



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

**Report of the
Comptroller and Auditor General of India
on
State Public Sector Enterprises
for the period ended March 2023**



**Government of Kerala
Report No.1 of the year 2025**

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PREFACE

This report for the period ended March 2023 is prepared for submission to the Governor of Kerala under Article 151(2) of the Constitution of India and Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

2. This Report deals with the summary of financial performance of Public Sector Enterprises, oversight role of Comptroller and Auditor General, corporate governance, corporate social responsibility and significant results of the compliance audits of Government companies and Statutory corporations for the year ended 31 March 2023.

3 The accounts of the State Public Sector Enterprises (SPSEs) reviewed in this Report cover the annual accounts received from October 2022 to September 2023. In respect of PSEs where the accounts for 2022-23 were not received, the figures from the latest finalised accounts received have been adopted.

4. The instances of compliance audit mentioned in this Report are those, which came to notice in the course of audit during the year 2022-23 as well as those which came to notice in earlier years but could not be reported in the previous Audit Reports. The matters relating to the period subsequent to 2022-23 have also been included, wherever felt necessary.

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

Overview

Overview

About this report

This Report presents the summary of financial performance of State Public Sector Enterprises (SPSEs), oversight role of Comptroller and Auditor General, corporate governance and corporate social responsibility. Besides this, the significant results of the compliance audits of Government companies and Statutory corporations for the year ended 31 March 2023 have been presented in this Report.

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

Chapter I Summary of Financial Performance of SPSEs

Audit Coverage

There were 149 SPSEs under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2023. This Report deals with the analysis of financial position and performance of 131 working PSEs. Eighteen PSEs which were defunct/ non-working/ under liquidation are not covered in this Report.

(Paragraph 1.1.4)

Investment by State Government

As on 31 March 2023, the total investment by Government of Kerala (GoK) in 131 working PSEs was ₹22,318.09 crore comprising equity share capital of ₹10,015.46 crore and long term loans of ₹12,302.63 crore.

(Paragraph 1.2)

Performance of PSEs

Out of 131 working PSEs, 58 PSEs earned profit of ₹1,368.72 crore as per their finalised accounts submitted till September 2023 while 66 PSEs incurred losses of ₹1,873.89 crore. Four PSEs have incurred no profit/loss. There were three PSEs which were yet to furnish the first accounts for review of CAG.

(Paragraphs 1.3.1 and 1.3.2)

Net worth/ Accumulated loss

Seventy-seven working PSEs had aggregate accumulated losses of ₹18,026.49 crore as per their latest finalised accounts. Of the 77 PSEs, the net worth of 44 PSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these PSEs was (-)₹11,227.04 crore against equity investment of ₹5,954.33 crore. Out of 44 PSEs, whose capital had been eroded,

40 PSEs reported loss of ₹1,684.48 crore, three PSEs had a profit of ₹736.97 crore and one PSE reported no-profit-no loss as per their latest finalised accounts.

(Paragraph 1.3.3)

Dividend payout by PSEs

Seven PSEs declared dividend of ₹35.83 crore as per their latest finalised accounts furnished during 2022-23. The return in the form of dividend on aggregate investment of ₹6,322.26 crore in 58 profit earning PSEs was 0.57 *per cent*. Fifty five profit earning PSEs had not declared dividend or declared dividend lesser than the percentage stipulated by GoK and there was shortfall of ₹873.18 crore in the payment of dividend to GoK.

(Paragraph 1.3.4)

Chapter II Oversight role of CAG

Out of 131 working PSEs, only sixteen PSEs (including one Statutory corporation) submitted their accounts for the financial year 2022-23 for audit within stipulated period representing merely 12.21 *per cent* of the total number of working PSEs. 103 PSEs submitted a total of 179 arrear accounts (pertaining to prior periods of 2011-12 to 2021-22) for audit by CAG.

Out of the two Statutory Corporations, where C&AG is the sole auditor, Kerala State Road Transport Corporation has a pendency of seven years (2016-17 to 2022-23) as on 30 September 2023.

(Paragraph 2.3.2)

Age-wise analysis of the delay in submission of accounts by 115 PSEs revealed that submission of 270 accounts (for FY 2022-23 and earlier) was still pending, as on 30 September 2023.

Further, for delay of six years and above (*i.e.* beyond 2017-18), 51 accounts were pending from seven PSEs; for three to five years (*i.e.* 2018-19 to 2022-23) 108 accounts were pending from 29 PSEs, for two years (*i.e.* 2021-22 and 2022-23) 64 accounts were pending from 32 PSEs.

(Paragraph 2.3.2.1)

Chapter III Corporate Governance

Board of Directors

Out of 131 working PSEs, 97 companies and four Statutory corporations had furnished (till 31 December 2023) the details regarding Corporate Governance which were considered for analysis. Out of the 97 PSEs, 20 PSEs did not conduct the mandatory four meetings of the Board of Directors during 2022-23. Eleven out the 17 public companies which satisfied the criteria, had not appointed independent directors in the Board.

(Paragraphs 3.2.1 and 3.2.2)

Audit Committee

Audit Committee was constituted in 35 (including two Statutory corporations) out of 101 PSEs. Out of 35 PSEs, the Audit Committee of 11 PSEs did not evaluate the internal financial control systems, 14 PSEs did not review and monitor the Statutory auditors' performance and effectiveness of audit process, seven PSEs did not review financial statements and auditors' reports, 14 PSEs did not review the findings of CAG and examine the management letters issued by CAG, and 24 PSEs did not discuss the nature and scope of audit with the Statutory auditors before commencement and after completion of audit to focus on the areas of concern.

(Paragraph 3.4.2)

Chapter IV Corporate Social Responsibility

Audit reviewed the Corporate Social Responsibility (CSR) activities carried out by 14 Companies which satisfied at least one of the criteria specified in subsection (1) of Section 135 of the Companies Act 2013. It was seen that 13 companies had constituted CSR committees and that all the 14 companies had framed CSR policy as approved by their respective Boards. Nine companies did not have an annual CSR Plan for their reporting years. Regarding utilisation, four companies spent the exact prescribed amount (₹5.90 crore) and three companies spent more than the prescribed amount (₹2.77 crore). Four companies had non/ short payment of CSR to the extent of ₹1.54 crore.

(Para 4.5.2.1)

Health and women empowerment activities (37 per cent and 36 per cent) respectively, were the main focus areas and secured maximum funding.

(Para 4.5.3.2)

Chapter V Compliance Audit Paragraphs

Tendering Process for Procurement of Goods in The Kerala Minerals and Metals Limited

The Board of Directors approved (2016) New Purchase Procedure (NPP) which contained deviations from the Stores Purchase Manual (SPM) of GoK. Audit noticed instances of circumvention of tendering process. The Bid evaluation process was defective on many counts which included modification to pre-qualification criteria, inconsistencies and deficiencies in tender terms and conditions, and non-compliance with the relevant provisions of SPM and NPP which resulted in award of contracts to ineligible bidders. The tender finalisation process too was marred with multiple instances of splitting of order quantity, absence of formal agreement with suppliers, etc., due to which the loss suffered on account of breach of contract by suppliers could not be recovered by the Company.

The review of tendering process by Audit revealed the following deficiencies:

- Procurement of 14 materials costing ₹19.59 crore was made without inviting tender, thereby defeating the principles of economy, efficiency, transparency, and fairness in procurement process.
- There was splitting of order quantity among bidders, which introduced bias, obscured transparency and fairness in procurement, and led to extra expenditure of ₹4.87 crore, on purchase of Calcined Petroleum Coke, Sodium Silicate and Petcoke.
- Despite the approval of revised cost of two pre-heaters from GoK in 2020 and a lapse of five years from the date of CoPU recommendation (June 2018), the Company did not procure Tickle pre-heaters till date (April 2024). This inordinate delay deprived the Company of savings in cost of 9,504 MT of LPG, leading to avoidable expenditure of ₹50.40 crore during 2013-23.
- As open e-Tender was not invited to ensure competition and fair price discovery, the Company did not ensure economy in procurement and incurred an extra expenditure of ₹21.47 crore in the purchase of chemicals, which were available for supply at lower price than what were paid for by the Company.
- The Company neither gathered market intelligence before procurement nor approached Petroleum and Natural Gas Regulatory Board for relief. As a result, the Company procured LNG at higher prices and incurred an extra expenditure of ₹1.70 crore on nominated purchase.

(Paragraph 5.1)

Non-banking Financing Activities of Kerala State Industrial Development Corporation Limited

The deficient credit appraisals before sanction of loans and deviation from loan policy and laid down government guidelines resulted in fixation of lower interest rate leading to consequent revenue loss of ₹5.95 crore as well as sanction of loans amounting to ₹47.65 crore to ineligible borrowers. Non-adherence to or relaxation of pre-disbursement conditions resulted in early/undue release of loan tranches. Recovery efforts by KSIDC were delayed due to non-adherence to directives, undue favours to loanee units, and absence of timely remedial action.

Absence of timely remedial action (inclusive of possible legal remedies) towards recovery of dues by the Company resulted in a loss of ₹28.64 crore from a borrower. In a separate case, the Company neither initiated any recovery measures nor invoked the personal guarantees of the promoters, but granted further time extension to a company, which had violated the High Court's directive to remit 20 *per cent* of the OTS amount within the specified deadline.

(Paragraph 5.2)

Avoidable expenditure due to delayed payment of GST

Belated payment of GST and delay in filing of GST returns by Travancore Cements Limited resulted in avoidable expenditure towards interest and late fee of ₹1.59 crore.

(Paragraph 5.3)

Avoidable extra expenditure on procurement of white clinker

Delay on the part of the Government in constituting the Board of Directors of Travancore Cements Limited resulted in procuring white clinker at higher rates at an extra expenditure of ₹0.45 crore.

(Paragraph 5.4)

Undue benefit earned by way of interest from Grants-in-aid of Central Government

Handicrafts Development Corporation of Kerala Limited violated the provisions of General Financial Rules, 2017 as it failed to remit to the Consolidated Fund of India, the interest of ₹1.16 crore earned from deposit of Central Government's Grants-in-aid.

(Paragraph 5.5)

Avoidable payment of GST

Failure to avail exemption under the relevant provisions of GST in the execution of contract with a private party by Kerala State Road Transport Corporation resulted in avoidable payment of GST of ₹1.55 crore.

(Paragraph 5.6)

Chapter I

Summary of Financial Performance of State Public Sector Enterprises

Chapter I

Summary of Financial Performance of Public Sector Enterprises

1.1 Introduction

1.1.1 Purpose of Report

This Chapter presents the summary of financial performance of Government companies, Statutory corporations and Government controlled other companies. In the Report, the term Public Sector Enterprises (PSEs) encompasses those companies in which the direct holding of the State Government is 51 *per cent* or more and subsidiaries of such Government companies. The Statutory corporations set up under statutes enacted by the Legislature and other companies owned or controlled, directly or indirectly by the State Government have also been categorised as PSEs.

1.1.2 Definition of Government Companies

A Government company is defined under Section 2(45) of the Companies Act, 2013 as a company in which not less than 51 *per cent* of the paid-up share capital is held by Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary of a Government company.

Government company

Any company in which not less than 51 per cent of paid-up share capital is held by Central Government or by one or more State Governments or partly by Central Government and partly by State Government(s) and includes subsidiary of a Government company.

Besides, any other company¹ owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments is referred to in this Report as Government controlled other company.

1.1.3 Mandate of Audit

Audit of Government companies and Government controlled other companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and

¹ Companies (Removal of Difficulties) Seventh Order, 2014 issued by Ministry of Corporate Affairs vide Gazette Notification dated 04 September 2014.

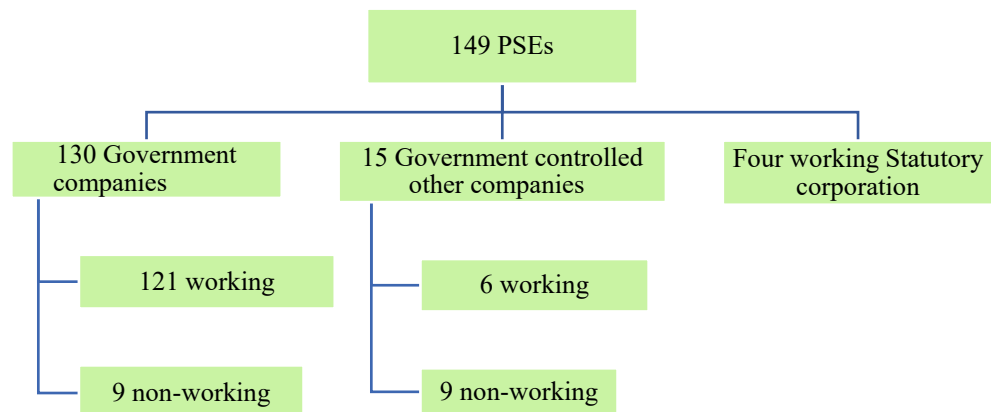
Conditions of Service) Act, 1971 and the Regulations made thereunder. Under the Companies Act, 2013, the CAG appoints Chartered Accountants as Statutory Auditors for companies and gives directions on the manner in which the accounts are to be audited. In addition, CAG has the right to conduct a supplementary audit. The statutes governing the Statutory corporation require that its accounts be either audited or the audit report of statutory auditors be supplemented by the CAG.

1.1.4 Number of PSEs

As on 31 March 2023, there were 149 PSEs in Kerala under the audit jurisdiction of the CAG, out of which 130 are Government companies, 15 Government controlled other companies and four Statutory corporations. Out of 130 Government companies and 15 Government controlled other companies, 127 are working and the remaining 18 are non-working. All the four Statutory corporations are working. No PSEs were listed in Stock Exchanges. However, this report does not cover departmentally managed commercial undertakings.

The PSEs under audit jurisdiction is shown in **Chart 1.1** below.

Chart 1.1: PSEs under audit jurisdiction



During 2022-23, two more PSEs² came under the purview of CAG's audit. This Chapter contains analysis of working results of 131 working PSEs (127 working companies and four Statutory corporations) as indicated in **Table 1.1**. The details of the administrative departments as well as the number of PSEs under respective departments are mentioned in **Appendix 1**.

The nature and coverage of the PSEs is indicated in **Table 1.1**.

² KSRTC-SWIFT Limited and KIIFCON Private Limited.

Table 1.1: Nature and coverage of PSEs

Nature of PSE	Total Number of PSEs	Number of PSEs covered						Number of PSEs not covered
		Accounts finalised upto					Total	
		2019-20	2020-21	2021-22	2022-23	First accounts not finalised		
Government companies	130	35	29	40	14	3	121	9 ³
Statutory corporations	4	1	0	2	1	0	4	0
Government controlled other companies	15	0	0	5	1	0	6	9 ⁴
Total	149	36	29	47	16	3	131	18

(Source: Compiled based on the accounts received from PSEs.)

From Table 1.1, it can be seen that out of 131 working PSEs, three Government companies are yet to finalise their first accounts. The arrears in submission of accounts of these three PSEs⁵ was two years. Non-finalisation and non-submission of accounts on time is a sign of absence of internal control and exposes the companies to the risk of financial fraud. This has been discussed in detail in **Para 2.3.2.1** in “**Arrears in submission of accounts.**”

Of these, summary of financial performance of 131 PSEs is covered in this Report excluding 18 non-working PSEs which were defunct/ under various stages of liquidation. The status of these 18 non-working PSEs is tabulated below:

Table 1.2: Status of PSEs under liquidation

Particulars	Number of PSEs	Period of liquidation/ closure/defunct
Under liquidation by court	5	August 1990- July 2006
Liquidation not yet started though Government issued closure letter	4	March 1996- January 2017
Defunct Companies and Government is yet to issue closure letter	9	1986-87 to 2018-19

It could be seen from the above table that the winding up process of non-working companies is pending since 1986-87.

³ Nine non-working Government companies.

⁴ Nine non-working Government controlled other companies.

⁵ Sports Kerala Foundation, KEL Electrical Machines Limited and KSRTC-SWIFT Limited.

The financial position and working results of 131 working PSEs as per their finalised accounts as on 30 September 2023⁶ are detailed in **Appendix 2**. The Summary of financial performance of PSEs covered in this report is indicated in **Table 1.3**:

Table 1.3: Summary of financial performance of PSEs

Particulars	Number	Amount (₹ in crore)
Number of Government companies, Government controlled other companies and Statutory corporations	149	
PSEs selected for this Report	131 ⁷	
Paid up capital of PSEs	131	10,889.88
Long term loans of PSEs	73	53,717.35
Net profit of PSEs	58	1,368.72
Net loss of PSEs	66	1,873.89
PSEs with zero profit/ loss	4	
PSEs which declared/ paid dividend	7	35.83
Total assets of PSEs	131	1,36,947.41
Value of production of PSEs	106	38,781.41

(Source: Latest finalised accounts of PSEs)

1.1.5 Contribution of the PSEs to the GSDP of the State

A ratio of turnover of the Government companies, Government controlled other companies and Statutory corporations to the GSDP⁸ shows the extent of their activities in the State economy. The details of turnover and the GSDP for a period of three years ended 31 March 2023 are given in **Table 1.4**.

Table 1.4: Turnover of Government companies, Government controlled other companies and Statutory corporations vis-a-vis GSDP of Kerala

Particulars	(₹ in crore)		
	2020-21	2021-22	2022-23
Turnover	34,769.57	35,767.90	38,781.41
GSDP	7,71,724	9,34,542	10,46,188
Percentage of Turnover to GSDP	4.51	3.83	3.71

(Source: Latest finalised accounts PSEs and GSDP figures as per State Finance Audit Report)

It may be seen from the table above, that though the turnover of the PSEs grew from ₹34,769.57 crore in 2020-21 to ₹38,781.41 crore in 2022-23, the growth was not in pace with the increase in GSDP which increased from ₹7,71,724 crore to ₹10,46,188 crore in the corresponding period. Consequently, the percentage of turnover to GSDP declined from 4.51 to 3.71 per cent.

The growth rate of GSDP showed an increase of 11.95 per cent during 2022-23 as compared to 2021-22, however, the aggregate turnover of Government companies, Government controlled other companies and Statutory corporations

⁶ The figures from the latest available accounts have been considered in this Report for the purpose of arriving at working results. For instance, latest accounts finalised between October 2022 to September 2023 were considered for the period 2022-23.

⁷ 18 non-working PSEs are excluded.

⁸ Gross State Domestic Product.

increased by 8.43 *per cent* during the same period. As increase in GSDP was higher when compared to the corresponding increase in share of turnover of PSEs, the percentage of turnover to GSDP declined from 3.83 *per cent* in 2021-22 to 3.71 *per cent* in 2022-23.

1.2 Investment in Government companies and Statutory corporations

The amount of equity and loans in 131 Government companies, Government controlled other companies and Statutory corporations for the two years ending as on 31 March 2023 is given in **Table 1.5**.

Table 1.5: Equity and loans in Government companies, Government controlled other companies and Statutory corporations

(₹ in crore)

Source of investment	As on 31/03/2022			As on 31/03/2023		
	Equity	Long term loan	Total	Equity	Long term loan	Total
State Government	9,817.46	10,621.58	20,439.04	10,015.46	12,302.63	22,318.09
Central Government	158.09	1.11	159.20	163.07	1.31	164.38
State Government companies/Holding companies/ Financial Institutions and others	971.92	33,803.65	34,775.57	987.46	32,404.54	33,392.00
Total investment	10,947.47	44,426.34	55,373.81	11,165.99	44,708.48	55,874.47
Percentage of investment of State Government to total investment	89.68	23.91	36.91	89.70	27.52	39.94

(Source: Details received from PSEs)

1.2 (a) Equity holding

During 2022-23, the total equity holding in the working PSEs covered in this Report, comprised ₹10,015.46 crore invested by State Government, ₹163.07 crore by Central Government and ₹987.46 crore by State Government companies/Holding companies and financial institutions. There was equity infusion of ₹492.64 crore in 27 PSEs, out of which ₹308.28 crore was through budgetary provisions of State Government.

1.2 (b) Loans given to PSEs

During 2022-23, 56 PSEs had State Government loans outstanding of ₹12,302.63 crore as against ₹10,621.58 crore in 53 PSEs during 2021-22. The State Government had given fresh loans of ₹1,696.58 crore to 25 PSEs during the above period. No loan amount advanced by the State Government to the PSEs was converted into equity in 2022-23 except ₹15.31 crore advanced to Handicrafts Development Corporation of Kerala Limited.

The details of investment made in 131 working and 18 non-working PSEs, in the form of equity and long term loans up to 31 March 2023 are detailed in **Appendix 3**.

The details of budgetary support to PSEs by State Government towards equity, loans and grants/subsidies for the period from 2020-21 to 2022-23 are shown in **Table 1.6**.

Table 1.6: Details regarding budgetary support to PSEs by State Government

(₹ in crore)

Sl. No.	Particulars	2020-21		2021-22		2022-23	
		No. of PSEs	Amount	No. of PSEs	Amount	No. of PSEs	Amount
1	Equity Capital	20	215.52	16	119.54	17	308.28
2	Loans given	32	2,362.18	30	2,202.65	21	1,553.24
3	Grants/subsidy provided	37	13,514.25	32	7,471.87	32	11,422.72
	Total		16,091.95		9,794.06		13,284.24
4	Waiver of loans and interest	0	0	0	0	0	0
5	Guarantees issued	18	22,244.31	17	5,270.36	19	32,604.93
6	Guarantee commitment	20	19,099.32	18	5,009.78	18	29,654.51

(Source: Compiled based on information received from PSEs)

1.2.1 Reconciliation with Finance Accounts of Government of Kerala

The balances in respect of equity, loans and guarantees as per the records of State PSEs should agree with that of the figures appearing in the Finance Accounts of the Government of Kerala. In case the figures do not agree, the PSEs concerned, and the Finance Department should carry out reconciliation of the differences. In this regard, the position of 105 PSEs as on 31 March 2023 is shown in **Table 1.7**:

Table 1.7: Equity, loans and guarantees as per Finance Accounts of GoK vis-a-vis records of State PSEs

(₹ in crore)

Sl. No.	Particulars	Amount as per Finance Accounts	Amount as per records of PSEs	PSE accounts exceed the figures in Finance Accounts	PSE accounts fall short of the figures in Finance Accounts
1	Equity	7,153.56	9,879.22	4,503.66	1,778.00
2	Loans	16,208.17	12,225.20	36.37	4,019.34
3	Guarantees	24,847.41	32,683.02	10,983.95	3,148.34

(Source: Compiled based on information received from PSEs and Finance Accounts)

The differences between figures as per Finance Accounts and figures as per records of PSEs in 105 out of 131 State PSEs is shown in **Appendix 4**. Such differences are persisting for many years. The details of difference (PSE wise) were brought to the notice (July 2023) of Chief Secretary as well as Additional Chief Secretary, Finance Department, Government of Kerala. The Government should take steps for time bound reconciliation to avoid inaccurate financial reporting which will undermine the financial accountability and transparency of both the Government Accounts and the records of PSEs in terms of equity, loans and guarantees.

1.2.2 Adequacy of assets to meet loan liabilities

Ratio of total debt to total assets is one of the methods used to determine whether a company can stay solvent. To be considered solvent, the value of an entity's assets must be greater than the sum of its loans/debts *i.e.*, ideally, the Debt Asset ratio should be less than one. The coverage of long term loans by value of total assets in 73 PSEs which had outstanding loans as on 31 March 2023 is given in **Table 1.8**.

Table 1.8: Coverage of long term loans with total assets

Particulars	PSEs having Debt Asset ratio < 1				PSEs having Debt Asset ratio > 1			
	No. of PSEs	Long term loans	Assets	Ratio of debts to assets	No. of PSEs	Long term loans	Assets	Ratio of debts to assets
		(₹ in crore)				(₹ in crore)		
Government companies ⁹	61	41,299.01	1,13,433.93	0.36	8	219.26	79.56	2.75
Statutory corporations	3	8,107.71	13,502.45	0.60	1	4,091.37	1,420.42	2.88
Total	64	49,406.72	1,26,936.38		9	4,310.63	1,499.98	

(Source: Details received from PSEs and latest finalised account of PSEs)

It may be seen from the above table that Debt Asset ratio in respect of 64 PSEs (including three Statutory corporations) was less than one indicating that these PSEs are solvent. However, in respect of nine PSEs, the Debt Asset ratio was more than one which indicated that they may have difficulty to meet financial obligations as the value of total assets of these PSEs was less than the loans outstanding as shown in *Appendix 5*.

1.2.3 Interest Coverage

Interest coverage ratio (ICR) is used to determine the ability of a company to pay interest on debt outstanding and is calculated by dividing a company's Earnings Before Interest and Taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An ICR below one indicates that the company is not generating sufficient revenue to meet its expenses on interest. The details of positive and negative interest coverage ratio of 67 PSEs, which had interest expenses for long term/ short term loans/ cash credit/ overdraft *etc.*, for the period 2022-23 are given in **Table 1.9**.

⁹ Including five Government controlled other companies.

Table 1.9: Interest Coverage Ratio

Particulars	PSEs having Interest Coverage Ratio <1			PSEs having Interest Coverage Ratio ≥1		
	No of PSEs	Interest	Earnings before interest and tax	No of PSEs	Interest	Earnings before interest and tax
Government companies ¹⁰	34	356.19	(-307.57)	30	3,349.96	4,836.30
Statutory corporations	1	495.73	(-511.45)	2	372.38	460.49
Total	35	851.92	(-819.02)	32	3,722.34	5,296.79

(Source: As per the latest finalised accounts of PSEs)

It was observed that 32 PSEs (including two Statutory corporations) having interest liability had ICR equal to or more than one indicating that sufficient revenues were available to meet the interest liability. Similarly, 35 PSEs (including one Statutory corporation) had ICR less than one indicating that these PSEs could not generate adequate income to pay off their interest liability.

1.2.4 Age-wise analysis of interest outstanding on State Government loans

As on 31 March 2023, interest amounting to ₹1,375.59 crore from 36 PSEs¹¹ was outstanding on long term loans provided by State Government. Out of this, interest amounting to ₹133.00 crore was outstanding for less than one year, ₹309.01 crore was outstanding between one to three years and ₹933.58 crore was outstanding for more than three years as shown in *Appendix 6*.

1.2.5 Investment in Government controlled other companies

The capital invested by the State Government and by companies controlled by them in six working Government controlled other companies was ₹60.41 crore as depicted in **Table 1.10/ Chart 1.2**.

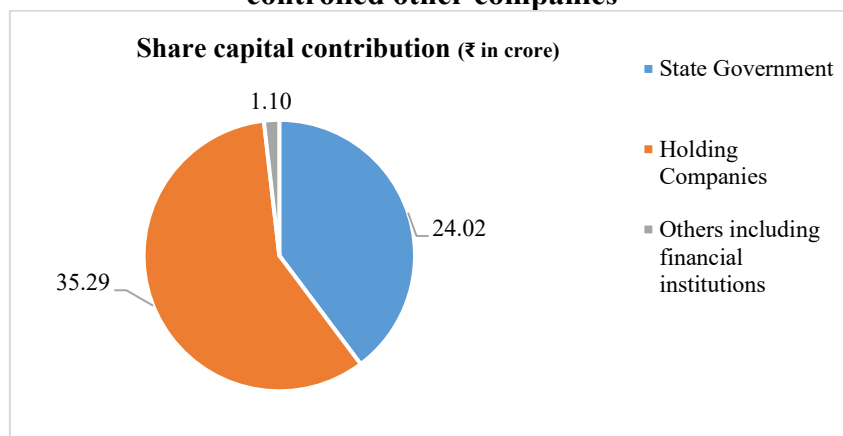
Table 1.10: Composition of share capital in Government controlled other companies

Number of Government controlled other companies	Share capital contribution (₹ in crore)				Total
	State Government	Central Government	Holding Companies	Others including financial institutions	
6	24.02	0	35.29	1.10	60.41

(Source: Details received from PSEs)

¹⁰ Including three Government controlled other companies.

¹¹ Data compiled from the details provided by the PSEs.

Chart 1.2: Share capital contribution in Government controlled other companies

1.3 Return from Government companies, Government controlled other companies and Statutory corporations

1.3.1 Profit earned by working Government companies, Government controlled other companies and Statutory corporations

Out of 131 working PSEs, 16 PSEs submitted their accounts for the year 2022-23. Out of the 16 only 10 PSEs¹² reported aggregate profit of ₹276.73 crore. As per the latest finalised accounts submitted till 30 September 2023, 58 PSEs (including the aforementioned 10 PSEs) earned profit of ₹1,368.72 crore. Whereas for the period ended 30 September 2022, there were 55 PSEs which earned a profit of ₹654.99 crore. Three PSEs¹³ which incurred loss in their respective previous years earned profit as per their latest finalised accounts made available in 2022-23. Likewise, six PSEs which earned profit in their respective previous years suffered loss as per their latest finalised accounts submitted till September 2023 (*Appendix 7*).

The Return on Equity (ROE) of these 58 PSEs mentioned above (including the three Statutory corporations) was 32.37 per cent as compared to 10.32 per cent in 55 PSEs during 2021-22. The increase in the ROE was due to increase in the profit of PSEs from ₹654.99 crore to ₹1,368.72 crore.

ROE in all the 128 PSEs (*i.e.*, excluding three working PSEs which have not submitted their first accounts) *i.e.*, including 58 profit earning, 66 loss making, and four zero profit/loss companies was negative as the overall net income and shareholders' fund of these PSEs was negative during 2022-23.

¹² Malabar Distilleries Limited, Norka Roots, KIIFCON Private limited, KINESCO Power and Utilities Private Limited, Kerala Financial Corporation, Kerala State Industrial Development Corporation Limited, The Travancore-Cochin Chemicals Limited, Steel and Industrial Forgings Limited, Kerala Lifescience Industries Parks Private Limited and The Kerala Minerals and Metals Limited.

¹³ Kerala Forest Development Corporation Limited, Oil Palm India Limited and Kerala State Electricity Board Limited.

The list of PSEs which earned profit of more than ₹100 crore is given in **Table 1.11**.

Table 1.11: Top two PSEs which contributed maximum profit

Sector	Name of PSE	Period of Accounts	Net profit after Interest and Tax (₹ in crore)	Percentage of profit to total PSE profit
Power	Kerala State Electricity Board Limited	2021-22	736.27	53.79
Finance	The Kerala State Financial Enterprises Limited	2021-22	105.49	7.71
Total			841.76	61.50

(Source: As per the latest finalised accounts of PSEs)

Net profit of ₹841.76 crore constituting 61.50 per cent of total profit (₹1,368.72 crore) of PSEs was contributed by these two PSEs.

1.3.2 Loss incurred by PSEs

Out of the 16 PSEs which submitted the accounts for 2022-23, six PSEs¹⁴ incurred loss of ₹38.67 crore. As per the latest finalised accounts submitted till 30 September 2023, 66 PSEs (including one Statutory corporation) incurred loss of ₹1,873.89 crore when compared to ₹4,065.38 crore loss incurred by 63 PSEs which submitted the accounts till 30 September 2022.

The loss incurred by these PSEs decreased to ₹1,873.89 crore from ₹4,065.38 crore as given in **Table 1.12**.

Table 1.12: Number of PSEs that incurred loss

(₹ in crore)

Year ¹⁵	No. of PSEs incurred loss	Net Loss for the year	Accumulated loss	Net worth
2020-21	68	4,496.12	16,651.62	(-) 9,058.15
2021-22	63	4,065.38	8,047.00	(-)10,412.90
2022-23	66	1,873.89	10,834.15	(-)6,378.68

(Source: As per latest finalised accounts of PSEs)

Out of total loss of ₹1,873.89 crore incurred by 66 PSEs, loss of ₹1,327.06 crore was incurred by two PSEs (including one Statutory corporation). **Table 1.13** shows those PSEs which incurred a loss of more than ₹100 crore during the year 2022-23.

¹⁴ The Kerala Ceramics Limited, The State Farming Corporation of Kerala Limited, Handicrafts Development Corporation of Kerala Limited, Kochi Water Metro Limited, KCCP Limited and Vazhakulam Agro and Fruit Processing Company Limited.

¹⁵ The figures from the last available accounts have been considered in this Report for the purpose of arriving at working results.

Table 1.13: PSEs that incurred loss of more than ₹100 crore

Sl. No.	Name of Company/Corporation	Period of Accounts	Net Loss after tax and interest (₹ in crore)
1	Kerala State Road Transport Corporation	2015-16	1,007.18
2	The Kerala State Civil Supplies Corporation Limited	2017-18	106.81

(Source: As per latest finalised accounts of respective PSEs)

1.3.3 Erosion of capital in PSEs

As per their latest finalised accounts submitted till 30 September 2023, out of the 131 working PSEs, 77 had accumulated losses aggregating to ₹18,026.49 crore.

Net worth of 44 out of these 77 PSEs had been completely eroded by accumulated losses and their net worth was negative. The net worth of these 44 PSEs was (-)₹11,227.04 crore against equity investment of ₹5,954.33 crore. Out of 44 PSEs, whose capital had been eroded, 40 PSEs reported loss of ₹1,684.48 crore and three PSEs reported a profit of ₹736.97 crore and one PSE (Vizhinjam International Sea Port Limited) reported no profit/ loss as per their latest accounts.

The consolidated net worth of the 131 working PSEs was negative at ₹2,098.34 crore against their paid up capital of ₹10,889.88 crore.

A review of financial statements received during 2017-18 to 2022-23 from 44 PSEs with negative net worth revealed that 19 PSEs had negative net worth for periods ranging from one to 13 years. Two recently formed PSEs reported negative net worth right from the commencement of their operations. The remaining 23 PSEs had continuous negative net worth throughout the review period. The detailed list of PSEs having negative net worth as per their latest finalised accounts is shown in **Appendix 8**. Net worth was less than half of their paid-up capital in respect of aforesaid 44 out of 77 PSEs with accumulated loss, indicating their potential financial sickness.

1.3.4 Dividend payout by PSEs

The details of profit earned, and dividend declared by Government companies and Statutory corporation are given in the **Table 1.14**:

Table 1.14: Profit earned and dividend declared

(₹ in crore)

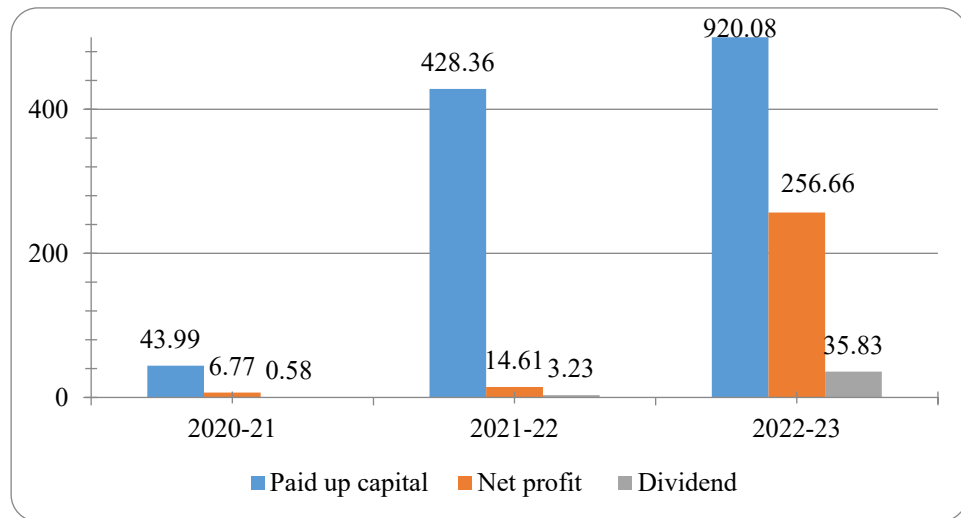
Particulars	No. of PSEs	Paid up capital	Net profit	Dividend declared
Government company ¹⁶	6	293.58	206.47	14.50
Statutory corporation ¹⁷	1	626.50	50.19	21.33
Total	7	920.08	256.66	35.83

(Source: As per latest finalised accounts of PSEs)

Out of 131 working PSEs, seven PSEs (including one Statutory corporation) declared a dividend of ₹35.83 crore as per their latest finalised accounts as against ₹3.23 crore by three PSEs in 2021-22. The dividend declared as a percentage of net profit of these PSEs decreased from 22.11 *per cent* in 2021-22 to 13.96 *per cent* in 2022-23. **Chart 1.3** depicts the dividend declared *vis-a-vis* net profit earned and paid up capital of PSEs which declared dividend during the last three years.

Chart 1.3 : Details of dividend declared, net profit earned and paid up capital

(₹ in crore)



The return in the form of dividend on aggregate investment of ₹6,322.26 crore made by the State Government in equity capital of 58 profit earning PSEs was 0.57 *per cent* in 2022-23 as compared to 0.06 *per cent* in 2021-22.

The State Government had formulated (December 1998) a dividend policy where in all PSEs which make profit were directed that a minimum dividend of 20 *per cent* on the paid up share capital is declared every year without fail. In case sufficient allocable surplus is not available to declare dividend at the above

¹⁶ The Pharmaceutical Corporation (Indian Medicines) Kerala Limited (2021-22), Oil Palm India Limited (2021-22), Kerala Tourism Infrastructure Limited (2020-21), The Kerala State Women's Development Corporation (2021-22), The Kerala State Backward Classes Development Corporation Limited (2021-22) and The Kerala Minerals and Metals Limited (2022-23).

¹⁷ Kerala Financial Corporation (2022-23).

rate, a dividend at lower rate utilising at least 30 *per cent* of such allocable surplus should be declared. However, 55 PSEs (including two Statutory corporations-Kerala State Warehousing Corporation and Kerala Industrial Infrastructure Development Corporation) which earned profit did not declare dividend or declared lesser than the amount prescribed by the Government as given in *Appendix 9*. The total shortfall on this account was ₹873.18 crore.

1.4 Operating efficiency of PSEs

1.4.1 Value of production

The summary indicating value of production, total assets and sum of capital employed¹⁸ in respect of working PSEs over a period of three years is given in the **Table 1.15**.

Table 1.15: Value of Production, Assets and Capital Employed of working PSEs
(₹ in crore)

Year	Number of PSEs	Value of Production	Total Assets	Sum of Capital Employed
2020-21	126	34,769.57	97,571.96	26,411.34
2021-22	131	35,767.90	1,14,454.86	29,336.30
2022-23	131	38,781.41	1,36,947.41	51,619.01

(Source: As per latest finalised accounts of PSEs)

During the year 2022-23, the value of production had increased to ₹38,781.41 crore from ₹34,769.57 crore during 2020-21. Similarly, the total assets and capital employed showed an increasing trend in all the three years.

1.4.2 Return on Capital Employed

Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's Earnings before Interest and Taxes (EBIT) by the capital employed. The PSE-wise details of ROCE are given in *Appendix 10*. The consolidated ROCE of PSEs during the period 2020-21 to 2022-23 is given in **Table 1.16**.

Table 1.16: Return on Capital Employed

(₹ in crore)

Year	Number of PSEs	EBIT	Capital employed	ROCE (in percentage)
2020-21	126	(-)862.32	26,411.34	(-)3.26
2021-22	131 ¹⁹	(-)14.98	29,336.30	(-)0.05
2022-23	131 ²⁰	4,487.81	51,619.01	8.70

(Source: As per latest finalised accounts of PSEs)

The EBIT and ROCE of 126 PSEs and 131 PSEs were negative in 2020-21 and 2021-22, respectively. However, the same turned positive in 2022-23 as compared to earlier years.

¹⁸ Capital employed = Paid up capital + Free reserves and surplus + Long Term loans - Accumulated losses - Deferred Revenue Expenditure.

¹⁹ Excluding nine PSEs which had not finalised their first accounts.

²⁰ Excluding three PSEs which had not finalised their first accounts.

1.4.3 Return on Equity of PSEs

Return on Equity²¹ (ROE) is a measure of financial performance of companies calculated by dividing net income by shareholders' equity²². It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

The consolidated ROE of PSEs for the period from 2020-21 to 2022-23 is given in **Table 1.17**.

Table 1.17: Return on Equity

Year	Number of PSEs	Net Profit after tax and preference dividend	Shareholder's Equity	(₹ in crore)
				ROE (in percentage)
2020-21	126	(-)4,035.68	(-)3,290.51	-
2021-22	131 ²³	(-)3,410.39	(-)3,968.29	-
2022-23	131 ²⁴	(-)505.17	(-)2,098.34	-

(Source: As per latest finalised accounts of PSEs)

It can be observed from the table above that for the three years ended 2022-23, both the net profit after tax and the shareholders' equity were negative. Hence, the consolidated ROE could not be worked out for these periods. Negative shareholders' equity indicates that the liabilities of these PSEs have exceeded their assets.

