos Cement Pipe Factory Limited (KACPFL)	Local Admn	March 1984	0.06	…	…	0.06	…	…	…	…	…	…
9	Kerala Construction Components Limited (KCCL)	Industries	December 1957	0.28	…	…	0.28	0.56	…	72.00	72.56	259:1 (4.56:1)	121
10	Scooters Kerala Limited (SKL)	Industries	November 1976	4.72	…	…	4.72	1.80	…	1.39	3.19	0.68:1 (0.68:1)	…

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
11	Kerala State Engineering Works Limited (KSEWL)	Public Works	March 1978	0.46	…	…	0.46	1.24	…	…	1.24	2.70:1 (2.71:1)	…
12	SIDECO Mohan Kerala Limited (SMKL)	Industries	August 1980	…	…	0.09	0.09	…	…	0.31	0.31	3.44:1 (1.85:1)	2
13	The Metropolitan Engineering Company Limited (MECL)	Industries	January 1945	2.49	…	…	2.49	2.38	4.17	…	6.55	2.63:1 (2.63:1)	124
14	Keltron Counters Limited (KCL)	Industries	July 1964	…	…	4.90	4.90	…	…	5.05	5.05	1.03:1 (1.02:1)	9
15	Keltron Power Devices Limited (KPDL)	Industries	January 1976	…	…	4.10	4.10	…	…	6.38	6.38	1.56:1 (1.56:1)	…
16	SIDKEL Televisions Limited (SIDKEL)	Industries	March 1984	…	…	0.44	0.44	0.02	…	1.29	1.31	2.98:1 (3.01:1)	…
17	Astral Watches Limited (AWL)	Industries	February 1978	…	…	0.95	0.95	…	…	1.60	1.60	1.68:1 (1.89:1)	1
18	Keltron Rectifiers Limited (KRL)	Industries	March 1976	…	…	6.63	6.63	1.65	…	7.02	8.67	1.31:1 (1.31:1)	99
19	Trivandrum Spinning Mills Limited (TSML)	Industries	November 1963	7.73	…	…	7.73	6.87	…	0.30	7.17	0.93:1 (0.93:1)	…

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
20	Travancore Plywood Industries Limited (TPIL)	Industries	November 1963	1.56	…	…	1.56	10.57	…	…	10.57	6.78:1 (8.02:1)	303
21	Trivandrum Rubber Works Limited (TRWL)	Agriculture	November 1963	3.55 (1.41)	…	…	3.55 (1.41)	6.02	…	…	6.02	1.70:1 (1.70:1)	…
22	Kerala State Wood Industries Limited (KSWIL)	Industries	September 1981	0.75	…	…	0.75	…	…	…	…	…	…
23	Kerala Soaps and Oils Limited (KSOL)	Industries	November 1963	6.30	…	…	6.30	…	…	…	…	….	230
24	Kerala State Detergents and Chemicals Limited (KSDCL)	Industries	June 1976	1.55	…	…	1.55	9.97	…	2.03	12.00	7.74:1 (7.76:1)	…
25	Kerala State Salicylates and Chemicals Limited (KSSCL)	Industries	November 1984	2.45	…	3.83	6.28	0.89	…	14.20	15.09	2.40:1 (2.40:1)	70
26	Kunnathara Textiles Limited (KTL)			0.22	…	0.48	0.70	…	…	…	…	…	…
27	Vanchinad Leathers Limited (VLL)			…	0.19	0.18	0.37		…	..	…	…	…
Sector-wise total				**39.81 (1.41)**	**0.19**	**22.08**	**62.08 (1.41)**	**44.72**	**4.17**	**113.11**	**162.00**	**2.61:1**	**961**

Sl.No.	Sector & Name of the company/ corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2008-09				Debt equity ratio for 2008-09 (Previous year)	Manpower (No. of employees) (as on 31.3.2009)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
SERVICES													
28	Kerala State Industrial Products Trading Corporation Limited (KSIPTCL)	Industries	August 1976	0.34	…	…	0.34	…	…	…	…	….	…
Sector-wise total				**0.34**	**…**	**…**	**0.34**	…	…	…	…	…	**…**
Total C (All sector -wise non working Government companies)				**48.27 (1.41)**	**0.19**	**22.08**	**70.54 (1.41)**	**50.51**	**4.17**	**118.36**	**173.04**	**2.45:1 (1.46:1)**	**961**
D. Non working Statutory corporations: Nil													
Grand Total (A + B + C +D)				**3640.18 (386.94)**	**73.09**	**93.41 (0.10)**	**3806.68 (387.04)**	**1101.63**	**16.95**	**2806.55**	**3925.13**	**1.03:1 (1.14:1)**	**116765**

Above includes Section 619-B companies at Sr. No.A-29, 30, 38, 39, 40, 41, 64, 78; C-26, 27.
* Paid-up capital includes share application money which is shown in bracket in column 5 (a) to 5 (d).
**   Loans outstanding at the close of 2008-09 represent long-term loans only.

Annexure 2
Summarised finanacial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to in paragraph 1.14)

(Figures in column 5 (a) to (6) and (8) to (10) are Rupees in crore)

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital@ employed	Return$ on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	**(2)**	**(3)**	**(4)**	**5(a)**	**5 (b)**	**5 (c)**	**5 (d)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
A. Working Government Companies														
AGRICULTURE & ALLIED														
1	KAMCO	2008-09	2009-10	8.36	…	0.72	7.64	120.28	…	1.61	8.16	81.11	7.65	9.43
2	KFDC	2007-08	2008-09	1.28	0.54	0.27	0.47	13.31	3.85	7.95	7.19	43.42	1.01	2.33
3	KLDB	2005-06	2008-09	2.44	…	1.29	1.15	9.81	-0.04	7.33	3.30	29.68	1.16	3.91
4	Horticorp	2003-04	2009-10	-0.08	0.01	0.20	-0.29	6.99	…	5.18	-4.99	4.40	-0.28	-6.36
5	KEPCO	2004-05	2007-08	0.03	…	0.13	-0.10	2.22	…	1.97	-3.69	2.99	-0.10	-3.34
6	MPIL	2004-05	2008-09	0.01	0.01	0.08	-0.08	4.11	…	1.81	-7.45	1.02	-0.07	-6.86
7	OPIL	2008-09	2009-10	6.87	…	1.21	5.66	31.90	….	11.79	22.48	63.03	5.66	8.98
8	KAICO	2003-04	2008-09	-1.32	0.56	0.02	-1.90	17.14	…	4.74	-16.47	0.37	-1.34	-362.16
9	KSCDCL	2005-06	2008-09	-93.91	31.20	0.30	-125.41	93.08	-1.11	200.64	-614.12	-73.87	-94.22	…
10	KSCCL	2006-07	2008-09	-1.00	0.24	0.06	-1.30	2.94	…	8.05	-12.38	2.16	-1.06	-49.07
11	PCKL	2008-09	2009-10	21.70	0.04	0.88	20.78	70.23	…	5.57	31.40	38.98	20.82	53.41
12	RPL	2008-09	2009-10	7.33	…	0.59	6.74	14.59	…	3.39	63.41	85.33	6.74	7.90
13	SFCK	2008-09	2009-10	0.74	0.03	0.67	0.04	22.85	…	9.04	23.15	34.39	0.07	0.20
Sector-wise total				**-47.55**	**32.63**	**6.42**	**-86.60**	**409.45**	**2.70**	**269.07**	**-500.01**	**313.01**	**-53.96**	**-17.24**

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital@ employed	Return$ on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
FINANCE														
14	HDCKL	2003-04	2009-10	-1.20	0.59	0.05	-1.84	4.61	-0.68	2.77	-8.96	-0.49	-1.25	…
15	KADCO	2002-03	2008-09	-0.07	0.19	0.01	-0.27	1.56	…	2.33	-2.55	1.15	-0.08	-6.96
16	KSTNSWCL	2005-06	2009-10	0.24	0.01	…	0.23	0.35	…	0.50	-0.91	-0.30	0.24	…
17	SIDCO	2005-06	2009-10	-1.55	0.77	0.11	-2.43	51.14	-0.82	22.14	-44.61	-11.87	-1.66	…
18	KSDCCCSC RCL	1996-97	2009-10	-0.18	0.15	0.01	-0.34	0.22	0.02	3.23	-1.56	5.78	-0.19	-3.29
19	KSDCSCSTL	2006-07	2009-10	1.03	0.30	0.10	0.63	4.52	-0.13	67.65	3.30	81.10	0.93	1.15
20	KSFDCL	2003-04	2008-09	-0.54	0.88	0.84	-2.26	4.54	-2.99	17.85	-22.36	2.07	-1.38	-66.67
21	KSHPWCL	1997-98	2008-09	0.02	…	0.04	-0.02	4.56	-0.07	1.61	-0.20	2.78	-0.01	-0.36
22	Hanveev	2006-07	2009-10	-2.39	1.92	0.12	-4.43	14.94	-2.38	14.10	-32.12	-4.25	-2.52	…
23	KELPALM	2006-07	2009-10	-0.01	0.01	0.04	-0.06	0.08	…	0.87	-0.48	0.70	-0.05	-7.14
24	KSWDCL	1995-96	2009-10	0.58	0.21	0.03	0.34	0.77	0.17	2.43	0.02	9.38	0.56	5.97
25	KTDFC	2006-07	2008-09	23.50	23.09	0.32	0.09	42.39	-0.43	43.83	13.23	462.25	23.18	5.01
26	KURDFC	2007-08	2009-10	9.94	8.40	0.06	1.48	11.72	…	0.96	2.16	78.84	9.88	12.53
27	KSBCDC	2003-04	2008-09	9.52	3.22	0.19	6.11	12.29	…	41.76	23.83	175.56	9.32	5.31
28	KSFE	2007-08	2009-10	145.70	127.71	2.96	15.03	311.60	0.60	10.00	104.29	1820.43	142.75	7.84
29	KVCFPL	2007-08	2008-09	0.01	…	0.01	…	0.11	…	0.10	0.35	0.45	…	….
30	KVCTPL	2007-08	2008-09	…	…	…	…	…	…	0.01	…	0.01	…	
Sector-wise total				**184.60**	**167.45**	**4.89**	**12.26**	**465.40**	**-6.71**	**232.14**	**33.43**	**2623.59**	**179.72**	**6.85**
INFRASTRUCTURE														
31	KIIDCL	2004-05	2005-06	Commercial activities not commenced						0.21	…	14.86	…	…
32	KPHCCL	2005-06	2007-08	1.82	1.88	0.04	-0.10	23.01	-0.98	6.03	-0.10	36.81	1.78	4.84

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital@ employed	Return$ on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
33	KSCCL	2007-08	2008-09	-2.13	0.21	0.03	-2.37	13.25	-0.07	0.88	-25.23	-18.52	-2.16	…
34	KSIDC	2007-08	2008-09	15.76	1.02	0.20	14.54	29.69	…	299.24	57.93	314.32	15.56	4.95
35	RBDCK	2006-07	2008-09	1.76	7.63	3.97	-9.84	3.08	-1.96	9.43	-16.42	73.77	-2.21	-3.00
36	KLDCL	2004-05	2008-09	-0.97	…	0.04	-1.01	0.81	…	7.05	-14.93	-5.44	-1.01	…
37	KSITIL			Commercial activities not commenced										
38	KEPIP	2007-08	2008-09	3.67	…	0.96	2.71	12.42	…	0.25	29.43	41.65	2.71	6.51
39	KFVP	2007-08	2008-09	0.12	…	0.11	0.01	0.20	…	1.50	-0.16	32.11	0.01	0.03
40	KIAP	2008-09	2009-10	1.43	…	1.19	0.24	1.43	…	0.25	-0.41	36.11	0.24	0.66
41	MPIDCL	2008-09	2009-10	0.42	…	…	0.42	0.38	0.02	5.00	0.19	6.00	0.42	7.00
Sector-wise total				**21.88**	**10.74**	**6.54**	**4.60**	**84.27**	**-2.99**	**329.84**	**30.30**	**531.67**	**15.34**	**2.89**
MANUFACTURING														
42	Autokast	2008-09	2009-10	-2.35	2.19	0.29	-4.83	14.10	-0.45	19.97	-101.39	-28.26	-2.64	…
43	FOMIL	2005-06	2008-09	-0.04	0.01	0.36	-0.41	4.62	…	5.15	3.57	9.58	-0.40	-4.18
44	FIT	2005-06	2008-09	0.75	0.34	0.03	0.38	7.26	-0.30	0.38	0.65	2.68	0.73	27.24
45	KEEL	2008-09	2009-10	-0.06	…	0.01	-0.07	0.67	…	0.10	0.07	0.48	-0.07	-14.58
46	KCCL	2007-08	2008-09	1.17	1.40	0.28	-0.51	21.59	-2.62	5.53	-13.15	17.68	0.89	5.03
47	KCL	2007-08	2008-09	0.57	…	0.14	0.43	0.46	-0.77	1.34	-19.44	-12.76	-0.51	…
48	KECL	2008-09	2009-10	0.24	0.13	0.05	0.06	6.63	…	3.18	-3.58	4.22	0.18	4.27
49	KML	2007-08	2008-09	0.83	…	…	0.83	5.20	-0.11	0.25	-3.53	-2.90	0.79	…
50	KRL	2007-08	2008-09	0.02	0.05	0.05	-0.08	1.62	…	1.60	-3.36	0.47	-0.03	-6.38
51	KAL	2005-06	2008-09	-2.12	0.09	0.20	-2.41	31.75	-0.13	10.23	-2.21	13.04	-2.32	-17.79
52	KCCPL	2008-09	2009-10	1.58	…	0.21	1.37	6.59	-0.03	1.32	5.42	6.63	1.37	20.66
53	KEL	2005-06	2009-10	-9.16	4.25	1.29	-14.70	51.62	-6.43	71.38	-90.78	27.21	-10.45	-38.40

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital[@] employed	Return[$] on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
54	KFL	2008-09	2009-10	3.08	…	2.98	0.10	186.24	…	27.41	2.41	32.49	0.01	0.03
55	KSBCL	2005-06	2009-10	-2.05	0.11	0.10	-2.26	9.23	…	6.75	-9.66	1.32	-2.15	-162.88
56	BEVCO	2006-07	2008-09	42.75	0.48	0.34	41.93	1220.37	…	1.03	104.47	106.37	42.41	39.87
57	KSDPL	1999-00	2009-10	-3.21	3.36	0.31	-6.88	6.16	…	7.58	-33.69	-2.48	-3.52	…
58	KELTRON	2007-08	2009-10	13.60	6.50	1.05	6.05	128.01	…	115.16	-202.4	105.20	12.55	11.93
59	KEMDEL	2007-08	2008-09	Commercial activities not commenced						1.26	…	0.47	…	…
60	KSTCL	2008-09	2009-10	-3.07	0.92	0.84	-4.83	31.62	-0.07	57.97	-55.21	22.46	-3.91	-17.41
61	MCL	2007-08	2008-09	33.85	0.46	5.19	28.20	253.49	…	26.00	92.22	156.39	40.40	25.83
62	STL	2007-08	2008-09	-0.75	1.10	0.24	-2.09	7.95	-3.73	5.94	-43.50	-21.07	-0.99	…
63	SIFL	2008-09	2009-10	6.59	0.37	0.43	5.79	59.33	0.14	10.40	13.40	37.30	6.16	16.51
64	SCL	2008-09	2009-10	-0.90	0.02	0.17	-1.09	31.65	-1.06	7.00	-54.80	2.24	-1.07	-47.77
65	SILK	2007-08	2008-09	0.45	0.21	0.14	0.10	15.57	-3.77	36.56	-51.84	11.47	0.31	2.70
66	Kerala Ceramics	2004-05	2008-09	-1.62	1.19	0.04	-2.85	6.17	…	11.21	-35.66	-8.64	-1.66	…
67	KMML	2007-08	2008-09	15.19	0.69	8.37	6.13	307.49	-45.96	30.93	408.24	441.27	6.82	1.55
68	MIL	2008-09	2009-10	0.46	0.07	0.01	0.38	3.91	-0.72	1.94	-1.64	3.67	0.45	12.26
69	OUSHADI	2006-07	2008-09	1.92	0.01	0.55	1.36	21.57	…	6.12	6.11	12.43	1.38	11.10
70	TCL	2007-08	2008-09	0.76	0.55	0.11	0.10	26.85	-5.64	0.50	-2.46	2.45	0.65	26.53
71	TSCL	2008-09	2009-10	0.28	…	0.05	0.23	9.35	…	1.32	-3.16	-0.11	0.23	…
72	TCCL	2008-09	2009-10	14.46	7.58	9.69	-2.81	120.63	…	21.31	-10.66	67.92	4.77	7.02
73	TRACO	2006-07	2009-10	2.72	4.30	0.60	-2.18	51.43	-0.48	23.70	-37.73	19.92	2.11	10.98
74	TELK	2006-07	2008-09	19.09	4.57	0.56	13.96	145.37	…	42.97	-35.79	32.17	18.53	57.60
75	TTPL	2005-06	2006-07	-13.76	0.21	1.56	-15.53	133.88	…	1.77	41.96	39.50	-15.32	-38.78

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital[@] employed	Return[$] on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	**(2)**	**(3)**	**(4)**	**5(a)**	**5 (b)**	**5 (c)**	**5 (d)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
76	UEIL	2007-08	2008-09	0.88	0.21	0.07	0.60	38.84	…	3.99	-1.75	10.19	0.82	8.05
Sector-wise total				**122.15**	**41.37**	**36.31**	**44.47**	**2967.22**	**-72.13**	**569.25**	**-138.87**	**1111.00**	**96.52**	**8.69**
POWER														
77	KSPIFCL	2008-09	2009-10	58.07	54.96	0.20	2.91	57.48	-0.01	26.65	5.91	625.98	57.86	9.24
78	KINESCO	2008-09	2009-10	-0.07	…	….	-0.07	….	-0.02	0.10	-0.07	0.01	-0.07	-700.00
Sector-wise total				**58.00**	**54.96**	**0.20**	**2.84**	**57.48**	**-0.03**	**26.75**	**5.84**	**625.99**	**57.79**	**9.23**
SERVICES														
79	BRDCL	2007-08	2009-10	0.89	…	0.70	0.19	1.41	0.01	44.94	-1.66	44.55	0.70	1.57
80	IIITM-K	2006-07	2008-09	-0.66	…	…	-0.66	0.63	…	Nil*	-4.42	4.33	-0.66	-15.24
81	KMSCL		Commercial activites not commenced											
82	KSINCL	2005-06	2008-09	-1.37	0.02	0.38	-1.77	7.78	-1.05	14.74	0.40	15.62	-1.57	-10.05
83	KEXCON	2008-09	2009-10	0.57	…	0.01	0.56	0.84	…	0.50	0.94	1.44	0.57	39.58
84	KSIE	2008-09	2009-10	4.24	0.01	0.46	3.77	16.97	-0.04	1.20	19.14	21.20	3.78	17.83
85	KSMDCL	2004-05	2008-09	-0.75	…	0.37	-1.12	0.29	..	9.16	-3.94	2.01	-1.12	-55.72
86	KTDC	2008-09	2009-10	4.81	0.95	3.40	0.46	60.88	…	70.70	-22.32	47.00	1.41	3.00
87	ODEPCL	2007-08	2008-09	0.27	0.01	0.01	0.25	3.53	..	0.66	0.53	1.50	0.45	30.00
88	SUPPLYCO	2005-06	2009-10	-33.32	1.12	1.62	-36.06	720.02	…	8.56	-575.37	124.38	-34.94	-28.09
89	TRKL	2007-08	2008-09	1.17	…	0.09	1.08	0.61	…	38.19	3.78	15.37	1.59	10.34
90	VISL	2007-08	2009-10	0.02	…	0.03	-0.01	…	…	8.50	-0.10	13.64	-0.01	-0.07
Sector-wise total				**-24.13**	**2.11**	**7.07**	**-33.31**	**812.96**	**-1.08**	**197.15**	**-583.02**	**291.04**	**-29.80**	-10.24
Total A (All sector wise working Government Companies)				**314.95**	**309.26**	**61.43**	**-55.74**	**4796.78**	**-80.24**	**1624.20**	**-1152.33**	**5496.30**	**265.61**	**4.83**

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital@ employed	Return$ on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
B. Working Statutory Corporations														
AGRICULTURE & ALLIED														
1	KSWC	2005-06	2009-10	-0.93	0.01	0.37	-1.31	4.89	…	9.00	-6.38	4.98	-1.30	-26.10
Sector-wise total				**-0.93**	**0.01**	**0.37**	**-1.31**	**4.89**	**…**	**9.00**	**-6.38**	**4.98**	**-1.30**	**-26.10**
FINANCE														
2	KFC	2008-09	2009-10	-35.56	40.47	0.33	-76.36	101.92	-3.37	204.06	11.70	654.48	-35.90	-5.49
Sector-wise total				**-35.56**	**40.47**	**0.33**	**-76.36**	**101.92**	**-3.37**	**204.06**	**11.70**	**654.48**	**-35.90**	**-5.49**
INFRASTRUCTURE														
3	KINFRA	2007-08	2008-09	2.56	0.20	1.19	1.17	6.46	0.16	….	-1.39	264.72	1.37	0.52
Sector-wise total				**2.56**	**0.20**	**1.19**	**1.17**	**6.46**	**0.16**	**…**	**-1.39**	**264.72**	**1.37**	**0.52**
POWER														
4	KSEB	2007-08	2008-09	959.95	323.44	419.09	217.42	5135.85	151.58	1553.00	1028.04	7410.68	540.86	7.30
Sector-wise total				**959.95**	**323.44**	**419.09**	**217.42**	**5135.85**	**151.58**	**1553.00**	**1028.04**	**7410.68**	**540.86**	**7.30**
SERVICES														
5	KSRTC	2005-06	2008-09	-92.91	58.37	40.62	-191.90	831.90	-3.36	147.95	-1618.10	-979.00	-133.54	…
Sector-wise total				**-92.91**	**58.37**	**40.62**	**-191.90**	**831.90**	**-3.36**	**147.95**	**-1618.10**	**-979.00**	**-133.54**	**…**
Total B (All Sector wise working Statutory Corporations)				**833.11**	**422.49**	**461.60**	**-50.98**	**6081.02**	**145.01**	**1914.01**	**-586.13**	**7355.86**	**371.49**	**5.05**
Grand Total (A+B)				**1148.06**	**731.75**	**523.03**	**-106.72**	**10877.80**	**64.77**	**3538.21**	**-1738.46**	**12852.16**	**637.10**	**4.96**