The PSE-wise details of Return on Equity are given in **Appendix 11**.

Sector-wise ROE of PSEs for the three years ended 2022-23 is depicted in **Table 1.18**.

Table 1.18: Sector-wise ROE of PSEs

Sl. No.	Sector	No. of PSEs	ROE in percentage		
			2020-21	2021-22	2022-23
1	Agriculture and Allied	17	(-)8.70	(-)5.00	(-)15.31
2	Finance	12	(-)7.19	(-)6.82	6.51
3	Infrastructure	20	2.30	1.10	7.22
4	Manufacturing	43	*	*	*
5	Power	02	*	*	*
6	Service	37	*	*	*

(Source: As per latest finalised accounts of PSEs)

*The net income and shareholder's equity were negative and hence, ROE was not worked out.

Sector-wise analysis indicated that the PSEs in Infrastructure sector reported positive ROE in all the three years. PSEs in Finance sector reported positive ROE in 2022-23, but reported negative ROE in previous years.

1.4.4 Rate of Real Return on Government Investment

Rate of Real Return on Government Investment (RORR) measures the profitability and efficiency with which equity and similar non-interest bearing

²¹ Return on Equity= (Net profit after tax and preference Dividend/Equity)*100 where Equity = Paid up capital + Free Reserves – Accumulated Loss – Deferred Revenue Expenditure.

²² Paid up capital+free reserves+accumulated profit/(loss).

²³ Excluding nine PSEs which had not finalised their first accounts.

²⁴ Excluding three PSEs which had not finalised their first accounts.

capital have been employed, after adjusting them for their time value, and assumes significance when compared with the conventional Rate of Return (ROR), which is calculated by dividing the Profit After Tax (PAT) by the sum of all such investments counted on historical cost basis.

Out of 131 working PSEs, the State Government had direct investment in 121 PSEs during 2022-23. Audit examined the RORR in these PSEs having State Government investment as detailed in **Table 1.19**.

Table 1.19 : Year-wise details of investment by State Government and Rate of Real Return from 2017-18 to 2022-23

(₹ in crore)

Year	Present value of total investment of State Government at the beginning of the year	Equity infused by the State Government during the year	Interest free loan given by the State Government during the year	Total investment during the year	Average interest rate of Government borrowings	Total investment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings after tax	RORR in present value (in percentage)	RORR in historical value (in percentage)
i	ii	iii	iv	v=iii+iv	vi	vii=ii+v	viii=vii*(1+vi)/100	ix=vii*vi/100	x	xi=(x)/(viii)*100	xii=(x)/(vii)*100
2017-18	8,153.60	243.65	261.10	504.75	7.48	8,658.35	9,305.99	696.09	(-)1,799.80	(-)19.34	(-)20.79
2018-19	9,305.99	842.62	70.78	913.40	7.34	10,219.39	10,969.50	805.16	(-)3,081.21	(-)28.09	(-)30.15
2019-20	10,969.50	(-)133.98	55.12	-78.86	7.58	10,890.64	11,716.15	888.08	(-)2,138.92	(-)18.26	(-)19.64
2020-21	11,716.15	325.06	48.99	374.05	7.31	12,090.20	12,973.99	948.40	(-)4,044.06	(-)31.17	(-)33.45
2021-22	12,973.99	386.52	10.43	396.95	7.00	13,370.94	14,306.91	1,001.48	(-)3,411.69	(-)23.85	(-)25.52
2022-23	14,306.91	198.00	24.50	222.50	6.78	14,529.41	15,514.50	1,051.88	(-)505.17	(-)3.26	(-)3.48
Total	67,426.14	1,861.87	470.92	2,332.79		69,758.93	74,787.04	5,391.09			

(Source: As per details received from PSEs and latest finalised accounts of PSEs)

During 2017-18 to 2022-23, the total earning after tax was negative in all the years and thus, the RORR was also negative. The total earnings after tax by all the PSEs was below the minimum expected return to recover the cost of funds infused in these PSEs. As per their latest finalised accounts, the PSEs reported a total loss of ₹505.17 crore against the minimum expected return of ₹1,051.88 crore. Out of the total loss, bulk of the loss has been incurred by Kerala State Road Transport Corporation (₹1,007.18 crore).

The RORR of Government investment at present value as well as historical cost was negative during 2022-23 and ranged between (-)3.26 per cent and (-) 31.17 per cent and (-)3.48 per cent to (-)33.45 per cent respectively during 2017-18 to 2022-23.

1.4.5 Sales and Marketing

As on 30 September 2023, only 78 out of 131 working PSEs had furnished the details of total sales for the period from 2020-21 to 2022-23. It was observed that the sales value increased from ₹33,718.42 crore in 2020-21 to ₹44,525.11

crore during 2022-23. During 2022-23, 44 PSEs sold goods/rendered services worth ₹4,453.36 crore to Government sector representing 3.55 per cent of the total sales. The details of total sales, sales to Government sector/PSEs and exports are given in **Table 1.20**.

Table 1.20 : Sales details of PSEs

(₹ in crore)

Year	Total sales		Sales to Government/ PSEs			Export Sales
	Number of PSEs	Sales value	Number of PSEs	Sales value	Percentage of sales to Government/ PSEs	
2020-21	78	33,718.42	42	1,581.57	4.69	87.23
2021-22	76	37,933.67	42	3,631.05	9.57	113.66
2022-23	78	44,525.11	44	4,453.36	10.00	118.30

(Source: Details received from PSEs)

The total sales of ₹44,525.11 crore made by 78 PSEs includes export sales of ₹118.30 crore in 2022-23 made by 14 PSEs.

1.5 Disinvestment

No disinvestment of PSEs has taken place during 2022-23.

1.6 Reply of Government

The Government replied (July 2024) that issues pointed out in the Report are under due consideration of the Government and necessary instructions/directions would be issued to Departments and PSEs to expedite action to settle the issues and adhere to the provision of necessary Act and Statutes in a timely manner.

1.7 Conclusion

Analysis revealed that 77 out of 131 working PSEs had an aggregate accumulated loss of ₹18,026.49 crore and of these 77 PSEs, the net worth of 44 PSEs had been completely eroded by accumulated loss and their net worth was negative. The net worth of these 44 PSEs was (-)₹11,227.04 crore against equity investment of ₹5,954.33 crore. Return on Equity in all the 128 PSEs (including 58 profit earning, 66 loss making and four zero profit/loss companies and excluding three working PSEs which have not submitted their first accounts) was negative as the overall net income of these PSEs was negative during 2022-23. In 105 out of 131 State PSEs, differences between figures as per Finance Accounts and figures as per records of PSEs occurred. Such differences are persisting for many years.

1.8 Recommendations:

- 1. There are 149 SPSEs in Kerala, out of which eighteen are non-working. These companies are either defunct or at various stages of liquidation since 1986-87. Given the prolonged delay, the Government may speed up the process of winding up the defunct SPSEs, to avoid further strain on public finances.*
- 2. The Government needs to evaluate the business models of loss making SPSEs to address the underlying cause of their financial losses. If the business model is not sustainable, Government may review and consider shutting down/divesting its stake in such companies, especially in those whose net worth has been completely eroded.*
- 3. The differences in equity, loans and guarantees between the PSEs and the Government of Kerala, which are lying unattended for a long time should be reconciled in a time-bound manner.*

Chapter II

Oversight role of CAG

Chapter II

Oversight Role of CAG

2.1 Audit of Public Sector Enterprises

CAG appoints the Statutory auditors of a Government company and Government controlled other company under Section 139(5) and 139(7) of the Companies Act, 2013. CAG has the right to conduct supplementary audit and issue comments upon or supplement the report of the Statutory auditor. Statutes governing Statutory corporations require that their accounts be either audited or audit report of Statutory auditors be supplemented by the CAG and a report submitted to the State Legislature.

2.2 Appointment of Statutory auditors of Public Sector Enterprises by CAG

Section 139(5) of the Companies Act, 2013 provides that the Statutory auditors in case of a Government company or Government controlled other company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Further, Section 139(7) of the Companies Act, 2013, states that the first auditor for a Government company or any other company owned or controlled by the Central Government or a State Government must be appointed by the CAG of India within 60 days of the company's registration.

The Statutory auditors of such PSEs for the year 2022-23 were appointed by CAG from September 2022 onwards.

2.3 Submission of accounts by Public Sector Enterprises

2.3.1 Need for timely submission

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government company is to be prepared within three months of its Annual General Meeting (AGM). As soon as may be after such preparation, the Annual Report must be laid before the State Legislature, together with a copy of the Audit Report and comments of the CAG upon or as supplement to the Audit Report. Almost similar provisions exist in the respective Acts regulating the Statutory corporations. This mechanism provides the necessary legislative control over the utilization of public funds invested in the companies / Statutory corporations from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited financial statements for the financial year have to be placed in the said AGM for their consideration.

Section 129(7) of the Companies Act, 2013 also provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

Despite the above provision, annual accounts of various PSEs were pending as on 30 September 2023 as detailed in the following para.

2.3.2 Timeliness in preparation of accounts by PSEs

As of 31 March 2023, there were 131 working PSEs comprising 121 Government companies, six Government controlled other companies and four Statutory corporations under the purview of CAG's audit. The accounts for the year 2022-23 became due from these PSEs on 30 September 2023 as detailed in **Table 2.1**. A total of 16 PSEs (including one Statutory corporation as discussed below) submitted their accounts for the financial year 2022-23 for audit within the stipulated period. 103 working PSEs submitted their 179 arrear accounts (2011-12 to 2021-22) for audit by CAG during October 2022 to September 2023.

Out of four Statutory corporations, the CAG is the sole auditor in two Statutory corporations (Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation) and CAG conducts supplementary audit in two Statutory corporations (Kerala Financial Corporation and Kerala State Warehousing Corporation). Of these four Statutory corporations, Kerala Financial Corporation submitted the accounts for the year 2022-23 for audit within the stipulated time. Kerala State Road Transport Corporation (KSRTC) has a pendency of seven years (2016-17 to 2022-23), Kerala Industrial Infrastructure Development Corporation and Kerala State Warehousing Corporation have a pendency of one year (2022-23) as on 30 September 2023.

2.3.2.1 Arrears in submission of accounts

As per Section 129(2) of the Companies Act, 2013, at every Annual General Meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year. Contravention of the provisions of this section attracts fine (not less than ₹50,000 which may extend to ₹5,00,000) and/or imprisonment for a term which may extend to one year for managing directors, the whole-time director in charge of finance and the chief financial officer.

Despite the above provision, numerous cases of non-preparation and non-submission of financial statements were noticed for PSEs in Kerala. Details of arrears in submission of accounts of PSEs for the year 2022-23 are given in **Table 2.1**:

Table 2.1: Details showing the arrears in submission of accounts as on 30 September 2023

Particulars		Government companies	Government controlled other companies	Statutory corporations	Total
Total number of PSEs under the purview of CAG's audit as on 31.03.2023		130	15	4	149
Working PSEs- Unlisted (including four Statutory corporations)		121	6	4	131
Listed Companies		0	0	0	0
Number of PSEs which presented the accounts for 2022-23 for CAG's audit		14	1	1	16
Number of PSEs from which accounts for and prior to 2022-23 were due		107 (256)	5 (5)	3 (9)	115 (270)
Age wise analysis of arrears of working PSEs	One year (2022-23)	40 (40)	5 (5)	2 (2)	47 (47)
	Two years (2021-22 and 2022-23)	32 (64)	0 (0)	0 (0)	32 (64)
	Three years to five years (2018-19 to 2022-23)	29 (108)	0 (0)	0 (0)	29 (108)
	Six years and above (beyond 2017-18)	6 (44)	0 (0)	1 (7)	7 (51)

(Source: As per latest finalised accounts of PSEs)
 Figures in brackets represent number of accounts

It could be seen from the above table that:

- Out of the total of 131 working PSEs, only 16 PSEs submitted their accounts for the year 2022-23 to the CAG for audit, thus representing merely 12.21 *per cent* of the total number of PSEs under its audit jurisdiction.
- A total of 270 accounts (for FY 2022-23 and prior periods) were due from 115 PSEs in the year 2022-23.
- Age-wise analysis revealed that for six years and above (*i.e.* beyond 2017-18), 51 accounts were pending from seven PSEs; for three to five years (*i.e.*, 2018-19 to 2022-23) 108 accounts were pending from 29 PSEs, for two years (*i.e.*, 2021-22 and 2022-23) 64 accounts were pending from 32 PSEs.

Though the matter regarding the arrear in finalisation of accounts of PSEs is being taken up regularly (July 2023) and also an order (August 2023) has been issued by the Planning and Economic Affairs (BPE) Department, GoK to all Chief Executive Officers to finalise the accounts within the stipulated time, the pendency in finalisation of accounts is a matter of concern. Since the State Government had made investment in form of equity and loans in the PSEs whose accounts had been falling in arrears, the non-finalisation of accounts by these companies would lead to the Government investments remaining outside the oversight of Audit as well as the State Legislature thereby making them highly susceptible to instances of fraud and misappropriation.

2.4 CAG's oversight – Audit of accounts and supplementary audit

2.4.1 Financial reporting framework

Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with the National Advisory Committee on Accounting Standards. The Statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

2.4.2 Audit of accounts of Government companies by Statutory auditors

The Statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013, conduct audit of accounts of the Government companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the Statutory auditors with the overall objective that the Statutory auditors discharge the functions assigned to them properly and effectively. The CAG fulfils its oversight role by exercising the power to:

- issue directions to the Statutory auditors under Section 143(5) of the Companies Act, 2013 and
- supplement or comment upon the Statutory auditor's report under Section 143(6) of the Companies Act, 2013.

2.4.3 Supplementary audit of accounts of Government companies

The primary responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is vested with the management of an entity.

The Statutory auditors appointed by the CAG under Section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under Section 143 of the Companies Act, 2013 based on an independent audit in accordance with the Standard Auditing Practices of the Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The Statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

Out of the 131 working PSEs, 112 PSEs (103 Government companies, six Government controlled other companies and three Statutory corporations) forwarded 197 audited accounts to Principal Accountants General, Kerala during the period from October 2022 to September 2023. These included financial statements from the year 2011-12 to 2022-23. Out of the 197 accounts, 16 accounts were for the year 2022-23. Out of 197, 109 financial statements of PSEs were reviewed in audit by the CAG and 24 Comment certificates were issued for 21 PSEs. 88 Non-Review Certificates were issued for 58 PSEs.

During 2022-23, 270 annual accounts of 115 working PSEs were in arrears. The arrear position of working PSEs in finalisation of their accounts is given in

Table 2.2. and in *Appendix 12*.

Table 2.2: Details showing the arrears in submission of accounts by working PSEs

Particulars	Number of working PSEs	Number of accounts in arrears
7 to 10 years	7	51
4 to 6 years	29	108
1 to 3 years	76	105
First accounts not finalised*	3	6
Total	115	270

*PSEs which have not submitted even their first year accounts since incorporation.

Similarly, 286 annual accounts in respect of 18 non-working PSEs (defunct or under various stages of liquidation) were in arrears. The age-wise analysis of non-submission of accounts of such PSEs is given in **Table 2.3** and in *Appendix 13*.

Table 2.3: Details showing the arrears in submission of accounts by non-working PSEs

Particulars	Number of non-working PSEs	Number of accounts in arrears
More than 10 years	11	254
7 to 10 years	1	9
4 to 6 years	5	22
1 to 3 years	1	1
Total	18	286

2.5 Result of CAG's oversight role

2.5.1 Audit of accounts of PSEs

Out of 197 certified accounts received during the period October 2022 to September 2023, 185 accounts were from 103 Government companies and six accounts from six Government controlled other companies for supplementary audit by CAG. Besides, six accounts were received from three Statutory corporations for supplementary audit or sole audit by the CAG.

The status of audit of account of PSEs is shown in **Table 2.4**

Table 2.4: Status of audit of account of PSEs by CAG

Particulars	Accounts received	Comments certificates issued	Non-Review certificate issued
		Number of accounts	Number of accounts
Government companies	185 (103)	102 (70)	83 (53)
Government controlled other companies	6 (6)	1 (1)	5 (5)
Statutory corporations	6 (3)	6 (3)	0
Total	197 (112)	109 (74)	88 (58)

Figures in brackets represent number of PSEs

Based on such a review, significant audit observations, if any, were reported under Section 143(6) of the Companies Act, 2013 and the relevant statutes in case of Statutory corporation to be placed in the AGM. For the balance 88 certified accounts, CAG conducted review of the financial statements and the statutory auditors' report before issuing Non-Review certificate to these companies.

The results of the review are detailed below:

2.5.1.1 Amendment of financial statements

Four Government companies amended their financial statements as a result of supplementary audit conducted by the CAG before laying the same in the AGM. The financial impact of amendments was ₹35.17 crore on profitability and ₹35.72 crore on assets and liabilities.

2.5.1.2 Revision of Auditors' Report

As a result of supplementary audit of the financial statements conducted by the CAG during 2022-23, the Statutory auditors of 19 Government companies revised their report before laying the financial statements of these companies in their AGM.

2.5.1.3 Significant comments of the CAG issued as supplement to the Statutory auditors' reports on Government companies /Government controlled other companies/Statutory corporations

Out of 197 accounts received from 112 PSEs, 109 accounts were selected for review. This includes 102 accounts of 70 Government companies, one account of one Government controlled other company; and six accounts of three Statutory corporations. In respect of 102 accounts of Government companies and one account of a Government controlled other company, comments certificates were issued in 24 financial statements of 21 companies mentioned in *Appendix 14*.

Some of the significant comments issued on the financial statements of companies, the financial impact of which was ₹45.75 crore on the profitability and ₹180.53 crore on assets/liabilities, have been detailed in *Appendix 15*.

2.6 Non-compliance with provisions of Accounting Standards/ Ind AS

In exercise of the powers conferred by Section 469 of the Companies Act, 2013, read with Section 129(1), Section 132 and Section 133 of the said Act, the Central Government prescribed Accounting Standards 1 to 7 and 9 to 29. Besides these, the Central Government notified 41 Indian Accounting Standards (Ind AS) through Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) (Amendment) Rules, 2016.

The statutory auditors reported that 90 Accounts of 52 companies as detailed in *Appendix 16* did not comply with mandatory Accounting Standards/Ind AS.

2.7 Management Letters

One of the objectives of financial audit is to establish communication on matters arising from the audit of financial statements between the auditor and those charged with the responsibility of governance of the corporate entity.

The material observations on the financial statements of PSEs were reported as comments by the CAG under Section 143(5) of the Companies Act, 2013. Besides these comments, irregularities or deficiencies observed by CAG in the financial statements or in the reporting process, were also communicated to the Management of the PSE / Administrative Department of the Government through a 'Management Letter' for taking corrective action. 'Management Letters' were issued to all PSEs reviewed by CAG during 2022-23, including all 21 PSEs for which comments certificates were issued.

The deficiencies reported through Management Letters generally related to:

- Disclosure of matter of reclassification in notes to financial statements and compliance with disclosure requirements of Ind AS or Accounting Standards.
- Disclosure of the contingent part of liabilities disclosed in contingent liabilities, commitments and contingent assets.
- Rectification of non-cash items in cash flow statement by excluding non-cash items.
- Rectification of computation of Earnings per share by adjusting the weighted average number of equity shares to consider the number of days as the time-weighting factor for the next year's financial statements.
- Regrouping /reclassification of previous years' figures in future financial statements.
- Compliance with Ministry of Corporate Affairs notifications regarding the necessary amendments and disclosures in the financial statements
- Review realisability/classification of claims receivable by company according to Accounting Standards and to make necessary changes while finalising next year's accounts.
- Review of asset classification and provisioning especially plant and machinery and make necessary adjustments in line with regulatory requirements.
- Recognise and account all income and expenditure on accrual basis while preparing next year's accounts.

2.8 Reply of Government

The Government replied (July 2024) that issues pointed out in the Report are under due consideration of the Government and necessary instructions/directions would be issued to Departments and PSEs to expedite action to settle the issues and adhere to the provision of necessary Act and Statutes in a timely manner.

2.9 Conclusion

Analysis revealed that a total of 16 PSEs (including one statutory corporation) submitted their accounts till the financial year 2022-23 for audit within the stipulated period. This shows that only 12.21 *per cent* of the Accounts were submitted to the CAG for audit.

103 PSEs submitted their 179 arrear accounts (FY 2011-12 to FY 2021-22) for supplementary audit by CAG during October 2022 to September 2023. Age-wise analysis of the PSEs from which accounts were still pending showed that in 115 PSEs, 270 accounts (for FY 2022-23 and before) were pending for the financial year 2022-23. Similarly, 286 annual accounts of 18 non-working PSEs were also in arrears.

2.10 Recommendations

1. *For delay in submission of accounts, Government may consider fixing responsibility on the CEOs/CMDs/CFOs concerned and include timely submission of accounts as a criterion for further extension of tenure or for fresh appointment of CEOs in other companies.*
2. *Government may establish a robust monitoring and accountability mechanism to ensure that all PSEs comply with the statutory time limit for finalisation and submission of accounts, thereby promoting transparency and financial discipline within these organisations.*
3. *The Government may consider the application of section 129(7) of the Companies Act which requires fines and/or imprisonment for non-preparation of accounts on time.*

Chapter III

Corporate Governance

Chapter III

Corporate Governance

3.1 Introduction

3.1.1 Provisions as contained in the Companies Act, 2013

The Companies Act, 2013 was enacted on 29 August 2013 replacing the Companies Act, 1956. In addition, the Ministry of Corporate Affairs had also notified (31 March 2014) Companies Rules, 2014 on Management and Administration, Appointment and Qualification of Directors, Meetings of Board and its powers, and Accounts *etc.* The Companies Act, 2013 and Companies Rules, 2014 provide a robust framework for corporate governance. The requirements, *inter alia* provided for:

Qualifications of Independent Directors along with the duties and guidelines for professional conduct (Sections 149(6) & 149(8) and Schedule IV read with Rule 5 of the Companies (Appointment and Qualification of Directors), Rules, 2014).

Mandatory appointment of a woman director on the Board of listed companies [Section 149(1)] and such other class of companies as per Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Mandatory establishment of certain committees like Corporate Social Responsibility Committee [Section 135(1)], Audit Committee [Section 177(1)], Nomination and Remuneration Committee [Section 178(1)] and Stakeholders Relationship Committee [Section 178(5)].

Holding of a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board [Section 173(1)].

3.1.2 Corporate Governance for Public Sector Enterprises

As per Section 292A of the erstwhile Companies Act, 1956, every Public Company whose paid up capital was not less than ₹ five crore should constitute an Audit Committee which shall consist of not less than three directors other than Managing or whole time directors. Government of Kerala had issued instructions (November 2008) regarding the constitution of Audit Committee as

a part of strengthening corporate governance in State Public Sector Enterprises. Thus, the intention of the State Government was that all PSEs irrespective of their paid up capital should constitute an Audit Committee. However, the Companies Act, 2013 which replaced Companies Act, 1956, vide section 177(1) (as amended vide notification at 03.01.2018) stipulated that every public listed company and such other classes of companies, as may be prescribed, shall constitute an Audit Committee. Section 177(2) of the Companies Act prescribed that such an Audit Committee shall consist of a minimum of three directors, with independent directors forming a majority. Further, Rule 6 of the Companies (Meetings of Board and its powers) Rules 2014, states that a company covered under Rule 4 of the Companies (Appointment and Qualification of Directors) Rules 2014, shall constitute an Audit Committee which *inter alia* include (i) Public Companies having paid up share capital of ₹10 crore or more, or (ii) Public Companies having turnover of ₹100 crore or more, or (iii) Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding ₹50 crore.

Compliance to the above provisions of the Companies Act, 2013, Companies (Appointment and Qualification of Directors) Rules, 2014, Companies (Meetings of Board and its powers) Rules, 2014 by the PSEs was reviewed. As there is no listed Government company in Kerala, the compliance to applicable Securities and Exchange Board of India (SEBI) guidelines was not reviewed.

3.1.3 Review of compliance of the Corporate Governance provisions by PSEs

As on 31 March 2023, there were 131 working PSEs (including four Statutory Corporations) in Kerala under the audit jurisdiction of the CAG of India. In the context of the policy of the Government to grant more autonomy to the PSEs, corporate governance has assumed importance. Out of 131 working PSEs²⁷, 101²⁸ PSEs (*Appendix 17*) which had furnished (till 31 December 2023) the details were considered for analysis. Details called for in respect of the remaining PSEs are awaited.

3.2 Board of Directors – Meetings and its composition

3.2.1 Meetings of Board of Directors

As per Section 173(1), companies should hold a minimum of four meetings of Board of Directors every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board. Audit observed that out of 97 companies²⁹, 20 companies mentioned in *Appendix 18* did not conduct the required number of four meetings during the year 2022-23.

3.2.2 Independent Directors

The Board is the most significant instrument of corporate governance. The presence of independent representatives on the Board, capable of taking an

²⁷ Excludes 18 non-working PSEs.

²⁸ Including four Statutory Corporations namely Kerala State Warehousing Corporation, Kerala Financial Corporation, Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation.

²⁹ 97 working Government companies furnished the details of Board Meetings.

independent view on the decisions of the management is widely considered as a means of protecting the interests of shareholders and other stakeholders. As per Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, the following class or classes of companies shall have at least two directors as independent directors:

- (i) Public Companies having paid up share capital of rupees ten crore or more, or
- (ii) Public Companies having turnover of rupees one hundred crore or more, or
- (iii) Public Companies which have, in aggregate, outstanding loans, debentures and deposits, exceeding rupees fifty crore.

The representation of independent directors in the Board of companies was examined with reference to Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014.

Audit observed that out of the 97 companies which had furnished information, 38 companies were public companies and 17 out of them satisfied the above criteria. However, eleven Companies, which satisfied the criteria, did not appoint independent directors in the Board as shown in *Appendix 19*.

Remaining six companies³⁰ which fulfilled the criteria adhered to the requirements of the codal provisions.

Three companies³¹ though not required to fulfill the requirements appointed the independent directors in their board and hence were worth emulating.

3.3 Functioning of Independent Directors

3.3.1. Attending General Meetings of the Company

Schedule IV(III)(5) of the Companies Act, 2013 states that independent directors shall strive to attend the general meetings of the Company.

Out of 17 Government companies referred to in *Paragraph 3.2.2*, six had appointed the independent directors in their boards. However, none of the independent directors of two of these companies viz., Malabar Cements Limited and Kerala State Power and Infrastructure Finance Corporation Limited attended the general meetings.

3.3.2 Meeting of Independent Directors

Schedule IV(VII)(1) of the Companies Act, 2013 require that independent directors shall meet at least once in a financial year, without the attendance of non-independent directors and members of management. Further, Schedule IV(VII)(2) of the Companies Act, 2013 provides that all the independent directors shall strive to attend the said meeting. Out of six companies referred

³⁰ Cochin Smart Mission Limited, Kerala State Electricity Board Limited, Kerala State Power and Infrastructure Finance Corporation Limited, Malabar Cements Limited, Roads and Bridges Development Corporation of Kerala Limited and The Travancore Cochin Chemicals Limited.

³¹ Kerala Aqua Ventures International Limited, Kerala State Handicapped Persons' Welfare Corporation Limited and Vazhakulam Agro and Fruit Processing Company Limited.

to in **Paragraph 3.3.1**, independent directors of Kerala State Electricity Board Limited, Roads and Bridges Development Corporation of Kerala Limited and Kerala State Power and Infrastructure Finance Corporation Limited did not even meet once separately in a financial year.

3.3.3 Woman Director in the Board

Section 149(1) of the Companies Act, 2013, stipulates that the Board of Directors of such class or classes of companies as may be prescribed, shall have at least one woman director in its Board. Further, as per Rule 3 of the Companies (Appointment and Qualification of Directors) Rules, 2014 the following class of companies shall appoint at least one woman director:

- (i) Every listed company
- (ii) Every other public company having
 - (a) Paid up share capital of ₹100 crore or more, or
 - (b) Turnover of ₹300 crore or more.

Audit observed that five³² out of the 38 public companies satisfied the criteria of either paid up share capital or turnover. Out of the above five companies, one company³³ did not have woman director in its Board, as stipulated.

3.4 Audit Committee

3.4.1 Composition of Audit Committee

Government of Kerala had issued instructions (November 2008) regarding constitution of Audit Committee as a part of strengthening corporate governance in State Public Sector Enterprises. The GoK instructions stipulate that the Audit Committee shall consist of not less than three directors and such number of other directors as the Board may determine, other than the managing or whole-time directors. Chairman of Audit Committee will be a non-executive director. However, Audit Committee was constituted only in 35 (including two Statutory corporations) out of 101 PSEs. The list of 66 PSEs which have not constituted Audit Committee is shown in **Appendix 20**. Out of 35 PSEs which constituted Audit Committee, six PSEs had executive directors as chairmen, instead of non-executive directors as stipulated.

The GoK circular also stipulated that the Audit Committee shall meet at least three times in a year. It was observed that in six³⁴ out of the 35 PSEs, the constituted Audit Committee did not meet even once during 2022-23. Likewise, 16 PSEs³⁵ conducted less than three meetings.

³² Cochin Smart Mission Limited, Kerala Feeds Limited, Kerala State Electricity Board Limited Roads and Bridges Development Corporation of Kerala Limited and The Travancore Cochin Chemicals Limited.

³³ Kerala State Electricity Board Limited.

³⁴ The Plantation Corporation of Kerala Limited, Kerala Automobiles Limited, Trivandrum Spinning Mills, The Kerala State Coir Corporation, Kerala Electrical and Allied Engineering Company Limited and Kerala State Handicapped Persons' Welfare Corporation Limited.

³⁵ Kerala Agro Machinery Corporation Limited, Kerala State Beverages (M&M) Corporation Limited, Kerala State Construction Corporation Limited, Kerala State Mineral Development Corporation Limited, Kerala State Warehousing Corporation, Roads and

Section 177(1) and 177(2) of the Companies Act, 2013, stipulate that there shall be an Audit Committee with a minimum of three directors as members with independent directors forming a majority. Out of 35 PSEs which constituted Audit Committee, 33 were companies. Out of 33, 27 companies (*Appendix 21*) did not have any independent director in their Audit Committee and two companies³⁶ did not have independent directors in majority in their Audit Committee.

3.4.2 Review of Information/Documents by Audit Committee

Section 177(4) of Companies Act, 2013 stipulates that the Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which includes review and monitoring of the auditors' independence and performance, and effectiveness of audit process; examination of the financial statements and the auditors' report thereon; evaluation of internal financial controls and risk management systems *etc.* Further, as per GoK instructions to PSEs (November 2008), the Audit Committee should (i) discuss with the auditors periodically about internal control system and the scope of audit including observations of the auditors, (ii) review the Audit Para, Audit Report and comments of the Accountant General (iii) review with management, the annual financial statements before submission to the Board (iv) review with the management, external and internal auditors, the adequacy of internal control system (v) discuss with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

Further, all the PSEs are subject to the audit of CAG of India as per the statutory mandate. Section 143(6) of the Companies Act, 2013, authorises CAG to carry out supplementary audit of accounts of Government companies. Thus, in view of the above, it is the responsibility of the Audit Committee to review the findings of AG including management letters issued by AG.

Instructions of GoK (November 2008) regarding formation of Audit Committee also stipulate that Audit Committee should oversee the PSEs' financial reporting process and the disclosure of their financial information to ensure that the financial statements are correct, sufficient, and credible. There was, however, huge pendency in submission of accounts as could be seen from the fact that only 12 out of 131 PSEs had submitted their accounts for the year 2022-23 as discussed in *Paragraph 2.3.2.1*. The absence of Audit Committee in a majority of the PSEs (66 out of the 101 PSEs which had furnished information) shows that the companies' system of internal controls is weak and that there is no oversight of the financial reporting and auditing process, thereby exposing the companies to financial fraud and non-compliance with laws and regulations.

The details pertaining to the compliance with the aforesaid provisions by the 35

Bridges Development Corporation of Kerala Limited, Steel Industrials Kerala Limited, The Travancore Cements Limited, Travancore Titanium Products Limited, Kerala Small Industries Development Corporation Limited, Kerala Social Security Pension Limited, Kerala State Handloom Development Corporation Limited, Malabar Cements Limited, The State Farming Corporation of Kerala Limited, The Travancore Cochin Chemicals Limited, and Transformers and Electricals Kerala Limited.

³⁶ Kerala State Electricity Board Limited and Kerala State Handicapped Person's Welfare Corporation Limited.

PSEs with Audit Committees are indicated in **Appendix 22**. Out of 35 PSEs, the Audit Committee of 11 PSEs did not evaluate the internal financial control systems, 14 PSEs did not review and monitor the Statutory auditors' performance and effectiveness of audit process, seven PSEs did not review financial statements and auditors' reports, 14 PSEs did not review the findings of CAG and examine the management letters issued by CAG, and 24 PSEs did not discuss the nature and scope of audit with the Statutory auditors before commencement and after completion of audit to focus on the areas of concern.

3.5 Other Committees

3.5.1 Nomination and Remuneration Committee

Section 178(1) of the Companies Act 2013 and Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014 stipulate that each PSE shall constitute a Nomination and Remuneration Committee comprising at least three directors, all of whom should be non-executive directors and at least half of them shall be independent directors. Chairman of the committee shall be an independent director. The role of the Nomination and Remuneration Committee is to determine the framework and the policy on the terms of engagement (including remuneration) of the chairman, executive directors and each member of the board. Out of 38 public companies, 17 companies satisfied the criteria of constituting nomination and remuneration committee. Out of 17, nine companies³⁷ did not comply with the requirement.

3.5.2 Whistle Blower Mechanism

Section 177(9) of the Companies Act, 2013 and Rule 7 of the Companies (Meeting of Board and its Powers) Rules, 2014 stipulate that the listed companies and such other class of companies *i.e.*, companies which receive deposits from public and which have borrowed from Banks and Public Financial Institutions in excess of rupees 50 crore shall constitute a vigil mechanism and that the Audit Committee shall review the functioning of the Whistle Blower Mechanism. Audit observed that 12 companies³⁸ formed whistle blower mechanism till 2022-23.

³⁷ Kerala Agro Machinery Corporation Limited, Kerala Feeds Limited, Kerala Irrigation Infrastructure Development Corporation Limited, Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities Limited, Kerala State Electricity Board Limited, Kerala State Handloom Development Corporation Limited, Steel Industries Kerala Limited, The Kerala Ceramics Limited and The Kerala State Coir Corporation Limited.

³⁸ Bekal Resorts Development Corporation Limited, Kerala Small Industries Development Corporation Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala State Electricity Board Limited, Kerala State Industrial Development Corporation Limited, Kerala State Power and Infrastructure Finance Corporation Limited, The Kerala Minerals and Metals Limited, The Kerala State Civil Supplies Corporation Limited, The Kerala State Financial Enterprises Limited, Traco Cable Company Limited, Travancore Titanium Products Limited, Kerala Transport Development Finance Corporation Limited.

3.6 Internal Audit Framework

3.6.1 Role of Internal audit

The Institute of Internal Auditors (IIA) defines Internal Auditing as : “An independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. The internal audit activity helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”. Accordingly, the role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively.

The framework governing internal audits issued by ICAI defines internal audit as an independent assurance in the effectiveness of internal controls and risk management processes to enhance governance and achieve organisational objectives.

3.6.2 Legal Framework

Section 138(1) of the Act, 2013 read with the Rule 13 of Companies (Accounts) Rules, 2014, provides that (a) every listed company; (b) every unlisted public company having paid up share capital of rupees fifty crore or more; or turnover of rupees two hundred crore or more during the preceding financial year; or outstanding loans or borrowings from banks or public financial institutions exceeding rupees one hundred crore or more; or outstanding deposits of rupees twenty-five crore or more at any point of time during the preceding financial year; (c) every private company having turnover of rupees two hundred crore or more during the preceding financial year; or outstanding loans or borrowings from banks or public financial institutions exceeding rupees one hundred crore or more at any point of time during the preceding financial year shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company. The internal audit activity helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Since the audit committee plays a vital role in evaluation of internal controls, all the reports of internal audit (including the role and size of the internal audit being commensurate with the nature and size of operations of the company) should be reviewed by the Audit Committee and the recommendations thereof are to be implemented by the companies. Failure of the Audit Committee in evaluating the reports may expose the companies to financial and governance risks.

The details of 49 companies were received for review of internal audit framework.

Audit noticed that out of 49 companies, 10 were required to appoint internal auditor and all the companies complied with the requirements. Internal audit in nine companies was conducted by the Chartered accountant firms and in remaining one company the same was conducted by internal auditors.

3.6.3 Frequency and Reporting of Internal Audit

Section 138(2) of the Act, 2013 provides that the Central Government may, by rules, prescribe the manner and the intervals in which the internal audit shall be conducted and reported to the Board.

Audit, however, noticed that no rules have been prescribed so far in this regard (March 2023) and hence the internal audit in SPSEs was conducted on quarterly, half-yearly and annual basis. Five PSEs reported quarterly, three PSEs reported half yearly and one PSE reported annually.

Further, nine companies³⁹ reported the internal audit findings to the Board.

3.7 Reply of Government

The Government replied (July 2024) that issues pointed out in the Report are under due consideration of the Government and necessary instructions/directions would be issued to Departments and PSEs to expedite action to settle the issues and adhere to the provision of necessary Act and Statutes in a timely manner.

3.8 Conclusion

During 2022-23, 20 out of 97 companies did not conduct the mandatory four meetings of the Board of Directors. Out of 17 companies that met the criteria, 11 did not appoint independent directors. Out of 101 PSEs, 66 did not constitute Audit Committee. Out of the remaining 35 PSEs, the Audit Committee of 11 PSEs did not evaluate the internal financial control systems, 14 PSEs did not review and monitor the Statutory auditors' performance and effectiveness of audit process, seven PSEs did not review financial statements and auditors' reports, 14 PSEs did not review the findings of CAG and examine the management letters issued by CAG and 24 PSEs did not discuss the nature and scope of audit with the Statutory auditors before commencement and after completion of audit to focus on the areas of concern.

3.9 Recommendations

- 1. Government should ensure that regular meetings of Board of Directors are held as per the provisions of the Companies Act, 2013 and that Audit Committees review the internal audit processes including the internal audit reports and action taken on them by the companies as per the provisions of the Companies Act, 2013.*
- 2. The Finance Department, in co-ordination with respective administrative ministries/departments, should monitor compliance to applicable provisions, rules and regulations on Corporate Governance by all State Public Sector Enterprises (SPSEs).*
- 3. Government must ensure that Audit Committees discuss with the Statutory Auditors the areas of concerns in the companies and suggest additional areas which require further probe and reporting.*

³⁹ Cochin Smart Mission Limited, The Kerala State Backward Classes Development Limited, Kerala State Industrial Development Corporation Limited, Kerala State Textile Corporation Limited, Kerala Transport Development Finance Corporation Limited, Malabar Cements Limited, Roads and Bridges Development Corporation of Kerala Limited, The Travancore-Cochin Chemicals Limited and Traco Cable Company Limited.

Chapter IV

Corporate Social Responsibility

Chapter IV

Corporate Social Responsibility

4.1 Introduction

Corporate Social Responsibility (CSR) is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the local community at large. The primary objective of CSR is to promote responsible and sustainable business philosophy at a broad level and to encourage companies to come up with innovative ideas and robust management systems to address social and environmental concerns of the country. Broadly, the CSR mandate is aligned with national priorities such as public health, education, livelihood, water conservation, natural resource management *etc.* CSR awareness and CSR consciousness has grown vividly among large and medium sized companies, which now look at CSR to build a strategic fit with the community and environment in which they operate.

Chart: 4.1: Concept of CSR



The concept of CSR provides a robust framework for companies to collaborate in contributing to the country's development challenges through its managerial skills, technology and innovation. **Chart 4.1** depicts the relationship between long-term success of a firm which addresses social, environmental, and economic concerns simultaneously. Besides providing an overall guidance framework for corporates on their CSR initiatives, it also provides them with ample autonomy and flexibility to design and implement

programmes. The monitoring is based on disclosures made by the company in its annual report as per prescribed format.