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital[@] employed	Return[$] on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
C. Non-working Government Companies														
AGRICULTURE & ALLIED														
1	KSCDCL	1994-95	2005-06	-0.37	…	…	-0.37	…	…	2.85	-11.74	-1.96	-0.37	…
2	KSFCL	1984-85	1987-88	-0.90	…	…	-0.90	…	…	4.85	-11.05	-2.10	-0.41	…
Sector-wise total				**-1.27**	**…**	**…**	**-1.27**	**…**	**…**	**7.70**	**-22.79**	**-4.06**	**-0.78**	**…**
FINANCE														
3	KFWCL	1982-83	1990-91	-0.32	…	…	-0.32	…	…	0.42	-1.00	2.72	-0.15	-5.51
Sector-wise total				**-0.32**	**…**	**…**	**-0.32**	**…**	**…**	**0.42**	**-1.00**	**2.72**	**-0.15**	-5.51
MANUFACTURING														
4	KPPFL	1985-86	1999-2000	-0.35	…	…	-0.35	…	…	0.35	-0.19	1.00	-0.21	-21.00
5	CRL	1989-90	1993-94	-0.39	…	…	-0.39	…	…	3.07	-3.36	-0.43	-0.24	…
6	KGL	2006-07	2008-09	0.40	0.74	0.02	-0.36	0.27	-0.03	0.48	-9.13	-6.71	0.38	…
7	KSRL	2007-08	2008-09	-0.02	…	…	-0.02	…	…	2.91	-2.17	1.78	-0.02	-1.12
8	KACPFL	1984-85	1986-87	…	…	…	…	…	…	0.06	…	…	…	…
9	KCCL	2007-08	2009-10	-0.03	0.24	0.01	-0.28	…	-0.12	0.28	-4.61	-0.27	-0.04	…
10	SKL	2002-03	2003-04	-1.20	…	…	-1.20	0.61	…	4.72	-12.40	-3.71	-0.65	…
11	KSEWL	1991-92	1992-93	-0.17	…	…	-0.17	…	…	0.46	-1.51	-0.72	-0.02	…
12	SMKL	2006-07	2008-09	0.00	0.75	…	-0.75	…	-0.01	0.17	-4.97	0.27	…	…
13	MECL	2001-02	2007-08	-0.59	…	…	-0.59	1.78	…	2.49	-9.90	1.31	0.33	25.19
14	KCL	2003-04	2006-07	-3.67	…	…	-3.67	1.52	…	4.97	-31.74	-10.62	-2.65	
15	KPDL	2001-02	2005-06	-0.49	…	…	-0.49	…	…	15.38	-27.12	-4.98	-0.02	

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital@ employed	Return$ on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	**(2)**	**(3)**	**(4)**	**5(a)**	**5 (b)**	**5 (c)**	**5 (d)**	**(6)**	**(7)**	**(8)**	**(9)**	**(10)**	**(11)**	**(12)**
16	SIDKEL	1999-2000	2004-05	-0.48	…	…	-0.48	…	…	0.44	-4.14	-2.03	-0.27	
17	AWL	2007-08	2009-10	-0.06	0.21	0.01	-0.28	…	…	0.95	-4.89	-0.30	-0.06	…
18	KRL	1999-2000	2005-06	-1.10	…	…	-1.10	1.11	…	6.63	-17.33	-0.48	-0.33	
19	TSML	2002-03	2003-04	-0.44	…	…	-0.44	…	…	7.73	-17.28	0.06	-0.47	-783.33
20	TPIL	2002-03	2008-09	-0.89	0.07	0.02	-0.98	0.09	…	1.06	-23.04	-9.01	-0.91	…
21	TRWL	2000-01	2008-09	-2.03	…	0.03	-2.06	3.71	…	2.35	-24.97	-12.98	-2.06	…
22	KSWIL	1991-92	2007-08	-0.86	…	…	-0.86	2.22	…	1.70	-7.26	-1.25	0.21	…
23	KSOL	1994-95	2001-02	-4.50	…	…	-4.50	…	…	3.00	-37.40	-6.71	-1.18	…
24	KSDCL	2001-02	2004-05	-1.16	…	…	-1.16	0.54	…	1.55	-17.42	-3.90	-1.05	…
25	KSSCL	1997-98	2004-05	-1.23	…	…	-1.23	…	…	6.28	-34.43	-12.94	-1.23	…
26	KTL			Not available										
27	VLL			Not available										
Sector-wise total				**-19.26**	**2.01**	**0.09**	**-21.36**	**11.85**	**-0.16**	**67.03**	**-295.26**	**-72.62**	**-10.49**	**…**
SERVICES														
28	KSIPTCL	2007-08	2008-09	-0.22	…	0	-0.22	…	-3.32	0.34	1.93	2.18	-0.23	-10.55
Sector-wise total				**-0.22**	**0**	**0**	**-0.22**	**…**	**-3.32**	**0.34**	**1.93**	**2.18**	**-0.23**	**-10.55**
Total C (All sector wise non- working Government companies)				**-21.07**	**2.01**	**0.09**	**-23.17**	**11.85**	**-3.48**	**75.49**	**-317.12**	**-71.78**	**-11.65**	

Sl. No.	Sector and name of the company/ corporation	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit / Loss (-)	Capital@ employed	Return$ on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Deprecia-tion	Interest	Deprecia-tion	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
D Non-working Statutory Corporations: Nil														
	Grand Total (A+B+C+D)			**1126.99**	**733.76**	**523.12**	**-129.89**	**10889.65**	**61.29**	**3613.70**	**-2055.58**	**12780.38**	**625.45**	**4.89**

 # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

*** Share capital is Rs. 200 only.**

Annexure 3

Statement showing grants and subsidy received/ receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Referred to in paragraphs 1.10)

(Figures in column 3 (a) to 6 (d) are Rupees in crore)

Sl.No.	Sector & name of the company/corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
A. Working Government Companies													
AGRICULTURE & ALLIED													
1	KAMCO	…	…	…	…	..	…	…	…	…	…	…	…
2	KFDC	…	…	2.43	1.00	…	3.43	…	1.11	…	…	…	…
3	KLDB	…	…	…	…	…	…	…	…	…	…	…	…
4	Horticorp	0.10	…	0.95	…	…	0.95	…	…	…	…	…	…
5	KEPCO	…	…	6.80	5.31	…	12.11	…	…	…	…	…	…
6	MPIL	…	…	1.08	…	…	1.08	…	0.47	…	…	…	…
7	OPIL	…	…	…	…	….	...	…	…	…	…	…	…
8	KAICO	…	…	4.67	…	…	4.67	…	1.03	…	…	…	…
9	KSCDCL	…	5.13	15.97	0.40	0.02	16.39	…	3.92	…	…	…	…
10	KSCCL	…	…	12.50	0.20	…	12.70	…	…	…	…	…	…
11	PCKL	…	…	0.36	0.01	…	0.37	…	…	…	…	…	…
12	RPL	…	…	…	…	0.03	0.03	…	….	…	…	…	…
13	SFCK	…	…	…	…	…	…	…	…	…	…	…	…
Sector-wise total		**0.10**	**5.13**	**44.76**	**6.92**	**0.05**	**51.73**	**…**	**6.53**	**…**	**…**	**…**	**…**
FINANCE													
14	HDCKL	…	…	1.28	1.15	…	2.43	…	1.21	…	…	…	…

Sl.No.	Sector & name of the company/corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4 (a)**	**4 (b)**	**4 (c)**	**4 (d)**	**5 (a)**	**5 (b)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
15	KADCO	1.00	…	0.29	…	…	0.29	…	…	…	…	…	…
16	KSTNSWCL	…	…	…	…	..	…	0.31	0.33	…	…	…	…
17	SIDCO	0.30	…	…	…	…	…	1.50	1.50	…	…	…	…
18	KSDCCCSCRCL	3.50	…	…	…	…	…	…	…	…	…	0.06	0.06
19	KSDCSCSTL	4.13	…	1.30	…	…	1.30	…	9.85	0.01	…	…	0.01
20	KSFDCL	0.65	…	1.50	…	…	1.50	…	…	….	…	…	…
21	KSHPWCL	…	…	1.32	…	…	1.32	…	5.00	…	…	…	…
22	Hanveev	0.80	0.05	1.10	…	…	1.10	…	…	…	…	…	…
23	KELPALM	…	…	0.33	…	…	0.33	…	…	…	…	…	…
24	KSWDCL	…	…	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**
25	KTDFC	…	…	…	…	…	…	605.00	392.36	…	…	…	…
26	KURDFC	…	0.71	…	…	…	…	…	58.47	…	…	…	…
27	KSBCDC	7.00	…	0.07	...	…	0.07	…	303.00	…	…	…	…
28	KSFE	…	…	…	…	…	…	1500.00	1678.66	…	…	…	…
29	KVCFPL	…	…	…	…	…	…	…	…	…	…	…	…
30	KVCTPL	…	…	…	…	…	…	…	…	…	…	…	…
Sector-wise total		**17.38**	**0.76**	**7.19**	**1.15**	**…**	**8.34**	**2106.81**	**2450.38**	**0.01**	**…**	**0.06**	**0.07**
INFRASTRUCUTRE													
31	KIIDCL	…	…	…	…	…	…	…	…	…	…	…	…
32	KPHCCL	…	6.10	**…**	**…**	**…**	**…**	**…**	1.53	**…**	**…**	**…**	**…**
33	KSCCL	…	…	…	…	…	…	…	…	…	…	…	…
34	KSIDC	1.00	…	…	…	…	…	…	4.42	…	…	…	…
35	RBDCK	…	…	1.46	…	…	1.46	…	89.25	…	…	…	…
36	KLDCL	…	…	…	…	…	…	…	…	…	…	…	…
37	KSITIL	…	…	…	…	…	…	…	…	…	…	…	…

Sl.No.	Sector & name of the company/corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
38	KEPIP	…	…	…	…	0.04	0.04	…	…	…	…	…	…
39	KFVP	…	…	…	…	3.00	3.00	…	…	…	…	…	…
40	KIAP	…	…	…	5.62	…	5.62	…	…	…	…	…	…
41	MPIDCL	…	…	…	…	…	…	…	…	…	…	…	…
Sector-wise total		**1.00**	**6.10**	**1.46**	**5.62**	**3.04**	**10.12**	**…**	**95.20**	**…**	**…**	**…**	**…**
MANUFACTURING													
42	Autokast	…	7.14	...	…	…	…	…	…	…	…	…	…
43	FOMIL	…	…	…	…	…	…	…	…	…	…	…	…
44	FIT	…	…	…	…	…	…	…	…	…	…	0.27	0.27
45	KEEL	…	…	0.14	…	…	0.14	…	…	…	…	…	…
46	KCCL	…	…	2.30	…	…	2.30	…	…	…	…	…	…
47	KCL	…	…	…	…	…	…	…	…	…	…	…	…
48	KECL	…	…	…	…	…	…	…	…	…	…	…	…
49	KML	…	…	…	…	….	…	…	…	…	…	…	…
50	KRL	…	….	…	…	…	…	…	…	…	…	…	….
51	KAL	…	3.15	…	…	…	…	4.93	4.93	…	…	…	…
52	KCCPL	…	…	…	…	…	…	…	…	…	…	…	…
53	KEL	…	1.00	…	….	…	…	…	76.65	…	…	…	…
54	KFL	0.75	…	2.00	…	…	2.00	…	…	…	…	…	…
55	KSBCL	0.15	0.36	7.00	…	…	7.00	…	…	…	…	…	…
56	BEVCO	…	…	…	…	…	…	…	…	…	…	…	…
57	KSDPL	…	7.00	…	…	…	…	…	…	…	…	…	…
58	KELTRON	…	13.95	…	…	…	…	…	3.10	…	…	…	…
59	KEMDEL	…	…	…	…	…	…	….	….	…	…	…	…
60	KSTCL	39.34	..	…	…	…	…	1.80	1.74	…	…	…	…