Legal Framework:

Section 135 of the Companies Act, 2013 (hereafter referred to as the Act), deals with the subject of CSR and lays down the qualifying criteria⁴⁰ based on net worth, turnover and net profit during the immediately preceding financial year for companies which are required to undertake CSR activities. This section *inter alia*, specifies the broad modalities of selection, implementation and monitoring of CSR activities by the Board of Directors of the Company. The activities, which may be included by the companies in their CSR policies, are listed in Schedule VII of the Act.

⁴⁰ Net worth of ₹500 crore or more, turnover of ₹1,000 crore or more or net profit of ₹ Five crore or more during the immediately preceding financial year.

The Act makes it mandatory for a company to spend, in every financial year, at least two *per cent* of its average net profits of the three immediately preceding financial years towards CSR activities.

The compliance to the provisions of CSR under the Act *i.e.*, constitution of CSR committee, formulation of CSR policy and spending of the prescribed amount on CSR activities came into force from April 2014. In February 2014, Ministry of Corporate Affairs (MCA) issued Companies (Corporate Social Responsibility Policy) Rules, 2014, which came into effect in 01 April 2014.

4.2 Audit objectives

Audit objectives were to ascertain whether the provisions of the Companies Act 2013 and Companies (CSR Policy) Rules 2014 were complied with by State companies. In order to assess the efforts of the PSEs, Audit examined the following issues:

- Whether the provisions relating to constitution of CSR committee, formulation of and compliance to the policy have been adhered to;
- Whether the CSR activities selected for implementation were from the list of activities given under schedule VII of the Companies Act, 2013;
- Whether the provisions relating to the prescribed amount to be spent on CSR activities were complied with;
- Whether there was transparency and due diligence in the selection and implementation of activities; and
- Whether the provisions relating to monitoring, reporting and evaluation were complied with.

4.3 Audit scope and coverage

Audit reviewed the CSR activities carried out by 14 companies which satisfied at least one of the criteria specified in subsection (1) of section 135 of the Act. The details of companies selected for review as per these criteria are detailed in Table 4.1.

Table 4.1: Details of companies selected for review

								(₹ in crore)
SI. No.	Name of companies	Sector	Period for criteria	Net profit (+) / Loss(-) after tax and interest	Turnover	Net worth	Reporting year	
1	The Kerala State Financial Enterprises Limited	Finance	2020-21	71.46	3,114.35	991.51	2021-22	
2	Kerala State Construction Corporation Limited	Infrastructure	2017-18	9.72	184.19	58.41	2018-19	
3	Kerala State Industrial Development Corporation Limited	Infrastructure	2021-22	54.93	94.89	734.84	2022-23	
4	Kerala Feeds Limited	Manufacturing	2020-21	38.38	495.64	-3.36	2021-22	
5	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	Manufacturing	2018-19	113.13	5,066.80	1,153.87	2019-20	

Sl. No.	Name of companies	Sector	Period for criteria	Net profit (+) / Loss(-) after tax and interest	Turnover	Net worth	Reporting year
6	Kerala State Electronics Development Corporation Limited	Manufacturing	2019-20	5.23	443.89	5.68	2020-21
7	Malabar Cements Limited	Manufacturing	2020-21	10.71	276.65	204.06	2021-22
8	The Kerala Minerals and Metals Limited	Manufacturing	2021-22	226.91	1,058.26	1,128.09	2022-23
9	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	Manufacturing	2020-21	15.40	141.33	186.72	2021-22
10	The Travancore Cochin Chemicals Limited	Manufacturing	2021-22	25.45	276.14	108.25	2022-23
11	Transformers and Electricals Kerala Limited	Manufacturing	2019-20	6.33	203.13	76.91	2020-21
12	The Kerala State Civil Supplies Corporation Limited	Service	2016-17	-403.81	4,468.44	-618.50	2017-18
13	The Kerala State Backward Classes Development Corporation Limited	Finance	2020-21	23.30	94.28	382.25	2021-22
14	Kerala State Electricity Board Limited	Power	2020-21	-1,822.35	14,420.63	-3,929.11	2021-22

(Source: Details as per latest finalised accounts)

4.4 Audit Criteria

Audit analysis was carried out against the following criteria:

- (i) Provisions contained in Section 135 and Schedule VII of the Companies Act, 2013 (as amended from time to time)
- (ii) Provisions of Companies (CSR Policy) Rules, 2014 (as amended up to September 2022).

4.5 Audit findings

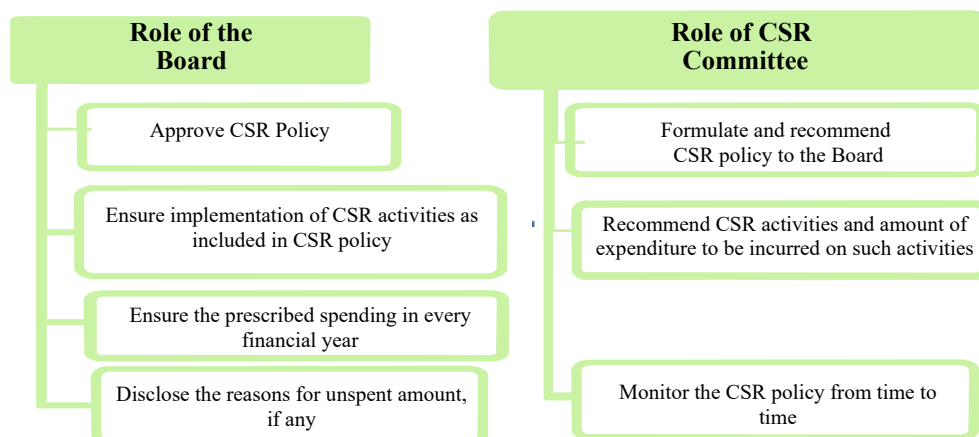
Audit findings on the extent of compliance with the provisions of the Act with regard to constitution of CSR committee, formulation of and compliance with policy, planning and execution of CSR activities, and monitoring and reporting thereof by the companies are given in the following paragraphs.

4.5.1 Planning

4.5.1.1 Constitution of CSR Committee

As per Section 135(1) of the Act, every company having a net worth of ₹500 crore or more or turnover of ₹1,000 crore or more or a net profit of ₹ five crore or more during the immediately preceding financial year shall constitute a CSR committee consisting of three or more directors, out of which at least one director shall be an independent director. Further Section 135(9) states that where the amount to be spent by a company under sub-section (5) does not exceed fifty lakh rupees, the requirement under sub-section (1) for constitution of the CSR Committee shall not be applicable and the functions of such Committee provided under this section shall, in such cases, be discharged by the Board of Directors of such company. Role of the Board and CSR committee as per Section 135(3), 135(4) and 135(5) of the Act is depicted in **Chart 4.2**.

Chart 4.2: Role of the Board and CSR committee



Audit observed that all 14 companies selected for audit were meeting the above criteria to undertake CSR activities as per the Act. Out of 14, thirteen companies had constituted CSR committees⁴¹. The Travancore Cochin Chemicals Limited stated that constitution of CSR committee is not applicable as per Section 135(9) and its functions of CSR committee was being discharged by the Board of Directors of the Company.

4.5.1.2 Framing of CSR Policy

Section 135(3) of the Act requires that the CSR committee shall formulate and recommend a CSR Policy to the Board. Further, Section 135 (4) of the Act states that Board shall take into account the recommendations of the Committee in this regard and approve the CSR Policy for the company. Audit observed that all the 14 companies had framed CSR Policy as approved by their respective Boards.

4.5.1.3 Annual CSR Plan

As per Rule 5.2 of CSR Rules 2014, the CSR Committee shall formulate and recommend to the Board, an annual action plan in pursuance of its CSR policy, which shall include (a) the list of CSR projects or programmes to be undertaken (b) the manner of execution, (c) modalities regarding utilisation of funds and schedules of implementation, (d) monitoring and reporting mechanism (e) details of need and impact assessment, if any, for the projects undertaken by the company.

⁴¹ Kerala Feeds Limited, The Kerala Minerals and Metals Limited, The Kerala State Backward Classes Development Corporation Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala State Construction Corporation, Kerala State Electricity Board Limited, Kerala State Electronics Development Corporation Limited, Kerala State Industrial Development Corporation Limited, Malabar Cements Limited, The Kerala State Civil Supplies Corporation Limited, The Kerala State Financial Enterprises Limited, The Pharmaceutical Corporation (Indian Medicines) Kerala Limited and Transformers and Electricals Kerala Limited.

However, nine companies⁴² did not have an annual CSR plan for their reporting year.

4.5.2 Financial component

4.5.2.1 Utilisation of Funds

Section 135(5) of the Act states that the Board shall ensure that the company spends in every financial year, at least two *per cent* of its average net profits of the immediately preceding three years, on CSR activities.

Audit observed that out of the 14 companies which fulfilled the criteria pertaining to CSR compliance, four companies spent the exact prescribed amount (₹5.90 crore), three companies spent more than the prescribed amount (₹2.77 crore), two companies each spent either less than the prescribed amount or did not spend any amount on CSR activities and three companies did not spend any amount on CSR activities due to negative average profits in their previous years. Thus four companies had non/short payment of CSR to the extent of ₹1.54 crore and the shortfall in respect of the aforesaid companies was in the range of 45 to 100 *per cent* of their CSR obligation. The details of utilisation of CSR fund are detailed in **Table 4.2**.

Table 4.2: Details of Utilisation of CSR Fund

Sl. No.	Name of companies	Period of spending ⁴³	CSR obligation (₹ in crore)	Actual Spent (₹ in crore)	Shortfall/ (Excess) (₹ in crore)	Shortfall/ (Excess) (in percentage)
1	The Kerala State Backward Classes Development Corporation Limited	2020-21	0.37	0.37	No shortfall	
2	The Kerala State Financial Enterprises Limited	2021-22	1.47	1.47		
3	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2019-20	3.96	3.96		
4	Kerala State Electronics Development Corporation Limited	2020-21	0.10	0.10		
5	The Kerala Minerals and Metals Limited	2022-23	3.12	5.46	(2.34)	Excess spending
6	The Travancore-Cochin Chemicals Limited	2022-23	0.30	0.66	(0.36)	
7	Kerala Feeds Limited	2021-22	0.11	0.18	(0.07)	

⁴² The Kerala State Backward Classes Development Corporation Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala State Construction Corporation, Kerala State Electricity Board Limited, Kerala State Industrial Development Corporation Limited, Malabar Cements Limited, The Pharmaceutical Corporation (Indian Medicines) Kerala Limited, The Travancore-Cochin Chemicals Limited and Transformers and Electricals Kerala Limited.

⁴³ The period of spending means the reporting year in which the amount was expended for CSR activities which is the year of latest finalised accounts.

Sl. No.	Name of companies	Period of spending ⁴³	CSR obligation (₹ in crore)	Actual Spent (₹ in crore)	Shortfall/ (Excess) (₹ in crore)	Shortfall/ (Excess) (in percentage)
8	Transformers and Electricals Kerala Limited	2020-21	0.13	0	0.13	100
9	Kerala State Construction Corporation Limited	2018-19	0.44	0	0.44	100
10	Kerala State Industrial Development Corporation Limited	2022-23	0.82	0.16	0.66	80
11	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2018-19	0.56	0.25	0.31	45
12	The Kerala State Civil Supplies Corporation Limited	2016-17	Average profit arrived is negative, hence not mandated to spend for CSR activities			
13	Malabar Cements Limited	2021-22				
14	Kerala State Electricity Board Limited	2021-22				

The Pharmaceutical Corporation (Indian Medicines) Kerala Limited did not spend the CSR amount fully, since suitable projects within the available CSR funds could not be identified and also replied that the unspent CSR amount was transferred to separate account as per Section 135 (6) of the Companies Act, 2013. Transformers and Electricals Kerala Limited made a provision for CSR activities and stated that since audited figures were not available during the period under review, the Company could not ascertain the CSR expenses to be incurred. Kerala State Construction Corporation Limited stated that they had not identified genuine projects for CSR.

4.5.2.2 Utilisation of carry forward amount

Rule 7(3) of CSR Rules, 2014, states that where a company spends an amount in excess of requirement provided under sub-section (5) of section 135, such excess amount may be set off against the requirement to spend under sub-section (5) of section 135 up to immediate succeeding three financial years.

The Kerala State Industrial Development Corporation Limited had a carry forward amount of ₹0.18 crore from financial year 2021-22. None of this amount was spent in the reporting year (2022-23).

4.5.2.3 Top spenders

Out of 14 companies, nine companies had incurred CSR expenses of ₹12.61 crore pertaining to 2018-19 to 2022-23. The Kerala Minerals and Metals Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, and The Kerala State Financial Enterprises Limited were the top spenders with values of ₹5.46 crore, ₹3.96 crore, and ₹1.47 crore respectively.

4.5.2.4 Range of CSR spending

The amount spent by the nine companies ranged from ₹0.10 crore to ₹5.46 crore. Only three companies *viz.*, The Kerala Minerals and Metals Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited and The Kerala State Financial Enterprises Limited spent more than ₹ one crore from CSR funds during their respective reporting years.

4.5.2.5 Sector wise CSR spending

Audit covered 14 companies in four sectors. The highest spending on CSR activities was by manufacturing sector (five companies⁴⁴, ₹10.43 crore) followed by the finance sector (two companies⁴⁵, ₹1.63 crore) followed by the social sector (one company⁴⁶, ₹0.37 crore) and agriculture sector (one company⁴⁷, ₹0.18 crore).

4.5.2.6 Surplus from CSR project

As per Rule 7.2 of CSR Rules 2014, any surplus arising from CSR projects shall not form part of business profit of a company. None of the 14 companies had reckoned surplus from CSR project as their business profit.

4.5.3 Project Implementation

4.5.3.1 Manner of implementation of CSR activities

Rule 4 of the CSR Rules 2014 states that the Board shall ensure that the CSR activities are undertaken by the company itself or through a registered public trust/society registered under section 12 A and 80G of Income Tax Act, 1961 or a company established under Section 8 of the Act, or an entity established under an Act of Parliament or State Legislature.

All the nine companies which had incurred expenditure on CSR activities spent the CSR funds through Government agencies, NGOs/societies and handed over the funds to the Directorate concerned / identified agencies for implementation of the CSR activities.

4.5.3.2 Focus Areas

Data compiled by Audit showed that health and women empowerment activities received the maximum focus (37 and 36 *per cent* respectively) for utilisation of CSR funds which was followed by welfare and charity activities (17 *per cent*) as shown in **Chart 4.3**. None of the companies have, however, made available the sub-theme-wise break up of CSR spending in each focus area. Notable projects were ₹3.16 crore spent by The Kerala Minerals and Metals Limited for Covid 19 related expenses.

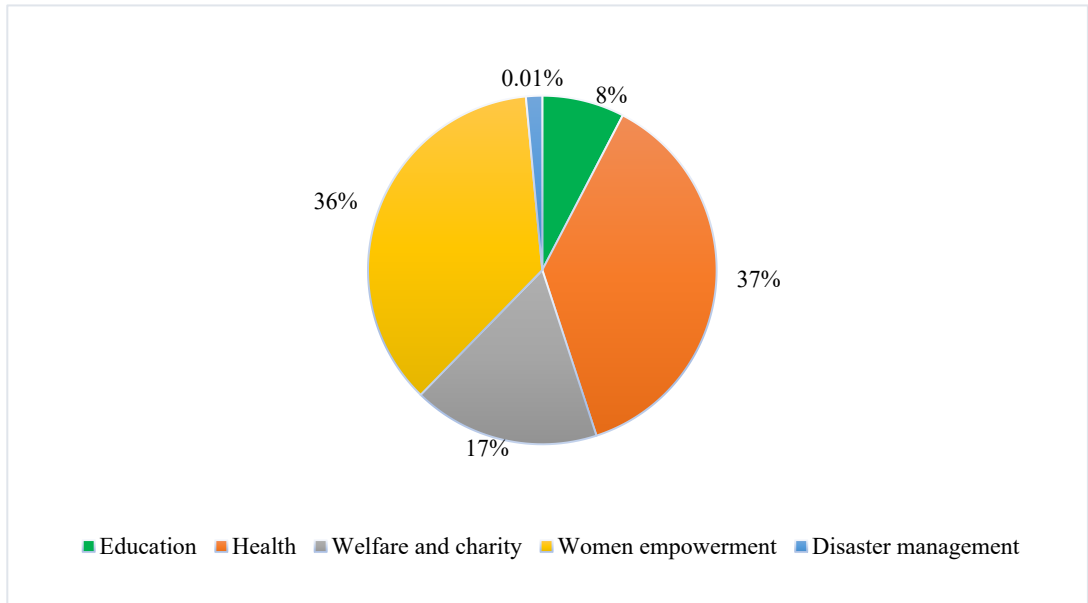
⁴⁴ The Kerala Minerals and Metals Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala State Electronics Development Corporation Limited, The Pharmaceutical Corporation (Indian Medicines) Kerala Limited and The Travancore-Cochin Chemicals Limited.

⁴⁵ The Kerala State Financial Enterprises Limited and Kerala State Industrial Development Corporation Limited.

⁴⁶ The Kerala State Backward Classes Development Corporation Limited.

⁴⁷ Kerala Feeds Limited.

Chart 4.3: Focus Areas in CSR



4.5.4 Monitoring Framework

As per Rule 5(2)(d) of CSR Rules, 2014, the CSR Committee shall formulate and recommend to the Board a monitoring and reporting mechanism for the projects or programmes. Audit observed that with the exception of The Travancore-Cochin Chemicals Limited, all other 13 companies specified their monitoring mechanism in their CSR Policy.

4.5.5 Reporting and Disclosure

As per Section 135(2) read with Section 134(3)(o) of the Act, a Company is required to include the details about the policy developed and implemented by the Company on CSR initiatives undertaken during the year in the Report of the Board of Directors laid in the general meeting. According to Rule 9 of CSR Rules 2014, the Board of Directors shall mandatorily disclose the composition of the CSR committee, CSR Policy and projects approved by the Board on their website for public access.

Audit observed that out of 14 companies under review, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited and Kerala State Electricity Board Limited did not prepare Annual Report on CSR activities during their reporting periods.

4.6 Conclusion

Issues related to non-compliance with the statutory provision on CSR were observed as four companies either did not spend or short-spent the mandated amount on CSR obligations by ₹1.54 crore. Additionally, nine companies lacked an annual CSR plan, and two companies did not prepare the mandated Annual Report on CSR activities, indicating issues in reporting. However, all 14 companies audited had framed CSR policies as approved by their respective boards, and majority had established effective monitoring mechanisms for their CSR activities.

4.7 Recommendations

1. *The Finance Department, dealing in all those matters handled by the erstwhile Department of Public Enterprises (DPE), should prepare and issue guidelines on Corporate Social Responsibility duly considering applicable provisions of the Act and Rules.*
2. *The Finance Department, in co-ordination with respective administrative ministries/ departments, needs to ensure compliance to applicable provisions, rules and regulations on Corporate Social Responsibility by all State Public Sector Enterprises (SPSEs).*
3. *All SPSEs should ensure compliance specifically related to:*
 - *Composition of CSR Committee and periodical updation of CSR policies by committee / Board,*
 - *Assessment of requirement in advance and timely approval of CSR plans / budget,*
 - *Proper allocation and effective utilisation of CSR funds as well as ensure transfer of unspent amount to specified funds,*
 - *Establish effective monitoring mechanism and ensure receipt of utilisation certificates immediately after completion of activities.*
 - *Ensure proper compliance to reporting disclosures both in Directors' Report as well as official website.*

Chapter V

Compliance Audit Paragraphs

Chapter V

Compliance Audit Paragraphs

Department of Industries and Commerce

The Kerala Minerals and Metals Limited

5.1 *Tendering Process for Procurement of Goods in The Kerala Minerals and Metals Limited*

5.1.1 Introduction

The Kerala Minerals and Metals Limited (Company) was incorporated (February 1972) under the erstwhile Companies Act, 1956 as a fully owned company of Government of Kerala (GoK) and functions under the administrative control of Department of Industries and Commerce. It is engaged in the business of mining and processing of minerals and metals.

The Company has three production units, viz: the Mineral Separation (MS) Unit (*installed capacity of 76,000MT*) engaged in separating heavy minerals such as Monazite, Ilmenite, etc. from mineral rich black beach sand; the Titanium Dioxide Pigment (TP) unit (*installed capacity of 40,000MT*), which processes raw Ilmenite to produce Rutile grade Titanium Dioxide through Chloride-route⁴⁸ technology; and the Titanium Sponge (TSP) unit (*installed capacity of 500 MT*), a Joint Venture (JV) between the Company, the Vikram Sarabhai Space Centre (VSSC) and the Defence Metallurgical Research Laboratory, producing Titanium Sponge from Titanium Tetra Chloride (Tickle).

Further details regarding the products manufactured in each of the above said Units, their uses, major consumers, raw materials used for production and sources of procurement are listed in *Appendix 23*.

5.1.2 Organisational setup

The management of the Company is vested in the Board of Directors (BoD) consisting of eight Directors (as of March 2023). The day-to-day affairs are overseen by the Managing Director (MD), who is assisted by three Heads of Unit, 14 Heads of Department (Deputy General Managers), and seven Assistant General Managers.

⁴⁸ Involves reduction and leaching of raw Ilmenite to 90-92 per cent Titanium Dioxide, Ilmenite beneficiation, regeneration of spent acid, and conversion of beneficiated Ilmenite to Titanium Dioxide Pigment. It is considered better than the alternative Sulphate-route technology due to generation of less waste during manufacturing process.

5.1.3 Financial performance

The financial performance of the Company during 2020-23 is given in *Appendix 24*. The total expenditure of ₹1,704.46 crore, on procurement of raw materials, power and fuel, and stores and spares for the three-year period from 2020-21 to 2022-23 constituted 73.02 *per cent* of total expenses of ₹2,334.12 crore for the said period. The procurement expenditure for the year 2022-23 (₹657.94 crore) showed an increase of 43.76 *per cent* over that of the year 2020-21 (₹457.66 crore) and thereby had a direct impact on the profitability of the Company.

5.1.4 Audit objectives

The objectives of Compliance Audit were to ascertain whether:

- i. the prescribed policy, rules, regulations, and guidelines for tendering, evaluation of bids, and procurement of goods were duly adhered to; and
- ii. procurement process was fair, equitable and transparent.

5.1.5 Scope of audit

The Compliance Audit reviewed the process of tendering, bid evaluation, and award of purchase/ supply orders for capital and revenue items during the period from 2020-21 to 2022-23.

Out of 14,717 Purchase Orders (POs)⁴⁹ issued during 2020-23, a sample of 170 POs⁵⁰ was drawn by employing Stratified Random Sampling method in IDEA software for detailed scrutiny, as indicated in **Table 5.1**.

Table 5.1 : Sampling of Purchase Orders for audit

(Value in ₹ crore)

Particulars	Population of POs		Sample of POs	
	Number	Value	Number	Value
PO value more than ₹ five crore	50	1201.57	50	1,201.57
PO value between ₹ one crore and ₹ five crore	119	282.69	24	52.09
PO value between ₹25 lakh and ₹ one crore	241	106.80	24	10.36
PO value less than ₹25 lakh	14,307	196.98	72	1.27
Total	14,717	1,788.04	170	1,265.29
Percentage of sample size			1.16	70.76

Additionally, 14 Supply Orders (SOs)⁵¹ valued at ₹85.40 crore (including imports worth ₹64.55 crore), issued during 2020-23 for procurement of capital items, were also reviewed.

⁴⁹ Purchase Orders (POs) are issued for procurement of raw materials, chemicals, packing materials, stores, and spares (categorised as revenue items).

⁵⁰ 47 contracts (₹241.75 crore) of 2020-21; 68 contracts (₹529.05 crore) of 2021-22 and 55 contracts (₹494.49 crore) of 2022-23.

⁵¹ Supply Orders (SOs) are issued for procurement of project-related equipment and machinery (capital items).

5.1.6 Audit criteria

Audit findings are benchmarked against:

- i. The Stores Purchase Manual issued by GoK.
- ii. Guidelines/ instructions of Central Vigilance Commission (CVC).
- iii. New Purchase Procedure drawn up by the Company; and
- iv. Orders/ guidelines issued by GoK and recommendations of the Committee on Public Undertakings from time to time.

5.1.7 Audit methodology

Audit findings were developed based on scrutiny of records, analysis of available data, and responses received to requisitions and enquiries. An Entry Conference was held on 20 October 2023 with the Department of Industries and Commerce, Government of Kerala to discuss the audit objectives, criteria, scope and approach of compliance audit. The draft report was issued in March/ August 2024 to the Government, and the replies were received in April/October 2024. The audit findings were discussed in an Exit Conference with the Department of Industries and Commerce held on 03 October 2024. Replies from the Government have been suitably incorporated.

5.1.8 Procurement process in the Company

The Company has a decentralised system for procurement of goods and services. Project-related equipment and machinery are procured by the Project Department, while the rest of the purchases are made by the Materials Department. Procurement of goods for MS Unit are managed by the Purchase Section of that Unit.

The major raw materials procured during 2020-23 included Hydrated Lime, Hydrochloric Acid, Chlorine, Magnesium, Caustic Soda Lye, Sodium Silicate, Aluminium Chloride, Trimet, and Carbo Bead.

5.1.9 Audit findings

The audit findings relating to the Company's purchase policy and procedures for procurement of goods are discussed in the successive paragraphs.

5.1.9.1 Inconsistencies *vis-à-vis* Stores Purchase Manual

The Stores Purchase Manual (SPM) issued (June 2013) by GoK contains (clause 1.8) the general rules and instructions applicable to the procurement of goods and services by all Departments, Public Sector Enterprises (PSEs) and other institutions of the State. As per clause 1.6 of SPM, certain Departments⁵² may supplement the provisions contained in SPM by special rules available in their Codes and Manuals. Since the Company did not fall in the category of the Special Departments mentioned above, it was bound to follow the SPM provisions in its procurement activities, without exception.

Though the procedures drawn up by the Company in NPP was intended to flow from and be attuned to the principles and practices enunciated in SPM, a review

⁵² Public Works, Irrigation, Forests, Stationery, Police, Local Self Government Institutions, and other Special Departments.

of NPP revealed the following instances of exclusions, inconsistencies, and contradictions *vis-à-vis* the SPM:

- The NPP was silent with respect to provisions relating to rate/ running contract, acceptance of single bid, abnormally high variation in price against estimated cost, advance payment to suppliers of raw materials and project machinery, price and exchange rate variations, breach and cancellation of contracts, signing of contractual agreement, publication of tender result, forfeiture of Earnest Money Deposit (EMD), *etc.* The exclusion of such key provisions provided room for arbitrariness and bias in procurement process.
- With respect to these matters, decisions were taken not by referring to the provisions in the SPM but based on the recommendations of the Tender Committee⁵³ (TC) and approval of MD thereto. For instance, the Company was unable to recover the loss suffered by it on default in supply or breach of contract by suppliers due to non-execution of contractual agreement, as mentioned in **Paragraph 5.1.9.8** *ibid*. Similarly, instances of acceptance of single bid⁵⁴ in tenders without recording justification and non-publication of tender results⁵⁵ were also observed.
- The NPP diverged from the SPM in many key areas, as shown in **Table 5.2**:

Table 5.2 : Variations in NPP provisions *vis-à-vis* SPM

SPM provision	NPP provision
Earnest Money Deposit (EMD) should be one <i>per cent</i> of the total purchase cost, subject to minimum of ₹1,500.	EMD fixed at 2.50 <i>per cent</i> of the total purchase cost, subject to maximum of ₹ two lakh.
Micro, Small and Medium Enterprises (MSMEs) are exempted from furnishing EMD.	No exemption to MSME firms from payment of EMD.
Security Deposit (SD) equivalent to five <i>per cent</i> of total contract value should be obtained from successful bidders.	SD fixed at five <i>per cent</i> of basic contract value.
Government/ enlisted institutions and MSMEs are exempted from furnishing SD.	SD need not be insisted from Original Equipment Manufacturer (OEM) and overseas suppliers.
Tenders received after the specified date and time for receipt should not be considered	Head of Department (Materials) is authorised to accept late quotations, provided the remaining bids are not opened.

⁵³ Consisting of officials from Finance, Technical, Materials, and Internal Audit Departments of the Company, its composition varied with purchase value and production unit involved.

⁵⁴ Tender (November 2021) for purchase of High Pressure Oxygen Gas Cylinder Filling Compressor System from Jyotech Engineering and Marketing Consultants at a cost of ₹36.89 lakh, tender (October 2021) for purchase of Cooling Water Chemicals from Vasu Chemicals LLP at a cost of ₹25.85 lakh, and tender (October 2021) for purchase of High Purity Magnesium Metal from Shreeji Exports at a price of ₹6.64 lakh per MT.

⁵⁵ Tender results for purchase of PFDS, Petcoke, Ambient Air Quality Monitoring System, Tickle pre-heaters, and Aluminium Trihydrate were not published in e-Tendering portal of GoK despite lapse of considerable time – ranging from five months to more than three years – after award of contract.

SPM provision	NPP provision
Liquidated Damages (LD) should be levied and recovered at the rate of 0.5 <i>per cent</i> per week or part thereof for delay, subject to maximum 10 <i>per cent</i> of contract value.	LD fixed at one <i>per cent</i> of contract value per month or part thereof, subject to maximum five <i>per cent</i> of contract price.

These deviations violated the principles emphasised in the SPM, *viz.*, economy, efficiency, transparency, fairness, objectivity, and equity in the procurement process, and were, therefore, not in accordance with the extant rules and guidelines of GoK.

Government replied (April 2024) that it has given direction to the Company to revisit the NPP and to make sure that the provisions of NPP were similar to the provisions of SPM. Government further stated (October 2024) that since OEMs and overseas suppliers were not ready to pay SD, exemption for collection of SD was essential for the above category of suppliers.

It may be however, noted that collection of SD is mandatory provision under SPM and any deviation in this regard needs to be included in the NPP after approval from the Government.

5.1.9.2 Absence of timelines for procurement activities

Clause 1.3 of SPM prescribes that appropriate timeline should be fixed for each stage of procurement and delineation of responsibility and delegation of powers to reduce delay. As per clause 7.33 of SPM, the tender should specify a validity/firmness period of two months for rates quoted by bidders for all ordinary items of stores and a maximum period of three months for manufacture, supply, and erection contracts. As per clause 9.58, the entire process of scrutiny and evaluation of award of contract should be completed within three months from the date of tender opening.

As per clauses 7.4 and 7.7 of NPP, maximum period of 25 days and 90 days are prescribed for bidding in open tenders and for maintaining the validity of bids respectively.

Audit observed that:

- NPP did not prescribe timelines for completion of key stages of procurement like review of indent, issuing of tender, evaluation of bids, finalisation of tender, and award of contract.
- The firmness period of 90 days was not followed in procurement of project-related capital items, for which a period of 180 days was specified in all e-Tenders.
- The absence of specific timelines for procurement activities and fixation of longer firmness period for capital items led to considerable delay in completion of procurement process. Data made available by the Company for 13,379⁵⁶ (out of 14,717) POs involving purchase of raw materials, fuel and spares, which were finalised based on enquiry and not by inviting

⁵⁶ Absence of ERP system was the major reason for non-availability of data for the remaining 1,438 POs (14,717 – 13,379) as purchase data are not fully captured in the existing IT system.

tender, revealed delay (*i.e.*, more than 90 days from enquiry date) in finalising and issuing 1,561 POs, with the maximum delay being two years and four months (865 days⁵⁷).

- Scrutiny of the audit sample comprising 184 POs/ SOs revealed delay (beyond 90 days from enquiry/ tender date) in issuing 49 POs/ SOs. The maximum delay was of 16 months (486 days⁵⁸) in procurement of energy-efficient Tickle pre-heaters, which has not yet been concluded (April 2024). The delay was seen to be persisting even in the case of POs/ SOs finalised based on nominated purchase or enquiry, where out of 77 such cases reviewed by Audit, there was delay in finalising 12 purchases, with the maximum delay being eight months (240 days⁵⁹) in procurement of Carbo Bead.
- There was also considerable delay (of more than 15 days) in sending enquiry to registered/ nominated vendors after receipt of indent from user department. Data on 13,379 POs that were finalised based on enquiry or nominated purchase showed that the Company took more than two weeks after receipt of indent to send enquiry in respect of 6,393 POs, with the maximum delay being two years and four months (865 days⁶⁰).

The delay signified an inefficient procurement process.

Government replied (April 2024) that the Company was not having a complete ERP system and files were approved manually at various levels which caused the delay. It stated that with the implementation of ERP system, file movement and traceability would be faster which would further result in minimising the delay. Government further replied (October 2024) that the Company was directed to incorporate the timelines for completing tendering process of open e-tenders within 90 days in the NPP.

Recommendation: The Company may review its New Purchase Procedure to ensure that the provisions are aligned with those of SPM and conclude procurement activities within a reasonable time period.

Circumvention of Tender process

As per clauses 7.7 and 7.11 of SPM, tender should be invited for purchase of materials costing above ₹ one lakh, and public advertisement (Open Tender) should be invited for purchases costing above ₹10 lakh. As per clause 7.20, procurement by single tender enquiry from a selected source should be resorted to only in certain unavoidable situations⁶¹.

⁵⁷ Enquiry for procurement of 'FRP Primary' was sent on 12 July 2019 and PO was issued on 21 February 2022.

⁵⁸ Global e-Tender was invited on 25 May 2020 and SO was issued to successful bidder on 22 December 2021.

⁵⁹ Enquiry was issued to a nominated vendor in June 2020 and PO was placed in May 2021.

⁶⁰ Indent for procurement of 'Cyclone Dia' was generated on 29 January 2020 and enquiry sent on 27 June 2022.

⁶¹ In the case of emergency or where standardised machinery/components are required or when there is substantial economy in procuring from select suppliers or where competition is not expected to be advantageous.

As per clauses 4.3 and 4.4 of NPP, all purchases costing more than ₹ five lakh should be made by inviting e-Tenders except in the case of procurement from overseas suppliers/OEMs and for proprietary items, and purchases above ₹10 lakh should be made through open e-Tenders. As per clause 4.6, nominated purchase can be made from Government agencies/ PSEs where prices are fixed by Government.

5.1.9.3 Procurement without inviting tender

A review of the audit sample revealed that procurement of 14 materials costing ₹19.59 crore was made without inviting tender, thereby defeating the principles of economy, efficiency, transparency, and fairness in procurement process, as shown in **Appendix 25**. The Company did not resort to tendering though the purchase value was more than ₹ one lakh in each case and (exceeded ₹ one crore in four purchases). The reasonableness of quoted price could not be ascertained in the absence of competition and updated price list for items so procured.

Government replied (April 2024) that most of the items, viz., filter bags, radiant coil assembly, carbo bead, etc. were customised and the same should be got only from OEMs. The OEMs would not participate in the tender and hence, the Company would send enquiry directly to them for smooth functioning of the production process. Government further replied (October 2024) that the Company was directed to provide proper justification for procurement of high value items from single source of supply in future.

5.1.9.4 Undue favour extended to suppliers through nominated purchase

Clause 9.22 of SPM provides that procurement from State Government Departments/institutions and PSEs can be made without inviting tenders for the first five years after they had gone into production and after ascertaining the market price. As per clause 4.6, nominated purchases can be made only for proprietary items, purchases from Government agencies/PSEs where prices are fixed by Government, and from OEMs after obtaining the latest price list.

The Company's procurement practices revealed several instances of non-compliance with established norms, resulting in a lack of transparency and significant financial loss of ₹23.17 crore, as discussed below.

a. Procurement of Liquefied Natural Gas

The Company invited (April 2019) open tender for procurement of 100 MT of Liquefied Natural Gas (LNG) and received single bid from Bharat Petroleum Corporation Ltd. (BPCL). Meanwhile, it received (April 2019) a letter from AG&P Group⁶² which stated that that the latter was authorised by the Petroleum and Natural Gas Regulatory Board (PNGRB) to develop City Gas Distribution Network (CGDN) infrastructure and to supply LNG to customers having requirement up to 50,000 standard cubic meters per day (SCMD) in Alappuzha, Kollam and Thiruvananthapuram districts (specified area). The Company's request (May 2019) for participating in its e-Tender for supply of LNG was, however, not accepted by AG&P. The Company, therefore, issued (July 2019) PO to BPCL for supply of 100 MT of LNG at a price of ₹37,636.49 per MT

⁶² A private company headquartered in Singapore, which operates in India as M/s AG&P Pratham.

(equated price of ₹727.98 per MMBTU⁶³). Subsequent procurements of LNG were, however, made from AG&P on nomination basis, as shown in **Table 5.3**.

Table 5.3 : Procurement of LNG from AG&P during 2019-23

Year	Quantity procured (MMBTU) ⁶⁴	Average price (₹/ MMBTU)
2019-20	12,277.56 ⁶⁵	669.58
2020-21	31,062.52	556.44
2021-22	3,634.46	1,278.81
2022-23	38,717	1,493.80
	85,691.54	

(Source: Company records)

Audit observed that AG&P did not submit a bid or quote against the limited enquiry that was floated (July 2020) by the Company to six vendors (including AG&P) and expressed its exclusive right to supply LNG in the specified area. The Company ceded to the claim of AG&P for supply of LNG sans independent verification and finalised the procurement on nomination basis without inviting open e-Tender, despite guidelines in the SPM and NPP that mandate competitive bidding for fair price discovery.

PNGRB Regulations granted (March 2019) an authorisation to AG&P to lay, build, operate, or expand CGDN with necessary infrastructure in the specified area. Till the time the infrastructure for CGDN is ready, commercial customers having a daily requirement up to 50,000 SCM⁶⁶ (i.e., 1,984 MMBTU per day) were entitled to procure LNG from any other alternate source or supplier with the prior permission of PNGRB. As CGDN was not commissioned (September 2023) and the Company's requirement was less than the stated volume, the authorisation granted by PNGRB to AG&P had not set in and the Company was entitled to procure LNG from any supplier by inviting Open e-Tender. Disregarding this, the Company accepted AG&P's claim for exclusive rights to supply LNG in the specified area and procured 85,691.54 MMBTU from AG&P during 2019-23 at a total cost of ₹9.57 crore. It was also observed that the Company procured (April 2021) 7,200 MMBTU of LNG from Indian Oil Corporation Ltd. (IOCL) at a price of ₹675.98 per MMBTU based on manual limited tender. The nominated purchase from AG&P, therefore, lacked transparency, fairness, and equity.

It is also noteworthy that as per the directions (April 2022) of the Hon'ble High Court of Kerala⁶⁷, PNGRB had, in a similar case involving English Indian Clays Limited (EICL) and AG&P, ordered (June 2022) that since AG&P was not ready to supply to ECIL in the specified area through CGDN, EICL cannot be forced against its wish to source LNG.

An independent verification by Audit revealed that The Fertilisers and Chemicals Travancore Ltd, a Central PSE and major consumer of LNG in the

⁶³ 1 MT = 51.7 Million Metric British Thermal Unit (MMBTU).

⁶⁴ Metric Million British Thermal Unit. One MT = 52.14 MMBTU.

⁶⁵ The Company procured 235.46 MT at an average price of ₹31,911.97 per MT (herein converted in terms of MMBTU for uniformity).

⁶⁶ Standard Cubic Meters. One MMBTU = 25.20 SCM.

⁶⁷ In Writ Petition (Civil) No. 6666 of 2022, 'EICL Limited vs. Union of India & Others.

State, floated open tender and procured 44.72 lakh MMBTU of LNG from IOCL at a basic price of ₹430.86 per MMBTU during 2020-21, 38.33 lakh MMBTU from BPCL at a basic price of ₹825.89 per MMBTU during 2021-22, and 760.45 lakh MMBTU from IOCL at a basic price of ₹1,230.05 per MMBTU during 2022-23.

It is evident that the Company neither gathered market intelligence to make its procurement economic nor approached PNGRB for relief (as done by EICL). As a result, the Company procured LNG at higher prices and incurred an extra expenditure of ₹1.70 crore on nominated purchase from AG&P.

Government replied (April/October 2024) that based on the public notices of PNGRB dated 2 June 2020 and 23 July 2020, the Company procured from AG&P till March 2021. Since AG&P had not laid any pipeline in Alappuzha, Kollam and Thiruvananthapuram districts, the Company had right to get supply of natural gas from any alternate supply source till CGDN was ready. Accordingly, the Company had floated limited tenders to potential suppliers of LNG during the period April 2021 to January 2022. However, it had not procured LNG due to its higher price than LPG during the period and after LNG price had fallen below LPG's price, the Company again started procuring LNG from AG&P without tender.