Sl.No.	Sector & name of the company/corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4 (a)**	**4 (b)**	**4 (c)**	**4 (d)**	**5 (a)**	**5 (b)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
61	MCL	…	…	…	…	…	…	…	…	…	…	…	…
62	STL	…	…	…	…	…	…	…	…	…	…	…	…
63	SIFL	…	…	…	…	…	…	8.53	…	…	…	…	…
64	SCL	…	…	…	…	…	…	…	…	…	…	…	…
65	SILK	…	3.02	0.28	…	…	0.28	…	…	…	…	…	…
66	Kerala Ceramics	…	…	…	…	…	…	…	…	…	…	…	…
67	KMML	…	…	…	…	…	…	…	…	…	…	…	…
68	MIL	…	…	…	…	…	…	0.50	…	…	…	…	…
69	OUSHADI	2.50	…	…	0.89	…	0.89	…	…	…	…	…	…
70	TCL	…	…	…	…	…	…	…	…	…	…	…	…
71	TSCL	…	…	…	…	…	…	…	…	…	…	…	…
72	TCCL	…	…	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**
73	TRACO	…	…	…	…	…	…	…	27.32	…	…	…	…
74	TELK	…	…	…	…	….	…	…	…	16.20	22.22	18.23	56.65
75	TTPL	…	…	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**
76	UEIL	…	…	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**
Sector-wise total		**42.74**	**35.62**	**11.72**	**0.89**	**0.00**	**12.61**	**15.76**	**113.74**	**16.20**	**22.22**	**18.50**	**56.92**
POWER													
77	KSPIFCL	…	…	**…**	**…**	**…**	**…**	**…**	330.00	**…**	**…**	**…**	**…**
78	KINESCO	…	…	…	…	…	…	…	…	…	…	…	…
Sector-wise total		**…**	**…**	**…**	**…**	**…**	**…**	**..**	**330.00**	**…**	**…**	**…**	**…**
SERVICES													
79	BRDCL	2.25	..	…	…	…	…	…	…	…	…	…	…
80	IIITM-K	**…**	**…**	1.00	…	…	1.00	…	…	…	…	…	…
81	KMSCL	…	…	95.03	…	…	95.03	…	…	…	…	…	…

Sl.No.	Sector & name of the company/corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4 (a)**	**4 (b)**	**4 (c)**	**4 (d)**	**5 (a)**	**5 (b)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
82	KSINCL	5.50	**…**	…	…	…	…	..	..	…	…	…	…
83	KEXCON	…	…	…	…	…	…	…	…	…	…	…	…
84	KSIE	…	…	…	0.55	…	0.55						
85	KSMDCL	…	…	…	…	…	…	…	…	…	…	…	…
86	KTDC	9.00	…	0.29	0.60	0.41	1.30	…	…	…	…	…	…
87	ODEPCL	…	…	…	…	…	…	…	…	…	…	…	…
88	SUPPLYCO	…	…	165.41	31.19	2.19	198.79	…	…	…	…	…	…
89	TRKL	0.01	…	…	…	…	…	…	…	…	…	…	…
90	VISL	25.70	…	2.30	…	…	2.30	…	…	…	…	…	…
Sector-wise total		**42.46**	**…**	**264.03**	**32.34**	**2.60**	**298.97**	**…**	**…**	**…**	**…**	**…**	**…**
Total A (Companies-Sector-wise)		**103.68**	**47.61**	**329.16**	**46.92**	**5.69**	**381.77**	**2122.57**	**2995.85**	**16.21**	**22.22**	**18.56**	**56.99**
B. Working Statutory Corporations													
AGRICULTURE & ALLIED													
1	KSWC	0.50	…	…	…	…	…	0.88	1.99	…	…	…	…
Sector-wise total		**0.50**	**…**	**…**	**…**	**…**	**…**	**0.88**	**1.99**	**…**	**…**	**…**	**…**
FINANCE													
2	KFC	150.00	**…**	…	…	…	…	…	107.26	…	…	…	…
Sector-wise total		**150.00**	**…**	**…**	**…**	**…**	**…**	**…**	**107.26**	**…**	**…**	**…**	**..**
INFRASTRUCTURE													
3	KINFRA	**…**	15.00	15.05	4.80	…	19.85	…	…	…	…	…	…
Sector-wise total		**…**	**15.00**	**15.05**	**4.80**	**…**	**19.85**	**…**	**…**	**…**	**…**	**…**	**…**
POWER													
4	KSEB	**…**	**…**	…	…	…	…	391.65	635.45	…	…	…	…
Sector-wise total		**…**	**…**	**…**	**…**	**…**	**…**	**391.65**	**635.45**	**…**	**…**	**…**	**…**

Sl.No.	Sector & name of the company/corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4 (a)**	**4 (b)**	**4 (c)**	**4 (d)**	**5 (a)**	**5 (b)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
SERVICES													
5	KSRTC	25.00	85.50	…	…	…	…	78.00	258.10	…	…	….	…
Sector-wise total		**25.00**	**85.50**	**…**	**…**	**…**	**…**	**78.00**	**258.10**	**…**	**…**	**…**	**..**
Total B (Statutory Corporations-sector-wise)		**175.50**	**100.50**	**15.05**	**4.80**	**…**	**19.85**	**470.53**	**1002.80**	**…**	**…**	**…**	**…**
Grand Total (A+B)		**279.18**	**148.11**	**344.21**	**51.72**	**5.69**	**401.62**	**2593.10**	**3998.65**	**16.21**	**22.22**	**18.56**	**56.99**
C. Non-Working Government Companies													
AGRICULTURE & ALLIED													
1	KSCDCL	…	…	…	…	…	…	…	…	…	…		
2	KSFCL	…	…	…	…	…	…	…	…	…	…		
Sector-wise total		…	…	…	…	…	…	…	…	…	…		
FINANCE													
3	KFWCL	…	…	…	…	…	…	…	…	…	…		
MANUFACTURING													
4	KPPFL	…	…	…	…	…	…	…	…	…	…		
5	CRL	…	…	…	…	…	…	…	…	…	…		
6	KGL	…	…	0.39	…	…	0.39	…	…	…	…	…	…
7	KSRL	…	…	…	…	…	…	…	…	…	…	…	…
8	KACPFL	…	…	…	…	…	…	…	…	…	…	…	…
9	KCCL	…	…	…	…	…	…	…	…	…	…	…	…
10	SKL	…	…	…	…	…	…	…	…	…	…	…	…
11	KSEWL	…	…	…	…	…	…	…	…	…	…	…	…
12	SMKL	…	…	…	…	…	…	…	…	…	…	…	…
13	MECL	…	…	…	…	…	…	…	…	…	…	…	…
14	KCL	…	…	…	…	…	…	…	…	…	…	…	…

Sl.No.	Sector & name of the company/corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4 (a)**	**4 (b)**	**4 (c)**	**4 (d)**	**5 (a)**	**5 (b)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
15	KPDL	…	…	…	…	…	…	…	…	…	…	…	…
16	SIDKEL	…	…	…	…	…	…	…	…	…	…	…	…
17	AWL	…	…	…	…	…	…	…	…	…	…	…	…
18	KRL	…	…	…	…	…	…	…	…	…	…	…	…
19	TSML	…	…	…	…	…	…	…	…	…	…	…	…
20	TPIL	…	…	…	…	…	…	…	…	…	…	…	…
21	TRWL	…	…	…	…	…	…	…	…	…	…	…	…
22	KSWIL	…	…	…	…	…	…	…	…	…	…	…	…
23	KSOL	…	…	…	…	…	…	…	…	…	…	…	…
24	KSDCL	…	…	…	…	…	…	…	…	…	…	…	…
25	KSSCL	…	…	…	…	…	…	…	…	…	…	…	…
26	KTL	…	…	…	…	…	…	…	…	…	…	…	…
27	VLL	…	…	…	…	…	…	…	…	…	…	…	…
Sector-wise total		**…**	**…**	**0.39**	**…**	**…**	**0.39**	**…**	**…**	**…**	**…**	**…**	**..**
SERVICES													
28	KSIPTCL	…	…	…	…	…	…	…	…	…	…	…	…
Sector-wise total		…	…	…	…	…	…	…	…	…	…	…	…
Total C (All sector wise non working Government companies)		**…**	**…**	**0.39**	**…**	**…**	**0.39**	**…**	**…**	**…**	**…**	**…**	**…**
D Non-working Statutory Corporation: NIL													
Grand Total (A+B+C+D)		**279.18**	**148.11**	**344.60**	**51.72**	**5.69**	**402.01**	**2593.10**	**3998.65**	**16.21**	**22.22**	**18.56**	**56.99**

@Figures indicate total guarantees outstanding at the end of the year.

ANNEXURE 4

(Referred to in paragraph 1.41)

Statement showing financial assistance by State Government to companies whose accounts are in arrear

(Figures in columns 4 and 6 to 8 are Rupees in crore)

Sl No	Name of the company/ corporation	Year upto which Accounts Finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Working Government companies							
1.	The Kerala Agro -Industries Corporation Limited	2003-04	4.74	2005-06	…	2.40	…
				2008-09	…	…	4.67
2.	The Kerala State Coir Corporation Limited	2006-07	8.05	2007-08	…	…	0.21
				2008-09	…	…	12.50
3.	The Kerala State Cashew Development Corporation Limited	2005-06	200.64	2006-07	…	33.32	…
				2007-08	…	16.00	2.00
				2008-09	…	5.13	15.97
4.	Kerala State Horticultural Products Development Corporation Limited	2003-04	5.18	2006-07	0.50	…	…
				2007-08	0.05	…	0.30
				2008-09	0.10	…	0.95
5.	Kerala State Poultry Development Corporation Limited	2004-05	1.97	2006-07	…	…	0.65
				2007-08	…	…	5.38
				2008-09	…	…	6.80
6.	Kerala Electrical and Allied Engineering Company Limited	2005-06	71.38	2006-07	…	…	3.50
				2008-09	…	1.00	…
7.	Kerala Small Industries Development Corporation Limited	2005-06	22.14	2006-07	0.40	…	…
				2007-08	0.25	…	…
				2008-09	0.30	…	…
8.	Kerala State Film Development Corporation Limited	2003-04	17.85	2004-05	0.47	…	0.85
				2005-06	0.55	…	1.00
				2006-07	0.50	…	…
				2007-08	…	…	1.00
				2008-09	0.65	…	1.50
9.	Kerala State Electronics Development Corporation Limited	2007-08	115.16	2008-09	…	13.95	…
10.	Keltron Component Complex Limited	2007-08	5.53	2008-09	…	…	2.30
11.	Kerala State Handloom Development Corporation Limited	2006-07	14.10	2007-08	0.12	0.05	5.08
				2008-09	0.80	0.05	1.10