The reply, thus, confirms that the Company had ignored the terms and conditions of PNGRB authorisation granted to AG&P, based on which, the Company was eligible to procure LNG from other sources at competitive rates until CGDN was ready. The procurement from AG&P without inviting tender and independently verifying the facts led to bestowal of undue benefit of ₹1.70 crore to a private vendor and entailed extra expenditure for the Company.

b. Procurement of chemicals

The Company resorted (September 2020) to nominated procurement of Caustic Soda Lye⁶⁸, Hydrochloric Acid and Liquid Chlorine from The Travancore Cochin Chemicals Ltd. (TCC) on the basis of an unsolicited offer (September 2020) for continued supply of these chemicals during 2020- 2021 at the then existing price⁶⁹ and an increased freight⁷⁰. Though the TC opined (September 2020) to invite open e-Tender in view of the cost involved (₹34.06 crore), it finally settled for nominated procurement from TCC as done in previous⁷¹ years. Details of procurement of chemicals from TCC during 2019-23 are indicated in *Appendix 26 (i)*.

An independent verification by Audit revealed that the average⁷² sale price of all three chemicals supplied by TCC to the Company during 2020-2023 was

⁶⁸ Having 48 per cent concentration (on 100 per cent Sodium Hydroxide basis).

⁶⁹ ₹30,500 per MT for Caustic Soda Lye, ₹6,500 per MT for Liquid Chlorine, and ₹2,700 per MT for Hydrochloric Acid.

⁷⁰ ₹1,900 per MT for Caustic Soda Lye (previous year ₹1,800 per MT), ₹1,420 per MT for Liquid Chlorine (previous year ₹1,350 per MT), and ₹960 per MT for Hydrochloric Acid (previous year ₹900 per MT).

⁷¹ Supplies against POs placed during 2019-20 were received in 2020-21.

⁷² Total of sale price for periods corresponding to supplies to KMML, divided by the number of supplies.

higher than the price of supply to other buyers⁷³ during the same period, as shown in Table 5.4.

Table 5.4 : Supply of chemicals by TCC during 2020-23

Chemical	Average sale price charged by TCC (₹ per MT)	
	To the Company	To other buyers
Liquid Chlorine	5,717.50	3,504.75
Hydrochloric Acid	2,381.25	1,430.25
Caustic Soda Lye ⁷⁴ (during 2020-21)	14,580.00	12,673.00

(Source: Information furnished to Audit by TCC, and Company records)

This indicated that the chemicals were available for supply at lower price than what were paid for by the Company. As open e-Tender was not invited to ensure competition and fair price discovery, the Company did not ensure economy in procurement and incurred an extra expenditure of ₹21.47 crore, as shown in *Appendix 26 (ii)*. The Company was not found to have conducted an enquiry about the market price of the said chemicals in spite of the high cost of procurement.

Government replied (April 2024) that the procurement of Caustic Soda Lye, Hydrochloric Acid and Liquid Chlorine from TCC by the Company was based on Government directions (January 2010). Government assured that the matter would be examined. Government stated (October 2024) that it has directed the Company to procure items costing more than ₹10 lakh through e-tender and to accept SD from successful bidders as per the Government Order of September 2015 and to modify the NPP accordingly.

However, the Company procured the aforesaid chemicals without inviting e-Tender, which violated the provisions of SPM and NPP. Further, as per SPM, procurement from PSEs without tender was possible for the first five years after the supplier PSE had gone into production, and TCC has been in business for the past seven decades. The argument that the procurement was as per GoK directives, therefore, does not hold good. The Company could also not produce a copy of the said Government letter to Audit. Moreover, the price of chemicals supplied by TCC was not fixed by GoK to justify a nominated procurement.

Recommendation: The Company may invite open e-Tenders for procurement of raw materials to ensure competitiveness and transparency in procurement process.

Tender evaluation

Clause 9.58 of SPM states that the validity period of bids should not be unreasonably long as it entails the risk of increase in prices quoted by the bidders.

⁷³ The Fertilisers & Chemicals Travancore Ltd., Tamilnadu Newsprint and Papers Ltd., Cochin Minerals and Rutile Ltd., Nitta Gelatin India Ltd., Kerala Paper Products Ltd., Sri Balaha Chemicals Pvt. Ltd., etc.

⁷⁴ KMML negotiated with TCC and obtained a better price for Caustic Soda Lye, as received by other buyers, during the period from December 2021 to March 2023.

Audit observed that the Company did not finalise the procurement of two energy-efficient Tickle pre-heaters within the validity period, which led to escalation in cost and loss of savings, as discussed below.

5.1.9.5 In-ordinate delay in finalising tender for procurement of Tickle pre-heaters led to loss of saving in consumption of fuel

The Comptroller and Auditor General of India, in its Audit Report No. 3 (PSUs) for the year ended March 2013, had observed that the Company lost the benefit of savings in cost of Liquefied Petroleum Gas (LPG) due to non-replacement of two Tickle pre-heaters with energy-efficient ones for more than five years after receipt (August 2010) of an offer from the OEM.

The Committee on Public Undertakings (COPU), in its 68th Report⁷⁵, had sought for (June 2018) further development in the matter. Responding through the Statement of Action Taken on COPU recommendations, GoK had stated (June 2020) that further processing of bids would be carried out after GoK accorded approval for revision in the estimated cost of the project to ₹20 crore for two pre-heaters.

Audit observed that the energy-efficient Tickle pre-heaters were not procured (as of April 2024) despite tendering on 10 occasions since December 2010 due to non-finalisation of tenders within the validity period and non-fulfilment of contract by the successful bidder where SO was issued on one occasion. The details pertaining to tenders issued for procurement of Tickle pre-heaters are given in *Appendix 27*.

Though SO was issued (December 2021) to Lepton Projects Pvt. Ltd. (LPPL) for supply of two energy-efficient pre-heaters, the contract was not performed by the vendor. Pursuant to the latest e-Tender (May 2023) for procurement of one unit of pre-heater which elicited single bid from a new vendor, the Company's BoD decided (October 2023) to place order on the vendor for supply of one pre-heater at the quoted price of ₹12.05 crore and to obtain GoK approval for revision in the estimated cost from ₹10 crore to ₹12.70 crore⁷⁶ for the second pre-heater. The abnormal delay in procuring new pre-heaters, therefore, led to price escalation of ₹14.10 crore⁷⁷.

A cost-benefit analysis and detailed study⁷⁸ undertaken (July 2019) by Central Power Research Institute to assess the technical and financial viability of installation of energy-efficient pre-heaters revealed that replacement of old pre-heaters would generate tangible saving of 950.40 TPA⁷⁹ in LPG consumption

⁷⁵ Based on Audit Reports of the Comptroller and Auditor General of India for years ended 31 March 2009 and 2013.

⁷⁶ Including erection charges of ₹0.65 crore in the Company's scope.

⁷⁷ ₹24.10 crore – ₹10 crore; being the difference between L1 offer of ₹12.05 crore received against latest e-Tender for one pre-heater and the original estimated cost for two pre-heaters.

⁷⁸ Undertaken pursuant to decision taken in a meeting (December 2018) chaired by the Minister for Industries and Commerce, GoK, for taking stock of the development in procurement of energy-efficient pre-heaters.

⁷⁹ Tonnes *per annum*; calculated as: (100 – 40) kg/ hour * 24 hours * 2 furnaces * 330 days/ year, where 100 kg/ hour is the LPG consumption per furnace and 40 kg/ hour is the expected future consumption after installation of energy-efficient pre-heaters.

and intangible saving of 2,395 TPA in Carbon footprint (by way of reduced Carbon Dioxide emission and less waste heat addition to the environment).

As per clause 7.20 of SPM, one of the grounds for adopting the single tender system is that the articles required are of a proprietary character and competition is not expected to be advantageous. Clause 4.6 of NPP states that nominated procurement can be made from OEMs subject to availability of the latest price list for items to be procured. Though Linde Engineering North America Inc. (formerly Selas Fluid Processing Corporation, USA) was the OEM for the existing pre-heaters and had offered to supply the item, the Company did not directly approach the OEM at any time for procurement of pre-heaters. The inordinate delay deprived the Company of savings in cost of 9,504 MT⁸⁰ of LPG, leading to avoidable expenditure of ₹50.40 crore⁸¹ during 2013-23.

Government replied (April 2024) that the Company did not have an online file system and that consequently manual processing of the files at various levels caused slight delay. It was hoped that with the implementation of ERP system, file movement and traceability would be faster. Thus, in view of the required time for completing the processes, there might be chances that bid validity would expire before completion of approval process. Government in its further reply (October 2024) stated the reasons for cancellation of each tender since December 2010.

The reasons adduced by the Government do not provide valid justification for the delay in finalising the procurement for over a decade. As the SPM stipulates a period of 90 days for procurement of project related items, irrespective of the procedure followed. Further, the reply confirmed that the Company had floated several tenders for procurement of Tickle pre-heaters. Hence, the reply of the Government is not acceptable.

It is also pertinent to note that despite the approval of revision in the estimated cost of two pre-heaters to ₹20 crore by GoK in 2020 and a lapse of five years from the date of CoPU recommendation (June 2018), the Company has not procured the pre-heaters till date (April 2024) and could not achieve the benefit of savings in cost of LPG. The assurance given by GoK to COPU has, therefore, not been kept.

5.1.9.6 Improper evaluation of bids led to award of contract to ineligible bidders

To ensure transparency in procurement process, CVC prescribed (September 2003) that pre-qualification and evaluation criteria should be clearly and unambiguously incorporated in tender and price bids of only pre-qualified and technically qualified bidders should be opened. As per clause 9.7 of SPM, bids which do not meet the required qualification criteria in tender should be declared ineligible and not considered further. Further as per clause 1.2, any new condition which was not incorporated in tender document should not be brought into consideration while evaluating the bids.

⁸⁰ 950.40 MT * 10 years (*i.e.*, 2013-23).

⁸¹ 950.40 MT * ₹53,031.03/ MT, considering average procurement price of LPG during 2013-23. KMML procured 40,317.07 MT of LPG during 2013-23, at price varying from ₹30,197.04/ MT (2016-17) to ₹91,992.22/ MT (2022-23).

NPP prescribes (clause 7.6) three mandatory conditions⁸², viz., annual turnover, solvency, and capacity of having executed similar contract in the past, for pre-qualification of bidders, and requires submission of documents in support of having achieved those conditions.

Audit observed that the Company awarded contracts to ineligible bidders who did not meet the prescribed pre-qualification and/or technical criteria, as discussed below:

a. Purchase of Wooden Pallets

Open e-Tenders (June 2020 and November 2021) for procurement of 32,000 numbers of domestic-purpose and 4,000 numbers of export-quality Wooden Pallets stipulated (clause 7) that bidders:

- i. should offer minimum 3,500 numbers of Wooden Pallets (domestic and export-grade combined).
- ii. have an annual turnover proportionate⁸³ to the offered quantity during any one of the previous five years.
- iii. submit proof of having executed a single order for supply of at least 50 *per cent* of similar material during any one of the last five years and.
- iv. submit a solvency certificate for at least 50 *per cent* of the said turnover during any of the previous five years.

The e-Tender stipulated (clause 7) that price bids of vendors who did not satisfy any one of the pre-qualification criteria would not be opened.

Though seven (out of nine) bidders who participated in the e-Tender of June 2020 and two (out of seven) bidders in the e-Tender of November 2021 offered to supply full tendered quantity, the Company adopted a new procedure, shown in **Appendix 28 (i)**, to arrive at ‘qualified quantity’ or ‘eligible quantity’ to be ordered on each supplier (at L1 rate) on the basis of turnover and solvency of bidders. This basis for evaluation as per ‘qualified quantity’ was, however, not specified/disclosed in e-Tender. The quantities ordered on bidders in each e-Tender after calculation of ‘qualified quantity’ are shown in **Appendix 28 (ii)**.

Though all three vital parameters (*i.e.*, annual turnover, solvency and capacity) of each bidder were to be mandatorily ascertained from bid documents for the purpose of pre-qualification, the Company assessed only two parameters (turnover and solvency) for assessing the ability of bidders to supply. The other mandatory criterion of proof of having executed similar supply of specified value in previous five years was overlooked while arriving at the ‘qualified quantity’. This led to pre-qualification and evaluation of all bidders who had

⁸² Annual turnover equivalent to the anticipated purchase value in any one of the previous five financial years; execution of at least a single order for supply of similar material for an amount equivalent to 50 *per cent* of anticipated purchase value during any one of the previous five years; and solvency certificate for an amount not less than 50 *per cent* of anticipated purchase value, issued by an Indian branch of a scheduled/ nationalised bank and dated not prior to 12 months from bid submission date.

⁸³ In November 2021 tender, annual turnover was specified as ₹1.84 crore (estimated cost of contract) for bidders who offered to supply full tendered quantity. If any bidder offered to supply less quantity (say, 4,000 numbers), the annual turnover was calculated as: (4,000 / 36,000) * ₹1.84 crore = ₹20.44 lakh.

submitted bid and EMD. Further, the bidders did not meet the prescribed turnover and/or solvency. By glossing over an essential pre-qualification criterion and by considering bidders who did not possess the tender-specified turnover and solvency, the Company procured Wooden Pallets from ineligible bidders. The evaluation process, therefore, compromised transparency and fairness in procurement.

The Company replied (September 2023) that the bidders were existing suppliers and had met the pre-qualification criteria, *viz.*, average turnover (₹13.77 lakh), solvency (₹6.89 lakh) and capacity (₹6.89 lakh). The reply (April/October 2024) of Government was silent on this aspect.

The reply of the Company is not convincing as the determination of 'qualified quantity' for each bidder was not specified in e-Tender and NPP did not prescribe calculation of proportionate turnover, solvency, and capacity for evaluation. Further, the bidders did not submit adequate proof of having executed similar supply in the previous five years, and the Company did not reckon this mandatory criterion for arriving at 'qualified quantity'.

b. Purchase of Power Cable

As per e-Tender invited (September 2021) for procurement of 2,400 metres of Power Cable, bidders were required to submit *inter alia* solvency certificate for not less than ₹22 lakh (50 *per cent* of estimated contract value) from an Indian bank, dated not prior to 12 months from bid submission date (*i.e.*, after October 2020) and proof of having executed a similar contract in any one of the previous five years. Central Marketing Syndicate (CMS), on whom PO was placed (December 2021), submitted solvency certificate (for ₹ one crore) dated 15 November 2019. Though the solvency certificate did not fulfil the requirement of being dated not prior to October 2020, the TC accepted the reasoning (October 2021) of CMS that obtaining new solvency certificate would entail additional bank charges, and pre-qualified (December 2021) CMS along with other two bidders. Notably, the bid submitted by CMS against the previous e-Tender of February 2021 also did not meet the pre-qualification criteria on solvency for the same reason and was rejected by the Company. The decision to accept the ineligible bid and award contract to CMS in re-tender violated tender conditions and favoured the bidder.

Government replied (April 2024) that the Company assured that steps would be taken to avoid the mistakes which happened in the-tenders for procurement of power cables.

The reply is not acceptable as the Company had overlooked the non-fulfilment of pre-qualification criteria.

c. Purchase of Sodium Silicate

- i. An Open e-Tender (April 2021) for procurement of 3,420 MT of Sodium Silicate on staggered delivery basis for a period of one year called for a solvency certificate for 50 *per cent* of turnover issued not prior to 12 months from bid submission date (clause 7) as one of the mandatory pre-qualification criteria.

The bid evaluation statement prepared (July 2021) by Materials Department and recommended by the TC pre-qualified four bidders, all of whom offered to supply full tendered quantity. The evaluation was done by

calculating the 'qualified quantity' for each bidder based on their capacity and solvency (annual turnover was not considered). Such an evaluation procedure was neither prescribed in NPP nor specified in e-Tender.

The bid documents submitted by two bidders, Kiran Global Chem Limited (KGC) and Ezhil Chemicals Private Limited (ECP) indicated that they did not fulfil the prescribed solvency criterion. As against the requirement of ₹1.95 crore, KGC submitted solvency certificate for ₹1.75 crore and ECP furnished solvency certificate for ₹1.80 crore. The other two bidders, Minar Chemical Industries (MCI) and Shanthi Chemical Works (SCW), submitted solvency certificate for the required amount. Notwithstanding the ineligibility of KGC and ECP, the MD approved (July 2021) the proposal of TC to pre-qualify and award (July 2021) the contract to KGC and ECP for supply of 1,648 MT and 1,772 MT of Sodium Silicate respectively. As the e-Tender specified procurement from two suppliers only, the irregular evaluation of ECP and KGC (as L1 and L2 respectively) led to exclusion of MCI and SCW, who were technically qualified and eligible for award of contract. The evaluation process, therefore, suffered from arbitrariness and lacked transparency, fairness, and objectivity.

Government replied (April 2024) that the Company had considered submitted documents only for pre-qualification. Accordingly, eligible quantity was arrived at, and PO was placed for the same.

The reply is not tenable as both bidders (KGC and ECP) did not meet the specified pre-qualification criteria on solvency.

- ii. Against an open e-Tender (May 2020) for procurement of 2,952 MT of Sodium Silicate, the bids received from two bidders, KGC and Sri Varahi Chemicals, were rejected on technical grounds as the samples provided by them were found to have failed⁸⁴ (3 July 2020) the Quality Assurance Test conducted by the Quality Control Laboratory of the Company. Despite the above and the report (9 July 2020) of Plant Manager reiterating the findings on poor quality, the Head of Department (Materials) acceded to KGC's request (July 2020/ August 2020) for re-considering its bid and advised (August 2020) collection of another sample from the bidder before opening the price bids. The decision was taken after the receipt (4 August 2020) of an e-mail communication from the office of the Principal Secretary (Industries), GoK, forwarding the request⁸⁵ of KGC. Consequently, a fresh sample⁸⁶ was obtained from KGC and sent (7 August 2020) by Manager (Purchase) for technical/ quality re-evaluation, which was reported (August 2020) as conforming to Quality Assurance Plan (QAP) and tender specifications. The Plant Manager accordingly revised (13 August 2020)

⁸⁴ The observed value of SiO₂ was 27.6 per cent (instead of the minimum 28.5 per cent) and that of 'Total Solids on Na₂O and SiO₂' was 36.3 (instead of the prescribed 37.6). Other values such as Weight Ratio, Specific Gravity, Fe, Cu, Cr, Pb and Ni were within permissible limits. Further, the sample appearance was reported as 'colourless, not clear' against the required 'water colour and clear' appearance.

⁸⁵ KGC had approached (3 August 2020) the Principal Secretary (Industries & NORKA) with similar request.

⁸⁶ The observed value of SiO₂ was 28.6 per cent, that of 'Total Solids on Na₂O and SiO₂' was 37.6, and the appearance of chemical was 'colourless clear solution'.

the earlier recommendation in respect of KGC and termed its bid/ sample as technically acceptable.

The aforesaid exercise was carried out after the due date for submission and opening of bids had ended on 24 June 2020 and 26 June 2020 respectively, which was improper. The arbitrariness in the evaluation process indicated bias and lack of transparency and equity in procurement.

The Company replied (August 2023) that KGC was a proven supplier for the past 10 years and the decision to obtain a new sample before opening the price bids was taken in a meeting chaired (August 2020) by MD in the wake of KGC's request as forwarded by the Principal Secretary (Industries). On the other hand, new sample was not obtained from Sri Varahi Chemicals as it was a new vendor.

The reply is not acceptable as the new sample was obtained after the due date of opening price bids and no other similarly placed bidder was given such an opportunity, indicating arbitrariness and favouritism on the part of the Company.

Government replied (October 2024) that it has directed the Company to ensure that the successful bidder satisfies the pre-qualification criteria.

d. Purchase of Pressure Filtration and Drying System

In an overt deviation from NPP provisions, the global e-Tender (November 2019) for procurement of '5 TPH Pressure Filtration and Drying System' (PFDS) specified (clause 2.3) that bidders should satisfy any two out of three mandatory conditions during any one of the previous three years (instead of five years) ending March 2019 for pre-qualification, which tantamount to fixation of another set of pre-qualification criteria.

The reply of GoK was silent on the above observation. The Company replied (September 2023) that NPP did not specify pre-qualification criteria for global e-Tenders and, hence, the convention of accepting lower solvency as per old procedure was followed for project-related procurement.

The reply is not tenable as NPP specified pre-qualification criteria for all types of tenders and items.

Recommendation: The Company may ensure that the bids are evaluated as per applicable rules and regulations and e-Tender terms and conditions.

Tender finalisation

The POs/SOs should contain essential terms and conditions of tender, which should be accepted by bidders, and a formal agreement should be executed with bidders to bind them with purchase terms.

5.1.9.7 Splitting of order quantity

Clause 9.50 and clause 12.0 of SPM and NPP respectively prescribe that the lowest eligible bidder should be awarded the order for supply of full tendered quantity and dividing or splitting the order quantity may be resorted to when the lowest eligible (L1) bidder is unable to offer full tendered quantity or when dependence of single supplier for critical and vital items is to be avoided.

As per e-Tenders invited by the Company, splitting of quantity was primarily governed by the status (*i.e.*, existing supplier or new supplier) and the capacity (*i.e.*, full quantity or part quantity) of L1 bidder. The standard e-Tender terms and conditions specified (clauses 27 and 29) splitting⁸⁷ of supply quantity among (maximum) four qualified bidders at L1 rate, to ensure an effective control over supplies.

Audit observed deviations in POs regarding splitting of order quantity among bidders, which introduced bias, obscured transparency and fairness in procurement, and led to extra expenditure of ₹4.87 crore, as discussed below:

a. Purchase of Calcined Petroleum Coke

Against an open e-tender (November 2020) for procuring 17,103 MT of Calcined Petroleum Coke (CPC), India Carbon Ltd. (ICL) which had offered to supply full tendered quantity, was the L1 bidder at a price of ₹30,730 per MT. The Company issued (March 2021) Letter of Intent (LoI) to ICL for supply of 60 *per cent* of tendered quantity (10,262 MT) and requested (March 2021) the other three vendors to match L1 rate for placement of order for balance quantity. While two other bidders, Petro Carbon and Chemicals Pvt. Ltd. and Rain Cii Carbon Ltd., expressed (March/ April 2021) their unwillingness to do so, Goa Carbon Ltd. (another bidder) sought a month's time (till 30 April 2021) for responding. Meanwhile, the TC decided (3 April 2021) to issue POs to ICL for supply of 14,823 MT and to Goa Carbon Ltd. for 2,280 MT subject to the latter matching L1 rate. Post-award of contract (April 2021) to ICL for supply of 14,823 MT, Goa Carbon Ltd. expressed (14 June 2021) its inability to match L1 rate. Though the Company approached (July 2021) ICL for supply of balance/additional quantity of 2,280 MT, the supplier did not accede to the request citing its committed production plan and schedule.

The residual quantity of 2,280 MT was loaded (October 2021) to the requirement for next year (2021-22) and tendered (November 2021) for procurement of 20,402 MT⁸⁸ of CPC. Of the eight bids received, six were evaluated as technically suitable but all of them offered to supply less quantity than that tendered. ICL once again quoted (January 2022) the lowest rate (₹52,100 per MT) for offered quantity of 12,250 MT, which was higher than L1 rate of previous e-Tender by 69.54 *per cent*. As other vendors did not match L1 rate, the Company issued (March 2022) PO to ICL for supply of 12,250 MT of CPC at the new price of ₹52,100 per MT.

⁸⁷ If L1 is qualified and offers to supply full tendered quantity, it would be allotted 60 *per cent* of the tendered quantity and the remaining 40 *per cent* quantity would be divided among L4, L3 and L2 in the ratio of 1:1.1:1.2. In case L1 offers to supply only part quantity, the allocation would be maximum 30 *per cent* of tendered quantity for L1 and 70 *per cent* among L4, L3 and L2 in the ratio of 1:1.1:1.2. The allocation would be 50 *per cent* for L1 and 50 *per cent* for L4, L3 and L2 (at L1 rate) if L1 was a new supplier and offered to supply full quantity.

⁸⁸ 18,122 MT budgeted for 2021-22 *plus* 2,280 MT carried over from 2020-21.

Audit observed that since ICL had offered to supply full tendered quantity against the e-Tender of November 2020 and other bidders did not match the L1 rate, the Company should have awarded contract for supply of full tendered quantity (17,103 MT) to ICL at the price of ₹30,730 per MT, without splitting as per SPM and NPP terms. The decision of the TC to consider Goa Carbon Ltd. for supply of 2,280 MT without obtaining consent/response of the bidder for acceptance of L1 rate was hasty and injudicious. It eventually led to procurement of CPC at a higher rate, entailing avoidable expenditure of ₹4.87 crore⁸⁹.

Government replied (April 2024) that CPC, being a critical raw material for the Company's production, depending on single supplier involved high risk in getting the material and might lead to shutdown of the plant. Hence, the Company granted time extension to Goa Carbon Ltd. Government further replied (October 2024) that the left over quantity of 2,280 MT was not procured in the next PO.

The reply is unacceptable because the PO for part of the quantity was placed on Goa Carbon Ltd. without ensuring its willingness to match L1 rate. Thus, while the Company did not award the entire 14,823 MT to an initially willing L1 bidder at ₹30,730 per MT, it irregularly placed the remaining order of 2,280 MT to an unwilling party that had not agreed to supply at L1 price and ultimately conveyed its inability. This resulted in a lost opportunity for the company to acquire its raw material at ₹30,730 per MT as against ₹52,100 per MT of the subsequent tender.

b. Purchase of Sodium Silicate

In an open e-Tender issued in May 2020 for the supply of 2,952 MT of Sodium Silicate, the tender documents (clause 27) specified that the order quantity would be split between the L1 and L2 bidders according to the Company's standard allocation norms—60 *per cent* of the tendered quantity to L1 and 40 *per cent* to L2. All three technically qualified bidders offered to supply the full tendered quantity. KGC emerged as the L1 bidder with a price of ₹11,390 per MT, and ECP, the L2 bidder, agreed to match the L1 rate. According to the standard norms, KGC, as the L1 bidder, should have been awarded 1,772 MT (60 *per cent* of the tendered quantity). However, the Company deviated from these norms and awarded the contract by splitting the order in a 70:30 ratio, with KGC receiving 2,066 MT (70 *per cent*) and ECP receiving 886 MT (30 *per cent*). No explanation or justification for this deviation was provided in the records.

In a subsequent Open e-Tender in April 2021 for the supply of 3,420 MT of Sodium Silicate, the contract was awarded in July 2021, with POs issued to ECP (L1) for 1,772 MT (51.81 *per cent*) and KGC (L2) for 1,648 MT (48.19 *per cent*). This allocation did not align with any pre-specified ratio or standard norms in the e-Tender, and the basis for determining the "eligible quantity" for each supplier was not clearly outlined.

⁸⁹ (₹52,100 - ₹30,730) * 2,280 MT.

These deviations from standard tender norms introduced inconsistencies and lack of transparency in the procurement process, raising concerns about the fairness and rationale behind the allocation of order quantities.

The Company replied (August 2023) that ECP was a new bidder against the e-Tender of May 2020 and splitting of order quantity was decided on the basis of 'eligible quantity' as per submitted proof (PO copies) of capacity.

Government replied (October 2024) that it was mentioned in the tender document that new supplier who were qualified for part quantity may be allocated a maximum of 30 *per cent* of tender quantity and accordingly, the Company allocated 70 *per cent* to L1 and 30 *per cent* to L2.

The reply is not tenable as the e-Tender specified allocation of supply quantity between L1 and L2 on the basis of status of L1 only. Similarly, splitting on the basis of eligible quantity was not a condition mentioned in the tender. KGC (L1) was an existing supplier and had offered to supply full quantity while ECP, being L2, was eligible for 40 *per cent* of tendered quantity. The e-Tender of April 2021 too contained the same criteria for splitting of order quantity, but actual allocation was done in a different ratio.

c. Purchase of Petcoke

In an open e-Tender (November 2020) for procurement of 8,832 MT of Petcoke – NPF Grade, the tender documents specified (clause 29) splitting of ordered quantity among maximum four bidders as per standard allocation ratio, considering the critical and vital nature of material and to have an effective control over supply.

Popular Lime Industries (PLI), the L1 bidder, offered to supply full tendered quantity while the two other bidders, Popular Chemicals and Sea-Som Carbon Company (SCC), offered to supply part quantity of 4,000 MT and 3,500 MT respectively. The Company arrived at the 'qualified quantity' for each bidder (on the basis of proportionate turnover and solvency) and awarded contract to PLI (L1) and Popular Chemicals (L2) for supply of 5,300 MT and 3,532 MT respectively, *i.e.*, in the ratio of 60:40, after the L3 bidder declined to match L1 price. Determination of order quantity based on 'qualified quantity' was not specified or disclosed in e-Tender. As Popular Chemicals did not meet the pre-qualification criteria (its annual turnover was ₹2.48 crore against the required ₹5.08 crore and capacity of execution of similar supply in the past was for a value of ₹1.52 crore against the required ₹2.54 crore) and SCC refused to match L1 price, the tendered quantity of 8,832 MT should have been ordered on PLI which fulfilled all conditions for pre-qualification and offered the lowest price.

Government replied (April 2024) that since the L3 party declined to match L1 price, the Company had awarded the balance quantity of 40 *per cent* to Popular Chemicals, to ensure continuous supply of material. Government also stated (October 2024) that it had directed the Company to ensure that rules and regulations of e-tender including pre-qualification criteria in selection of bidders are complied with.

The reply is not tenable as no justification was provided for awarding contract to an ineligible bidder who had not satisfied the pre-qualification criteria of

annual turnover and execution of similar contract for the required value. Thus, the award of contract to an ineligible bidder was irregular.

5.1.9.8 Legal infirmity due to absence of formal agreement with suppliers and consequent inability to recover the loss suffered on default

As per clause 9.60 of SPM, an agreement should be entered into with the successful bidder for satisfactory fulfilment of the contract, embodying the conditions of the order and providing for necessary penal clauses for any breach of conditions of the contract. Clause 10.31 provides for termination of contract at the risk and cost of supplier, after deducting the maximum amount of LD, if the contractor fails to deliver the ordered items within the specified time/period, and does not provide satisfactory reasons for the delay/default or apply for extension of delivery period.

Audit observed that the Company did not execute formal agreement with the successful bidders for supply of any material/machinery, post-issuance of POs/SOs, despite having a Legal Section/Officer for drafting and vetting contracts. Non-execution of agreement weakened the position of the Company in the event of breach of contract by suppliers as it could not legally proceed against suppliers or invoke the risk-and-cost clause while resorting to alternate procurement.

Audit observed the following cases of default in supply or breach of contract by suppliers and consequent procurement from alternate sources at higher prices, where, risk-and-cost clause could not be effectively invoked in the absence of a legally enforceable agreement, entailing loss of ₹39.27 crore.

a. Purchase of High Purity Magnesium Metal

The default in supply of High Purity Magnesium Metal by two vendors, Jinxin Minmetals International Ltd and Calcutta Metal Depot, led to procurement (January/ August 2022) of 50 MT and 100 MT at a higher price of ₹6.64 lakh per MT and ₹6.47 lakh per MT respectively from alternate sources. This resulted in extra expenditure of ₹4.86 crore⁹⁰. Further, the shortage of High Purity Magnesium Metal adversely affected the production of Titanium Sponge in TSP Unit for a period of 10 months (11 November 2021 – 5 August 2022) leading to loss of production of 182.16 MT valued at ₹32.33 crore. In the absence of a formal agreement binding the supplier to the contract, the Company did not take action to make good the loss suffered on this account at suppliers' risk and cost.

Government replied (April 2024) that the Company had taken legal proceedings against Jinxin Minmetals International Ltd and Calcutta Metal Depot. The party had to acknowledge the POs with their seal/signature and send it back to the Company as per existing procedure.

The reply is untenable as the Company could not recover the huge loss suffered due to default in supply of High Purity Magnesium Metal as there was no formal agreement for performance of contract and the risk-and-cost clause could not be invoked while making alternate procurement. Further, the Company's reply did

⁹⁰ $([₹6,64,000 - ₹3,28,759] * 50 \text{ MT}) + ([₹6,47,000 - ₹3,28,759] * 100 \text{ MT})$.

not contain details of amount withheld from payments due to defaulter suppliers.

b. Purchase of Sodium Silicate

The POs issued (July 2021) on ECP and KGC for supply of 1,772 MT and 1,648 MT of Sodium Silicate at a price of ₹10,500 per MT stipulated a weekly delivery schedule of 37 MT and 34 MT respectively, and completion of supplies by October 2022. As both suppliers defaulted in effecting delivery as per schedule – ECP delivered 547.77 MT and KGC supplied 390.35 MT – the stock of Sodium Silicate depleted to 44 MT (*i.e.*, requirement for three days) in the beginning of November 2021. Citing emergency, the Company procured (November/December 2021) additional quantities of 450 MT at a price of ₹15,900 per MT and 500 MT at a price of ₹13,850 per MT from alternate sources to meet production requirement. This entailed an extra expenditure of ₹0.41 crore⁹¹. To meet the balance requirement, the Company invited (January 2022) open e-Tender and procured (February 2022) 1,959.96 MT from MCI and SCW at a landed price of ₹16,350 per MT, which resulted into extra expenditure of ₹0.90 crore⁹².

The Company replied (August 2023) that it took earnest efforts to avoid shortage of material by resorting to procurement from alternate sources at the risk and cost of suppliers.

The reply is not tenable as Company did not furnish any evidence to establish that procurement from alternate sources was made at the risk and cost of defaulter suppliers and that the loss suffered was recovered from defaulters.

c. Purchase of Hydrated Lime

The Company issued (November 2020/January 2021) POs to Raj Lime Products (L1) and six other vendors for supply of 19,500 MT of Hydrated Lime at a landed cost of ₹7,800 per MT. The scheduled delivery period was staggered over a period of one year till December 2022. Raj Lime Products and Bright Industries (L6) defaulted in supplies while Mahesh Lime Products (L2) did not supply any quantity. Citing production requirement, the Company procured (December 2021/January 2022) the defaulted (balance) quantity of 3,574.72 MT from nine vendors (including three existing suppliers who had delivered as per schedule against earlier PO), based on enquiry/tender (November 2021), at higher prices varying from ₹9,650 per MT to ₹16,500 per MT. This resulted in an extra expenditure of ₹1.51 crore. The Company recovered (February 2023) SD of ₹10.80 lakh and ₹7.20 lakh, and withheld ₹19.05 lakh and ₹36.73 lakh, from invoices of Raj Lime Products and Bright Industries respectively. The net loss on procurement worked out to ₹0.77 crore⁹³.

Government replied (April 2024) that legal notices were issued to Raj Lime Products and Bright Industries during January 2024 and filing of legal suit was under progress.

⁹¹ $([₹15,900 - ₹10,500] * 450 \text{ MT}) + ([₹13,850 - ₹10,500] * 500 \text{ MT}).$

⁹² $([₹16,350 - ₹10,500] * 1,531.88 \text{ MT}).$

⁹³ $(₹1.51 \text{ crore}) - (₹0.19 \text{ crore} + ₹0.37 \text{ crore} + ₹0.11 \text{ crore} + ₹0.07 \text{ crore}).$

The fact remained that the Company suffered loss due to non-execution of contractual agreement and non-invocation of risk-and-cost clause on defaulters.

d. Non-compliance of COPU recommendation

COPU, in its 68th Report, had recommended that a valid agreement should be executed, incorporating provisions for fixed price, uninterrupted supply of materials and imposition of penalty, for realising the loss incurred due to premature stoppage of supplies. GoK had then assured remedial action through recovery of LD and insistence of SD in contract documents as per NPP.

The audit findings described above demonstrate that the recommendations of COPU were not implemented.

Government stated (April 2024) that it had issued directions to the Company to make sure that the provisions in the NPP are similar to the provisions of SPM, based on the audit findings. Government further assured (October 2024) that the Company shall modify its purchase procedure to incorporate formal agreement with successful bidders including LD clauses and to collect SD from bidders.

5.1.9.9 Delay in opening Letter of Credit for supplies led to loss of saving in fuel consumption

The PFDS was a constituent of the TP Unit capacity expansion project⁹⁴, for which the Company had submitted (March 2018) a Detailed Project Report (DPR) to GoK for approval. The estimated cost of PFDS as per DPR was ₹65 crore. Citing low capacity/performance of the plant and possible non-availability of spares for the existing Tunnel Dryer and Drum Filter System, the Company's BoD decided (September 2019) to delist PFDS package from the TP Unit capacity expansion project and implement it separately. The implementation of PFDS was expected to generate fuel saving of ₹14.60 crore annually.

The SOs issued to Advent Tech DMCC, Dubai, and Advent Tech Projects Pvt. Ltd. (Indian arm of the foreign company) stipulated completion of the entire supply of PFDS (foreign as well as Indian component) within 18 months (*i.e.*, by December 2022) subject to opening of an operable Letter of Credit (LoC) by the Company within three weeks from the date of order. The Company, however, delayed the opening of LoC for supply of the foreign component of PFDS by four months (October 2021) and for supply of the Indian component by 11 months (May 2022). Supply of the foreign component was completed in September 2022 but that of the Indian component was delayed by a year due to belated opening of LoC. As the Indian component was not received (as of April 2024), the PFDS could not be commissioned/used for a year despite the receipt of foreign component. The delay in supply of PFDS resulted in loss of savings of ₹14.60 crore in fuel consumption.

Government replied (October 2024) that the delay in opening LoC was due to Advent Tech DMCC's delay in submission of necessary data/ information/ documents. Government also stated that significant work on the project had

⁹⁴ Proposed for enhancing the capacity of the plant from 40,000 TPA to 60,000 TPA.

been completed at site and after commissioning, a delay analysis report would be prepared.

The reply is not acceptable as the delay in commissioning has resulted in loss of savings in fuel consumption and the Company may explore the possibility of levying LD as per the Supply Order.

Recommendation: The Company may, in future, execute formal agreements with successful bidders for supply of critical and vital material.

Internal control

5.1.9.10 Effective internal control over procurement processes is maintained through the separation of duties among involved personnel and regular, thorough internal audits. According to the NPP (clause 11.0), a Tender Committee (TC) comprising officials from various departments must evaluate and recommend the purchase of all materials, including capital items. The TC must include a representative from the Materials Department, particularly for evaluating and recommending purchases by the TP and TSP Units. Additionally, for purchases exceeding ₹25 lakh, the Head of Department (Materials) is required to be a member of the TC.

However, an audit revealed that the Head of Department (Materials) was not involved in the procurement of high-value, project-related capital items, contrary to the provisions of the NPP. All proposals and approval notes related to the tendering and procurement of capital items from the tendering stage to the issuance of the supply order (SO) were prepared and initiated solely by the Project Department. This lack of involvement from the Materials Department, specifically the absence of the Head of Department (Materials) in the TC, was a clear deviation from the NPP's requirements.

In response to this finding, the Government stated in April/October 2024 that the Company will ensure the inclusion of the Head of Department (Materials) in the TC for the procurement of high-value project-related capital items in the future, in compliance with the NPP.

5.1.10 Conclusion

The BoD approved NPP contained deviations from the Stores Purchase Manual of GoK, which led to inconsistencies and deviations in the purchase procedures followed by the Company. The tendering process suffered from deficiencies such as purchase of high-value raw materials from chosen suppliers without inviting e-Tenders, abnormal delay in finalising tenders leading to cost escalation and significant loss of savings, improper evaluation of bids by modifying or disregarding essential pre-qualification criteria leading to award of contract to ineligible bidders, absence of contractual agreement with suppliers which exposed the Company to the risk and loss on procuring materials from alternate sources in the event of breach of contract by suppliers, and non-insistence of security deposit from overseas suppliers. It introduced bias, inequity, and non-transparency in procurement process. Internal control system over procurement activities was weak due to non-compliance of COPU recommendations and non-involvement of the Head of Department (Materials) in project-related purchases.

Kerala State Industrial Development Corporation Limited

5.2 Non-banking Financing Activities of Kerala State Industrial Development Corporation Limited

5.2.1 Introduction

Kerala State Industrial Development Corporation Limited (the Company) was incorporated (July 1961) as a fully owned company⁹⁵ of Government of Kerala (Government) with the main objectives of promoting, facilitating, and financing large and medium-scale industries, and catalysing the development of physical and social infrastructure required for industrial growth in the State. The Company is engaged in financing industrial units by providing various types of loans, establishing Industrial Growth Centers and Industrial Parks, and implements various projects and initiatives on behalf of the Government. It is a Public Financial Institution within the meaning of Section 2 (clause 72) of the Companies Act, 2013. The Company is also registered as a Non -Banking Financial Company (NBFC -non-deposit taking) under Section 45- IA of the Reserve Bank of India Act, 1934. The Company is working under the administrative control of the Department of Industries and Commerce, Government of Kerala.