Sl No	Name of the company/ corporation	Year upto which Accounts Finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
12.	Handicrafts Development Corporation of Kerala Limited	2003-04	2.77	2004-05	…	…	1.58
				2005-06	…	…	0.82
				2006-07	…	…	0.70
				2007-08	…	…	0.28
				2008-09	…	…	1.28
13.	Kerala Forest Development Corporation Limited	2007-08	7.95	2008-09	…	…	2.43
14.	Kerala State Bamboo Corporation Limited	2005-06	6.75	2006-07	…	…	2.45
				2008-09	0.15	0.36	7.00
15.	Kerala Police Housing and Construction Corporation Limited	2005-06	6.03	2006-07	…	4.91	…
				2007-08	…	5.05	…
				2008-09	…	6.10	…
16.	Roads and Bridges Development Corporation of Kerala Limited	2006-07	9.43	2007-08	…	…	2.30
				2008-09	…	…	1.46
17.	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2006-07	67.65	2007-08	3.62	…	1.30
				2008-09	4.13	…	1.30
18.	The Kerala State Backward Classes Development Corporation Limited	2003-04	41.76	2006-07	4.50	…	…
				2007-08	4.40	…	…
				2008-09	7.00	…	0.07
19.	Kerala State Handicapped Persons' Welfare Corporation Limited	1997-98	1.61	1998-99	0.13	0.27	…
				1999-2000	0.13	0.32	0.36
				2000-01	0.08	0.15	0.45
				2001-02	0.03	0.05	0.41
				2002-03	0.04	0.10	0.35
				2003-04	0.04	0.09	0.47
				2004-05	…	…	0.68
				2005-06	0.05	0.65	0.10
				2006-07	0.05	0.10	0.30
				2007-08	0.04	0.08	0.40
				2008-09	…	…	1.32
20.	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	1996-97	3.23	2006-07	3.50	….	…
				2007-08	3.40	…	…
				2008-09	3.50	…	…
21.	Kerala Artisans' Development Corporation Limited	2002-03	2.33	2006-07	…	…	0.23
				2007-08	0.05	…	0.05
				2008-09	1.00	…	0.29

Sl No	Name of the company/ corporation	Year upto which Accounts Finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
22.	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2006-07	0.87	2007-08	…	…	0.20
				2008-09	…	…	0.33
23.	The Kerala State Civil Supplies Corporation Limited	2005-06	8.56	2006-07	…	…	0.30
				2007-08	…	…	93.06
				2008-09	…	…	165.41
24.	Tourist Resorts (Kerala) Limited	2007-08	38.19	2008-09	0.01	…	…
25.	Kerala State Drugs and Pharmaceuticals Limited	1999-2000	7.58	2007-08	…	3.00	…
				2008-09	…	7.00	…
26.	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2006-07	6.12	2007-08	0.25	…	…
				2008-09	2.50	…	…
27.	Kerala Urban & Rural Development Finance Corporation Limited	2007-08	0.96	2008-09	…	0.71	…
28.	Kerala Shipping and Inland Navigation Corporation Limited	2005-06	14.74	2006-07	0.50	…	…
				2008-09	5.50	…	…
29.	Indian Institute of Information Technology and Management - Kerala	2006-07	Nil$^{\nabla}$	2007-08	…	…	0.51
				2008-09	…	…	1.00
30.	Vizhinjam International Seaport Limited	2007-08	8.50	2008-09	25.70	…	2.30
31.	Kerala State Industrial Development Corporation Limited	2007-08	299.24	2008-09	1.00	…	…
32.	Kerala Automobiles Limited	2005-06	10.23	2008-09	…	3.15	…
33.	Meat Products of India Limited	2004-05	1.81	2008-09	…	…	1.08
34.	Steel Industrials Kerala Limited	2007-08	36.56	2008-09	…	3.02	0.28

$^{\nabla}$ **Share capital is Rs. 200 only.**

Sl No	Name of the company/ corporation	Year upto which Accounts Finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
35.	Kerala Medial Services Corporation Limited	…	…	2008-09	…	…	95.03
36.	Bekal Resorts Development Corporation Limited	2007-08	44.94	2008-09	2.25	…	…
	Total A (Companies)				**78.24**	**107.01**	**453.64**
B. Working Statutory corporations							
1	Kerala State Road Transport Corporation	2005-06	124.43	2006-07	5.00	67.00	…
				2007-08	2.70	93.21	…
				2008-09	25.00	85.50	…
2	Kerala State Warehousing Corporation	2005-06	9.00	2008-09	0.50	…	…
3	Kerala Industrial Infrastructure Development Corporation	2007-08	…	2008-09	…	15.00	15.05
	Total B (Statutory Corporations)				**33.20**	**260.71**	**15.05**
	Grand Total (A)+(B)				**111.44**	**367.72**	**468.69**
C. Non-working Government Companies							
1	Kerala Garments Limited	2006-07	0.48	2008-09	…	…	0.39
2	Trivandrum Rubber Works Limited	2000-01	2.35	2001-02	…	…	0.55
	Total C (Non-working Government Companies)				**…**	**…**	**0.94**
	Grand Total (A+B+C)				**111.44**	**367.72**	**469.63**
	Aggregate						**948.79**

ANNEXURE 5

(Referred to in paragraph 1.14)

Statement showing financial position of Statutory corporations

(Rupees in crore)

1. Kerala State Electricity Board			
Particulars	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Equity Capital	1553.00	1553.00	1553.00
Loans from Government	377.69	-	-
Other long-term loans (including bonds)	3335.93	2498.52	1856.72
Reserves and Surplus (Funds)	3091.41	3536.11	4055.27
Current liabilities and provisions	5018.79	3422.82	3812.35
Total – A	**13376.82**	**11010.45**	**11277.34**
B. Assets			
Gross fixed assets	7711.62	8216.85	8684.56
Less : Depreciation	2664.28	3070.27	3489.36
Net fixed assets	5047.34	5146.58	5195.20
Capital works-in-progress	1152.26	1184.48	1090.49
Current assets	7160.70	3060.61	3772.87
Investments	16.52	16.48	16.48
Miscellaneous expenditure	…	1602.30	1202.30
Deficits		…	…
Total – B	**13376.82**	**11010.45**	**11277.34**
C. Capital employed @	8271.88	5779.95	7410.68

@ **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital (excluding deferred costs and assets not in use).**

(Rupees in crore)

2. Kerala State Road Transport Corporation			
Particulars	**2003-04**	**2004-05**	**2005-06**
A. Liabilities			
Capital (Including capital loan & equity capital)	137.95	142.95	147.95
Borrowings (Government)	70.65	85.65	90.65
(Others)	250.58	319.46	370.49
Funds*	10.72	12.18	30.05
Trade dues and other current liabilities (including provisions)	993.49	1110.70	1225.75
Total - A	**1463.39**	**1670.94**	**1864.89**
B. Assets			
Gross block	410.08	454.39	478.81
Less: Depreciation	270.91	285.16	309.84
Net fixed assets	139.17	169.23	168.97
Capital works-in-progress (including cost of chassis)	0.90	....	2.78
Investments	0.03	0.03	0.03
Current assets, loans and advances	51.10	79.42	75.01
Accumulated loss	1272.19	1422.26	1618.10
Total - B	**1463.39**	**1670.94**	**1864.89**
C. Capital employed @	**(-) 802.32**	**(-) 862.05**	**(-)979.00**

*** Excluding depreciation funds.**
@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

(Rupees in crore)

3. Kerala Financial Corporation			
Particulars	**2006-07**	**2007-08**	**2008-09**
A. Liabilities			
Paid-up capital	159.06	159.06	74.06
Share application money	…	...	…
Reserve fund and other reserves and surplus	33.56	33.56	45.26
Borrowings:			
(i) Bonds and debentures	143.62	123.17	107.26
(ii) Fixed Deposits	0.26	0.12	-
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	280.59	308.93	406.34
(iv) Reserve Bank of India	…	...	-
(v) Loan towards share capital:			
(a) State Government	…	…	130.00
(b) Industrial Development Bank of India	…	…	
(vi) Others (including State Government)			
(a) Loans	...	...	
(b) subventions	2.51	2.51	2.52
Other liabilities and provisions	45.60	34.40	9.71
Total – A	**665.20**	**661.75**	**775.15**
B. Assets			
Cash and Bank balances	33.62	23.31	141.31
Investments	…	...	1.67
Loans and Advances	509.58	508.26	589.82
Net fixed assets	2.99	2.85	2.58
Other assets	42.16	22.33	…
Miscellaneous expenditure	76.85	105.00	39.77
Total – B	**665.20**	**661.75**	**775.15**
C. Capital employed @	641.67	587.40	654.48

@ **Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).**

(Rupees in crore)

4. Kerala State Warehousing Corporation			
Particulars	**2003-04**	**2004-05**	**2005-06**
A. Liabilities			
Paid-up capital	8.50	9.00	9.00
Reserves and surplus	1.85	1.85	1.85
Borrowings : (Government) (Others)	0.50 …	0.50 …	0.50 …
Trade dues and current liabilities (including provisions)	16.07	18.36	18.55
Total – A	**26.92**	**29.71**	**29.90**
B. Assets			
Gross block	16.68	16.71	16.85
Less: Depreciation	5.43	5.81	6.18
Net fixed assets	11.25	10. 90	10.67
Capital works-in-progress	1.77	0.77	0.34
Current assets, loans and advances	9.33	12.98	12.51
Profit and loss account	4.57	5.06	6.38
Total – B	**26.92**	**29.71**	**29.90**
C. Capital employed [@]	6.28	6.29	4.97

[@] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

(Rupees in crore)

5. Kerala Industrial Infrastructure Development Corporation(KINFRA)			
Particulars	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Grants	84.17	112.36	138.16
Loans	158.16	149.20	149.40
Trade dues and current liabilities(including provisions)	21.08	50.74	87.05
Total – A	**263.41**	**312.30**	**374.61**
B. Assets			
Gross block	31.89	41.08	51.37
Less: Depreciation	5.96	8.21	10.19
Net fixed assets	25.92	32.87	41.18
Investment	17.65	17.70	21.45
Current assets, loans and advances	217.28	260.09	310.59
Accumulated loss	2.56	1.64	1.39
Total – B	**263.41**	**312.30**	**374.61**
C. Capital employed [@]	222.12	242.22	264.72

[@] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

ANNEXURE 6
(Referred to in paragraph 1.14)
Statement showing working results of Statutory corporations

(Rupees in crore)

1.	**Kerala State Electricity Board**			
Sl. No.	**Particulars**	**2005-06**	**2006-07**	**2007-08**
1.	(a) Revenue receipts	3692.74	4416.17	5135.84
	(b) Subsidy/subvention from Government	144.58	-	-
	(c) Revenue gap/ regulatory asset	--	142.23	91.28
	Total	3837.32	4558.40	5227.12
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	2744.08	3525.59	4327.93
3.	Gross surplus(+)/deficit(-) for the year (1-2)	1093.24	(+)1032.81	(+)899.19
4.	Adjustments relating to previous years	(-) 82.01	(-)15.20	(+)60.76
5.	Final gross surplus(+)/deficit(-) for the year (3+4)	(+) 1011.23	(+)1017.61	(+)959.95
6.	Appropriations:			
	(a) Depreciation (less capitalised)	392.65	405.98	419.09
	(b) Interest on Government loans	38.88	-	-
	(c) Interest on others, bonds, advance, etc., and finance charges	526.94	429.34	352.77
	(d) Total interest on loans and finance charges (b+c)	565.82	429.34	352.77
	(e) Less: Interest capitalised	48.50	35.13	29.33
	(f) Net interest charged to revenue (d-e)	517.32	394.21	323.44
	(g) Total appropriations (a+f)	909.97	800.19	742.53
7.	Surplus(+)/deficit(-) before accounting for subsidy from state Government [5-6(g)-1(b)]	(-) 43.32	(+)217.42	(+)217.42
8.	Net surplus (+)/deficit(-) {5-6(g)}	(+) 101.26	(+)217.42	(+)217.42
9.	Total return on capital employed [#]	618.58	611.63	540.86
10.	Percentage of return on capital employed	7	10	7.3