5.2.2 Organisational Setup

The management of the Company is vested in the Board of Directors (BoD) consisting of ten directors. The day-to-day affairs are overseen by the Managing Director (MD), who is assisted by one Executive Director, three General Managers (GMs) and six Deputy GMs in charge of separate functional departments.

5.2.3 Financial performance

The financial performance of the Company during the three years ended 31 March 2023 is given below in **Table 5.5**:

Table 5.5 : Financial performance of the Company during 2020-23

(₹ in crore)

Particulars	2020-21	2021-22	2022-23
Income			
Interest income from loans and advances	30.03	48.83	64.23
Interest on bank deposit and dividend	14.72	23.16	16.43
Other income	9.18	23.00	35.02
Total income	53.68	94.99	115.68
Expenses			
Employee benefit expenses	10.71	9.03	9.71
Finance cost and Bad debt	0.03	9.91	20.05
Other expenses	17.70	21.12	21.18
Total expense	28.44	40.06	50.94
Profit for the year	25.49	54.93	64.74

⁹⁵ The Governor of Kerala held 100 per cent shares valued at ₹301.24 crore (i.e., 30,12,435 shares of ₹1,000 each).

5.2.4 Audit objectives

The objective of Compliance Audit was to examine whether the non-banking finance activities of the Company, *i.e.*: sanction, disbursement and recovery of loans were made complying with the credit appraisal norms and loan policy of the Company.

5.2.5 Scope of Audit

The Company provides various types of loans, *viz.*, term loan, corporate loan, working capital term loan *etc.* to industrial and business units in the State. It also provides loans under specific schemes introduced by the Government from time to time for promoting establishment of business units in specific segments like women and young entrepreneurs, Micro, Small and Medium Enterprises (MSMEs) *etc.* The Compliance Audit covered the non-banking financing activities of the Company from 2020-21 to 2022-23. Audit sample included the following:

Table 5.6 :Total population and samples selected for audit

(₹ in crore)

Particulars	Sample Universe		Sample	
	No. of loans	Sanctioned value	No. of loans	Sanctioned value
Standard Loans	247	1,071.01	20	199.23
Non-Performing Loans	76	199.67	11	64.12
Loans closed under OTS	23	69.48	6	6.06
Pre-Closed loans	24	188.53	6	55.07
Normally closed loans	24	124.77	6	27.61
Total	394	1,653.46	49	352.09
Percentage of sample size			12.44	21.29

5.2.6 Audit criteria

Audit findings are benchmarked against:

- Government Orders and Circulars.
- NBFC directions issued by the Reserve Bank of India (RBI).
- Memorandum and Articles of Association of the Company.
- Agenda and minutes of Board meetings.
- Loan and interest policy.

5.2.7 Audit methodology

Audit findings were developed based on scrutiny of records, analysis of available data, and responses received to requisitions and enquiries. An Entry Conference was held on 20 October 2023 with the Department of Industries and Commerce, Government of Kerala to discuss the audit objectives, criteria, scope and approach of compliance audit. The draft report was issued in April/ August 2024 to the Government, and the replies were received in June/August 2024. The audit findings were discussed in an Exit Conference with the Department

of Industries and Commerce held on 03 October 2024. Replies from the Government have been suitably incorporated.

Audit findings

The audit findings are discussed in the successive paragraphs.

5.2.8 Credit Appraisal

As per the Company's policy, loan facility is extended to those applicants who secure a score of 45⁹⁶ and above in the credit appraisal process, wherein applicants are assessed based on various parameters such as experience of the promoter in the proposed activity, past performance (turnover growth, profit growth and return on equity), extent of security offered, profitability of the project *etc.* Rate of interest applicable for each loan is arrived at based on the total score obtained in the credit rating.

5.2.8.1 Deficiencies in credit rating framework

As per the credit rating framework, loanees with lower credit rating are considered as having higher risk exposure and consequently, a higher interest rate is charged, and *vice-versa*. The Company's credit rating framework (2016-17 onwards) is a nine-stage slab system with incremental increase in the interest rate by 0.25 *per cent* for every reduction in the credit score by five marks. The credit rating framework and the criteria used for assigning credit score to the applicants is detailed in *Appendix 29*.

Audit reviewed the credit rating framework of the Company and noticed the following deficiencies in fixing the scores against the criteria as shown in **Table 5.7**:

Table 5.7 : Deficiency in fixing score

Criteria	Deficiency in fixing score
Past Performance – b. Profit growth	Average of three-year profit after tax as a percentage of sales turnover was considered, instead of considering the growth in the past three years, resulting in assignment of higher score for companies with negative growth in profits.
Return on Equity (RoE)	Reserves and surplus were not considered for arriving at the Shareholders' Fund used in the formula (Net income/Shareholders' fund), thereby giving an inflated RoE.
Profitability a. Debt Service Coverage Ratio	Debt Service Coverage Ratio (DSCR) ⁹⁷ measures an entity's ability to repay its debt obligations over a period of time. While calculating forward looking DSCR of projects, it was observed that the Company calculated the same either without considering the future repayments against existing debts of the loanee and/or without considering the future repayments against the loan to be sanctioned by the Company. Thus, the

⁹⁶ The credit appraisal score consists of: (a) experience of promoter in the proposed activity (score ranging from 1-10); (b) past performance including turnover growth, profit growth, return on equity (score ranging from 0-15); extent of security offered (score ranging from 4-10) and profitability of the project including payback period and DSCR (score ranging from 2-5).

⁹⁷ DSCR = net operating income/total debt service.

Criteria	Deficiency in fixing score
	future repayments in its totality were not included in the calculation, resulting in incorrect credit scores and sanctioning of loans at a lesser rate of interest.
b. Payback period	Payback period calculation considered expected cash flow from operation without discounting (factoring in the time value of money), leading to inaccurate payback period assessment.

The deficient credit rating system has resulted in inflated credit scores being assigned to the loanees, which eventually led to charging lesser rate of interest as well as financing of ineligible projects. The instances in support of the above deficiencies are discussed in the successive paragraphs.

5.2.8.2 Defective credit rating

Audit noticed deficiencies in the application of the approved credit rating system in the evaluation of loan applications. The instances where such deficiencies were noticed are stated below:

a. Solar Offset Printers Private Limited (Loan of ₹12.50 crore sanctioned in February 2015)

The Debt-Equity (DE) ratio is used to evaluate a company's financial leverage by dividing a company's total liabilities by its shareholder equity. The Debt Service Coverage Ratio (DSCR) is a measure of the cash flow available to pay debt obligations. Lenders use the DE ratio to measure business's financial leverage and the DSCR to determine whether a business has enough net operating income to pay back loans.

Audit observed that the DE ratio and DSCR were being calculated without considering the then existing loans of the loanee from other financial institutions. Herein, if the then existing entire borrowing cost of ₹2.46 crore been considered, the average DSCR for the loan tenure of six years would have worked out to 1.57, leading to a score of 3 instead of 5 as assessed by the Company. Thus, the correct financial leverage and the ability to correctly assess the repayment ability were not being considered.

The Government replied (August 2024) that a minimum DSCR of 1.80 is required for loan approvals, and adjustments to the repayment period are made based on cash flows and DSCR. KSIDC also acknowledged an inadvertent omission of ₹220.31 lakh from the debt-equity calculation but stated that this does not impact the financial outcome or credit rating.

b. Propyl Packaging Private Limited (Loan of ₹10.80 crore sanctioned in August 2010)

The Company relied on the projected operational results provided by the loanee, without factoring in the performance, resulting in undue favourable performance outcomes. Return on Equity (RoE) was calculated without considering reserves and surplus, all of which resulted in the loanee receiving a higher credit score and consequently lower interest rate.

In addition, negative turnover growth up to 6.69 per cent in the preceding three years, net profit ratio of meagre one per cent of the sales revenue, continuous

declining trend of profit *etc.* which pointed to a critical cash flow situation of the loanee unit, thereby adversely affecting loan serviceability and consequently project viability were also not considered.

The Government replied that (August 2024) the unit was engaged in manufacturing and trading of mono layer and 3-layer packing films while the proposal was for a new high barrier 5-layer film manufacturing unit which cannot be compared with the existing capacity in terms of product, demand, and profitability. The proposal was also for enhancing capacity from 750 ton *per annum* to 5,040 ton *per annum*. It was also replied that the company was expecting its existing clients to switch over to usage of high barrier films for packaging.

The reply is not tenable as there was lack of assessment regarding the company's capability to market a significantly higher volume of 5-layer packaging when the company identified customers with an aggregate consumption of 2,160 tonnes *per annum*, while the proposed production capacity is 5,040 tonnes after expansion. The reply is also silent on the other audit observations regarding Return on Equity (RoE).

c. Accel Limited (Loan of ₹23 crore sanctioned in September 2019)

While assessing (August 2019) the loanee's credit score, turnover growth was calculated by incorrectly including income from exceptional items, while RoE was calculated without considering reserves and surplus. Similarly, extent of available security was calculated by including the net-worth of guarantors though it was neither mortgaged to the Company nor was its non-alienation insisted for.

The Government replied (August 2024) that the Company used total revenue to assess turnover growth, considering it appropriate since credit rating guidelines do not specify using only sales revenue. Also, profits from asset sales in 2017-18 were disclosed during the appraisal process. The Company calculated Return on Equity (ROE) as Net Profit divided by Share Capital alone, following its credit rating guidelines to focus on returns to equity shareholders. Including reserves and surplus could artificially inflate ROE and benefit projects operating at a loss. It was also stated that the Company has revised its credit rating mechanism with effect from January 2022 to include reserves and surplus, maintaining balance and avoiding undue advantage to non-performing units. Regarding security, the consideration of the promoter's net worth for security cover calculation aligned with the credit rating mechanism in place at that particular time. Therefore, there will be no adjustments made to the marks awarded based on this calculation.

The reply is not acceptable as the criteria was 'turnover growth' which implied that exceptional income could not be treated as turnover. The reply confirmed that the Company followed an incorrect method for calculating the ROE which had led to fixation of lower interest rate. Regarding security, the reply is not acceptable since the loan policy stipulated primary as well as collateral security for sanction of loan. Hence, inclusion of net worth as part of security for credit rating was not correct.

d. Joy's The Beach Resorts Private Limited (JBRPL) (Loan of ₹35 crore sanctioned in April 2021)

Reserves and surplus were not considered (November 2020) for arriving at the value of shareholders' fund used in the formula for RoE (Net income/Shareholders' fund), thereby giving an inflated value.

The Government replied (August 2024) that Reserves and Surplus were not considered as it did not reflect from out of the routine operations of the Company but from the amalgamation with a group entity or in the form of revaluation reserve representing difference in the market value and book value of land.

The reply is not acceptable as reserves and surplus forms part of owner's equity and hence liable to be considered for calculation of ROE.

e. Kumarakom Aqua Serene Private Limited (KASPL) (Loan of ₹4.97 crore sanctioned in August 2010)

The Company arrived at an average DSCR of 1.98, which made KASPL eligible for a credit score of 4. However, upon verification of the DSCR in Audit, the average DSCR worked out to 1.61 which would have made the loanee eligible for a score of 3 alone. In addition, though KASPL was a new unit, the criteria of 'prompt servicing of existing loan' which was applicable only to existing units, was applied for arriving at the loanee's credit score, leading to undue higher scores.

The Government replied that (August 2024) under the Company's previous credit rating system, marks were given as "Standard Assets" or "Substandard Assets" for existing customers. For new units, the Company used reports from the bankers of their existing bank accounts and for satisfactory bank reports full marks were awarded. In this case, 10 marks were given based on a satisfactory report. This practice applied to all new units. The new policy now uses CIBIL scores for marking.

Since the said parameter was applicable for existing units only, giving full marks under this parameter to a new project was against the norms fixed by the company and hence the reply is not acceptable.

f. KGR Gems and Bullion Private Limited (Loan of ₹3.75 crore sanctioned in July 2021)

The loanee, though a new unit, was incorrectly allowed (July 2021) score under the criteria 'prompt servicing of existing loan' which was applicable only for existing units.

The Government replied (August 2024) that, although the company was newly constituted, a sister concern of the promoter was already functional and had an operational bank account with HDFC Bank. The operations of this sister concern were to be merged with that of KGR Gems. The operations of the sister concern and its equipment have since been transferred to KGR Gems. Hence, points due for past performance were awarded.

The reply is not tenable as consideration of existing loan of a sister concern for past performance of first-generation promotor was not in line with credit rating framework.

g. Parison Agrotech Private Limited (Loan of ₹13 crore sanctioned in February 2020)

Profit growth, payback period and debt-equity ratio were calculated incorrectly.

The Government replied that (August 2024) the method of calculation of Profit growth, payback period and debt-equity ratio apply to the overall methodology adapted by the Company while appraising the loan cases of the corporation.

The reply is not tenable as the calculation of significant ratios for determining interest rate should have been correctly calculated for identifying the risk involved so as to fix an interest rate in accordance with the risk.

Thus, the Company did not evaluate various parameters in the credit rating assessment framework in the prescribed manner in some cases, and/or in accordance with the Generally Accepted Accounting Principles (GAAP) in some other cases. As a result of the above discrepancies in credit rating assessment, the above loans were sanctioned at low interest rates which were not commensurate with the risk profile of these companies and resulted in loss of interest revenue to the tune of ₹4.40 crore as detailed in *Appendix 30* and **Table 5.8** below.

Table 5.8 : Statement showing interest loss

Name of loanee	Period of Sanction	Amount of loan sanctioned (₹ in crore)	Total marks		Applicable Interest rate (%)		Loss (₹ in crore)
			Awarded by KSIDC	Calculated by Audit	As per KSIDC	As per Audit	
Solar Offset Printers Private Limited	February 2015	12.50	70.00	64.00	11.25	11.75	0.13
Propyl Packaging Private Limited	August 2010	10.80	77.50	64.00	11.50	12.50	2.04
Accel Limited	September 2014	23.00	66.50	49.00	10.00	11.00	0.62
Joy's The Beach Resorts Private Limited	April 2021	35.00	94.00	79.00	8.75	9.25	1.01
Kumarakom Aqua Serene Private Limited	August 2010	4.97	71.00	60.00	11.00	11.50	0.15
KGR Gems and Bullion Private Limited	July 2021	3.75	70.00	60.00	9.75	10.00	0.05
Parisons Agrotech Private Limited	February 2020	13.00	77.00	65.50	8.90	9.40	0.40
Total interest loss							4.40

5.2.9 Sanction of loan to ineligible units

The loan policy prescribed eligibility criteria required to be satisfied by applicants for sanction of each type of loan. Audit, however, noticed that in the following cases, the Company sanctioned loans despite the units not meeting the specified criteria.

5.2.9.1 The Kerala Tourism Development Corporation (KTDC)

As per lending norms effective from 30 October 2017⁹⁸, proposal for takeover of loans was to be considered only from companies with 'good track record' and that met the following criteria, viz., (i) positive net-worth, (ii) cash profit in the immediately preceding five years, in three years of which net profit should have been recorded, (iii) turnover growth during the previous three years, and (iv) no over dues to other financial institutions.

The Kerala Tourism Development Corporation (KTDC) incurred a cash loss of ₹5.16 crore and could not achieve a turnover growth in the immediately preceding three financial years (2016-17 to 2018-19). Though non-compliance to these conditions rendered KTDC ineligible, the Company sanctioned ₹26.65 crore (March 2020) to it for take-over of an existing bank loan.

Similarly, while assessing the credit score of KTDC, the Company accepted exorbitantly higher operational results (Earnings Before Interest, Tax, Depreciation and Amortisation -EBITDA) for calculation of parameters like pay-back period and debt service coverage ratio, without giving due consideration to actual performance of the loanee in previous years. The actual EBITDA of KTDC deteriorated steadily as shown below during 2015-16 to 2018-19, whereas the projections for the first five years (after availing loan) relied on by the Company for loan sanction, were in extreme variance with the loanee's actual past performance.

Table 5.9 : Actual vis-à-vis Projected EBITDA

(₹ in crore)

Actual EBITDA				Projected EBITDA				
2015-16	2016-17	2017-18	2018-19	2019-20 (Y1)	2020-22 (Y2)	2022-23 (Y3)	2023-24 (Y4)	2024-25 (Y5)
6.28	5.82	3.07	-3.58	27.45	33.60	31.52	29.20	26.56

The Government replied that (August 2024), the KTDC has shown significant growth by expanding its services and improving infrastructure and marketing strategies, leading to higher tourist arrivals and occupancy rates. The Company prudently evaluated KTDC's potential, approving the loan based on projections and modernisation efforts. Currently, KTDC's business is at a record high, and the loan is being serviced without any defaults.

Government has not addressed any of the key points raised by Audit such as failure to ensure good track record as per the then existing lending norms and the loss of interest revenue due to deficiencies in credit rating *i.e.*, in calculation of PBP and DSCR. As per its actual financials, KTDC incurred a loss of ₹16.43

⁹⁸ Subsequently amended in November 2020 and December 2022.

crore in 2019-20. As against the projections of EBITDA ranging from ₹26.56 crore to ₹33.60 crore during 2019-20 to 2024-25, KTDC reported EBITDA of ₹(-)45.41 crore and ₹(-)40.42 crore for the year 2020-21 and 2021-22 respectively. Thus, it was highly irrational of the Company to accept the projection that KTDC, which had been incurring losses continuously and had recorded a loss of ₹3.58 crore as at the end of 2018-19 would, at the end of the next year (2019-20) make a turnaround to generate a profit of ₹27.45 crore. This indicated that the Company failed to diligently assess the veracity of the projections made by KTDC with reference to their past performance.

5.2.9.2 Kairali Steels and Alloys Private Limited

The Government introduced Vyavasaya Bhadratha Scheme (May 2020) and Covid-19 Samashwasa Padhathi to assist the Micro Small and Medium Enterprises (MSME) sector in the wake of Covid-19 pandemic. The Company sanctioned two loans of ₹2 crore each to Kairali Steels and Alloys Private Limited under Vyavasaya Bhadratha Scheme (September 2020) and Covid-19 Samashwasa Padhathi (October 2021), though the applicant unit was not eligible to be considered as MSME, as their turnover exceeded ₹250 crore. The Company's Audit Committee noted (September 2022) these irregular loan sanctions and the same was ratified (December 2022) by the Board of Directors, though it was not competent to approve deviation, if any, in the schemes introduced by the Government.

The Government replied that (August 2024) the loan was sanctioned to Kairali Steels and Alloys Private Limited by emphasising the company's good track record and the need to support industries during the Covid-19 pandemic. It was noted that while the company exceeded the MSME turnover limit, the financial assistance was approved as a regular loan at a lower interest rate without the benefits of the Covid-19 Samashwasa Padhathi.

The reply is not tenable as the schemes were specifically designed to support the MSME sector, and Kairali Steels and Alloys Private Limited did not meet the MSME criteria due to its turnover exceeding ₹250 crore. Furthermore, the Board of Directors was not authorised to approve deviations in government-approved scheme guidelines, making the loan sanction irregular. This also resulted in a non-intended Scheme beneficiary receiving the advantage of Government's subsidised interest rates.

5.2.9.3 Taj Kerala Hotels and Resorts Limited (TKHRL)

As per loan policy, sanction of corporate loan should be purely based on the strength of balance sheet, profitability, volume, and prospects of the existing business, and to meet long term fund requirement for acquisition of assets/shares or expansion/modernisation or diversification of the business. Against the above, the Company, sanctioned (February 2021), a corporate loan of ₹17 crore to Taj Kerala Hotels and Resorts Limited (TKHRL) for sustaining operations on account of revenue loss during 2018-19 and 2019-20 and for takeover of an existing working loan from State Bank of India.

Audit noticed that the unit did not satisfy the criteria of net profit for the preceding five years (2.23 per cent against 5 per cent required) and the profit showed a declining trend while the net loss increased up to 13.28 per cent in 2019-20. It also failed to meet the criteria of turnover growth for four years out

of the immediately preceding five years since the turnover declined during the years 2018-19 and 2019-20. The requirement of sufficient cash flow from current business operations for servicing the loan was also not satisfied as the unit incurred cash loss in 2018-19 and 2019-20 (₹11.87 lakh and ₹402.23 lakh).

The Government replied that (August 2024) that credit rating system assigns marks based on a three-year average PAT-to-sales ratio. The Company is revising credit rating system as part of new core financial software to address anomalies identified if any and the observation will be considered in this process.

5.2.10 Deviation from loan policy

The following instances of deviations from the declared loan policy were noticed during sanction of loans:

5.2.10.1 Accel Limited

As per loan policy, maximum Debt-Equity (DE) ratio for loans to infrastructure sector was 1.50:1 (*i.e.*, maximum amount of loan would be 1.5 times of the promoter contribution). Debt-equity ratio up to a maximum of 2:1 could be accepted with collateral security for the amount above 1.5 times of the promoter contribution.

The Company sanctioned (August 2019) term loan of ₹23 crore to Accel Limited with a debt-equity ratio of 1.77:1 (*i.e.*, against promoter contribution of ₹13 crore, loan was proposed for ₹23 crore) which required collateral security equivalent to ₹3.50 crore (*i.e.*, ₹23 crore - ₹19.50 crore⁹⁹).

Against the above requirement, the Company obtained collateral security worth ₹1.40 crore alone (property worth ₹0.73 crore and lien-marked fixed deposit of ₹0.67 crore), though the loan policy stipulated for building or land only as collateral security. Further, based on a request of the loanee, the Company arranged (October 2019) for revaluation through the Revenue Department and revalued (February 2021) the property given as collateral at ₹2.68 crore, and released the lien-marked fixed deposit.

The Government replied (August 2024) that for a project cost of ₹36 crore, the maximum loan amount without additional collateral was ₹21.60 crore. Since the company required ₹23 crore, extra collateral security for ₹1.40 crore was needed to meet the Company's lending requirements. The Company noted that it had the flexibility to approve loans with a debt-equity ratio of up to 2:1, provided additional collateral was secured for the amount exceeding the 1.5:1 ratio.

The reply is not tenable as the amount reckoned for calculation was not correct. Since the promoter's contribution was ₹13 crore, the loan amount (without collateral) at 1.5 times of the promoter contribution worked out to ₹19.50 crore. Since the Company provided loan of ₹23 crore, collateral securities equivalent to ₹3.50 crore (*i.e.* ₹23 crore - ₹19.50 crore) should have been obtained.

5.2.10.2 Joy's The Beach Resorts Private Limited

The Board of Directors of the Company approved (December 2022) modified loan policy enhancing the maximum credit exposure in a specific project from

⁹⁹ 1.5 times of promoter's contribution (1.5*₹13 crore).

₹35 crore to ₹60 crore. The Board of Directors reconstituted (February 2023) the Executive Committee and authorised the Committee to approve proposals for financial assistance over and above ₹5 crore up to ₹25 crore per case/ project proposal. Accordingly, the Executive Committee considered and approved (March 2023) a proposal for sanction of additional loan of ₹15 crore to Joy's The Beach Resorts Private Limited in addition to the loan of ₹35 crore sanctioned earlier (October 2020) by the Board of Directors, thereby enhancing the total exposure of the Company in this project to ₹50 crore.

Any enhancement of credit exposure in this project should have been approved by the Board of Directors since the financial limit prescribed for the Executive Committee was for approval of loan up to ₹25 crore only.

The Government replied (August 2024) that the project and its viability were established and approved by its Board wherein the total loan content was ₹85 crore limiting KSIDC loan at ₹35 crore, being the maximum amount sanctionable to a firm at that point of time. As this limit was increased (₹60 crore), the additional loan of ₹15 crore was approved to ensure financial closure for the project. Since the total loan component and the project parameters remained the same, the additional loan was considered as a standalone loan within the overall debt limit considered by the Board. The members of the Executive Committee are only a subset of the larger Board and the appraisal notes being placed before the Board and Executive committee contained the same details as such. Hence, there is no discrepancy in Executive Committee sanctioning a loan of ₹15 crore to the company, as it is within their powers and the project has been approved by Board of KSIDC earlier with same loan content.

The reply is not tenable. The sanction of new loan of ₹15 crore increased the Company's credit exposure to ₹50 crore. Since the same was beyond the financial limit (₹25 crore) of the Executive Committee, it should have been approved by Board of Directors. As both these loans were for a single project (beach resort), application for the additional loan cannot be treated as a standalone loan. Further, the credit exposure and sanction limits were prescribed per case/project proposal and not per application.

5.2.11 Absence of specific policy/guidelines

Audit noticed that the Company did not have a specific policy or guidelines regarding the period up to which the project appraisal and credit rating assessment once carried out could be relied upon for sanction of additional loans to the same project at a later stage. Consequently, project appraisal and credit rating assessment carried out for the purpose of sanction of one loan was being used for sanction of additional loans even after a gap of three years, as discussed below:

5.2.11.1 Joy's The Beach Resorts Private Limited

The Company sanctioned (March 2023) an additional loan of ₹15 crore to Joy's The Beach Resorts Private Limited, thereby enhancing its total exposure in the project to ₹50 crore. But the additional loan was sanctioned based on the project credentials (2017-18 to 2019-20) used at the time of sanction of the first loan (₹35 crore) in October 2020, thereby adversely affecting the reliability and accuracy of the credit rating process.

The Government replied that (August 2024) the project was initially approved by the Board with a total loan content of ₹85 crore and the promoters agreed to cover any overruns. Also, the Managing Director is authorised to approve up to 15 *per cent* overrun. Reassessing the project would create an undue burden on KSIDC's limited workforce, as the project parameters remain unchanged. The project's viability has already been established, and considering the significance of the tourism sector, there was no need for a reappraisal.

The reply does not address the ambiguity in the existing loan policy regarding the need for conducting fresh appraisal of a project before granting further assistance.

5.2.11.2 Kairali Steels and Alloys Private Limited

The Company sanctioned (September 2019) term loan of ₹15 crore to Kairali Steels and Alloys Private Limited, after conducting project appraisal and credit rating assessment as required. The next year, the Company sanctioned (October 2020) another term loan of ₹20 crore to the unit based on the same project credentials and credit rating assessment of September 2019. Since the credit rating assessment in 2019 considered the past performance of the unit up to 2018-19, at the time of sanction of second loan (October 2020), one more year had elapsed and performance of 2019-20 should have been included in the period under consideration to assess the eligibility and performance of the unit.

Government stated (August 2024) that Board had approved the project as viable with a total loan limit of ₹35 crore and the promoters agreed to cover any overruns. Also, the Managing Director is authorised to approve up to 15 *per cent* overrun. Reassessing the project would impose an unnecessary burden on KSIDC's limited resources, as the project parameters have not changed. Given the project's stability and the significance of the steel rod manufacturing sector in Kerala, a reappraisal was not required.

The reply is not tenable as it fails to address the necessity of including the 2019-20 performance data in the credit rating assessment for the second loan sanctioned in October 2020. Relying on outdated project credentials and financial assessments from September 2019 without considering the latest fiscal year's performance undermines the accuracy and reliability of the credit appraisal process.

5.2.11.3 Propyl Packaging Private Limited

The Company sanctioned two loans amounting to ₹11.85 crore to Propyl Packaging Private Limited in August 2010 (₹10.80 crore) and October 2011 (₹1.05 crore). While the first loan was to be repaid by March 2019, the second loan was to be repaid by June 2020. The loanee failed to service the loan repayments and interest and the Company did not take any fruitful action against the loanee or promoters to recover the dues. The loanee went into closure from July 2018 and the total overdue amount in respect of the loan sanctioned by the Company stood at ₹30.17 crore (February 2024). Based on the petition filed by another creditor of the loanee for insolvency resolution process under Insolvency and Bankruptcy Code 2016 (IBC), liquidation process is in process (February 2024).

Audit noticed that the loans were secured against fixed assets of the unit of which 83 *per cent* were depreciable assets like plant and machinery, building, *etc.* Considering the applicable rate of depreciation, the value of plant and machinery would have reduced from ₹12.55 crore to ₹9.30 crore after two years when the outstanding amount of loans would be ₹14.46 crore, resulting in the loan becoming unsecured by ₹3.93 crore. Further, the value of primary security kept on declining year after year, and the unsecured element of loan touched ₹6.60 crore by 2016-17, while the loan outstanding stood at ₹10.80 crore. Even if recovery action was initiated in the event of default, the value of primary security would have been much lesser compared to the original cost due to passage of time and advancement of technology.

Since the Company obtained collateral security purely based on debt-equity ratio, and in the absence of specific policy guidelines, collateral security was not obtained in this case to safeguard possible reduction in the value of primary security.

The Government replied that (August 2024) the 31.55 *per cent* security margin met KSIDC's policy requirements for loan coverage. They prioritise loans based on expected cash flow rather than on collateral security, aiming at industrial and economic development in Kerala. The matter of requiring additional security for projects having substantial machinery components will be brought before the Risk Management Committee for consideration.

5.2.12 Loans granted without following due procedures under the directions of Government

Government issued (April 2016/ March 2018/ June 2019) the following directions to the Company to release funds to Kerala State Textile Corporation Limited (KSTCL), a State PSE in the form of:

1. interest free working capital loan of ₹1.50 crore on condition that the loan would be repaid by Government.
2. Temporary loan ₹10 crore with minimum applicable interest for purchase of raw materials, to be repaid by KSTCL within six months of release of loan.
3. Payment of ₹2 crore to Indian Overseas Bank (IOB) against settlement of loan dues of KSTCL, to be refunded to the Company by KSTCL.

Accordingly, the Company sanctioned three loans aggregating to ₹13.50 crore without carrying out credit rating assessment, at an arbitrary rate of interest and without any security. In an assessment in audit, the loanee obtained a total score of 45, which called for an interest rate of 11.25 *per cent*, while the Company sanctioned loans with interest rates of 9.25 *per cent* and 11 *per cent*. The combined loss of interest income to the Company on account of sanctioning of two loans at lesser rate of interest and one loan free of cost was ₹1.55 crore.

Out of the above, KSTCL has repaid ₹ one crore (September 2016) alone, with the remaining loan amount of ₹20.63 crore (including interest overdue of ₹8.13 crore) being outstanding (September 2023).

The Government replied that (August 2024) KSIDC had communicated the terms for sanction of loans of ₹10 crore to KSTCL, like Government guarantee for the principal and interest and considering the loan amount as budgetary

provision. KSIDC sanctioned and disbursed the loans as per Government order and as per clause 143(i) of Articles of Association of KSIDC.

The reply is not tenable since the Company deviated from / violated its own lending norms.

Recommendations: The Company may:

1. *revise its scoring criteria to assess profit growth based on actual growth rates and incorporate all relevant financial aspects in credit assessments.*
2. *revise the credit rating system by addressing deficiencies in evaluation, adhere to loan eligibility criteria, proper assessment of financial viability, requirement of adequate security and compliance with loan policies to avoid sanctioning loans to ineligible units.*

5.2.13 Disbursement of loans

Non-fulfilment of pre-disbursement conditions

The Company prescribes standard terms and conditions, including specific conditions, if required, on a case-by-case basis which are required to be complied with by the borrower before commencement of disbursement. Audit examined the extent of adherence to the pre-disbursement conditions stipulated at the time of sanction of loan and noticed the following discrepancies:

5.2.13.1 Joy's The Beach Resort Private Limited (JBRPL) and Seraphine Dev Impex Private Limited (Seraphine)

The following table indicates the adherence/non-adherence to the pre-disbursement conditions set by the Company in the cases of two loans of ₹35 crore and ₹33 crore sanctioned (October 2020/March 2022) to Joy's The Beach Resort Private Limited (JBRPL) and Seraphine Dev Impex Private Limited (Seraphine) respectively:

Table 5.10 : Status of adherence to pre-disbursement conditions

Loanee	Pre-disbursement condition	Status of adherence
JBPRL	Tie-up the entire cost of the projects and obtain sanction letters for the balance amount of the loan to achieve financial closure for the project.	The release of two tranches of funds amounting to ₹10 crore was made by the Company without JBRPL achieving financial closure.
	Enhance authorised share capital to at least ₹62 crore prior to commencement of disbursement and allotment of shares to the extent of promoter's contribution raised at the time of each disbursement	Authorised and paid-up capital was not enhanced as required before the disbursement of loan funds in July 2021 and April 2022.
Seraphine	Enhancement of authorised share capital to at least ₹15.20 crore prior to commencing disbursement.	As per the details available in the website of the Ministry of Corporate Affairs, Government of India, authorised share capital of

Loanee	Pre-disbursement condition	Status of adherence
		the loanee continues to remain at ₹ one lakh only.

Though the loanee units did not comply with the above conditions as required to commence the disbursement of sanctioned amount, the Company either relaxed these conditions or opined that they were not required to be complied with at that point of time and released the sanctioned amount (₹10 crore in the case of JBRPL and one tranche of ₹6 crore in the case of Seraphine).

In case of JBRPL, the Government replied that (June 2024) KSIDC received in-principle sanction letter for a loan of ₹50 crore from Indian Bank at Kollam prior to disbursement of funds from KSIDC. Although enhancement of share capital was mandated as a pre-disbursement condition, it is a standard practice to permit the promoters to raise the share capital in proportion to the funds being raised from time to time for better utilisation of funds raised towards capital expenditure. In this background, the share capital has been enhanced to ₹14.25 crore.

The reply is not tenable as for JBRPL, KSIDC included the revaluation of reserve of land along with actual funds raised by the promoters, because of which the fund raised was assessed at 50.43 *per cent*. KSIDC neither received final credit sanction from any financial institution nor ensured financial closure before disbursement of funds. Regarding increase of authorised capital, it may be noted that extension of relaxation to pre-disbursement conditions weakens the safeguards envisaged through such conditions.

In the case of Seraphine Dev Impex Private Limited, Government replied (June 2024) that raising of funds through the approved means of finance was ensured strictly in every case by the middle of project implementation. As on date, Seraphine Dev Impex Pvt Limited has enhanced the authorised capital and it is now ₹20 crore.

Government further replied (August 2024) that increasing authorised capital causes significant costs without immediate benefits; hence, the company ensures periodic increases in authorised capital according to project progress. Disbursement in case of JBPRL was based on an in-principle sanction letter from their Bank and to avoid project delays, as obtaining a final sanction involves extensive documentation.

The fact, however, remains that the pre-disbursement condition regarding enhancement of authorised capital and financial closure were not adhered to at the time of disbursement.

5.2.13.2 Solar Offset Printers Private Limited

The Company sanctioned (February 2015) an equipment loan of ₹12.50 crore to Solar Offset Printers Private Limited to finance an expansion programme with an outlay of ₹16.15 crore and scheduled to be completed by June 2015. The loanee unit was required to purchase 16 items of machinery from 16 different suppliers. As per the terms and conditions of sanction, the Company reserved a right to release sanctioned amount directly to machinery suppliers.

Audit noticed that the Company released ₹3.29 crore directly to the suppliers only in two cases and the balance ₹9.20 crore was transferred (31 March 2015)

to the loanee unit's bank account. The loanee procured machineries worth ₹8.09 crore (December 2015) only, *i.e.*, only 50 *per cent* of the projected investment, and diverted the remaining funds of ₹4.73 crore. Since no further purchase of machinery was forthcoming, the Company issued (March 2016) a show cause notice, stating 'diversion of loan fund and utilisation of the same for unintended purposes', which was not replied to.

RBI had advised (March 2014) all NBFCs to engage their own auditors for certification purpose without relying on certification given by borrower's auditors. However, the Company relied on the unaudited provisional financial statements of the loanee for the years 2012-13 and 2013-14 for credit appraisal and did not carry out an independent analysis of the financial statements of the loanee to identify early signs of liquidity crunch faced by the loanee unit at that point of time such as high accounts receivable (40 *per cent* to 80 *per cent* during the period 2012-13 to 2013-14) compared to sales along with an average collection period of more than six months to realise cash from debtors. The loanee unit, in a review meeting (December 2015) had itself confirmed that it had diverted loan funds for meeting working capital due to delay in realising receivables.

Due to failure of the loanee in timely repayment of principal and interest dues, the Company declared (March 2016) the loan as NPA and initiated (June 2017) Revenue Recovery proceedings against the loanee.

Thus, negligence in reviewing the financial position of the borrower led to release of funds in disregard to the conditions of loan sanction and consequent diversion of loan funds by the loanee along with creation of non-performing assets. It may be noted that since the machinery to be purchased under the expansion project was to form the primary security, the Company did not hold any other security except machineries worth ₹8.09 crore, the value of which might have deteriorated considerably in view of passage of time.

The Government replied that (June 2024) the loanee urgently needed funds to import machinery and as per terms with suppliers, payment must be through an irrevocable letter of credit, hence the transfer to a No lien account of loanee unit. As per RBI guidelines and Company's practice, verification of documents was done before fund release, ensuring proper use of funds. The working capital shortage was mainly due to delay in payment from government contracts, but the Company adhered strictly to security requirements at sanction and disbursement. Further, the Government stated that (August 2024) the funds were released directly to the company on the basis of excellent prior experience for faster implementation of the projects after obtaining the approval of Managing Director.

The reply is not acceptable as the 292nd Board Meeting in January 2015 had approved releasing funds directly to machinery suppliers. However, ₹9.20 crore was transferred directly to the loanee's account, failing to create primary security for the Company. Additionally, the Company did not comply with RBI's directive to engage a separate auditor, instead relying on NBFC staff.

Recommendation: The Company may strictly enforce compliance with pre-disbursement conditions, conduct independent financial analysis of borrowers, and ensure loan funds are released directly to suppliers to mitigate risks and prevent fund diversion.

5.2.14 Monitoring of loans

The Company's loan policy highlighted the importance of loan monitoring by stating that there should be continuous monitoring and interaction with the borrower to assess incipient default so that preventive action is taken well in time. Before processing each disbursement request from the borrower, the Company is required to conduct field visit as well as book verification of the statement of accounts of the project, after receipt of details of fund raised by the promoters and expended in project as duly certified by a chartered accountant. In the following cases, Audit, however, noticed inefficiencies in the monitoring of loan.

5.2.14.1 Propyl Packaging Private Limited

The Company sanctioned (August 2010 and October 2011) term loan of ₹11.85 crore to Propyl Packaging Private Limited. As per the terms and conditions of loan, the promoters executed an undertaking for non-disposal and non-transfer of shares and that promoter directors shall not resign/vacate office without written consent of the Company. The loans were guaranteed by the four promoter directors who held 79 per cent equity shares in the loanee unit. The following aspects are noted in this regard:

- The Company did not monitor changes in the shareholding pattern of the loanee unit from time to time, and the percentage of shares held by the guarantors reduced to 6.28 per cent in December 2013. This rendered the personal guarantee of the promoters virtually meaningless.
- The guarantors also did not obtain prior consent of the Company for disposal/ transfer of shares and sold the controlling stake in the loanee unit to others violating their undertakings furnished at the time of sanction of loan. The Company did not initiate any action against the promoters for breach of the loan conditions.
- As per affidavits submitted by guarantors, personal assets would not be disposed of or alienated until the loan was repaid fully, and agreed to create first charge over the personal property when the loan outstanding exceeded the security margin. However, the personal properties of promoters were pledged with State Bank of India for taking further loans and the Company failed to enforce any of the rights, even though the loans became unsecured from the second year itself.

The Government replied that (June 2024) KSIDC, a developmental financial institution, prioritises promoting industries and reviving struggling units. Project failures often result from market issues, working capital shortages, technology failures, promoter disputes, or external factors. In this case, the main reason for the unit's failure was a delay in obtaining proper working capital loans from banks. Government further stated that (August 2024) KSIDC received ₹4.78 crore from the liquidation proceedings. KSIDC filed an application for bankruptcy proceedings against the guarantors of Propyl Packaging Ltd. on 24 January 2024, and order from the NCLT is awaited.

The reply is not tenable as KSIDC is not mandated to promote industries at the cost of its sustainability. The loan policy of the Company and the NBFC norms stipulate that the Company should take prudent decision to safeguard its financial interest and to ensure recovery of the loans disbursed.

5.2.14.2 Sun Power Cement Company (P) Limited

The Company sanctioned (May 2007) a term loan of ₹5.23 crore to Sun Power Cement Company (P) Limited for setting up a clinker grinding cement plant at an estimated cost of ₹10.48 crore. Since the project suffered cost overrun due to delay, the Company sanctioned (January 2010) an additional loan of ₹2.50 crore to fund the cost overrun.