[#] **Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).**

(Rupees in crore)

2.	**Kerala State Road Transport Corporation**		
Particulars	**2003-04**	**2004-05**	**2005-06**
Operating :			
(a) Revenue	669.75	750.55	817.21
(b) Expenditure	751.39	679.80	771.21
(c) Surplus(+)/Deficit(-)	(-)81.64	70.75	46.00
Non-operating :			
(a) Revenue	10.10	13.50	14.49
(b) Expenditure	48.96	235.28	252.39
(c) Surplus(+)/Deficit(-)	(-)38.86	(-)221.78	(-)237.90
Total :			
(a) Revenue	679.85	764.05	831.70
(b) Expenditure	800.35	915.08	1023.60
(c) Net Profit(+)/Loss(-)	(-)120.50	(-)151.03	(-)191.90
Interest on capital and loans	48.96	54.44	58.37
Total return on capital employed #	71.54	(-)96.59	(-)133.53

 # Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

(Rupees in crore)

3. Kerala Financial Corporation			
Particulars	**2006-07**	**2007-08**	**2008-09**
1. Income : (a) Interest on loans (b) Other income	83.90 5.70	82.93 5.40	101.92 7.34
Total – 1	**89.60**	**88.33**	**109.26**
2. Expenses : (a) Interest on long-term loans (b) Bad debts written-off (c) Other expenses	43.46 17.13 16.47	37.83 32.91 27.88	41.45 117.58 26.53
Total – 2	**77.06**	**98.62**	**185.56**
Profit before tax(1-2)	12.54	(-)10.29	(-)76.30
Provision for tax	2.70	2.98	0.07
Other appropriations	13.92	14.88	-
Amount available for dividend **	(-)4.08	(-)28.15	11.70
Dividend	…	…	…
Total return on capital employed #	56.00	27.54	34.85
Percentage of return on capital employed	8.73	4.69	

** **Represents profit of current year available for dividend after considering the specific reserves and provision for taxation.**

Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

(Rupees in crore)

4. Kerala State Warehousing Corporation			
Particulars	**2003-04**	**2004-05**	**2005-06**
1. Income :			
(a) Warehousing charges	4.15	4.06	4.89
(b) Other income	4.10	5.06	3.69
Total – 1	**8.25**	**9.12**	**8.58**
2. Expenses :			
(a) Establishment charges	5.96	6.12	6.52
(b) Other expenses	4.55	4.24	4.08
Total – 2	**10.51**	**10.36**	**10.60**
3. Profit(+)/Loss(-) before tax	(-) 2.26	(-) 1. 24	(-)2.02
4. Other appropriations[@]	…	…	…
5. Amount available for dividend	…	…	…
6. Dividend for the year	…	…	…
7. Total return on capital employed[#]	(-) 1.89	(-) 0. 99	(-) 1.86
8. Percentage of return on capital employed	…	…	…

[@] **This does not include prior period adjustments.**

[#] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

(Rupees in crore)

5. Kerala Industrial Infrastructure Development Corporation (KINFRA)			
Particulars	**2005-06**	**2006-07**	**2007-08**
1.Income (a) Sale of land on long lease (b) Miscellaneous income	5.41 2.01	4.36 3.15	6.46 4.51
Total -1	**7.42**	**7.51**	**10.97**
2. Expenses (a) Establishment charges (b) Other expenses	1.31 6.00	1.27 5.33	1.47 8.33
Total-2	**7.31**	**6.60**	**9.80**
Net profit (+)/Loss (-)	(+) 0.11	(+)0. 91	(+)1.17
Total return on capital employed[#]	(+) 0.11	(+)0. 91	(+)1.17
Percentage of return on capital employed	0.05	0.37	0.44

[#] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

Annexure 7
(Referred to in paragraph 2.1.9)
Financial Position of three Plantation Companies

(Rs. in lakh)

Particulars	RPL					SFCK					PCK				
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Sources															
Share Capital	339.27	339.27	339.27	339.27	339.27	903.57	903.57	903.57	903.57	903.57	556.88	556.88	556.88	556.88	556.88
Loan						203.08	134.49	137.74	141.00	144.25	441.45	122.46	42.73	48.21	48.21
Reserves and Surplus	5457.82	6109.01	6993.10	7657.30	8252.37	3676.74	3996.08	2460.24	3056.62	3014.52	1626.13	1806.95	3025.74	4331.20	6060.56
Total	**5797.09**	**6448.28**	**7332.37**	**7996.57**	**8591.64**	**4783.39**	**5034.14**	**3501.55**	**4101.19**	**4062.34**	**2624.46**	**2486.29**	**3625.35**	**4936.29**	**6665.65**
Applications															
Fixed Assets & Development Expenses	1846.36	2114.11	2408.23	2814.73	3399.22	2138.44	1988.80	1953.27	1979.11	1945.03	4532.23	4933.66	5048.19	5172.65	5421.68
Capital Work in Progress	13.98	6.12	2.37	2.36	20.38	286.87	286.87	325.55	286.87	293.39	237.75	35.07	9.69	10.03	78.37
Investments	1.00	1.00	1.00	1.00	1.00	100.20	100.20	100.20	100.20	100.20	125.01	125.01	150.01	150.01	150.01
Deferred Tax	42.39	42.05	59.00	61.67	57.24										
Current Assets, Loans & Advances	5167.95	5771.26	6398.79	6634.70	6849.17	4012.36	4895.01	6082.02	7413.31	8034.48	1858.57	2212.75	3700.81	5902.98	8702.41
less *Current Liabilities & Provisions*	*1274.59*	*1486.26*	*1537.02*	*1517.89*	*1735.37*	*1754.48*	*2236.74*	*4959.49*	*5678.30*	6310.76	*4129.10*	*4820.20*	*5283.35*	*6299.38*	7686.82
Net	3893.36	4285.00	4861.77	5116.81	5113.80	2257.88	2658.27	1122.53	1735.01	1723.72	(2270.53)	(2607.45)	(1582.54)	(396.40)	1015.59
Total	**5797.09**	**6448.28**	**7332.37**	**7996.57**	**8591.64**	**4783.39**	**5034.14**	**3501.55**	**4101.19**	**4062.34**	**2624.46**	**2486.29**	**3625.35**	**4936.29**	**6665.65**

Annexure 8
(Referred to in Paragraph 2.1.9)
Working Results of three Plantation Companies

(Rs. in lakh)

Particulars	RPL					SFCK					PCK				
	2004-05	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Income															
Sales	1408.23	1794.58	2144.58	1907.99	1972.58	1521.70	2106.53	1892.62	2509.64	2284.89	3111.84	4470.53	5030.88	5257.91	7022.88
Interest	187.72	308.28	290.38	373.95	451.03	75.57	130.07	188.44	249.95	273.11	7.73	9.63	38.92	254.41	484.25
Other Income	3.52	7.80	17.11	5.56	8.81	49.18	4.35	4.33	23.10	7.70	19.71	30.12	149.73	576.23	596.33
Stock differential	*(36.43)*	*(142.35)*	*(44.29)*	*84.90*	*(15.91)*	*100.87*	*(154.64)*	*429.38*	*(96.21)*	*(103.47)*	*325.12*	*(447.45)*	*196.90*	*9.77*	*(85.12)*
Total	**1563.04**	**1968.31**	**2407.78**	**2372.40**	**2416.51**	**1747.32**	**2086.31**	**2514.77**	**2686.48**	**2462.23**	**3464.40**	**4062.83**	**5416.43**	**6098.32**	**8018.34**
Expenditure															
Agriculture and other operations	473.59	722.36	529.48	692.92	767.46	737.05	677.07	692.88	780.43	1017.24	2313.47	2981.20	3325.81	3749.06	4666.24
Establishment Expenses	515.17	593.47	693.13	748.26	832.71	403.45	394.00	533.84	555.48	1099.62	559.85	815.00	810.38	897.13	1185.27
Depreciation	47.65	50.26	52.84	57.86	58.71	83.39	131.00	62.67	73.49	66.78	40.82	42.83	61.47	64.82	88.73
Total	**1036.41**	**1366.09**	**1275.45**	**1499.04**	**1658.88**	**1223.89**	**1202.07**	**1289.39**	**1409.40**	**2183.64**	**2914.14**	**3839.03**	**4197.66**	**4711.01**	**5940.24**
Profit before tax	**526.63**	**602.22**	**1132.33**	**873.36**	**757.63**	**523.43**	**884.24**	**1225.38**	**1277.08**	**278.59**	**550.26**	**223.80**	**1218.77**	**1387.31**	**2078.10**
Profit as a percentage of turnover	37.40	33.56	52.80	45.77	38.41	34.40	41.98	64.75	50.89	12.19	17.68	5.01	24.23	26.39	29.59
Tax	117.85	143.11	168.85	129.77	83.18	310.26	564.90	2761.22♣	635.52	275.51		60.00	33.00	103.42	352.76
Dividend	77.13	104.70	79.38	79.38	79.38				45.18	45.18				32.57	32.58
Replantation Reserve	33.68	(113.15)	15.46	5.87	8.21	37.46	52.26	46.92	62.23	56.37				87.00	89.00
	228.66	**134.66**	**263.69**	**215.02**	**170.77**	**347.72**	**617.17**	**2808.14**	**742.93**	**377.06**	**0**	**60.00**	**33.00**	**222.99**	**474.34**
Net Profit	**297.97**	**467.56**	**868.64**	**658.34**	**586.86**	**175.71**	**267.07**	**-1582.76**	**534.15**	**-98.47**	**550.26**	**163.80**	**1185.77**	**1164.32**	**1603.76**

♣ Including arrears of Agricultural Income tax

Annexure 9

(Referred to in paragraph 2.1.14)

Comparative Statement showing Age-wise Yield and shortage of yield 2004-05

(Area in hectare and yield in kilogram)

Year of Planting	Standard Yield/Ha	PCK				SFCK				RPL			
		Area	Yield/ Ha	Yield *Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield
1973	1267	120.39	854.107	49708	67.41					186.75	1225.885	7678	96.75
1974	1184	201.67	821.257	73154	69.36					312.83	1351.967	-52545	114.19
1975	1210	93.49	721.082	45709	59.59					371.61	1278.095	-25305	105.63
1976	1249	140.99	744.07	71190	59.57					258.59	1379.152	-33656	110.42
1977	1509	206.09	526.386	202507	34.88					255.42	1368.378	35918	90.68
1978	1430	29.12	541.68	25868	37.88					91.28	1139.056	26557	79.65
1979	1509	87.68	550.36	84054	36.47								
1980	1632	5	999.6	3162	61.25								
1981	1418	105	751.781	69953	53.02								
1982	1398	27.56	666.9	20149	47.70	679.8	1157.783	163300	82.82				
1983	1500	186.46	712.816	146778	47.52	553.15	1197.916	167098	79.86				
1984	1388					468.14	1395.997	-3744	100.58				
1985	1562	84.5	706.72	72271	45.24								
1986	1391	56	861.48	29653	61.93					6	1724.5	-2001	123.98
1987	1426												
1988	1532	30	867.967	19921	56.66								
1989	1545	183.91	1405.949	25573	91.00								
1990	1616	310.74	1172.691	137754	72.57	93.41	1276.159	31745	78.97				
1991	1748	438.99	997.847	329310	57.09								
1992	1542	635.7	974.29	360893	63.18	10.6	1512.735	310	98.10	3	1219.667	967	79.10
1993	1550	421.86	874.096	285137	56.39					7.42	1446.631	767	93.33
1994	1445	707.69	974.377	333055	67.43								
1995	1285	408.05	842.427	180592	65.56	1.24	1666.935	-474	129.72				
1996	1081	287.97	1025.104	16096	94.83								
1997	825	211.7	854.917	-6333	103.63								
1998	825	42.42	424.689	16981	51.48								
Nursery						2.38	907.183						
Total		**5022.98**	**873.882**	**2593135**		**1808.72**	**1239.926**	**358235**		**1492.9**	**1314.008**	**-41620**	

* Yield Shortage = Area x (Standard yield per Ha – Yield per Ha)

Comparative Statement showing Age-wise Yield and shortage of yield 2005-06

Year of Planting	Standard Yield/Ha	PCK				SFCK				RPL			
		Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield
1973	1267	120.39	836.008	51887	65.98					119.15	1631.97	-43486	128.81
1974	1267	201.67	646.601	125116	51.03					208.83	1692.44	-88845	133.58
1975	1184	93.49	502.76	63689	42.46					365.11	1442.25	-94290	121.81
1976	1210	139.99	540.446	93731	44.66					257.99	1522.4	-80596	125.82
1977	1249	206.09	424.441	169933	33.98					249.92	1410.62	-40392	112.94
1978	1509	29.12	582.55	26978	38.61					91.28	1174.35	30547	77.82
1979	1430	87.68	568.476	75538	39.75								
1980	1509	5	962.6	2732	63.79								
1981	1632	105	711.495	96653	43.60								
1982	1418	27.56	536.865	24284	37.86	679.8	1273.41	98292	89.80				
1983	1398	186.46	623.833	144351	44.62	553.15	1311.874	47641	93.84				
1984	1500					468.14	1404.405	44752	93.63				
1985	1388	84.5	543.325	71375	39.14					3	1428	-120	102.88
1986	1562	56	735.411	46289	47.08					6	2091	-3174	133.87
1987	1391												
1988	1426	30	750.433	20267	52.63								
1989	1532	183.91	1075.716	83915	70.22								
1990	1545	310.74	1043.593	155807	67.55	93.41	1315.18	21467	85.12				
1991	1616	438.99	1100.467	226314	68.10								
1992	1748	635.7	847.758	572284	48.50	10.6	1438.207	3284	82.28	3	1344	1212	76.89
1993	1542	421.86	776.179	323069	50.34					7.42	1702.56	-1191	110.41
1994	1550	709.92	900.446	461131	58.09								
1995	1445	418.3	895.757	229748	61.99	1.24	1373.387	89	95.04				
1996	1285	318.51	932.372	112316	72.56								
1997	1081	275.82	603.592	131679	55.84								
1998	825	219.24	394.335	94419	47.80								
1999	825	74.84	289.7	40062	35.12								
Nursery						2.38	793.277						
Total		**5380.78**	**796.415**	**3403505**		**1808.72**	**1321.527**	**215525**		**1311.7**	**1494.589**	**-320335**	

Comparative Statement showing Age-wise Yield and shortage of yield 2006-07

Year of Planting	Standard Yield/Ha	PCK				SFCK				RPL			
		Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield
1973	1267	120.39	557.181	85455	43.98					74.15	1585.3	-23602	125.12
1974	1267	189.67	561.748	133765	44.34					173.38	1238.56	4931	97.76
1975	1267	70.01	231.967	72463	18.31					307.08	1522.93	-78591	120.20
1976	1184	139.99	278.384	126777	23.51					263.84	1556.35	-98241	131.45
1977	1210	206.09	371.736	172758	30.72					249.92	1509.67	-74894	124.77
1978	1249	29.12	404.56	24590	32.39					91.28	1183.5	5979	94.76
1979	1509	87.68	396.23	97568	26.26								
1980	1430	5	744.2	3429	52.04								
1981	1509	105	655.124	89657	43.41								
1982	1632	27.56	419.086	33428	25.68	679.8	1184.69	304081	72.59				
1983	1418	186.46	551.936	161486	38.92	553.15	1257.586	88733	88.69				
1984	1398					468.14	1410.082	-5656	100.86				
1985	1500	84.5	527.491	82177	35.17					3	1360	420	90.67
1986	1388	56	747.411	35873	53.85					6	2434.5	-6279	175.40
1987	1562												
1988	1391	30	793.567	17923	57.05								
1989	1426	183.91	1300.065	23161	91.17								
1990	1532	310.74	1227.634	94579	80.13	93.41	1293.876	22243	84.46				
1991	1545	438.99	1362.122	80282	88.16								
1992	1616	568.9	1062.215	315048	65.73	10.6	1217.358	4226	75.33	3	1300	948	80.45
1993	1748	521.86	736.732	527740	42.15					7.42	1970.49	-1651	112.73
1994	1542	711.78	677.25	615512	43.92								
1995	1550	455.56	1038.82	232873	67.02	1.24	1076.613	587	69.46				
1996	1445	366.58	981.726	169827	67.94								
1997	1285	334.92	880.231	135565	68.50					2	2888.5	-3207	224.79
1998	1081	230.67	922.469	36568	85.33								
1999	825	71.84	575.165	17948	69.72								
2000	825	15.2	391.645	6587	47.47								
Nursery						2.38	942.857						
Total		**5548.42**	**893.641**	**3368504**		**1808.72**	**1270.758**	**414214**		**1181.07**	**1471.545**	**-274187**	

Comparative Statement showing Age-wise Yield and shortage of yield 2007-08

Year of Planting	Standard Yield/Ha	PCK				SFCK				RPL			
		Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield
1973	1267			0						19	1723.58	-8675	136.04
1974	1267	25	378.84	22204	29.90					173.38	970.84	51348	76.63
1975	1267									307.08	1145.95	37172	90.45
1976	1267	107.85	189.912	116164	14.99					228.14	1487.33	-50266	117.39
1977	1184	98.35	231.418	93686	19.55					249.92	1452.84	-67188	122.71
1978	1210									91.28	1932.02	-65906	159.67
1979	1249												
1980	1509												
1981	1430	105	501.343	97509	35.06								
1982	1509	27.52	1007.449	13803	66.76	679.8	1225.788	192527	81.23				
1983	1632	260.85	468.254	303563	28.69	553.15	1111.071	288152	68.08				
1984	1418					468.14	1247.672	79738	87.99				
1985	1398	84.5	512.722	74806	36.68					3	1429	-93	102.22
1986	1500	56	654.554	47345	43.64					6	2127	-3762	141.80
1987	1388												
1988	1562	30	652.467	27286	41.77								
1989	1391	183.91	1282.818	19896	92.22								
1990	1426	310.74	1092.103	103755	76.59	93.41	1103.897	30088	77.41				
1991	1532	438.63	1138.787	172475	74.33								
1992	1545	631.7	1028.487	326282	66.57	10.6	1374.434	1808	88.96	3	1013	1596	65.57
1993	1616	277.86	1417.779	55078	87.73					7.45	1633.15	-128	101.06
1994	1748	718.32	1034.178	512752	59.16								
1995	1542	437.88	1025.018	226376	66.47	1.24	1695.161	-190	109.93				
1996	1550	380.36	1012.204	204556	65.30								
1997	1445	378.93	962.611	182792	66.62					2	2823.5	-2757	195.40
1998	1285	325.71	932.253	114893	72.55								
1999	1081	213.19	578.925	107037	53.55								
2000	825	141.52	86.362	104532	10.47								
2001										46.77	771.22	-36070	
2002													
Nursery						2.38	874.79						
Total		**5233.82**	**927.42**	**2926790**		**1808.7**	**1190.81**	**592123**		**1137**	**1324.26**	**-108659**	

Comparative Statement showing Age-wise Yield and shortage of yield 2008-09

Year of Planting	Standard Yield/Ha	PCK				SFCK				RPL			
		Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield	Area	Yield/ Ha	Yield Shortage	% of Yield
1973	1267	0											
1974	1267	7.45	822.68	3310	64.93					114.03	869.02	45382	68.59
1975	1267									300.48	986.58	84261	77.87
1976	1267	107.85	124.05	123267	9.79					213.21	1350.98	-17905	106.63
1977	1267	95.35	59.14	115169	4.67					244.01	1287.51	-5005	101.62
1978	1184									91.28	1635.44	-41207	138.13
1979	1210												
1980	1249												
1981	1509	11	1721.82		114.10								
1982	1430	6	1448.33		101.28	688.62	1290.26	96228	90.23				
1983	1509	291.52	624.58	257826	41.39	555.75	1161.93	192884	77.00				
1984	1632	0	0.00	0	0.00	470.45	1192.58	206725	73.07				
1985	1418	84.5	583.35	70528	41.14	10.12	1388.72	296	97.94	3.00	1415.67	7	99.84
1986	1398	56	972.09	23851	69.53					6.00	2113.67	-4294	151.19
1987	1500												
1988	1388	25	937.08	11273	67.51								
1989	1562	188.91	1463.78	18555	93.71								
1990	1391	310.74	1223.93	51915	87.99	84.90	1091.11	25461	78.44				
1991	1426	439.25	1247.21	78534	87.46								
1992	1532	631.7	1298.13	147736	84.73	19.84	1403.58	2548	91.62	3.00	1280.33	755	83.57
1993	1545	423.17	1213.16	140425	78.52					7.42	1626.69	-606	105.29
1994	1616	714.66	1341.43	196224	83.01								
1995	1748	423.46	1195.45	233983	68.39	1.25	1330.40	522	76.11				
1996	1542	351.03	1420.68	42587	92.13								
1997	1550	353.53	1269.64	99116	81.91					2.00	2801.50	-2503	180.74
1998	1445	313.8	1388.84	17623	96.11								
1999	1285	282.98	1242.89	11916	96.72								
2000	1081	149.54	906.43	26106	83.85								
2001	825	1.17	315.38	596	38.23					84.89	1460.65	-53960	177.05
2002	825									4.95	434.99	1931	52.73
Nursery													
Total		**5268.61**	**1183.61**	**1670540**		**1830.93**	**1218.77**	**524664**		**1074.27**	**1211.56**	**6856**	