Audit noticed that though the plant commenced commercial operation in November 2011, it could not sustain the production due to non-availability of clinker. To address this issue, the promoters proposed import of large quantity of clinker with associated storage facility and enhancement of production capacity from 250 ton per day to 720 ton per day. The Company sanctioned (June 2016) another term loan of ₹9.67 crore for this expansion project. It may be noted that the nominee director of the Company in the board of directors of loanee unit suggested that without having firm tie-up for continuous supply of clinker from overseas suppliers, the expansion project could fail. Accordingly, the Company stipulated in the terms and conditions of third loan a specific condition to tie-up with overseas suppliers for regular supply prior to disbursement of sanctioned amount. The Company, however, released ₹6.80 crore (out of ₹9.67 crore) without ensuring that the pre-disbursement condition was adhered to, but the loanee unit could not import the clinkers as envisaged.

The Government replied that (August 2024) the company submitted documents stating the willingness of suppliers to supply clinker on commissioning the unit, in support of regular supply of clinker to the unit. The availability of raw material and the supply were ensured this way prior to release of loan funds. At the time of inspection conducted at the unit, huge quantity of raw material was seen. It was not the raw material availability but the problems due to flood, covid and working capital shortage had affected the working of the unit. Further, Government stated that as per KSIDC, firm tie-up for clinker supply would only be possible after project completion. KSIDC has initiated steps for recovery under the SARFAESI Act.

The reply is not tenable as the fact remains that the loanee unit did not achieve final tie-ups for supply of specified quantity before disbursal of loan funds.

Recommendations: The Company may

- 1. enhance its loan monitoring practices by ensuring strict adherence to pre-disbursement conditions and conducting regular assessments of borrower compliance to safeguard its financial interests and mitigate risks.**
- 2. establish guidelines for loan monitoring process, including periodic assessment of project viability, revisiting loan conditions in case of project delays or cost overruns, and disposal or transfer of mortgaged assets.**

5.2.15 Loan Recovery

Loan recovery includes recovery of principal and interest thereon against loans sanctioned from time to time. The loan policy provided for early recall of loan, in case of default and to take legal measures for taking coercive action to take over the mortgaged property and recover the dues.

The following **Table 5.11** shows the targets fixed for recovery and actual recovery made during 2020-21 to 2022-23.

Table 5.11 : Annual target vs. Actual – Recovery

(₹ in crore)

Particulars	2020-21		2021-22		2022-23	
	Target	Actual	Target	Actual	Target	Actual
Principal	35.00	50.89	90.85	98.70	100.60	236.21
Interest	40.00	30.07	61.25	49.40	72.00	66.28
Total	75.00	80.96	152.10	148.10	172.60	302.49

(Source: Information furnished by KSIDC)

From the above, it may be noted that recovery exceeded the target fixed for 2020-21 and 2022-23 and the actual recovery was 107.95 per cent and 175.25 per cent respectively of the targets. The target fixed for the year 2021-22 was not achieved with a shortage of 2.63 per cent. If the efficiency of recovery with respect to principal and interest was looked at separately, it gave a different picture and the Company could not achieve the target with respect to interest in any of the years during 2020-23, while it exceeded the targets with respect to principal recovery in all the years. This was attributed to significant amount of loan pre-closure and settlement of loans under OTS.

The efficiency of recovery was reviewed in audit by detailed scrutiny of loans categorised under NPA and those settled under OTS, and the findings are discussed in the succeeding paragraphs.

5.2.15.1 Non-adherence to direction of Executive Committee

• Vysali Pharmaceuticals Limited

The Company sanctioned five loans aggregating to ₹14.16 crore during 2007 to 2019 to Vysali Pharmaceuticals Limited. This included two loans which were sanctioned in 2007 as part of rescheduling the first loan sanctioned in 1998. Due to default in payment of interest and repayment of principal, all the loans turned NPA, and the total outstanding stood at ₹72 crore as of September 2023.

Audit noticed that, at the time of sanction of the loans in 2007, the Executive Committee directed (August 2007) to closely monitor the loan repayment and for collection of additional security in case the security offered by the loanee unit fell short of the outstanding dues, and to recall the loan in case of default. Despite the loan policy providing for security of at least 125 per cent of the sanctioned amount, the outstanding loan (₹4.69 crore) was in excess of (June 2007) the value of mortgaged securities (₹4.35 crore) immediately after the sanction of the second batch of loans (April/May 2007). The dues continued to mount to ₹43.78 crore against which the available security was only ₹29.93 crore (June 2019). In spite of the above, an additional loan of ₹3 crore was sanctioned in August 2019.

The Government replied that (June/August 2024) the Board of KSIDC is the ultimate authority for sanction of loans and that the details of loan outstanding and the value of available security was explained to the Board of Directors for taking an informed decision.

Further, KSIDC initiated action against Vysali Pharmaceuticals through the NCLT to recover dues and NCLT ordered CIRP proceedings against loanee in October 2023.

The fact, however, remains that the Board of Directors disregarded the objections raised by the officials against sanction of loans to the Company, which was a habitual defaulter.

5.2.15.2 Undue favour to loanee units

• Cochin Kagaz Limited

The Company sanctioned six loans aggregating to ₹15.69 crore during September 1996 to January 2007 to Cochin Kagaz Limited which turned NPA since 2009. The loans were secured against 6.80 acres of land having a distress value of ₹9.35 crore and were guaranteed by the promoters.

Audit noticed that the loanee unit closed its operations in 2014-15 and approached (September 2015) for OTS which was not accepted by the Company since the offered settlement value (₹7.50 crore) was lower than the distress value (₹9.50 crore) of available security. The Company approved (April 2017) OTS for ₹9.50 crore but the loanee failed to comply with the terms of OTS sanction within one year from the date of approval, leading to expiry of OTS scheme. Though the OTS guidelines and standard procedures required resumption of revenue recovery and legal action against the loanee immediately after the expiration of the OTS approval, the Company did not resume the revenue recovery action.

Audit further noticed that the Company again approved OTS in October 2020 for ₹6.65 crore, extending the benefit and settlement amount as per the scheme which expired in 2017. In this regard, it may be noted that the compensation as per prevailing OTS policy worked out to ₹8.03 crore, against which the Company applied the expired OTS policy and settled for ₹6.65 crore (reduction of ₹1.38 crore). The undue benefit passed on to the loanee unit, therefore, worked out to ₹1.38 crore. Further, the Company also extended the benefit of non-enforcing personal guarantee of the promoters and did not present the post-dated cheques furnished by the promoters for securing timely repayment to avoid criminal cases against the promoters.

The Government replied that (June 2024) the reason for reinstatement of expired OTS instead of applying the prevailing OTS policy was that the total repayment exceeded the loan amount and that recovery through litigation would be time consuming. The Government further replied that (August 2024) the Board approved the extension of the earlier OTS scheme as it was deemed more beneficial compared to the Covid OTS Amnesty Scheme, which would have resulted in a lower settlement amount.

The reply is not tenable as the total repayment made against the loan account is not a valid criterion for reinstating the expired OTS scheme, which also constitutes violation of OTS policy of the company. Further, the comparison of settlement amount with the Covid OTS Amnesty Scheme is not acceptable as

the approval of Covid OTS Amnesty Scheme was under consideration of the Board, whereas the application of the loanee was received as per the New OTS policy 2020.

5.2.16 Absence of timely remedial action

The terms and conditions of loan sanction empowers the Company to call for repayment before the agreed period in the event of the loanee failing to comply with any terms of the contract or if the Company has any apprehension that the loanee will be unable to pay its debts or if the pledged property depreciates in value to a great extent and no additional security is given by the loanee, among others. However, Audit noticed that the Company did not take timely action for enforcing available legal remedies as per the terms and conditions of loan sanction, leading to prolonged delay in recovering overdue amounts with considerable loss as discussed below:

5.2.16.1 Always Fertiliser Industries (P) Limited

The Company sanctioned three loans aggregating to ₹84.50 lakh to Always Fertiliser Industries (P) Limited¹⁰⁰ during 1989 to 1991. The security offered for loan was 5.89 acres of land along with building and machinery therein and personal guarantee of promoters. Due to poor performance, the loanee unit could not repay the principal (₹11.09 lakh alone was paid towards interest) and the loanee unit ceased to operate from 1996. The total outstanding amount of ₹203.54 crore was settled (November 2020) in OTS for ₹1.86 crore.

Audit noticed that the Company initiated revenue recovery action in 2015. Though the loanee unit requested for OTS settlement, the same were not accepted by the Company due to low settlement amount compared to the value of securities. The Company, however, could not recover the dues by disposal of available securities through regular follow-up with revenue authorities. KITCO, which was engaged (November 2007) by the Company, valued the mortgaged land at ₹2.29 crore (distress sale value) which was valued at ₹6 crore by another independent valuer. Based on a request from the loanee unit, KITCO was again engaged (November 2017), for valuation and the distress sale value was arrived at ₹2.98 crore, in spite of ten years having elapsed from the first valuation. In contrast, team of officials from the Company valued (March 2016) this property at ₹13.42 crore as against the fair value of ₹17.67 crore assessed by the Revenue Department. In spite of the wide variation in valuation, the Company did not take any action to appoint another independent valuer for valuation of mortgaged property before approval of OTS in November 2020, which was a crucial element for fixation of compensation for the OTS. Further, the Company did not initiate other legal proceedings including filing petition before the National Company Law Tribunal as recommended (January 2018) by the NPA committee or insolvency petition against the guarantors or action under SFC¹⁰¹ Act and SARFAESI¹⁰² Act or under IBC Code.

¹⁰⁰ The project was financed jointly with Kerala Financial Corporation (KFC) and KFC sanctioned ₹68.00 lakh.

¹⁰¹ State Financial Corporation Act 1951.

¹⁰² Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act 2002.

The Government replied (August 2024) that the loan is settled by Covid OTS Amnesty scheme in which the value of assets will not be the criteria for fixation of OTS amount. Hence, the distress value of the property is not at all relevant in the settlement of loan under OTS.

The reply is factually incorrect as the Covid OTS Amnesty Scheme was within the overall existing OTS Policy 2020 and hence the distress value of the property is an important criterion for deciding on the OTS eligibility.

5.2.16.2 Propyl Packaging Private Limited

The Company sanctioned (August 2010)/ October 2011) two loans amounting to ₹11.85 crore to Propyl Packaging Private Limited to be repaid by March 2019 and June 2020 respectively. The loans were secured with mortgage of lease land and movable and immovable assets therein along with personal guarantee of promoters. The loanee unit could not service the loans as per the stipulated schedule and stopped its operations in 2018.

Audit noticed that though the loanee unit defaulted in repayment of loans and interest thereon from 2011-12 onwards, neither did the Company take any action to recall the loan nor did it resort to any legal measures to recover the overdue amounts like liquidating available securities and enforcing personal guarantee of the promoters, till March 2017. Though the Company moved (March 2017) for revenue recovery action, the same was withdrawn upon payment (July 2017) of ₹1.35 crore by the loanee unit with an assurance to remit the remaining overdue amount. The Company, however, did not resume the revenue recovery action even though the loanee failed to remit the balance amount, despite the primary security of plant and machinery (constituting 83 per cent of the total security) depreciating in value due to passage of time.

Based on the liquidation petition filed by one of the operating creditors, the Company received (September 2022 to November 2023) ₹3.76 crore and the loan outstanding stood at ₹30.17 crore (February 2024).

Thus, inability to take timely action for recovery of dues by exploring all the possible legal remedies available as per the terms of loan sanction resulted in a loss of ₹28.64 crore¹⁰³. It may be pertinent to state that had the Company initiated action as per SARFAESI Act 2002 or Revenue Recovery Act, 1968, the possibility of sharing proceeds upon liquidation could have been avoided.

The Government replied (August 2024) that the Company had filed (January 2024) bankruptcy proceedings against the personal guarantors and NCLT orders are awaited.

The reply is not tenable as the fact remains that the delay in taking timely action proved detrimental to the interests of the Company since the expected realisation from remaining legal process was ₹1.56 crore only while the total outstanding as of February 2024 worked out to ₹30.17 crore.

5.2.16.3 Kumarakom Aqua Serene Private Limited

The Company approved (February 2020) OTS settlement for ₹11.45 crore to Kumarakom Aqua Serene Private Limited (KASPL), against an outstanding

¹⁰³ Net loan outstanding balance after adjusting for ₹1.56 crore recoverable from the liquidator stands at ₹28.61 crore.

dues of ₹17.71 crore with the entire dues to be paid by March 2021. Since the loanee unit failed to remit even the first instalment (10 *per cent*) of the settlement amount by the deadline (March 2021) the Company moved (February 2022) application before NCLT under the Insolvency and Bankruptcy Code (IBC Code).

Based on KASPL's petition (March 2022), the Hon'ble High Court of Kerala granted (March 2022) extension of time to avail OTS facility, subject to the condition that the loanee should remit 10 *per cent* of the OTS amount. Based on KASPL's remittance of ₹1.15 crore (10 *per cent* of the OTS amount), the Company granted time extension to remit the balance OTS amount of ₹10.35 crore by December 2022 with simple interest @8.75 *per cent*. On failing to meet the deadline, KASPL petitioned (April 2023) the Hon'ble High Court once again for extension of time to make the remaining payment. Against the above, the Hon'ble High Court directed (April 2023) KASPL to pay 20 *per cent* of the outstanding amount within one month and the Company was directed not to take any action against KASPL till the end of the one-month deadline. Though KASPL failed to adhere to the court order, the Company granted (July 2023) further time till December 2023 for payment of the balance OTS amount. In this respect, Audit noticed the following:

- Though the loanee failed to remit the remaining 90 *per cent* of the OTS dues (₹10.35 crore with simple interest @8.75 *per cent*) by the extended timeline of December 2022, the Company withdrew (December 2022) the case filed with NCLT, on the basis of a request to such effect from the loanee.
- The Hon'ble High Court had restricted the Company from taking any action against KASPL for the one-month extended period (April-May 2023) alone. However, in spite of the loanee violating the directions of the Hon'ble High Court regarding remittance of 20 *per cent* of the OTS amount within the said deadline, the Company did not initiate any recovery measures against KASPL. Instead, the Company granted (July 2023) a further six-month time extension to the Company (up to December 2023).
- The Company also did not take any action as per SARFAESI Act 2002 or Revenue Recovery Act, 1968 or legal action for enforcing personal guarantee of the promoters.

Thus, the Company failed to initiate timely action to recover the dues from the defaulting loanee by resorting to any of the remedial measures available to it.

The Government replied (August 2024) that KSIDC sanctioned an OTS package to the company under the Covid OTS Amnesty Scheme and stated that they granted additional time to facilitate fund-raising and potential investment, emphasising their preference to revive the unit rather than enforce stringent recovery measures. KSIDC aims to balance recovery efforts with support for ongoing operations, adhering to their policy of offering honourable exits for failed businesses while improving loan recovery efficiency. Further, KSIDC again filed NCLT proceedings to recover dues and action would be taken against the personal guarantors after the proceedings.

The reply of the Government was not tenable as withdrawing the case from NCLT after the loanee failed to remit the OTS dues by the extended deadline was against the best interests of the Company. Despite the loanee violating the

High Court's directive to remit 20 *per cent* of the OTS amount within the specified deadline, the Company did not initiate recovery measures and granted further time extension without valid reasons. Additionally, the Company did not provide specific justifications for not invoking the personal guarantees of the promoters.

Recommendation: The Company may promptly take decisive actions in loan recovery to avoid undue favouritism to loanee units, including timely initiation of legal proceedings, adherence to stipulated timelines.

Conclusion

The deficient credit appraisals before sanction of loans and deviation from loan policy and laid down government guidelines resulted in fixation of lower interest rate leading to consequent revenue loss of ₹5.95 crore as well as sanction of loans amounting to ₹47.65 crore to ineligible borrowers. Non-adherence to or relaxation of pre-disbursement conditions resulted in early/undue release of loan tranches. Recovery efforts were delayed due to non-adherence to directives, undue favours to loanee units and absence of timely remedial action.

Travancore Cements Limited

5.3 Avoidable expenditure due to delayed payment of GST

Belated payment of GST and delay in filing of GST returns resulted in avoidable expenditure towards interest and late fee of ₹1.59 crore

As per Section 50 of the Central Goods and Services Tax Act, 2017 (CGST Act) and Section 50 of the Kerala State Goods and Services Tax Act, 2017 (SGST Act), every person who is liable to pay but fails to pay the tax within the period prescribed would be liable to pay interest at the rate notified by the respective Governments. Further, Section 39(1) of both the CGST and SGST Acts state that every registered person should electronically furnish a return of inward and outward supplies of goods or services or both, input tax credit availed, tax payable, tax paid *etc.* on or before the twentieth day of the month succeeding such calendar month. As per Section 47(1) of CGST and SGST Acts, failure to furnish such returns attracts a late fee of one hundred rupees per day subject to a maximum amount of ₹5,000 for each month.

Travancore Cements Limited (Company) is engaged in the production of White Cement. The Company was liable to pay ₹7.26 crore towards GST¹⁰⁴ for the period from July 2017 to March 2022. Audit noticed that though the output GST was already collected from the dealers/ consumers, the Company failed to remit the GST to the Department and to file GST returns in time, as required under the CGST and SGST Acts. As a result of delay in payment of GST and filing of returns, the Company had to pay interest (under section 50 of CGST and SGST Acts) for belated payment of GST and late fee (under section 47(1) of the CGST and SGST Acts) amounting to ₹1.59 crore¹⁰⁵ from July 2017 to March 2022. The actual GST liability of ₹7.26 crore for the period July 2017 to March 2022

¹⁰⁴ Central GST, Integrated GST and State GST.

¹⁰⁵ ₹1.54 crore towards interest for the belated payment of GST + ₹0.05 crore towards late fee for late filing of returns.

together with the interest and late fee of ₹1.59 crore was paid by the Company during the period from November 2019 to April 2022.

The Government replied (October 2023) that due to acute shortage of working capital by the end of 2016-17 and reduced production in 2017-18, they were forced to divert the output GST collected from dealers and consumers for operational activities of the Company. This resulted in non-payment of GST and delay in filing of GST returns.

The reply of the Government confirmed that there was delay in payment of GST as well as in filing of GST returns because of diversion of output GST for other working capital purposes. The reply of the Government is not tenable, since the GST dues have to be paid on time as per the CGST and SGST Acts.

Thus, due to the delay in remitting GST and filing GST returns, the Company had to incur avoidable expenditure of ₹1.59 crore towards interest and late fee, which was 21.90 *per cent* of the actual GST liability.

Recommendation: Government should ensure that the Company pays GST and files GST returns without delay so that expenditure on interest and late fee is not incurred.

5.4 Avoidable extra expenditure on procurement of white clinker

Delay on the part of the Government in constituting the Board of Directors resulted in procuring White Clinker at higher rates at an extra expenditure of ₹0.45 crore

Travancore Cements Limited (Company), a Public Company owned by the Government of Kerala (GoK), is engaged in the production of White Cement. The Company had been procuring White Clinker, a raw material used for manufacturing White Cement by inviting tenders on annual basis.

The annual contract entered with M/s. Sreelekshmi Cashew Exports (SCE) for procurement of White Clinker upto 2,000 Metric Tonnes (MT) per month expired on 16 September 2021. As the contractor refused (August 2021) to extend the contract at the existing rate of USD 89.89 per MT for a further period of six months, the Company invited (September 2021) tenders under rate contract basis for procurement of White Clinker, for one year. The monthly requirement of White Clinker was estimated at around 2,000 Metric Tonnes (MT). As per the General Terms and Conditions of the Tender, the last date of submission of bids was 16 October 2021 and the price quoted should be valid for 120 days¹⁰⁶ from the last date of bid submission and the same rates shall be firm till the end of the contract. Clauses 11 and 29 of the Tender stipulated that on acceptance of Tender, an Agreement with a validity of one year was to be executed in stamp paper incorporating the terms and conditions of the Tender. Clauses 18, 22 and 24 of the Tender enabled the Company to cancel the contract in case of breach of contractual obligations by the supplier and to purchase the item from elsewhere at the risk and cost of the supplier.

The Company received (October 2021) three bids in response to the Tender. SCE, who quoted the lowest rate of USD 94.89 per MT, was the successful bidder. The total estimated value of the contract to be executed was ₹17.49

¹⁰⁶ *i.e.*, up to 13 February 2022.

crore¹⁰⁷. As per the delegation of financial powers, the Managing Director was authorised to approve purchases only up to ₹50 lakh and hence, sanction of the Board of Directors was necessary to enter into a contract with the successful bidder.

As per Section 149(1)(a) of the Companies Act 2013, every public company shall have a minimum of three directors in its Board of Directors. The Company had only two Directors in its Board as on 04 October 2021 to 14 February 2022, as the vacancies which arose out of resignation / retirement¹⁰⁸ were not filled up by GoK. This was not only insufficient to constitute the Board of Directors but was also in contravention to the provision of Section 149 of Companies Act, 2013. Though the Managing Director requested (October 2021) the GoK to appoint the necessary number of Directors as required by law, the GoK did not act upon the request of the Company till February 2022.

Since the number of directors fell below the lawfully required number of directors to constitute and convene a Board Meeting, the Company could not (November 2021) execute the necessary contract with SCE. As the stock of White Clinker with the Company was depleting and came down to just one month's production requirement, the management entrusted (November 2021) the Tender Committee to negotiate with the supplier and buy the required minimum quantity. After negotiation, the Company purchased (December 2021 to June 2022) 5,135.41 MT of white clinker from SCE at the agreed rate of USD 94.89 per MT. Nevertheless, these purchases were made without a legally enforceable contract.

In February 2022, the GoK appointed one more director to the Board thus increasing the number of directors to three. As the Board of Directors with its full strength came into existence, the Company decided (22 March 2022), to execute an agreement with SCE in accordance with clause 29 of the Tender. SCE, however, refused to execute an agreement and informed (10 April 2022) their inability to supply clinker at the agreed rate of USD 94.89 per MT and demanded a hike in price by USD 24 per MT.

Audit observed that the Company could not contemplate any legal remedy against the supplier because the validity of their offer had expired (13 February 2022) and there was no enforceable contract with the supplier. Hence, the Company invited (28 April 2022) fresh e-tender¹⁰⁹ for the supply of Clinker for a period of one year. The Company received two bids in response to the tender and SCE was again the L1 bidder who quoted at USD 134.69 per MT and agreed to supply at USD 130 per MT after negotiation. As the rate was higher compared to the previous rates received, the Company decided (July 2022) to procure only 2,500 MT Clinker for two months and to invite fresh e-tender for further procurement. Meanwhile, the Company issued (13 July 2022) PO for 2,500 MT against which SCE supplied (August 2022) 1,580.21 MT¹¹⁰ at higher rate of

¹⁰⁷ 24,000 MT (estimated purchase quantity) x USD 94.89 (rate per MT) x ₹76.82 (exchange rate).

¹⁰⁸ From Government service.

¹⁰⁹ Tender No. TCL/MM/ETEND/2022-23/3.

¹¹⁰ Vide three invoices dated 02/08/2022, 24/08/2022 and 31/08/2022.

USD 130 per MT, resulting in excess expenditure of ₹0.45 crore¹¹¹.

Thus, the delay on the part of the Government to constitute the Board of Directors of the Company prevented it from executing a contract with the supplier. Hence, the Company could not insist on the contractor to supply the item at the agreed rate. A formal agreement incorporating clauses 18, 22 and 24 of the Tender would have helped the Company to purchase the item from alternate source at the risk and cost of the supplier and avoided the extra expenditure of ₹0.45 crore. It is pertinent to mention that such a clause was incorporated in the previous agreements entered into by the Company for the purchase of Clinker.

The Government replied (October 2023) that the delay in appointing Directors to the Board of the Company was due to administrative reasons. Further, the issue was discussed in the next Board Meeting of the Company in which it was opined that the tender committee could negotiate, execute agreement and place order for the materials and the same should be informed in the next Board Meeting. It also stated that presently, the Government is closely monitoring such cases and ensuring the timely appointment of Directors to the Board of various PSEs.

The reply of the Government confirmed that there was a delay in appointing the Directors to the Board and Audit observed that the authorisation given to the Tender Committee for purchase of materials was on case-to-case basis and not a standing order for all purchases.

Thus, the Company incurred an avoidable extra expenditure of ₹0.45 crore due to delay on the part of the Government to constitute the Board of Directors and consequent non-execution of an agreement with the supplier.

Recommendation: Government should ensure that the Company has the required number of Directors in its Board so that its functioning is not affected adversely.

Handicrafts Development Corporation of Kerala Limited

5.5 Undue benefit earned by way of interest from Grants-in-aid of Central Government

The Company violated the provisions of General Financial Rules, 2017 as it failed to remit to the Consolidated Fund of India, the interest of ₹1.16 crore earned from deposit of Central Government's Grants-in-aid

Handicrafts Development Corporation of Kerala Limited (Company) functioning under the Industries Department, Government of Kerala (GoK), was incorporated in 1968 for undertaking developmental, marketing and welfare activities in the handicrafts sector of Kerala.

With an aim of creating a sustainable and remunerative livelihood for the artisans/ weavers in Kerala, the Ministry of Textiles (MoT), Government of India (GoI) sanctioned (February 2016) the 'Integrated Development and Promotion of Handicrafts' (IDPH) project in Kerala at a total estimated cost of

¹¹¹ 1,580.21 MT at USD 35.11 per MT (USD 130 per MT less USD 94.89 per MT) at average exchange rate of ₹80.71 for the last three invoices.

₹25.15 crore. The main objectives of the project were to scale up infrastructural components, modernisation of tools and machines and providing market linkage for products to sustain the livelihood of the State's artisans.

The first instalment of ₹9.09 crore¹¹² as grant-in aid was released (February 2016) by the Implementing Agency¹¹³ (IA) to the Company, for implementing different components of the project. As per the terms and conditions of the sanction, the activities of the project were to be completed within 12 months from the date of release (26 February 2016) of first instalment.

Based on the Company's request (October 2017/August 2019) the IA granted (June 2018/May 2020) extension till 31 March 2021 to complete the project. However, as the Company was unable to complete the project even in the extended period, IA announced (June 2021) expiration of the Scheme and called for the Utilisation Certificate (UC)/refund of the unspent balance. Out of the total expenditure of ₹8.78 crore on the project, the GoI share was ₹7.56 crore and the Company refunded (December 2021) ₹1.53 crore¹¹⁴ to the GoI.

In this regard the following aspects were noticed by Audit:

- (i) The Principles and Procedure for award of grants-in-aid have been laid down in Rule 230 of General Financial rules (GFR) 2017, which is applicable to the institutions/organisations receiving the Grants-in-aid from the Government of India. Rule 230 (8) of the GFR stipulates that, "All interests or other earnings against grants in aid or advances (other than reimbursement) released to any grantee institution should be mandatorily remitted to the Consolidated Fund of India immediately after finalisation of the accounts". This was reiterated (March/June 2021)¹¹⁵ by the Ministry of Finance (Department of Expenditure) wherein the Single Nodal Agencies (SNAs) were to ensure that interest earned from the funds released was mandatorily remitted to the Consolidated Fund.
- (ii) Out of the total grant amount of ₹9.09 crore received from GoI, the Company deposited (April 2016) ₹7 crore as short-term deposit. The Company earned an interest of ₹1.16 crore (**Appendix 31**) from the deposit during the period from 2016-17 to 2020-21.
- (iii) The interest so earned was utilised by the Company for its own working capital requirements, payment of statutory dues on EPF, payment to suppliers *etc.*, thereby availing an undue benefit of ₹1.16 crore from the grant by way of interest, in violation of GFR.

The Company stated (March 2024) that most of the employees in its showrooms and head office were involved in various components of the project, which affected the day to day activities and also sales revenue of the Company. Further, it had to incur additional expenses in implementation of the project,

¹¹² In two installments of ₹1.50 crore (sanction number 11011/22/2015-16/IDPH/Kerala (1) dated 26/02/2016 and ₹7.59 crore (11011/22/2015-16/IDPH/Kerala/1718 dated 26/02/2016).

¹¹³ Development Commissioner (Handicrafts) [DC(H)], MoT, GoI.

¹¹⁴ ₹9.09 crore less ₹7.56 crore.

¹¹⁵ OM No.FNo.1(13)/PFMS/FCD/2020 &2021 dated 23.03.2021 and 30.06.2021 on 'procedure for release of funds under the Centrally Sponsored Schemes (CSS) and monitoring utilisation of the funds released'.

which were over and above the parameters prescribed in the sanction order, for the benefit of the artisans. Additionally, the Company faced severe financial crisis triggered by natural calamities/Covid-19 pandemic as well as several litigation issues due to non-remittance of statutory payments. Hence, the interest received from the project fund was utilised for meeting urgent statutory payments on the assumption that the amount could be recouped after getting financial assistance from the State Government, which was not received as anticipated.

Government endorsed (April 2024) the reply of the Company.

The reply is not tenable as the appropriation of interest revenue belonging to GoI for meeting the Company's financial outlays or for meeting expenditure stated to have been incurred over and above the parameters prescribed in the sanction order, was an irregular act in violation of the provisions of the GFR 2017.

Thus, the Company obtained an undue benefit of ₹1.16 crore through irregular appropriation of interest earned on deposit of GoI grant, which may be remitted to the Consolidated Fund of India.

Recommendation: Government should ensure that the Company refunds to the Consolidated Fund of India, the interest earned on deposit of Grant -in-aid funds received from Government of India.

Transport Department

Kerala State Road Transport Corporation

5.6 Avoidable payment of GST

Failure to apply the relevant provisions of Goods and Services Tax in the execution of contract with a private party resulted in avoidable payment of Goods and Services Tax of ₹1.55 crore

Kerala State Road Transport Corporation (Corporation) invited (02 August 2017) limited tenders from vehicle manufacturers for hiring of 25 premium segment diesel fuelled Multi-Axle (Semi-Sleeper Class- BS IV) buses on wet lease¹¹⁶ basis for a period of five years. The successful bidder had the option to operate the buses either directly or engage an operator for this purpose. Scania Commercial Vehicles India Private Limited (Scania) emerged (August 2017) as the successful bidder and appointed Maha Voyage LLP (Maha Voyage) as its operator. Consequently, on experimental basis, the Corporation hired (August 2017) 10 Scania buses from Maha Voyage for a period of five years. As requested (August 2017) by Scania, an agreement was signed (15 September 2017) between the Corporation and Maha Voyage for hiring Scania buses on wet lease basis. Maha Voyage would provide driver, take care of the operational expenses of the buses and the Corporation would pay hiring charges to Maha

¹¹⁶ Under the wet lease model, the lessor who owns the buses will provide buses as well as one or more crew members to the lessee, for a fixed rate per-kilometre.

Voyage at the accepted rates, ranging¹¹⁷ from ₹23 to ₹27.72 per kilometre. During the period of the contract from November 2017 to October 2022, the Corporation paid ₹17.11 crore¹¹⁸ towards hire charges to Maha Voyage.

Clause 51 of the agreements mentioned above stated that Goods and Services Tax (GST) on hiring charges, if applicable and paid by Maha Voyage, would be reimbursed by the Corporation on production of proof of payment. However, as per the Government of India Notification No.09 of 2017 dated 28 June 2017, the applicable GST rate for 'services by way of giving on hire to a state transport undertaking a motor vehicle meant to carry more than twelve passengers' was 'Nil'. Hence, neither Maha Voyage nor the Corporation was liable to pay GST on the hire charges. This was also confirmed (February 2022) by the Central and State GST Departments.

During the period from November 2017 to March 2019, the Corporation reimbursed the claim of Maha Voyage for ₹1.55 crore towards GST. Though the Corporation stopped the reimbursement of GST for the above service from April 2019 onwards, Maha Voyage continued to raise GST reimbursement claims through the rest of the contract period from April 2019 to October 2022. However, the Corporation failed to persuade Maha Voyage not only to refrain from raising such claims but also to file refund claim of the GST remitted (November 2017 to March 2019) by them, within the timeframe of two years from the date of remittance as prescribed under section 54(1) of Central Goods and Services Tax Act 2017. As the period for raising refund claims has since expired (March 2021), the Corporation has incurred an avoidable expenditure of ₹1.55 crore.

The Corporation replied (October 2023) that there was lack of proper and clear guidelines and it had got clarity about the exemption rule only during 2019. From that point onwards, the Corporation had been paying only the invoice amount to Maha Voyage excluding GST. The Government endorsed (November 2023) the reply of the Corporation.

The reply of the Corporation is not acceptable. Though the notification issued by the Central and State Governments (28 and 30 June 2017) regarding the above said exemption had come into force before the agreements were entered into (September/October 2017), the same were not considered and incorporated in the agreements.

Thus, lack of awareness about the provisions of GST laws, failure to incorporate the same in the agreement and to initiate timely action to persuade Maha Voyage to claim refund of GST within the prescribed time limit, resulted in an avoidable expenditure of ₹1.55 crore towards payment of non-applicable GST.

Recommendation: Government should direct the Corporation to take legal action against Maha Voyage to make good the loss suffered on account of failure to claim GST refund within the permissible time limit.


¹¹⁷ (i) 600 to 649 kms - ₹27.72 per km; (ii) 650 to 699 kms - ₹26.40 per km; (iii) 700 to 749 kms - ₹25.50 per km; (iv) 750 to 799 kms - ₹24.00 per km and (v) 800 kms and above - ₹23.00 per km.

¹¹⁸ inclusive of ₹1.55 crore towards GST from November 2017 to March 2019.

Responsiveness on the Paras by Government on this Report


5.7 Statements of Facts followed by Draft Audit Paragraphs proposed for inclusion in this Report of the Comptroller and Auditor General of India were forwarded to the Principal Secretaries/ Secretaries of the two Departments¹¹⁹ concerned drawing their attention to the audit findings and requesting them to send their response within four weeks. Replies to all the Audit Paragraphs were received from Government which are suitably incorporated in this Report.

Thiruvananthapuram,
The 04 March 2025


(VISHNUKANTH P. B)
Accountant General (Audit II), Kerala

Countersigned

New Delhi,
The 07 March 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India

¹¹⁹ Industries and Commerce, Transport.

Appendices

Appendix 1
Statement showing names of administrative departments and number of PSEs under the respective departments
(Referred to in Paragraph 1.1.4)

Sl. No.	Name of Department	Number of PSEs	Percentage of total PSEs
1	Agriculture and Farmers Welfare	10	7
2	Animal Husbandry	4	3
3	Ayush	1	1
4	Backward Communities Development	3	2
5	Coastal Shipping and Inland Navigation	1	1
6	Cultural Affairs	1	1
7	Electronics and Information Technology	3	2
8	Finance	3	1
9	Fisheries	2	1
10	Food and Civil Supplies	1	1
11	Forest and Wildlife	2	1
12	General Administration	2	1
13	General Education	1	1
14	Health and Family Welfare	1	1
15	Higher Education Department	2	1

Sl. No.	Name of Department	Number of PSEs	Percentage of total PSEs
16	Home	1	1
17	Housing	1	1
18	Industries and Commerce	61	40
19	Labour and Skills	4	3
20	Local Self Government	5	3
21	Minority Welfare	1	1
22	MPEDA, MOC & I	1	1
23	NORKA	4	3
24	Planning and Economic Affairs	1	1
25	Ports	3	2
26	Power	2	1
27	Public Works	6	4
28	SC and ST Development	2	1
29	Social Justice	2	1
30	Sports and Youth Affairs	1	1
31	Taxes	4	3
32	Tourism	5	3
33	Transport	6	4
34	Water Resources	2	1
Total		149	100

Appendix 2
Statement showing summarised financial results of State PSEs as per their latest finalised financial accounts
(Referred to in Paragraph 1.1.4)

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+)/ Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+)/ loss(-)	Long term loans
Working Companies											
1	Kerala Agro Machinery Corporation Limited	2020-21	2021-22	1.61	0.73	0.48	197.82	122.21	122.21	120.60	-
2	Kerala Forest Development Corporation Limited	2020-21	2023-24	9.20	5.54	5.18	8.47	25.15	23.61	14.41	1.54
3	Kerala Livestock Development Board Limited	2017-18	2022-23	7.33	0.83	0.33	14.53	19.68	19.68	12.35	-
4	Kerala State Horticultural Products Development Corporation Limited	2019-20	2022-23	7.48	-3.13	-3.13	65.30	-7.62	-11.17	-18.65	3.55
5	Kerala State Poultry Development Corporation Limited	2017-18	2023-24	1.97	-3.40	-3.42	21.72	-14.94	-15.08	-17.05	0.14
6	Meat Products of India Limited	2020-21	2023-24	2.31	-0.62	-1.58	15.82	-28.35	-36.13	-38.44	7.78
7	Oil Palm India Limited	2021-22	2022-23	11.79	5.85	5.87	62.19	29.21	29.21	17.42	-
8	The Kerala Agro Industries Corporation Limited	2017-18	2023-24	4.74	-7.02	-8.68	63.37	-17.03	-26.28	-31.02	9.25
9	The Kerala State Cashew Development Corporation Limited	2021-22	2023-24	579.34	-37.38	-77.62	112.24	-1,210.25	-1,221.59	-1,800.93	11.34
10	The Kerala State Coir Corporation Limited	2021-22	2022-23	8.05	3.72	0.55	241.01	9.36	5.70	-2.35	3.66
11	The Plantation Corporation of Kerala Limited	2020-21	2022-23	5.57	-23.45	-23.45	71.49	79.13	79.13	73.56	-
12	The Rehabilitation Plantations Limited	2021-22	2022-23	3.39	1.74	1.95	37.51	140.61	132.61	129.22	8.00
13	The State Farming Corporation of Kerala Limited	2022-23	2023-24	9.04	-4.64	-5.97	9.23	49.82	49.60	40.56	0.22

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+)/ Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+)/ loss(-)	Long term loans
14	Aralam Farming Corporation (Kerala) Limited	2014-15	2016-17	0.01	-0.02	-0.02	-	-0.30	-0.30	-0.31	-
15	Vazhakulam Agro and Fruit Processing Company Limited	2022-23	2022-23	0.05	-1.49	-1.70	1.68	-7.01	-17.03	-17.08	10.02
16	Kerala Aqua Ventures International Limited	2019-20	2022-23	3.99	-0.19	-0.19	0.15	-2.52	-3.63	-7.62	1.11
17	Kerala State Coconut Development Corporation Limited	2019-20	2022-23	2.85	-0.54	-0.54	0.54	-17.48	-17.48	-20.33	-
18	Kerala Cashew Board Limited	2020-21	2022-23	47.60	8.43	0.89	100.83	106.17	50.10	2.50	56.07
19	Kerala Transport Development Finance Corporation Limited	2020-21	2023-24	43.83	42.79	-68.38	26.57	193.61	-215.05	-258.88	408.66
20	The Kerala State Financial Enterprises Limited	2021-22	2023-24	100.00	1,759.68	105.49	3,655.94	20,401.08	1,001.28	901.28	19,399.80
21	Kerala Police Housing and Construction Corporation Limited	2021-22	2022-23	0.27	2.44	0.26	4.41	-4.80	-8.89	-9.16	4.09
22	Kerala State Construction Corporation Limited	2018-19	2020-21	0.88	7.40	2.22	97.18	60.63	60.63	59.75	-
23	Kerala State Industrial Development Corporation Limited	2022-23	2023-24	301.24	101.55	64.73	115.44	529.84	301.24	-	228.60
24	Roads and Bridges Development Corporation of Kerala Limited	2021-22	2022-23	116.12	39.55	39.55	2.54	85.52	29.52	-86.60	56.00
25	The Kerala Land Development Corporation Limited	2020-21	2022-23	7.13	-0.98	-0.98	4.98	-30.66	-32.51	-39.64	1.85
26	Kerala State Information Technology Infrastructure Limited	2019-20	2022-23	204.96	-1.80	-1.86	6.30	197.73	197.73	-7.23	-
27	Kinfra Export Promotion Industrial Parks Limited	2021-22	2022-23	0.25	1.39	1.00	1.62	26.29	26.29	26.04	-
28	Kinfra Film and Video Park Limited	2021-22	2022-23	1.50	-0.87	-0.76	0.40	9.41	6.91	5.41	2.50
29	Kinfra International Apparel Parks Limited	2021-22	2022-23	0.25	-0.59	-0.64	1.54	8.88	-16.82	-17.07	25.70
30	Marine Products Infrastructure Development Corporation Limited	2021-22	2022-23	5.00	0.37	0.27	0.22	11.81	11.81	6.81	-