Annexure 10
(Referred to in paragraph 2.1.15)
Stand of tapping trees

Company	Estate	2005			2006			2007			2008			2009		
		Area	No. of Tapping Trees	Stand per Hectare	Area	No. of Tapping Trees	Stand per Hectare	Area	No. of Tapping Trees	Stand per Hectare	Area	No. of Tapping Trees	Stand per Hectare	Area	No. of Tapping Trees	Stand per Hectare
PCK	Kodumon	1112.82	351204	316	1112.82	351204	316	1141.23	374755	328	1173.31	383389	327	1189.23	361063	304
	Chandanappa lly	1225.75	302077	246	1225.75	317732	259	1222.27	336616	273	1394.27	347782	249	1488.63	416435	280
	Thannithode	592.01	125387	212	592.01	121769	206	592.01	124244	210	592.01	115777	196	592.01	115777	196
	Kallala	995.16	216842	218	1042.16	225778	217	1038.16	230381	222	1123.16	252774	225	1115.49	265929	238
	Adirappally	1197.4	260695	218	1236.5	282038	228	1042.97	248683	238	1219.83	281299	231	1231.13	213043	173
	Nilambur	245.1	50995	208	299.14	64924	217	299.14	69298	232	299.14	68171	228	280.14	51439	184
	Perambra	116	19920	172	116	25885	223	147.88	41498	281	182.97	47020	257	194.97	52027	267
		5484.24	**1327120**	**242**	**5624.38**	**1389330**	**247**	**5483.66**	**1425475**	**260**	**5984.69**	**1496212**	**250**	**6091.60**	**1475713**	**242**
SFCK	Chithelvetty	595.5	189938	319	595.5	175089	294	595.5	175880	295	595.5	169181	284	595.50	160254	269
	Mullumala	421.48	98258	233	421.48	104549	248	421.48	104751	249	421.48	99376	236	421.48	98909	235
	Cherupittakavu	407.89	101765	249	407.89	98151	241	407.89	99774	245	407.89	101105	248	407.89	94934	233
	Kumaramkudy	395.98	120357	304	395.98	118340	299	395.98	104091	263	395.98	114165	288	395.98	99190	250
		1820.85	**510318**	**280**	**1820.85**	**496129**	**272**	**1820.85**	**484496**	**266**	**1820.85**	**483827**	**266**	**1820.85**	**453287**	**249**
RPL	Kulathupuzha	1070.6	215243	201	1011.85	215243	213	972.8	206303	212	899.4	192247	214	832.00	179874	216
	Ayiranallur	485.9	99341	204	406.8	79536	196	299.35	58043	194	293.22	51446	175	242.27	42514	175
		1556.50	**314584**	**202**	**1418.65**	**294779**	**208**	**1272.15**	**264346**	**208**	**1192.62**	**243693**	**204**	**1074.27**	**222388**	**207**
	Total	**7748.77**	**1800818**	**232**	**7751.06**	**1829034**	**236**	**7435.43**	**1799562**	**242**	**7824.85**	**1840343**	**235**	**7797.49**	**1790325**	**230**
	Average Stand for 5 years	**235**														

Annexure 11

(Referred to in paragraph 2.1.16)

Statement showing yield pattern in areas replanted by PCK in their major estates

(Quantity in MT)

Sl. No.	Estate	Area	Estate Average Stand per ha as on 31.3.09	2004-05		2005-06		2006-07		2007-08		2008-09	
				Standard yield	Actual yield	Standard yield	Actual yield	Standard Yield	Actual yield	Standard yield	Actual yield	Standard yield	Actual yield
1	Kodumon	859.3	346	1258	1080 85.85%	1364	978 71.70%	1396	1203 86.17%	1405	1153 82.06%	1360	1402 103.09%
2	Chandanappally	880	293	1111	833 74.98%	1212	847 69.88%	1331	985 74.00%	1373	923 67.23%	1330	994 74.74%
3	Adirappally	770.4	245	1115	536 48.07%	1079	540 50.05%	1115	536 48.07%	1159	602 51.94%	1307	865 66.18%
4	Kallala	796.5	227	1155	631 54.63%	1223	550 44.97%	1262	740 58.64%	1230	746 60.65%	1312	895 68.22%

Annexure 12
(Referred to in paragraph 2.1.19)
Statement showing estate-wise land-labour ratios of the three Companies
PCK estates

Rubber Estates	Tapping area (Ha)	No. of Tappers	Land - Labour ratio	Total area (Ha)	No. of general workers	Land-Labour ratio
Kodumon	1173.31	241	4.87 : 1	1194.06	252	4.74 : 1
Chandanappally	1394.27	232	6.01 : 1	1508.96	229	6.59 : 1
Thannithode	371.87	47	7.91 : 1	592.01	84	7.05 : 1
Kallala	1123.16	291	3.86 : 1	1169.81	58	20.17 : 1
Adirappally	1219.83	233	5.23 : 1	1276.83	158	8.08 : 1
Perambra	182.97	57	3.21 : 1	432.86	132	3.28 : 1
Nilambur	299.14	61	4.90 : 1	299.14	61	4.90 : 1
Total	5764.55	1162	4.96 : 1	6473.67	974	6.65 : 1
Cashew Estates						
Cheemeni	-	-	-	959.50	66	14.54 : 1
Mannarghat	-	-	-	511.50	47	10.88 : 1
Rajapuram	-	-	-	1522.91	102	14.93 : 1
Kasaragod	-	-	-	2190.00	57	38.42 : 1
Total				5183.91	272	19.06 : 1

SFCK

Rubber Estates	Tapping area (Ha)	No. of Tappers	Land-Labour ratio	Total area (Ha)	No. of general workers	Land-Labour ratio
Chithelvetty	595.50	250	2.38 : 1	595.50	20	29.78 : 1
Kumaramkudy	395.98	152	2.61 : 1	395.98	21	18.86 : 1
Mullumala	421.48	157	2.68 : 1	421.48	15	28.09 : 1
Cherupittakavu	407.89	142	2.87 : 1	407.89	21	19.42 : 1
Total	1820.85	701	2.60 : 1	1820.85	77	23.65 : 1

RPL

Rubber Estates	Tapping area (Ha)	No. of Tappers	Land-Labour ratio	Total area (Ha)	No. of general workers	Land-Labour ratio
Kulathupuzha	894.40	314	2.84 : 1	1307.89	416	3.14 : 1
Ayiranallur	293.22	87	3.37 : 1	727.20	294	2.47:1
Total	1187.62	401	2.96 : 1	2035.09	710	2.87 : 1

Annexure 13

(Referred to in paragraph 2.1.38)

Statement showing revenue generated from cashew plantations in rubber estates

Sl. No.	Estate	Mature area (Ha) (March 2009)	Yielding trees (March 2009) No.	Trees per Ha (March 2009) No.	Revenue from sale of crop (Net of cost of weeding) (Rs. in lakh)				Revenue per Ha (in Rupees)			
					2005-06	2006-07	2007-08	2008-09	2005-06	2006-07	2007-08	2008-09
1	Chandanappally	50	8375	168	3.67	3.55	0.11	4.26	7340	7100	220	8520
2	Thannithode	58.08	NA	NA	0.30	0.26	0.32	0.40	517	448	551	689
3	Kallala	277.97	21019	76	17.58	17.28	16.04	11.29	6324	6216	5770	4062
4	Adirappally	307.98	27634	89	21.21	17.91	20.27	16.94	6887	5815	6582	5500
5	Nilambur	51.76	4627	89	1.56	0.58	0.97	3.83	3014	1121	1874	7400
6	Perambra	484.68	48412	100	29.91	25.38	24.68	22.69	6171	5236	5092	4681

Annexure 14
(Referred to in paragraph 3.14)
Statement showing operational performance of *Kerala State Road Transport Corporation*

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held	4,496	4,724	4,666	4,640	4,999
Average number of vehicles on road	3,566	3,704	3,580	3,543	3,979
Percentage of utilisation of vehicles	79.31	78.41	76.73	76.36	79.60
Number of employees♥	27,962	28,034	26,147	28,262	29,270
Employee vehicle ratio (based on average vehicles held)	6.22	5.93	5.60	6.09	5.86
Number of routes operated at the end of the year♠	4,907	4,907	4,907	4,907	4,907
Route kilometres♦	2,42,470	2,42,470	2,42,470	2,42,470	2,42,470
Kilometres operated (in lakh)					
Gross	4,751.00	4831.00	4,304.43	4,302.84	4,963.01
Effective	4,299.89	4,402.17	4,223.06	4,182.63	4,732.55
Dead	451.11	428.83	81.37	120.21	230.46
Percentage of dead kilometres to gross kilometres	9.50	8.88	1.89	2.79	4.64
Average kilometres covered per bus per day	262	255	248	247	259
Average revenue per kilometre (Rs.)	17.77	18.89	20.75	21.13	22.44
Average expenditure per kilometre (Rs.)	21.28	23.25	24.11	25.73	25.57
Loss (-)/Profit (+) per kilometre (Rs.)	-3.51	-4.36	-3.36	-4.60	-3.13
Number of operating units (Depots, Sub Depots and Operating Centres)	83	84	85	86	87
Average number of break-down per lakh effective kilometres	NA	4.8	6.2	5.9	5.8
Average number of accidents per lakh effective kilometres	0.28	0.29	0.24	0.26	0.19
Passenger kilometres operated (in crore)	NA♣	2,620.98	2,511.40	2,493.08	NA
Occupancy ratio (Load Factor)	NA	66.42	66.27	67.62	66.00
Kilometres obtained per litre of:					
Diesel Oil	3.90	3.95	4.05	4.09	4.18
Engine Oil	NA	751.32	712.65	739.32	NA

♥ Number of employees after excluding 40 *per cent* of temporary employees (refer paragraph 3.69)

♠ As per Economic Review published by Kerala State Planning Board.

♦ As per Economic Review published by Kerala State Planning Board.

♣ NA-Not Applicable.

Annexure 15

(Referred to in paragraph 4.24.3)

Statement showing department-wise outstanding Inspection Reports (IRs) as on 30 September 2009

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1	Agriculture	12	33	193	2004-05
2	Animal Husbandry	1	3	19	2006-07
3	Forest & Wild life	1	3	27	2006-07
4	Industries	45	105	447	2004-05
5	Labour & Rehabilitation	2	3	13	2006-07
6	Fisheries & Ports	2	3	7	2007-08
7	Information Technology	1	3	12	2005-06
8	Cultural Affairs	1	2	12	2007-08
9	Tourism	3	6	27	2006-07
10	Health	1	3	9	2005-06
11	Food	1	2	5	2004-05
12	Taxes	3	7	33	2005-06
13	Transport	3	184	938	2004-05
14	Public Works	2	4	37	2006-07
15	Home	1	2	19	2007-08
16	SC/ST Development	3	7	32	2005-06
17	Social Welfare	3	5	21	2006-07
18	Finance	4	5	32	2004-07
19	Power	2	359	1494	2003-04
Total		**91**	**739**	**3377**	

ANNEXURE 16

(Referred to in paragraph 4.24.3)

Statement showing the department-wise draft paragraphs/reviews replies to which are awaited

Sl.No.	Name of Department	No. of draft paragraphs	No. of reviews	Period of issue
1	Industries	2	….	March 2009/May 2009
2	Power	6	....	April 2009/June 2009
3	Transport	2	….	April 2009/June 2009
4	Agriculture/ Labour and Rehabilitation	…	1	June 2009
5	Finance	1	….	May 2009
	Total	**11**	**1**	

Glossary of terms used

Sl.No.	Term	Definition
1.	Clone	Different varieties of rubber trees with different biological features and yielding capacity developed and propagated by research stations.
2.	Tapping	Extraction of latex from rubber trees by giving a cut on its bark with a tapping knife.
3.	Slaughter tapping	Intensive yield exploitation from a rubber tree in the final years of tapping by opening as many tapping panels as possible.
4.	Task	Number of trees allotted to a tapper for a day’s tapping.
5.	Stand	Number of tapping trees in a given area.
6.	Opening	Commencement of tapping operations in a newly developed rubber plantation.
7.	Cultural operations	Plant maintenance and upkeep operations in plantations.
8.	Task vacancy	Tapping block not tapped for want of tapper or other reasons.
9.	Rain-guarding	Provision of a protective cover over the tapping panel during rainy season to prevent entry of water into latex collection shell.
10.	FFB	Fresh fruit bunches of oil palm tree.
11.	Centrifuging	Conversion of field latex into concentrated latex of tradable quality using a centrifuging machine.
12.	Cenex	Trade name of centrifuged latex.