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+) / Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+) / loss(-)	Long term loans
31	Kannur International Airport Limited	2015-16	2016-17	869.77	-0.52	-0.52	-	1,183.97	881.15	11.38	302.82
32	Road Infrastructure Company Kerala Limited	2013-14	2017-18	0.05	0.00	0.00	4.15	0.05	0.05	-	-
33	Autokast Limited	2021-22	2022-23	124.30	-14.68	-16.98	18.90	-58.72	-89.26	-213.56	30.54
34	Foam Matings (India) Limited	2020-21	2022-23	6.67	-1.76	-1.80	10.98	-6.91	-6.91	-13.58	-
35	Forest Industries (Travancore) Limited	2019-20	2020-21	0.38	0.74	0.44	7.49	-8.73	-17.47	-17.85	8.74
36	Keltron Component Complex Limited	2021-22	2022-23	44.45	7.61	2.56	81.32	4.68	3.01	-41.44	1.67
37	Keltron Electro Ceramics Limited	2021-22	2022-23	5.89	1.05	0.40	13.97	9.07	2.88	-3.01	6.19
38	Kerala Automobiles Limited	2020-21	2023-24	10.98	-7.58	-7.76	3.94	-14.82	-80.58	-91.56	65.76
39	KCCP Limited	2022-23	2022-23	1.32	-0.11	-2.33	51.93	-12.22	-16.60	-17.92	4.38
40	Kerala Electrical and Allied Engineering Company Limited	2021-22	2023-24	190.44	-12.97	-17.58	92.56	-18.78	-38.65	-229.09	19.87
41	Kerala Feeds Limited	2021-22	2023-24	69.16	13.85	5.02	574.60	23.99	18.16	-51.00	5.83
42	Kerala State Bamboo Corporation Limited	2015-16	2022-23	10.31	-9.82	-13.51	12.07	-	-54.33	-64.64	50.41
43	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2019-20	2022-23	5.00	212.53	-41.95	5,106.63	2,611.91	1,111.91	1,106.91	1,500.00
44	Kerala State Drugs and Pharmaceuticals Limited	2021-22	2022-23	130.74	7.18	0.35	70.58	115.64	41.74	-89.00	73.90
45	Kerala State Electronics Development Corporation Limited	2020-21	2022-23	373.85	10.06	3.34	450.01	193.77	179.32	-194.53	14.45
46	Kerala State Mineral Development Corporation Limited	2021-22	2022-23	1.76	-15.34	-17.32	-	-6.40	-18.18	-19.94	11.78
47	Kerala State Textile Corporation Limited	2020-21	2022-23	94.52	-18.11	-48.29	79.08	-257.30	-357.68	-452.20	100.38
48	Malabar Cements Limited	2021-22	2022-23	26.01	9.40	9.68	267.50	249.48	213.74	187.73	35.74
49	Sitaram Textiles Limited	2021-22	2021-22	42.46	-2.67	-6.99	10.03	-52.62	-59.64	-102.10	7.02
50	Steel and Industrial Forgings Limited	2022-23	2022-23	30.07	2.54	0.21	66.37	68.24	37.17	7.10	31.07

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+) / Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+) / loss(-)	Long term loans
51	SAIL-SCL Kerala Limited	2020-21	2022-23	26.43	-6.49	-19.31	-	-92.59	-112.81	-139.24	20.22
52	Steel Industrials Kerala Limited	2021-22	2022-23	36.56	1.79	0.53	125.74	20.58	4.99	-31.57	15.59
53	The Kerala Ceramics Limited	2022-23	2023-24	12.46	-8.46	-21.92	10.71	-115.06	-123.62	-136.08	8.56
54	The Kerala Minerals and Metals Limited	2022-23	2023-24	30.93	111.85	85.04	891.66	1,203.51	1,203.51	1,172.58	-
55	The Metal Industries Limited	2020-21	2022-23	1.52	-0.14	-1.69	10.01	-9.88	-22.73	-24.25	12.85
56	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2021-22	2022-23	44.96	59.00	43.46	172.15	231.20	231.20	186.24	-
57	The Travancore Cements Limited	2019-20	2022-23	2.71	-8.62	-13.66	15.38	-59.77	-98.48	-101.19	38.71
58	The Travancore Sugars and Chemicals Limited	2020-21	2021-22	1.32	10.44	8.50	89.66	33.12	33.12	31.80	-
59	The Travancore-Cochin Chemicals Limited	2022-23	2022-23	44.73	78.79	67.91	371.88	176.16	176.16	131.43	-
60	Traco Cable Company Limited	2021-22	2022-23	57.22	-27.83	-42.37	101.60	-68.00	-129.21	-186.43	61.21
61	Transformers and Electricals Kerala Limited	2020-21	2022-23	42.97	-30.21	-22.76	146.48	62.43	54.14	11.17	8.29
62	Travancore Titanium Products	2020-21	2022-23	13.76	-57.74	-67.07	166.70	-110.72	-110.72	-124.48	13.68
63	United Electrical Industries Limited	2021-22	2022-23	4.99	-4.41	-12.04	27.12	-82.07	-92.98	-97.97	10.91
64	Malabar Distilleries Limited	2022-23	2022-23	3.53	0.35	0.31	-	4.55	2.53	-1.00	2.02
65	Kerala State Coir Machinery Manufacturing Company Limited	2021-22	2022-23	25.00	-1.94	-1.94	11.92	20.13	20.13	-4.87	-
66	Trivandrum Spinning Mills Limited	2018-19	22-23	11.84	-2.62	-4.20	5.02	-20.06	-35.46	-47.30	15.40
67	Bekal Resorts Development Corporation Limited	2019-20	2022-23	54.98	3.56	2.52	4.60	66.70	66.70	11.72	-
68	Kerala Medical Services Corporation Limited	2015-16	2022-23	0.01	8.44	0.79	501.72	10.23	10.23	10.22	0.06
69	Kerala Shipping and Inland Navigation Corporation Limited	2020-21	2023-24	58.81	-1.96	-1.99	12.51	31.35	31.35	-27.46	-
70	Kerala State Industrial Enterprises Limited	2020-21	2023-24	1.20	-0.91	-1.47	91.03	26.52	22.72	21.52	3.80
71	Kerala State Maritime Development Corporation Limited	2017-18	2022-23	9.99	-0.42	-0.29	0.73	0.35	0.35	-9.64	-

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+) / Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+) / loss(-)	Long term loans
72	Kerala Tourism Development Corporation Limited	2020-21	2023-24	180.24	-51.03	-54.62	82.40	27.57	-9.08	-189.32	36.65
73	The Kerala State Civil Supplies Corporation Limited	2017-18	2022-23	141.56	-30.12	-106.81	4,464.47	-725.30	-725.30	-866.86	-
74	Kerala Tourism Infrastructure Limited	2020-21	2022-23	43.76	2.00	1.40	0.86	52.76	52.76	9.00	-
75	Vizhinjam International Seaport Limited	2019-20	2023-24	12.00	0.00	0.00	-	-48.11	-48.11	-60.11	-
76	Kerala State Coastal Area Development Corporation Limited	2019-20	2022-23	5.81	-0.21	-0.22	3.32	8.03	8.03	2.22	-
77	Kerala Rapid Transit Corporation Ltd (Erstwhile Kerala Monorail Corporation Ltd.)	2018-19	2022-23	28.05	0.00	0.00	-	28.00	28.00	-0.05	-
78	Kerala Rail Development Corporation Limited	2020-21	2022-23	76.98	0.42	0.28	-	76.47	76.47	-0.51	-
79	Muziris Projects Limited	2020-21	2021-22	0.05	-1.05	-1.16	0.07	-5.57	-5.57	-5.62	-
80	Malabar International Port & SEZ Kerala Limited (Erstwhile Azhikkal Port Limited)	2020-21	2022-23	25.00	-0.56	-0.56	-	23.28	23.28	-1.72	-
81	Kerala Lifescience Industries Parks Private Limited	2022-23	2023-24	0.10	0.67	0.51	0.64	0.52	0.52	0.42	-
82	Kerala Rubber Limited	2021-22	2022-23	0.05	-0.41	-0.41	-	0.03	-0.38	-0.43	0.41
83	Kerala Rice Limited	2021-22	2022-23	1.00	-0.18	-0.18	-	0.82	0.82	-0.18	-
84	Kochi Water Metro Limited	2022-23	2023-24	4.90	-3.22	-2.41	-	2.44	2.44	-2.46	-
85	Kerala Paper Products Limited	2021-22	2023-24	148.09	0.51	0.51	-	148.60	148.60	0.51	-
86	KEL Electrical Machines Ltd										
87	KSRTC-SWIFT Limited										
88	KIIFCON Private limited	2022-23	2023-24	2.58	2.52	1.82	4.44	4.40	4.40	1.82	-
89	Handicrafts Development Corporation of Kerala Limited	2022-23	2023-24	3.00	-2.81	-4.34	8.35	-53.01	-67.30	-70.30	14.29

First Accounts not finalised *

First Accounts not finalised *

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+) / Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+) / loss(-)	Long term loans
90	Kerala Artisans' Development Corporation Limited	2021-22	2022-23	4.60	1.50	0.84	52.45	9.90	4.59	-0.01	5.31
91	Kerala Fibre Optic Network Limited	2020-21	2022-23	1.00	0.05	0.04	-	1.04	1.04	0.04	-
92	Kerala Small Industries Development Corporation Limited	2018-19	2023-24	33.59	4.21	-3.60	199.65	-63.93	-103.97	-137.56	40.04
93	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	2019-20	2022-23	67.05	-0.05	-0.05	2.73	62.05	55.60	-11.45	6.45
94	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2021-22	2022-23	267.82	-2.35	-4.06	17.45	227.03	170.59	-97.23	56.44
95	Kerala State Film Development Corporation Limited	2017-18	2022-23	46.89	-3.06	-3.70	21.84	14.76	6.97	-39.92	7.79
96	Kerala State Handicapped Persons' Welfare Corporation Limited	2017-18	2022-23	2.00	1.71	1.33	5.68	6.58	3.46	1.46	3.12
97	Kerala State Handloom Development Corporation Limited	2021-22	2022-23	58.99	-8.24	-10.17	8.45	-48.17	-65.95	-124.94	17.78
98	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2019-20	2022-23	0.87	-0.61	-0.61	0.03	0.92	-3.29	-4.16	4.21
99	Kerala State Women's Development Corporation Limited	2021-22	2022-23	11.00	15.63	1.94	25.22	402.76	20.67	9.67	382.09
100	Kerala Urban & Rural Development Finance Corporation Limited	2018-19	2022-23	6.20	-7.54	-7.71	7.40	15.65	15.65	9.45	-
101	The Kerala State Backward Classes Development Corporation Limited	2021-22	2022-23	151.14	93.49	68.76	102.08	1,695.81	400.04	248.90	1,295.77
102	Kerala State Minorities Development Finance Corporation Limited	2020-21	2022-23	56.93	2.57	1.33	5.47	114.37	64.78	7.85	49.59

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+) / Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+) / loss(-)	Long term loans
103	Kerala State Welfare Corporation for Forward Communities Limited	2019-20	2022-23	20.30	0.05	0.05	-	19.15	19.15	-1.15	-
104	Vision Varkala Infrastructure Development Corporation Limited	2018-19	2021-22	6.75	-0.40	-0.40	-	3.03	3.03	-3.72	-
105	Kerala Irrigation Infrastructure Development Corporation Limited	2019-20	2023-24	10.00	0.003	0.003	6.99	6.95	6.95	-3.05	-
106	Kerala Infrastructure and Technology for Education	2021-22	2022-23	5.00	8.50	8.50	23.51	10.43	10.43	5.43	-
107	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	2021-22	2022-23	1.36	3.42	3.42	101.40	28.10	28.10	26.74	-
108	Overseas Development and Employment Promotion Consultants Limited	2021-22	2022-23	0.86	7.80	5.72	9.36	13.80	13.80	12.94	-
109	Norka Roots	2022-23	2023-24	1.52	1.41	1.23	88.46	3.32	3.32	1.80	-
110	Indian Institute of Information Technology and Management - Kerala	2021-22	2022-23	143.15	-10.34	-10.34	2.31	109.91	109.91	-33.24	-
111	Clean Kerala Company Limited	2016-17	2018-19	13.97	0.38	0.38	1.00	13.77	13.77	-0.20	-
112	Kerala Academy for Skills Excellence	2020-21	2022-23	26.94	2.17	2.17	0.74	26.94	26.94	-	-
113	Bhavanam Foundation Kerala	2021-22	2022-23	40.00	0.80	0.80	0.74	44.21	44.21	4.21	-
114	Trivandrum Engineering Science & Technology Research Park	2021-22	2022-23	0.01	0.01	0.01	0.13	0.02	0.02	0.01	-
115	Cochin Smart Mission Limited	2021-22	2022-23	200.00	-55.54	-55.54	-	113.79	113.79	-86.21	-
116	Impact Kerala Limited	2021-22	2022-23	0.10	-0.54	-0.54	0.07	0.36	0.36	0.26	-
117	Smart City Thiruvananthapuram Limited	2020-21	2022-23	0.10	0.00	0.00	-	0.10	0.10	-0.00	-
118	Kerala State Pottery Marketing, Manufacturing and Welfare Development Corporation Limited	2020-21	2023-24	1.24	-0.23	-0.23	0.01	0.71	0.71	-0.53	-

Sl No.	Name of the Company/ Corporation	Period of accounts	Year in which accounts finalised	Paid-up capital (including advance to Share Capital)	Net profit (+)/ Loss(-) before tax and interest	Net profit (+) / Loss(-) after tax and interest	Turnover	Capital employed	Net worth	Accumulated profit (+) / loss(-)	Long term loans
119	Kerala Social Security Pension Limited	2018-19	2021-22	100.00	1.44	0.00	-	2,645.02	100.00	-	2,545.02
120	Overseas Keralites Investment and Holding Company Limited	2021-22	2022-23	3.11	-0.50	-0.50	-	2.27	2.27	-0.84	-
121	Champs Boat League Limited	2019-20	2023-24	1.00	-4.22	-4.33	-	-3.33	-3.33	-4.33	-
122	Sports Kerala Foundation										
123	RestStop Private Limited	2021-22	2022-23	0.01	-0.01	-0.01	-	-	-	-0.01	-
124	Additional Skill Acquisition Programme Kerala	2021-22	2023-24	5.00	-8.40	-9.55	0.98	-4.55	-4.55	-9.55	-
125	Kerala State Power and Infrastructure Finance Corporation Limited	2020-21	2020-21	26.65	10.27	7.20	11.96	90.29	78.30	19.84	11.99
126	KINESCO Power and Utilities Private Limited	2022-23	2022-23	0.32	7.24	4.78	69.39	23.46	18.77	18.45	4.69
127	Kerala State Electricity Board Limited	2021-22	2022-23	3,499.05	2,354.52	736.27	16,366.93	12,509.58	-1,805.32	-5,304.37	14,314.90
Working Statutory Corporations											
128	Kerala State Warehousing Corporation	2021-22	2023-24	13.25	4.51	2.08	26.97	26.61	0.31	-12.94	26.30
129	Kerala Financial Corporation	2022-23	2023-24	626.50	455.98	50.19	654.86	5,237.43	782.22	155.72	4,455.21
130	Kerala Industrial Infrastructure Development Corporation	2021-22	2023-24	-	7.33	7.33	38.25	3,788.98	170.01	170.01	3,626.20
131	Kerala State Road Transport Corporation	2015-16	2021-22	750.64	-511.45	-1,007.18	1,744.58	-1,206.25	-5,297.62	-6,048.26	4,091.37
	Total			10,889.88	4,487.81	-505.17	38,781.41	51,601.96	-2,098.34	-13,020.03	53,717.35
	Aggregate profit earned by 58 PSEs					1,368.72					
	Aggregate loss incurred by 66 PSEs					1,873.89					
	Four PSEs had no profit no loss										

*Three companies (at Sl.no. 86, 87 and 122) are formed newly and they are yet to submit their first accounts.

Appendix 3
Statement showing position of equity and loans outstanding related to PSEs as on 31 March 2023
(Referred to in Paragraph.1.2(b))

(₹ in crore)

Sl. No.	Name of Company/ Statutory Corporation	Paid up capital			Loans outstanding			
		State Government	Central Government	Others	State Government	Central Government	Others	Total
A	Working Companies							
1	Kerala Agro Machinery Corporation Limited	1.61	0.00	0.00	5.00	0.00	0.00	5.00
2	Kerala Forest Development Corporation Limited	8.27	0.93	0.00	4.25	0.00	0.00	4.25
3	Kerala Livestock Development Board Limited	7.33	0.00	0.00	0.00	0.00	0.00	0.00
4	Kerala State Horticultural Products Development Corporation Limited	8.43	0.00	0.00	0.00	0.00	3.50	3.50
5	Kerala State Poultry Development Corporation Limited	1.97	0.00	0.00	0.00	0.00	0.00	0.00
6	Meat Products of India Limited	2.31	0.00	0.00	2.63	0.20	24.50	27.33
7	Oil Palm India Limited	6.79	4.99	0.00	0.00	0.00	0.00	0.00
8	The Kerala Agro Industries Corporation Limited	3.04	1.70	0.00	9.09	0.00	0.00	9.09
9	The Kerala State Cashew Development Corporation Limited	582.34	0.00	0.00	326.62	0.00	0.00	326.62
10	The Kerala State Coir Corporation Limited	8.05	0.00	0.00	1.43	0.00	2.27	3.70
11	The Plantation Corporation of Kerala Limited	5.57	0.00	0.00	0.00	0.00	0.00	0.00
12	The Rehabilitation Plantations Limited	2.06	1.33	0.00	4.00	0.00	5.00	9.00
13	The State Farming Corporation of Kerala Limited	8.43	0.00	0.61	0.22	0.00	0.00	0.22
14	Aralam Farming Corporation (Kerala) Limited	0.01	0.00	0.00	0.00	0.00	0.00	0.00
15	Vazhakulam Agro and Fruit Processing Company Limited	0.03	0.00	0.02	0.50	0.00	5.94	6.44
16	Kerala Aqua Ventures International Limited	2.10	0.00	1.89	0.00	0.00	1.16	1.16
17	Kerala State Coconut Development Corporation Limited	2.85	0.00	0.00	10.89	0.00	0.65	11.54
18	Kerala Cashew Board Limited	24.50	0.00	23.10	53.30	0.00	0.00	53.30
19	Kerala Transport Development Finance Corporation Limited	43.83	0.00	0.00	0.00	0.00	350.00	350.00
20	The Kerala State Financial Enterprises Limited	100.00	0.00	0.00	0.00	0.00	0.00	0.00

Sl. No.	Name of Company/ Statutory Corporation	Paid up capital			Loans outstanding				
		State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
21	Kerala Police Housing and Construction Corporation Limited	0.27	0.00	0.00	0.27	0.00	0.00	0.00	0.00
22	Kerala State Construction Corporation Limited	0.88	0.00	0.00	0.88	2.05	0.00	0.00	2.05
23	Kerala State Industrial Development Corporation Limited	301.24	0.00	0.00	301.24	0.00	0.00	229.00	229.00
24	Roads and Bridges Development Corporation of Kerala Limited	62.43	0.00	53.69	116.12	56.00	0.00	0.00	56.00
25	The Kerala Land Development Corporation Limited	6.79	0.34	0.00	7.13	1.85	0.00	0.00	1.85
26	Kerala State Information Technology Infrastructure Limited	204.96	0.00	0.00	204.96	0.00	0.00	0.00	0.00
27	Kinfra Export Promotion Industrial Parks Limited	0.00	0.00	0.25	0.25	0.00	0.00	0.00	0.00
28	Kinfra Film and Video Park Limited	0.00	0.00	1.50	1.50	0.00	0.00	1.57	1.57
29	Kinfra International Apparel Parks Limited	0.00	0.00	1.50	1.50	0.00	0.00	25.78	25.78
30	Marine Products Infrastructure Development Corporation Limited	2.50	2.50	0.00	5.00	0.00	0.00	0.00	0.00
31	Kannur International Airport Limited	350.00	0.00	637.00	987.00	0.00	0.00	557.79	557.79
32	Road Infrastructure Company Kerala Limited	0.26	0.00	0.24	0.50	0.00	0.00	0.00	0.00
33	Autokast Limited	124.29	0.00	0.00	124.29	60.70	0.00	0.15	60.85
34	Foam Mattings (India) Limited	6.67	0.00	0.00	6.67	0.15	0.00	0.10	0.25
35	Forest Industries (Travancore) Limited	0.29	0.00	0.09	0.38	12.94	0.00	0.00	12.94
36	Keltron Component Complex Limited	24.02	0.00	26.93	50.95	20.69	0.00	0.00	20.69
37	Keltron Electro Ceramics Limited	0.00	0.00	5.89	5.89	3.92	0.00	0.00	3.92
38	Kerala Automobiles Limited	10.98	0.00	0.00	10.98	73.21	0.00	2.00	75.21
39	KCCP Limited	1.32	0.00	0.00	1.32	17.87	0.00	0.00	17.87
40	Kerala Electrical and Allied Engineering Company Limited	190.44	0.00	0.00	190.44	28.70	0.00	0.00	28.70
41	Kerala Feeds Limited	62.84	0.00	6.31	69.15	9.59	0.00	0.00	9.59
42	Kerala State Bamboo Corporation Limited	19.31	0.00	0.00	19.31	57.28	1.11	0.00	58.39
43	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	5.00	0.00	0.00	5.00	0.00	0.00	0.00	0.00
44	Kerala State Drugs and Pharmaceuticals Limited	130.73	0.00	0.00	130.73	90.39	0.00	0.00	90.39

Sl. No.	Name of Company/ Statutory Corporation	Paid up capital			Loans outstanding				
		State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
45	Kerala State Electronics Development Corporation Limited	369.85	0.00	4.00	373.85	42.12	0.00	8.22	50.34
46	Kerala State Mineral Development Corporation Limited	1.76	0.00	0.00	1.76	11.75	0.00	0.00	11.75
47	Kerala State Textile Corporation Limited	64.26	0.00	30.25	94.51	244.11	0.00	48.79	292.90
48	Malabar Cements Limited	26.00	0.00	0.00	26.00	48.67	0.00	0.00	48.67
49	Sitaram Textiles Limited	42.45	0.00	0.00	42.45	29.74	0.00	3.02	32.76
50	Steel and Industrial Forgings Limited	30.07	0.00	0.00	30.07	26.51	0.00	6.25	32.76
51	SAIL- SCL Kerala Limited	13.02	13.02	0.39	26.43	18.07	0.00	85.83	103.90
52	Steel Industries Kerala Limited	36.56	0.00	0.00	36.56	22.20	0.00	0.00	22.20
53	The Kerala Ceramics Limited	12.46	0.00	0.00	12.46	65.37	0.00	2.04	67.41
54	The Kerala Minerals and Metals Limited	30.93	0.00	0.00	30.93	0.00	0.00	0.00	0.00
55	The Metal Industries Limited	1.97	0.00	0.00	1.97	12.85	0.00	0.00	12.85
56	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	44.95	0.00	0.00	44.95	0.00	0.00	0.00	0.00
57	The Travancore Cements Limited	2.47	0.00	0.24	2.71	60.21	0.00	0.00	60.21
58	The Travancore Sugars and Chemicals Limited	1.01	0.00	0.30	1.31	0.00	0.00	0.00	0.00
59	The Travancore-Cochin Chemicals Limited	40.33	0.00	4.40	44.73	0.00	0.00	0.00	0.00
60	Traco Cable Company Limited	77.67	0.00	4.20	81.87	39.27	0.00	4.00	43.27
61	Transformers and Electricals Kerala Limited	23.44	0.00	19.53	42.97	4.34	0.00	4.85	9.19
62	Travancore Titanium Products Limited	13.43	0.00	0.34	13.77	47.90	0.00	1.65	49.55
63	United Electrical Industries Limited	3.88	0.00	1.11	4.99	63.41	0.00	0.00	63.41
64	Malabar Distilleries Limited	0.00	0.00	3.53	3.53	0.00	0.00	0.00	0.00
65	Kerala State Coir Machinery Manufacturing Company Ltd	25.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00
66	Trivandrum Spinning Mills Limited	4.64	0.00	7.20	11.84	26.10	0.00	0.00	26.10
67	Bekal Resorts Development Corporation Limited	55.49	0.00	0.00	55.49	0.00	0.00	0.00	0.00
68	Kerala Medical Services Corporation Limited	30.00	0.00	0.00	30.00	0.00	0.00	0.00	0.00
69	Kerala Shipping and Inland Navigation Corporation Limited	82.81	0.00	0.00	82.81	0.00	0.00	0.00	0.00
70	Kerala State Industrial Enterprises Limited	1.20	0.00	0.00	1.20	1.10	0.00	1.90	3.00

Sl. No.	Name of Company/ Statutory Corporation	Paid up capital			Loans outstanding					
		State Government	Central Government	Others	Total	State Government	Central Government	Others	Total	
71	Kerala State Maritime Development Corporation Limited	10.00	0.00	0.00	10.00	0.00	0.00	0.00	0.00	
72	Kerala Tourism Development Corporation Limited	180.24	0.00	0.00	180.24	16.92	39.97	56.89		
73	The Kerala State Civil Supplies Corporation Limited	141.56	0.00	0.00	141.56	0.00	0.00	0.00	0.00	
74	Kerala Tourism Infrastructure Limited	39.27	0.00	4.02	43.29	0.00	0.00	0.00	0.00	
75	Vizhinjam International Seaport Limited	12.00	0.00	0.00	12.00	0.00	0.00	0.00	0.00	
76	Kerala State Coastal Area Development Corporation Limited	6.11	0.00	0.00	6.11	0.00	0.00	0.00	0.00	
77	Kerala Rapid Transit Corporation Ltd (Erstwhile Kerala Monorail Corporation Ltd.)	30.76	0.00	0.00	30.76	0.00	0.00	0.00	0.00	
78	Kerala Rail Development Corporation Limited	51.00	49.00	0.00	100.00	0.00	0.00	0.00	0.00	
79	Muziris Projects Limited	0.05	0.00	0.00	0.05	0.00	0.00	0.00	0.00	
80	Malabar International Port & Sez Limited	25.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00	
81	Kerala Lifesciences Industries Parks Private Limited	0.03	0.00	0.07	0.10	0.00	0.00	0.00	0.00	
82	Kerala Rubber Limited	4.09	0.00	0.00	4.09	0.00	0.00	0.00	0.00	
83	Kerala Rice Limited	1.00	0.00	0.00	1.00	0.00	0.00	0.00	0.00	
84	Kochi Water Metro Limited	3.63	0.00	1.27	4.90	0.00	0.00	0.00	0.00	
85	Kerala Paper Products Limited	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
86	KEL Electrical Machines Limited	30.50	0.00	0.00	30.50	6.20	0.00	6.20	6.20	
87	KSRTC-SWIFT Limited	Details not furnished								
88	KIIFCON Private Limited	0.00	0.00	2.58	2.58	0.00	0.00	0.00	0.00	
89	Handicrafts Development Corporation of Kerala Limited	2.45	0.61	0.00	3.06	29.26	6.05	35.31		
90	Kerala Artisans' Development Corporation Limited	4.60	0.00	0.00	4.60	0.99	0.00	0.99	0.99	
91	Kerala Fibre Optic Network Limited	0.02	0.00	0.98	1.00	0.00	0.00	0.00	0.00	
92	Kerala Small Industries Development Corporation Limited	24.09	0.00	4.00	28.09	32.94	5.14	38.08		
93	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	83.54	0.00	0.00	83.54	6.45	0.00	6.45	6.45	

Sl. No.	Name of Company/ Statutory Corporation	Paid up capital			Loans outstanding				
		State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
94	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	202.87	64.95	0.00	267.82	0.00	0.00	88.42	88.42
95	Kerala State Film Development Corporation Limited	82.83	0.00	0.00	82.83	11.38	0.00	0.00	11.38
96	Kerala State Handicapped Persons' Welfare Corporation Limited	4.33	0.00	0.00	4.33	2.63	0.00	0.00	2.63
97	Kerala State Handloom Development Corporation Limited	69.91	0.00	0.05	69.96	17.80	0.00	0.00	17.80
98	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	0.87	0.00	0.00	0.87	1.10	0.00	0.00	1.10
99	Kerala State Women's Development Corporation Limited	10.50	0.49	0.00	10.99	0.00	0.00	580.48	580.48
100	Kerala Urban & Rural Development Finance Corporation Limited	5.59	0.00	0.61	6.20	0.00	0.00	0.00	0.00
101	The Kerala State Backward Classes Development Corporation Limited	151.14	0.00	0.00	151.14	0.00	0.00	1451.98	1451.98
102	Kerala State Minorities Development Finance Corporation	68.02	0.00	0.00	68.02	0.00	0.00	49.73	49.73
103	Kerala State Welfare Corporation for Forward Communities	20.30	0.00	0.00	20.30	0.00	0.00	0.00	0.00
104	Vision Varkala Infrastructure Development Corporation Limited	22.44	0.00	0.00	22.44	0.00	0.00	0.00	0.00
105	Kerala Irrigation Infrastructure Development Corporation Limited	10.00	0.00	0.00	10.00	0.00	0.00	0.00	0.00
106	Kerala Infrastructure and Technology for Education	4.99	0.00	0.01	5.00	0.00	0.00	13.41	13.41
107	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	1.41	0.00	0.00	1.41	0.00	0.00	0.00	0.00
108	Overseas Development and Employment Promotion Consultants Limited	0.86	0.00	0.00	0.86	0.00	0.00	0.00	0.00
109	Norka Roots	0.78	0.00	0.74	1.52	0.00	0.00	0.00	0.00
110	Indian Institute of Information Technology and Management - Kerala	153.15	0.00	0.00	153.15	0.00	0.00	0.00	0.00

Sl. No.	Name of Company/ Statutory Corporation	Paid up capital				Loans outstanding			
		State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
111	Clean Kerala Company Limited	0.05	0.00	13.92	13.97	0.00	0.00	0.00	0.00
112	Kerala Academy for Skills Excellence	26.94	0.00	0.00	26.94	0.00	0.00	0.00	0.00
113	Bhavanam Foundation Kerala	40.00	0.00	0.00	40.00	0.00	0.00	0.00	0.00
114	Trivandrum Engineering Science & Technology Research Park	0.01	0.00	0.00	0.01	0.00	0.00	0.00	0.00
115	Cochin Smart Mission Limited	100.00	0.00	100.00	200.00	0.00	0.00	0.00	0.00
116	Impact Kerala Limited	0.10	0.00	0.00	0.10	0.00	0.00	0.00	0.00
117	Smart City Thiruvananthapuram Limited	0.05	0.00	0.05	0.10	0.00	0.00	0.00	0.00
118	Kerala State Pottery Manufacturing, Marketing Welfare Development Corporation	0.99	0.00	0.00	0.99	0.00	0.00	0.00	0.00
119	Kerala Social Security Pension Limited	0.10	0.00	0.00	0.10	0.00	0.00	11206.49	11206.49
120	Overseas Keralites Investment and Holding Company Limited	10.00	0.00	0.00	10.00	0.00	0.00	0.00	0.00
121	Champs Boat League								
122	Sports Kerala Foundation	0.40	0.00	0.00	0.40	0.00	0.00	0.00	0.00
123	Reststop Private Limited	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00
124	Additional Skill Acquisition Programme Kerala								
125	Kerala State Power and Infrastructure Finance Corporation Limited	15.83	0.00	10.82	26.65	0.00	0.00	0.00	0.00
126	KINESCO Power and Utilities Private Limited	0.00	0.00	0.32	0.32	0.00	0.00	3.93	3.93
127	Kerala State Electricity Board Limited	3499.05	0.00	0.00	3499.05	65.91	0.00	7267.06	7332.97
Statutory Corporations									
128	Kerala State Warehousing Corporation	7.41	0.00	7.25	14.66	2.50	0.00	38.29	40.79
129	Kerala Financial Corporation	620.27	0.00	6.23	626.50	0.00	0.00	4396.48	4396.48
130	Kerala Industrial Infrastructure Development Corporation	0.00	0.00	0.00	0.00	524.09	0.00	2929.33	3453.42
131	Kerala State Road Transport Corporation	873.96	23.21	0.00	897.17	9967.47	0.00	2951.82	12919.29
Total		10015.46	163.07	987.46	11165.99	12302.63	1.31	32404.54	44708.48

Sl. No.	Name of Company/ Statutory Corporation	Paid up capital			Loans outstanding				
		State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
B. Non Working Companies									
1	The Kerala Premo Pipe Factory Limited	...	...	...	...	...	...	...	...
2	Kerala Garments Limited	...	...	0.48	0.48	3.96	0.15	4.11	4.11
3	Kerala Special Refractories Limited	2.91	...	...	2.91	1.07	...	1.07	1.07
4	The Kerala Asbestos Cement Pipe Factory Limited	0.06	...	...	0.06	...	...	...	...
5	SIDECO Mohan Kerala Limited	...	0.08	0.09	0.17	0.12	0.19	0.31	0.31
6	Keltron Counters Limited	...	...	4.97	4.97	5.05	...	5.05	5.05
7	Keltron Power Devices Limited	...	...	4.10	4.10	...	6.38	6.38	6.38
8	SIDKEL Televisions Limited	...	...	0.44	0.44	...	...	...	...
9	Keltron Rectifiers Limited	...	...	2.74	2.74	1.65	7.02	8.67	8.67
10	Kerala State Wood Industries Limited	0.75	...	0.95	1.70	8.23	...	8.23	8.23
11	Kunnathara Textiles Limited	0.22	...	0.48	0.70	...	...	...	...
12	Vanjinad Leathers Limited	...	0.19	0.18	0.37	...	...	...	...
13	Kanjikode Electronics and Electricals Limited	0.39	...	...	0.39	...	...	...	...
14	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	0.50	...	...	0.50	...	0.31	0.31	0.31
15	Pratheeksha Bus Shelters Kerala Limited	0.05	0.05	...	0.10	...	...	...	...
16	Ashwas Public Amenities Kerala Limited	0.05	0.05	...	0.10	...	...	...	...
17	Kerala High Speed Rail Corporation Limited	113.00	...	...	113.00	...	...	...	...
18	Kerala State Housing Development Finance Corporation Limited	0.82	...	...	0.82	...	...	...	...
Total		118.75	0.37	14.43	133.55	20.08	14.05	34.13	34.13

Appendix 4

Statement showing differences between Finance Accounts of Government of Kerala and Accounts of State PSEs in respect of balances of Equity, Loans and Guarantee as on 31 March 2023

(Referred to in Paragraph.1.2.1)

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSEs' Accounts			As per Finance Accounts			Difference		
			Equity	Loan	Guarantee	Equity	Loan	Guarantee	Equity	Loan	Guarantee
1	Kerala Agro Machinery Corporation Limited	Agriculture	1.61	5.00	20.00	5.44	5.03	20.00	-3.83	-0.03	0.00
2	Kerala Forest Development Corporation Limited	Forest	8.27	4.25	0.00	13.27	4.75	0.00	-5.00	-0.50	0.00
3	Kerala Livestock Development Board Limited	Animal Husbandry	7.33	0.00	0.00	7.83	0.00	0.00	-0.50	0.00	0.00
4	Kerala State Horticultural Products Development Corporation Limited	Agriculture	8.43	0.00	0.00	8.78	0.00	0.00	-0.35	0.00	0.00
5	Kerala State Poultry Development Corporation Limited	Animal Husbandry	1.96	0.00	0.00	1.00	0.00	0.00	0.96	0.00	0.00
6	Meat Products of India Limited	Animal Husbandry	2.31	2.63	6.85	2.18	24.53	6.82	0.13	-21.90	0.03
7	Oil Palm India Limited	Agriculture	6.79	0.00	0.00	6.20	0.00	0.00	0.59	0.00	0.00
8	The Kerala State Cashew Development Corporation Limited	Industries	582.34	326.62	0.00	534.84	316.61	3.92	47.50	10.01	-3.92
9	The Kerala State Coir Corporation Limited	Industries	8.05	1.43	30.00	8.05	0.51	28.64	0.00	0.92	1.36
10	The Plantation Corporation of Kerala Limited	Agriculture	5.57	0.00	0.00	5.57	0.72	0.00	0.00	-0.72	0.00
11	The State Farming Corporation of Kerala Limited	Agriculture	8.43	0.22	0.00	8.43	0.00	0.00	0.00	0.22	0.00
12	Aralam Farming Corporation (Kerala) Limited	SC and ST Development	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.00	0.00
13	Vazhakulam Agro and Fruit Processing Company Limited	Agriculture	0.03	0.50	0.00	0.03	5.53	0.00	0.00	-5.03	0.00

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSEs' Accounts			As per Finance Accounts			Difference		
			Equity	Loan	Guarantee	Equity	Loan	Guarantee	Equity	Loan	Guarantee
14	Kerala Aqua Ventures International Limited	Fisheries	2.10	0.00	0.00	0.00	0.00	2.10	0.00	0.00	
15	Kerala State Coconut Development Corporation Limited	Agriculture	2.85	10.89	0.00	2.85	10.94	0.00	-0.05	0.00	
16	Kerala Cashew Board Limited	Industries	24.50	53.30	31.61	24.50	151.45	0.00	-98.15	31.61	
17	The Kerala State Financial Enterprises Limited	Taxes	100.00	0.00	17,000.00	50.00	0.00	15,404.55	0.00	1,595.45	
18	Kerala Transport Development Finance Corporation Limited	Transport	43.83	0.00	607.50	43.83	0.00	487.50	0.00	120.00	
19	Kerala Police Housing and Construction Corporation Limited	Home	0.27	0.00	0.00	1.27	121.00	0.00	-1.00	-121.00	
20	Kerala State Construction Corporation Limited	Public Works	0.88	2.05	0.00	0.88	1.08	0.00	0.00	0.97	
21	Kerala State Industrial Development Corporation Limited	Industries	301.24	0.00	0.00	340.24	18.21	0.00	-39.00	0.00	
22	Roads and Bridges Development Corporation of Kerala Limited	Public Works	62.43	56.00	0.00	62.43	156.00	0.00	-100.00	0.00	
23	The Kerala Land Development Corporation Limited	Agriculture	6.79	1.85	0.00	6.79	2.19	0.00	0.00	-0.34	
24	Kerala State Information Technology Infrastructure Limited	Information Technology	204.96	0.00	0.00	490.61	0.00	0.00	-285.65	0.00	
25	Marine Products Infrastructure Development Corporation Limited	Industries	2.50	0.00	0.00	0.00	0.00	2.50	0.00	0.00	
26	Kannur International Airport Limited	Transport	350.00	0.00	0.00	1,414.12	0.00	-1,064.12	0.00	0.00	
27	Road Infrastructure Company Kerala Limited	Public Works	0.26	0.00	0.00	0.00	0.00	0.26	0.00	0.00	
28	Autokast Limited	Industries	124.29	60.70	0.00	1.63	143.94	0.00	122.66	-83.24	
29	Foam Mattings (India) Limited	Industries	6.67	0.15	0.00	5.15	0.00	0.00	1.52	0.00	
30	Forest Industries (Travancore) Limited	Industries	0.29	12.94	0.00	0.29	13.75	0.00	0.00	-0.81	

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSEs' Accounts			As per Finance Accounts			Difference		
			Equity	Loan	Guarantee	Equity	Loan	Guarantee	Equity	Loan	
31	Keltron Component Complex Limited	Industries	24.02	20.69	0.00	24.02	23.49	0.00	0.00	-2.80	0.00
32	Kerala Automobiles Limited	Industries	10.98	73.21	5.43	10.98	78.99	5.43	0.00	-5.78	0.00
33	KCCP Limited	Industries	1.32	17.87	0.00	1.32	16.89	0.00	0.00	0.98	0.00
34	Kerala Electrical and Allied Engineering Company Limited	Industries	190.44	28.70	50.00	123.06	80.39	19.87	67.38	-51.69	30.13
35	Kerala Feeds Limited	Animal Husbandry	62.84	9.59	0.00	21.65	15.39	0.00	41.19	-5.80	0.00
36	Kerala State Bamboo Corporation Limited	Industries	19.31	57.28	0.00	6.59	73.20	0.00	12.72	-15.92	0.00
37	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	Taxes	5.00	0.00	0.00	1.03	0.00	0.00	3.97	0.00	0.00
38	Kerala State Drugs and Pharmaceuticals Limited	Industries	130.73	90.39	0.00	8.98	137.99	0.00	121.75	-47.60	0.00
39	Kerala State Electronics Development Corporation Limited	Industries	369.85	42.12	0.00	199.55	120.79	0.00	170.30	-78.67	0.00
40	Kerala State Textile Corporation Limited	Industries	64.26	244.11	1.80	57.78	251.40	1.77	6.48	-7.29	0.03
41	Sitaram Textiles Limited	Industries	42.45	29.74	0.00	36.70	31.17	0.00	5.75	-1.43	0.00
42	Steel and Industrial Forgings Limited	Industries	30.07	26.51	0.00	19.67	29.73	0.00	10.40	-3.22	0.00
43	SAIL- SCL Kerala Limited	Industries	13.02	18.07	0.00	16.67	49.07	0.00	-3.65	-31.00	0.00
44	Steel Industrials Kerala Limited	Industries	36.56	22.20	0.00	36.31	56.21	0.00	0.25	-34.01	0.00
45	The Kerala Ceramics Limited	Industries	12.46	65.37	0.00	6.38	68.61	0.00	6.08	-3.24	0.00
46	The Kerala Minerals and Metals Limited	Industries	30.93	0.00	0.00	35.31	0.85	0.00	-4.38	-0.85	0.00
47	The Metal Industries Limited	Industries	1.97	12.85	0.00	1.41	15.01	0.40	0.56	-2.16	-0.40
48	The Pharmaceutical Corporation (India Medicines) Kerala Limited	Health & Family Welfare	44.95	0.00	0.00	45.78	0.00	0.00	-0.83	0.00	0.00
49	The Travancore Cements Limited	Industries	2.47	60.21	0.00	2.48	60.21	0.00	-0.01	0.00	0.00

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSEs' Accounts			As per Finance Accounts			Difference		
			Equity	Loan	Guarantee	Equity	Loan	Guarantee	Equity	Loan	Guarantee
50	The Travancore Sugars and Chemicals Limited	Taxes	1.01	0.00	0.00	1.00	0.00	0.00	0.01	0.00	0.00
51	Traco Cable Company Limited	Industries	77.67	39.27	49.20	50.10	75.88	34.48	27.57	-36.61	14.72
52	Transformers and Electricals Kerala Limited	Industries	23.44	4.34	0.00	19.43	23.03	0.00	4.01	-18.69	0.00
53	Travancore Titanium Products Limited	Industries	13.43	47.90	0.00	13.43	53.31	0.00	0.00	-5.41	0.00
54	United Electrical Industries Limited	Industries	3.88	63.41	0.00	3.88	57.53	0.00	0.00	5.88	0.00
55	Kerala State Coir Machinery Manufacturing Company Ltd	Industries	25.00	0.00	0.00	0.00	0.00	0.00	25.00	0.00	0.00
56	Trivandrum Spinning Mills Limited	Industries	4.64	26.10	0.00	7.73	23.74	0.00	-3.09	2.36	0.00
57	Bekal Resorts Development Corporation Limited	Tourism	55.49	0.00	0.00	60.42	0.00	0.00	-4.93	0.00	0.00
58	Kerala Medical Services Corporation Limited	Health & Family Welfare	30.00	0.00	0.00	5.00	0.00	0.00	25.00	0.00	0.00
59	Kerala Shipping and Inland Navigation Corporation Limited	Coastal Shipping & Inland Navigation	82.81	0.00	0.00	87.78	0.00	0.00	-4.97	0.00	0.00
60	Kerala State Industrial Enterprises Limited	Industries	1.20	1.10	0.00	31.28	30.50	0.00	-30.08	-29.40	0.00
61	Kerala State Maritime Development Corporation Limited	Port	10.00	0.00	0.00	9.75	0.00	0.00	0.25	0.00	0.00
62	Kerala Tourism Development Corporation Limited	Tourism	180.24	16.92	0.00	187.44	16.92	0.00	-7.20	0.00	0.00
63	The Kerala State Civil Supplies Corporation Limited	Food & Civil Supplies	141.56	0.00	2,500.00	141.56	45.43	5.60	0.00	-45.43	2,494.40
64	Kerala Tourism Infrastructure Limited	Tourism	39.27	0.00	0.00	41.44	0.00	0.00	-2.17	0.00	0.00
65	Vizhinjam International Seaport Limited	Ports	12.00	0.00	500.00	0.00	0.00	100.00	12.00	0.00	400.00

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSEs' Accounts			As per Finance Accounts			Difference		
			Equity	Loan	Guarantee	Equity	Loan	Guarantee	Equity	Loan	
66	Kerala State Coastal Area Development Corporation Limited	Fisheries	6.11	0.00	0.00	5.39	0.00	0.00	0.72	0.00	0.00
67	Kerala Rapid Transit Corporation Ltd (Erstwhile Kerala Monorail Corporation Ltd.)	Public Works	30.76	0.00	0.00	27.80	0.00	0.00	2.96	0.00	0.00
68	Kerala Rail Development Corporation Limited	Transport	51.00	0.00	0.00	0.00	0.00	0.00	51.00	0.00	0.00
69	Muziris Projects Limited	Tourism	0.05	0.00	0.00	0.00	0.00	0.00	0.05	0.00	0.00
70	Malabar International Port and SEZ Limited	Ports	25.00	0.00	0.00	59.15	0.00	0.00	-34.15	0.00	0.00
71	Kerala Lifesciences Industries Private Limited	Industries	0.03	0.00	0.00	8.32	0.00	0.00	-8.29	0.00	0.00
72	Kerala Rubber Limited	Industries	4.09	0.00	0.00	11.00	0.00	0.00	-6.91	0.00	0.00
73	Kerala Rice Limited	Industries	1.00	0.00	0.00	0.00	0.00	0.00	1.00	0.00	0.00
74	KEL Electrical Machines Ltd	Industries	30.50	6.20	0.00	26.20	0.00	0.00	4.30	6.20	0.00
75	Handicrafts Development Corporation of Kerala Limited	Industries	2.45	29.26	6.05	2.16	30.89	6.05	0.29	-1.63	0.00
76	Kerala Artisans' Development Corporation Limited	Industries	4.60	0.99	1.20	2.20	0.93	4.93	2.40	0.06	-3.73
77	Kerala Fibre Optic Network Limited	Electronics and IT	0.02	0.00	0.00	0.00	0.00	0.00	0.02	0.00	0.00
78	Kerala Small Industries Development Corporation Limited	Industries	24.09	32.94	0.00	21.86	33.56	0.62	2.23	-0.62	-0.62
79	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	Backward Communities Development	83.54	6.45	0.00	84.05	1.55	0.00	-0.51	4.90	0.00

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSEs' Accounts			As per Finance Accounts			Difference		
			Equity	Loan	Guarantee	Equity	Loan	Guarantee	Equity	Loan	Guarantee
80	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	SC and ST Development	202.87	0.00	115.00	210.85	0.40	88.42	-7.98	-0.40	26.58
81	Kerala State Film Development Corporation Limited	Cultural Affairs	82.83	11.38	0.00	84.93	10.83	0.00	-2.10	0.55	0.00
82	Kerala State Handicapped Persons' Welfare Corporation Limited	Social Justice	4.33	2.63	55.00	8.19	2.63	50.71	-3.86	0.00	4.29
83	Kerala State Handloom Development Corporation Limited	Industries	69.91	17.80	0.00	56.07	14.63	0.00	13.84	3.17	0.00
84	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	Industries	0.87	1.10	0.00	0.87	5.29	0.84	0.00	-4.19	-0.84
85	Kerala State Women's Development Corporation Limited	Social Justice	10.50	0.00	845.56	9.99	0.00	580.48	0.51	0.00	265.08
86	Kerala Urban & Rural Development Finance Corporation Limited	Local Self Government	5.59	0.00	0.00	6.12	144.07	2,905.46	-0.53	-144.07	-2,905.46
87	The Kerala State Backward Classes Development Corporation Limited	Backward Community Development	151.14	0.00	1,823.00	156.64	0.00	1,823.00	-5.50	0.00	0.00
88	Kerala State Minorities Development Finance Corporation	Minority Welfare	68.02	0.00	50.00	79.99	0.00	49.73	-11.97	0.00	0.27
89	Kerala State Welfare Corporation for Forward Communities	General Administration	20.30	0.00	0.00	20.29	0.00	0.00	0.01	0.00	0.00
90	Vision Varkala Infrastructure Development Corporation Limited	Planning & Economic Affairs	22.44	0.00	0.00	18.65	0.00	0.00	3.79	0.00	0.00
91	Kerala Irrigation Infrastructure Development Corporation Limited	Irrigation	10.00	0.00	0.00	9.79	0.00	0.00	0.21	0.00	0.00
92	Kerala Infrastructure and Technology for Education	General Education	4.99	0.00	0.00	0.00	0.00	0.00	4.99	0.00	0.00
93	Indian Institute of Information Technology and Management - Kerala	Information Technology	153.15	0.00	0.00	230.00	0.00	0.00	-76.85	0.00	0.00

Sl. No.	Name of the Company/ Corporation	Name of the Department	As per PSEs' Accounts			As per Finance Accounts			Difference		
			Equity	Loan	Guarantee	Equity	Loan	Guarantee	Equity	Loan	Guarantee
94	Clean Kerala Company Limited	Local Self Government	0.05	0.00	0.00	0.00	0.00	0.05	0.00	0.00	
95	Kerala Academy for Skills Excellence	Labour & Skills	26.94	0.00	0.00	85.91	0.00	-58.97	0.00	0.00	
96	Trivandrum Engineering Science & Technology Research Park	Higher Education Department	0.01	0.00	0.00	0.00	0.00	0.01	0.00	0.00	
97	Cochin Smart Mission Limited	Local Self Government	100.00	0.00	0.00	0.00	0.00	100.00	0.00	0.00	
98	Kerala State Pottery Marketing ,Manufacturing and welfare Development Corporation Limited	Backward Communities Development	0.99	0.00	0.00	1.95	0.00	-0.96	0.00	0.00	
99	Kerala Social Security Pension Limited	Finance	0.00	0.00	6,000.00	0.10	0.00	0.00	0.00	6,000.00	
100	Overseas Keralites Investment and Holding Limited	NORKA	10.00	0.00	0.00	12.00	0.00	-2.00	0.00	0.00	
101	Kerala State Electricity Board Limited	Power	3,499.05	65.91	0.00	24.56	2,851.24	3,474.49	-2,785.33	0.00	
102	Kerala State Warehousing Corporation	Agriculture	7.41	2.50	0.00	7.91	47.18	-0.50	-44.68	0.00	
103	Kerala Financial Corporation	Finance	620.27	0.00	0.00	716.43	0.00	-96.16	0.00	-50.00	
104	Kerala Industrial Infrastructure Development Corporation	Industries	0.00	524.09	0.00	0.00	685.52	183.37	-161.43	-183.37	
105	Kerala State Road Transport Corporation	Transport	873.96	9,967.47	2,984.82	802.07	9,967.48	71.89	-0.01	0.00	
Total			9,879.22	12,225.20	32,683.02	7,153.56	16,208.17	24,847.41			
PSE accounts exceed the figures in Finance Accounts											
PSE accounts fall short of the figures in Finance Accounts											
								4,503.66	36.37	10,983.95	
								1,778.00	4,019.34	3,148.34	

Appendix 5

**List of Government companies where Debt Asset Ratio was greater than one
(Total assets were lower than the long term loans outstanding)
(Referred to in Paragraph.1.2.2)**

(₹ in crore)

Sl. No.	Name of the Company/ Statutory Corporation	Period of accounts	Long term Loans outstanding at the end of the year	Total assets	Debt asset ratio
1	Vazhakulam Agro and Fruit Processing Company Limited	2022-23	10.02	9.51	1.05
2	Kinfra International Apparel Parks Limited	2021-22	25.70	13.20	1.95
3	Kerala Automobiles Limited	2020-21	65.76	19.07	3.45
4	Kerala State Bamboo Corporation Limited	2015-16	50.41	18.57	2.71
5	The Metal Industries Limited	2020-21	12.85	8.26	1.56
6	The Travancore Cements Limited	2019-20	38.71	6.27	6.17
7	Trivandrum Spinning Mills Limited	2014-15	17.40	4.45	3.91
8	Kerala Rubber Limited	2021-22	0.41	0.23	1.78
9	Kerala State Road Transport Corporation	2015-16	4,091.37	1,420.42	2.88

Appendix 6

List of PSEs with interest outstanding on State Government Loans

(Referred to in Paragraph.1.2.4)

(₹ in crore)

Sl. No.	Name of the PSE	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years	Interest outstanding on State Government loans
1	The Kerala Agro Industries Corporation Limited	1.65	3.28	22.19	27.13
2	The Kerala State Cashew Development Corporation Limited	0.00	0.00	6.14	6.14
3	The Kerala State Coir Corporation Limited	0.18	0.37	5.09	5.64
4	The State Farming Corporation of Kerala Limited	0.00	0.00	1.29	1.29
5	Vazhakulam Agro and Fruit Processing Company Limited	0.07	0.19	0.29	0.56
6	Kerala Cashew Board Limited	0.15	2.62	0.00	2.77
7	Kerala State Construction Corporation Limited	0.00	0.00	6.42	6.42
8	Autokast Limited	0.04	6.21	13.15	19.40
9	Keltron Component Complex Limited	4.53	11.63	12.25	28.41
10	Keltron Electro Ceramics Limited	0.65	0.94	1.67	3.26
11	Kerala Automobiles Limited	6.62	10.96	71.62	89.20
12	KCCP Limited	0.46	1.86	7.87	10.19
13	Kerala Electrical and Allied Engineering Company Limited	2.47	2.17	0.00	4.64
14	Kerala Feeds Limited	0.26	0.00	0.00	0.26
15	Kerala State Bamboo Corporation Limited	5.94	15.96	20.76	42.66
16	Kerala State Drugs and Pharmaceuticals Limited	4.80	21.50	12.11	38.41
17	Kerala State Electronics Development Corporation Limited	4.86	13.72	18.34	36.92
18	Kerala State Mineral Development Corporation Limited	0.02	0.08	18.50	18.59
19	Kerala State Textile Corporation Limited	30.28	78.84	101.73	210.85
20	Sitaram Textiles Limited	3.64	10.15	11.48	25.27
21	Steel and Industrial Forgings Limited	0.09	1.75	1.54	3.38
22	Steel Industrials Kerala Limited	2.57	2.00	8.32	12.89

Sl. No.	Name of the PSE	Interest on State Government loans outstanding for less than 1 year	Interest on State Government loans outstanding for 1 - 3 years	Interest on State Government loans outstanding for more than 3 years	Interest outstanding on State Government loans
23	The Metal Industries Limited	1.55	2.83	8.26	12.64
24	The Travancore Cements Limited	0.09	3.95	40.64	44.68
25	Travancore Titanium Products Limited	9.20	9.74	26.63	45.57
26	United Electrical Industries Limited	0.16	1.28	6.81	8.25
27	Trivandrum Spinning Mills Limited	1.57	3.92	3.93	9.42
28	Kerala State Industrial Enterprises Limited	0.15	0.30	1.04	1.48
29	Kerala Tourism Development Corporation Limited	0.82	0.75	5.99	7.56
30	KEL Electrical Machines Limited	0.19	0.00	0.00	0.19
31	Handicrafts Development Corporation of Kerala Limited	1.10	5.65	16.05	22.80
32	Kerala Artisans' Development Corporation Limited	0.00	0.00	3.18	3.18
33	Kerala Small Industries Development Corporation Limited	8.41	10.29	27.91	46.61
34	Kerala State Film Development Corporation Limited	0.35	0.70	7.86	8.91
35	Kerala State Handloom Development Corporation Limited	1.89	5.63	38.41	45.93
36	Kerala Industrial Infrastructure Development Corporation	38.24	79.74	406.11	524.09
Total		133.00	309.01	933.58	1,375.59

Appendix 7

List of Government companies and Statutory corporations which suffered loss during current year in comparison to profit earned in previous year

(Referred to in Paragraph.1.3.1)

(₹ in crore)

Sl. No.	Name of PSEs	Previous year	Net profit during Previous year	Reporting year	Net loss During reporting year
1	Kerala State Information Technology Infrastructure Limited	2018-19	0.24	2019-20	1.86
2	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2018-19	113.13	2019-20	41.95
3	The Kerala Ceramics Limited	2021-22	18.74	2022-23	21.92
4	Transformers and Electricals Kerala Limited	2019-20	6.33	2020-21	22.76
5	Kerala State Coir Machinery Manufacturing Company Limited	2020-21	3.11	2021-22	1.94
6	Kerala Lifescience Industries Parks Private Limited	2020-21	0.34	2021-22	0.42

Appendix 8

List of Government companies and Statutory corporations having negative Net worth as per their latest finalised accounts

(Referred to in Paragraph No.1.3.3)

(₹ in crore)

Sl. No.	Name of PSEs	Latest year of Account	Total Paid up capital	Net profit (+) / (-) after interest and tax	Accumulated losses	Net worth	Period since when Net worth has remained negative
1	Trivandrum Spinning Mills Limited	2018-19	11.84	-4.20	-47.30	-35.46	2006-07
2	Travancore Titanium Products	2020-21	13.76	-67.07	-124.48	-110.72	2012-13
3	The Kerala Agro Industries Corporation Limited	2017-18	4.74	-8.68	-31.02	-26.28	2013-14
4	Kerala State Horticultural Products Development Corporation Limited	2019-20	7.48	-3.13	-18.65	-11.17	2014-15
5	Kerala State Poultry Development Corporation Limited	2017-18	1.97	-3.42	-17.05	-15.08	2014-15
6	Meat Products of India Limited	2020-21	2.31	-1.58	-38.44	-36.13	2014-15
7	Kerala Aqua Ventures International Limited	2019-20	3.99	-0.19	-7.62	-3.63	2014-15
8	Forest Industries (Travancore) Limited	2019-20	0.38	0.44	-17.85	-17.47	2014-15
9	Muziris Projects Limited	2020-21	0.05	-1.16	-5.62	-5.57	2015-16
10	Vazhakulam Agro and Fruit Processing Company Limited	2022-23	0.05	-1.70	-17.08	-17.03	2016-17
11	Kinfra International Apparel Parks Limited	2021-22	0.25	-0.64	-17.07	-16.82	2016-17
12	Vizhinjam International Seaport Limited	2019-20	12.00	0.00	-60.11	-48.11	2016-17
13	Kerala State Electricity Board Limited	2021-22	3,499.05	736.27	-5,304.37	-1,805.32	2016-17
14	Foam Mattings (India) Limited	2020-21	6.67	-1.80	-13.58	-6.91	2017-18
15	KCCP Limited	2022-23	1.32	-2.33	-17.92	-16.60	2017-18
16	Kerala Transport Development Finance Corporation Limited	2020-21	43.83	-68.38	-258.88	-215.05	2018-19
17	Kerala Tourism Development Corporation Limited	2020-21	180.24	-54.62	-189.32	-9.08	2019-20
18	Kerala Rubber Limited	2021-22	0.05	-0.41	-0.43	-0.38	2020-21

Sl. No.	Name of PSEs	Latest year of Account	Total Paid up capital	Net profit (+) / (-) after interest and tax	Accumulated losses	Net worth	Period since when Net worth has remained negative
19	Kerala Electrical and Allied Engineering Company Limited	2021-22	190.44	-17.58	-229.09	-38.65	2020-21
20	Champs Boat League Limited	2019-20	1.00	-4.33	-4.33	-3.33	First accounts
21	Additional Skill Acquisition Programme Kerala	2021-22	5.00	-9.55	-9.55	-4.55	First accounts
22	The Kerala State Cashew Development Corporation Limited	2021-22	579.34	-77.62	-1,800.93	-1,221.59	continuous negative net worth during review period
23	Aralam Farming Corporation (Kerala) Limited	2014-15	0.01	-0.02	-0.31	-0.30	
24	Kerala State Coconut Development Corporation Limited	2019-20	2.85	-0.54	-20.33	-17.48	continuous negative net worth during review period
25	Kerala Police Housing and Construction Corporation Limited	2021-22	0.27	0.26	-9.16	-8.89	
26	The Kerala Land Development Corporation Limited	2020-21	7.13	-0.98	-39.64	-32.51	
27	Autokast Limited	2021-22	124.30	-16.98	-213.56	-89.26	
28	Kerala Automobiles Limited	2020-21	10.98	-7.76	-91.56	-80.58	
29	Kerala State Bamboo Corporation Limited	2015-16	10.31	-13.51	-64.64	-54.33	
30	Kerala State Mineral Development Corporation Limited	2021-22	1.76	-17.32	-19.94	-18.18	
31	Kerala State Textile Corporation Limited	2020-21	94.52	-48.29	-452.20	-357.68	
32	Sitaram Textiles Limited	2021-22	42.46	-6.99	-102.10	-59.64	
33	SAIL-SCL Kerala Limited	2020-21	26.43	-19.31	-139.24	-112.81	
34	The Kerala Ceramics Limited	2022-23	12.46	-21.92	-136.08	-123.62	
35	The Metal Industries Limited	2020-21	1.52	-1.69	-24.25	-22.73	continuous negative net worth during review period
36	The Travancore Cements Limited	2019-20	2.71	-13.66	-101.19	-98.48	
37	Traco Cable Company Limited	2021-22	57.22	-42.37	-186.43	-129.21	

Sl. No.	Name of PSEs	Latest year of Account	Total Paid up capital	Net profit (+) / (-) after interest and tax	Accumulated losses	Net worth	Period since when Net worth has remained negative
38	United Electrical Industries Limited	2021-22	4.99	-12.04	-97.97	-92.98	
39	The Kerala State Civil Supplies Corporation Limited	2017-18	141.56	-106.81	-866.86	-725.30	
40	Handicrafts Development Corporation of Kerala Limited	2022-23	3.00	-4.34	-70.30	-67.30	
41	Kerala Small Industries Development Corporation Limited	2018-19	33.59	-3.60	-137.56	-103.97	
42	Kerala State Handloom Development Corporation Limited	2021-22	58.99	-10.17	-124.94	-65.95	
43	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2019-20	0.87	-0.61	-4.16	-3.29	
44	Kerala State Road Transport Corporation	2015-16	750.64	-1,007.18	-6,048.26	-5,297.62	

@ The 23 PSEs from Sl No.22 to 44 had continuous negative net worth as per their latest finalised accounts received during selected review period from 2017-18 to 2022-23

Appendix 9

Statement showing shortfall in dividend declared by Government Companies and Corporations
(Referred to in Paragraph No.1.3.4)

Sl. No.	Name of the Company/ Corporation	Period of accounts	Paid-up capital (including advance to Share Capital)	Net profit (+) / Loss(-) after tax and interest	20% of Paid up capital	30% of NP after tax	Minimum dividend required to be declared	Dividend	Amount not paid
1	Kerala Agro Machinery Corporation Limited	2020-21	1.610	0.480	0.322	0.144	0.322	0.000	0.322
2	Kerala Forest Development Corporation Limited	2020-21	9.200	5.180	1.840	1.554	1.840	0.000	1.840
3	Oil Palm India Limited	2021-22	11.790	5.870	2.358	1.761	2.358	0.590	1.768
4	The Rehabilitation Plantations Limited	2021-22	3.390	1.950	0.678	0.585	0.678	0.000	0.678
5	The Kerala State Financial Enterprises Limited	2021-22	100.000	105.490	20.000	31.647	20.000	0.000	20.000
6	Kerala Police Housing and Construction Corporation Limited	2021-22	0.270	0.260	0.054	0.078	0.054	0.000	0.054
7	Kerala State Construction Corporation Limited	2018-19	0.880	2.220	0.176	0.666	0.176	0.000	0.176
8	Kerala State Industrial Development Corporation Limited	2022-23	301.240	64.730	60.248	19.419	60.248	0.000	60.248
9	Roads and Bridges Development Corporation of Kerala Limited	2021-22	116.120	39.550	23.224	11.865	23.224	0.000	23.224
10	Kinfra Export Promotion Industrial Parks Limited	2021-22	0.250	0.999	0.050	0.300	0.050	0.000	0.050
11	Forest Industries (Travancore) Limited	2019-20	0.380	0.440	0.076	0.132	0.076	0.000	0.076
12	Malabar Cements Limited	2021-22	26.010	9.680	5.202	2.904	5.202	0.000	5.202
13	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2021-22	44.960	43.460	8.992	13.038	8.992	1.000	7.992
14	The Travancore Sugars and Chemicals Limited	2020-21	1.320	8.500	0.264	2.550	0.264	0.000	0.264
15	The Travancore-Cochin Chemicals Limited	2022-23	44.730	67.910	8.946	20.373	8.946	0.000	8.946
16	Kerala Medical Services Corporation Limited	2015-16	0.010	0.790	0.002	0.237	0.002	0.000	0.002
17	Kerala Lifescience Industries Parks Private Limited	2022-23	0.100	0.510	0.020	0.153	0.020	0.000	0.020
18	KIIFCON Private limited	2022-23	2.580	1.820	0.516	0.546	0.516	0.000	0.516

Sl. No.	Name of the Company/ Corporation	Period of accounts	Paid-up capital (including advance to Share Capital)	Net profit (+) / Loss(-) after tax and interest	20% of Paid up capital	30% of NP after tax	Minimum dividend required to be declared	Dividend	Amount not paid
19	Kerala State Handicapped Persons' Welfare Corporation Limited	2017-18	2.000	1.330	0.400	0.399	0.400	0.000	0.400
20	The Kerala State Backward Classes Development Corporation Limited	2021-22	151.140	68.760	30.228	20.628	30.228	6.000	24.228
21	Kerala Infrastructure and Technology for Education	2021-22	5.000	8.500	1.000	2.550	1.000	0.000	1.000
22	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	2021-22	1.360	3.420	0.272	1.026	0.272	0.000	0.272
23	Overseas Development and Employment Promotion Consultants Limited	2021-22	0.860	5.720	0.172	1.716	0.172	0.000	0.172
24	Norka Roots	2022-23	1.520	1.230	0.304	0.369	0.304	0.000	0.304
25	Trivandrum Engineering Science & Technology Research Park	2021-22	0.010	0.005	0.002	0.002	0.002	0.000	0.002
26	Kerala State Power and Infrastructure Finance Corporation Limited	2020-21	26.650	7.200	5.330	2.160	5.330	0.000	5.330
27	KINESCO Power and Utilities Private Limited	2022-23	0.320	4.780	0.064	1.434	0.064	0.000	0.064
28	Kerala State Electricity Board Limited	2021-22	3,499.050	736.270	699.810	220.881	699.810	0.000	699.810
29	Kerala Industrial Infrastructure Development Corporation	2021-22	-	7.330	-	2.199	2.199	0.000	2.199
30	Kerala Livestock Development Board Limited	2017-18	7.330	0.330	1.466	0.099	0.099	0.000	0.099
31	The Kerala State Coir Corporation Limited	2021-22	8.050	0.550	1.610	0.165	0.165	0.000	0.165
32	Kerala Cashew Board Limited	2020-21	47.600	0.890	9.520	0.267	0.267	0.000	0.267
33	Marine Products Infrastructure Development Corporation Limited	2021-22	5.000	0.270	1.000	0.081	0.081	0.000	0.081
34	Keltron Component Complex Limited	2021-22	44.450	2.560	8.890	0.768	0.768	0.000	0.768
35	Keltron Electro Ceramics Limited	2021-22	5.890	0.400	1.178	0.120	0.120	0.000	0.120
36	Kerala Feeds Limited	2021-22	69.160	5.020	13.832	1.506	1.506	0.000	1.506
37	Kerala State Drugs and Pharmaceuticals Limited	2021-22	130.740	0.350	26.148	0.105	0.105	0.000	0.105
38	Kerala State Electronics Development Corporation Limited	2020-21	373.850	3.340	74.770	1.002	1.002	0.000	1.002

Sl. No.	Name of the Company/ Corporation	Period of accounts	Paid-up capital (including advance to Share Capital)	Net profit (+) / Loss(-) after tax and interest	20% of Paid up capital	30% of NP after tax	Minimum dividend required to be declared	Dividend	Amount not paid
39	Steel and Industrial Forgings Limited	2022-23	30.070	0.210	6.014	0.063	0.063	0.000	0.063
40	Steel Industrials Kerala Limited	2021-22	36.560	0.530	7.312	0.159	0.159	0.000	0.159
41	Malabar Distilleries Limited	2022-23	3.530	0.310	0.706	0.093	0.093	0.000	0.093
42	Bekal Resorts Development Corporation Limited	2019-20	54.980	2.520	10.996	0.756	0.756	0.000	0.756
43	Kerala Rapid Transit Corporation Ltd	2018-19	28.050	0.003	5.610	0.001	0.001	0.000	0.001
44	Kerala Rail Development Corporation Limited	2020-21	76.980	0.280	15.396	0.084	0.084	0.000	0.084
45	Kerala Paper Products Limited	2021-22	148.090	0.510	29.618	0.153	0.153	0.000	0.153
46	Kerala Artisans' Development Corporation Limited	2021-22	4.600	0.840	0.920	0.252	0.252	0.000	0.252
47	Kerala Fibre Optic Network Limited	2020-21	1.000	0.040	0.200	0.012	0.012	0.000	0.012
48	Kerala State Women's Development Corporation Limited	2021-22	11.000	1.940	2.200	0.582	0.582	0.290	0.292
49	Kerala State Minorities Development Finance Corporation Limited	2020-21	56.930	1.330	11.386	0.399	0.399	0.000	0.399
50	Kerala State Welfare Corporation for Forward Communities Limited	2019-20	20.300	0.050	4.060	0.015	0.015	0.000	0.015
51	Kerala Irrigation Infrastructure Development Corporation Limited	2019-20	10.000	0.003	2.000	0.001	0.001	0.000	0.001
52	Clean Kerala Company Limited	2016-17	13.970	0.380	2.794	0.114	0.114	0.000	0.114
53	Kerala Academy for Skills Excellence	2020-21	26.940	2.170	5.388	0.651	0.651	0.000	0.651
54	Bhavanam Foundation Kerala	2021-22	40.000	0.800	8.000	0.240	0.240	0.000	0.240
55	Kerala State Warehousing Corporation	2021-22	13.250	2.080	2.650	0.624	0.624	0.000	0.624
Shortfall in dividend									873.180

Appendix 10
Statement showing percentage of Return on Capital Employed by PSEs
(Referred to in paragraph 1.4.2)

(₹ in crore)

SI. No.	Name of the Company/ Corporation	Period of accounts	Capital employed	Net profit (+) / Loss(-) before tax and interest	Percentage of return on capital employed
1	Kerala Agro Machinery Corporation Limited	2020-21	122.21	0.73	0.60
2	Kerala Forest Development Corporation Limited	2020-21	25.15	5.54	22.03
3	Kerala Livestock Development Board Limited	2017-18	19.68	0.83	4.22
4	Kerala State Horticultural Products Development Corporation Limited	2019-20	-7.62	-3.13	---
5	Kerala State Poultry Development Corporation Limited	2017-18	-14.94	-3.40	---
6	Meat Products of India Limited	2020-21	-28.35	-0.62	---
7	Oil Palm India Limited	2021-22	29.21	5.85	20.03
8	The Kerala Agro Industries Corporation Limited	2017-18	-17.03	-7.02	---
9	The Kerala State Cashew Development Corporation Limited	2021-22	-1,210.25	-37.38	---
10	The Kerala State Coir Corporation Limited	2021-22	9.36	3.72	39.74
11	The Plantation Corporation of Kerala Limited	2020-21	79.13	-23.45	-29.63
12	The Rehabilitation Plantations Limited	2021-22	140.61	1.74	1.24
13	The State Farming Corporation of Kerala Limited	2022-23	49.82	-4.64	-9.31
14	Aralam Farming Corporation (Kerala) Limited	2014-15	-0.30	-0.02	---
15	Vazhakulam Agro and Fruit Processing Company Limited	2022-23	-7.01	-1.49	---
16	Kerala Aqua Ventures International Limited	2019-20	-2.52	-0.19	---
17	Kerala State Coconut Development Corporation Limited	2019-20	-17.48	-0.54	---
18	Kerala Cashew Board Limited	2020-21	106.17	8.43	7.94
19	Kerala Transport Development Finance Corporation Limited	2020-21	193.61	42.79	22.10
20	The Kerala State Financial Enterprises Limited	2021-22	20,401.08	1,759.68	8.63
21	Kerala Police Housing and Construction Corporation Limited	2021-22	-4.80	2.44	---
22	Kerala State Construction Corporation Limited	2018-19	60.63	7.40	12.21
23	Kerala State Industrial Development Corporation Limited	2022-23	529.84	101.55	19.17
24	Roads and Bridges Development Corporation of Kerala Limited	2021-22	85.52	39.55	46.25

Sl. No.	Name of the Company/ Corporation	Period of accounts	Capital employed	Net profit (+) / Loss(-) before tax and interest	Percentage of return on capital employed
25	The Kerala Land Development Corporation Limited	2020-21	-30.66	-0.98	---
26	Kerala State Information Technology Infrastructure Limited	2019-20	197.73	-1.80	-0.91
27	Kinfra Export Promotion Industrial Parks Limited	2021-22	26.29	1.39	5.28
28	Kinfra Film and Video Park Limited	2021-22	9.41	-0.87	-9.25
29	Kinfra International Apparel Parks Limited	2021-22	8.88	-0.59	-6.66
30	Marine Products Infrastructure Development Corporation Limited	2021-22	11.81	0.37	3.13
31	Kannur International Airport Limited	2015-16	1,183.97	-0.52	-0.04
32	Road Infrastructure Company Kerala Limited	2013-14	0.05	0.00	0.00
33	Autokast Limited	2021-22	-58.72	-14.68	---
34	Foam Mattings (India) Limited	2020-21	-6.91	-1.76	---
35	Forest Industries (Travancore) Limited	2019-20	-8.73	0.74	---
36	Keltron Component Complex Limited	2021-22	4.68	7.61	162.61
37	Keltron Electro Ceramics Limited	2021-22	9.07	1.05	11.58
38	Kerala Automobiles Limited	2020-21	-14.82	-7.58	---
39	KCCP Limited	2022-23	-12.22	-0.11	---
40	Kerala Electrical and Allied Engineering Company Limited	2021-22	-18.78	-12.97	---
41	Kerala Feeds Limited	2021-22	23.99	13.85	57.73
42	Kerala State Bamboo Corporation Limited	2015-16	-3.92	-9.82	---
43	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2019-20	2,611.91	212.53	8.14
44	Kerala State Drugs and Pharmaceuticals Limited	2021-22	115.64	7.18	6.21
45	Kerala State Electronics Development Corporation Limited	2020-21	193.77	10.06	5.19
46	Kerala State Mineral Development Corporation Limited	2021-22	-6.40	-15.34	---
47	Kerala State Textile Corporation Limited	2020-21	-257.30	-18.11	---
48	Malabar Cements Limited	2021-22	249.48	9.40	3.77
49	Sitaram Textiles Limited	2021-22	-52.62	-2.67	---
50	Steel and Industrial Forgings Limited	2022-23	68.24	2.54	3.72
51	SAIL-SCL Kerala Limited	2020-21	-92.59	-6.49	---
52	Steel Industrials Kerala Limited	2021-22	20.58	1.79	8.70
53	The Kerala Ceramics Limited	2022-23	-115.06	-8.46	---
54	The Kerala Minerals and Metals Limited	2022-23	1,203.51	111.85	9.29
55	The Metal Industries Limited	2020-21	-9.88	-0.14	---
56	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2021-22	231.20	59.00	25.52
57	The Travancore Cements Limited	2019-20	-59.77	-8.62	---
58	The Travancore Sugars and Chemicals Limited	2020-21	33.12	10.44	31.52

Sl. No.	Name of the Company/ Corporation	Period of accounts	Capital employed	Net profit (+) / Loss(-) before tax and interest	Percentage of return on capital employed
59	The Travancore-Cochin Chemicals Limited	2022-23	176.16	78.79	44.73
60	Traco Cable Company Limited	2021-22	-68.00	-27.83	---
61	Transformers and Electricals Kerala Limited	2020-21	62.43	-30.21	-48.39
62	Travancore Titanium Products Limited	2020-21	-97.04	-57.74	---
63	United Electrical Industries Limited	2021-22	-82.07	-4.41	---
64	Malabar Distilleries Limited	2022-23	4.55	0.35	7.69
65	Kerala State Coir Machinery Manufacturing Company Limited	2021-22	20.13	-1.94	-9.63
66	Trivandrum Spinning Mills Limited	2018-19	-20.06	-2.62	---
67	Bekal Resorts Development Corporation Limited	2019-20	66.70	3.56	5.34
68	Kerala Medical Services Corporation Limited	2015-16	10.29	8.44	82.02
69	Kerala Shipping and Inland Navigation Corporation Limited	2020-21	31.35	-1.96	-6.25
70	Kerala State Industrial Enterprises Limited	2020-21	26.52	-0.91	-3.43
71	Kerala State Maritime Development Corporation Limited	2017-18	0.35	-0.42	-120.00
72	Kerala Tourism Development Corporation Limited	2020-21	27.57	-51.03	-185.09
73	The Kerala State Civil Supplies Corporation Limited	2017-18	-725.30	-30.12	---
74	Kerala Tourism Infrastructure Limited	2020-21	52.76	2.00	3.79
75	Vizhinjam International Seaport Limited	2019-20	-48.11	0.00	---
76	Kerala State Coastal Area Development Corporation Limited	2019-20	8.03	-0.21	-2.62
77	Kerala Rapid Transit Corporation Ltd	2018-19	28.00	0.00	0.00
78	Kerala Rail Development Corporation Limited	2020-21	76.47	0.42	0.55
79	Muziris Projects Limited	2020-21	-5.57	-1.05	---
80	Malabar International Port & SEZ Kerala Limited	2020-21	23.28	-0.56	-2.41
81	Kerala Lifescience Industries Parks Private Limited	2022-23	0.52	0.67	128.85
82	Kerala Rubber Limited	2021-22	0.03	-0.41	-1,364.00
83	Kerala Rice Limited	2021-22	0.82	-0.18	-21.95
84	Kochi Water Metro Limited	2022-23	2.44	-3.22	-131.97
85	Kerala Paper Products Limited	2021-22	148.60	0.51	0.34
86	KEL Electrical Machines Ltd	First Accounts not finalised			
87	KSRTC-SWIFT Limited	First Accounts not finalised			
88	KIIFCON Private limited	2022-23	4.40	2.52	57.27
89	Handicrafts Development Corporation of Kerala Limited	2022-23	-53.01	-2.81	---

Sl. No.	Name of the Company/ Corporation	Period of accounts	Capital employed	Net profit (+) / Loss(-) before tax and interest	Percentage of return on capital employed
90	Kerala Artisans' Development Corporation Limited	2021-22	9.90	1.50	15.15
91	Kerala Fibre Optic Network Limited	2020-21	1.04	0.05	4.81
92	Kerala Small Industries Development Corporation Limited	2018-19	-63.93	4.21	---
93	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	2019-20	62.05	-0.05	-0.08
94	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2021-22	227.03	-2.35	-1.04
95	Kerala State Film Development Corporation Limited	2017-18	14.76	-3.06	-20.73
96	Kerala State Handicapped Persons' Welfare Corporation Limited	2017-18	6.58	1.71	25.99
97	Kerala State Handloom Development Corporation Limited	2021-22	-48.17	-8.24	---
98	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2019-20	0.92	-0.61	-66.30
99	Kerala State Women's Development Corporation Limited	2021-22	402.76	15.63	3.88
100	Kerala Urban & Rural Development Finance Corporation Limited	2018-19	15.65	-7.54	-48.18
101	The Kerala State Backward Classes Development Corporation Limited	2021-22	1,695.81	93.49	5.51
102	Kerala State Minorities Development Finance Corporation Limited	2020-21	114.37	2.57	2.25
103	Kerala State Welfare Corporation for Forward Communities Limited	2019-20	19.15	0.05	0.27
104	Vision Varkala Infrastructure Development Corporation Limited	2018-19	3.03	-0.40	-13.07
105	Kerala Irrigation Infrastructure Development Corporation Limited	2019-20	6.95	0.00	0.00
106	Kerala Infrastructure and Technology for Education	2021-22	10.43	8.50	81.50
107	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	2021-22	28.10	3.42	12.17
108	Overseas Development and Employment Promotion Consultants Limited	2021-22	13.80	7.80	56.52
109	Norka Roots	2022-23	3.32	1.41	42.47
110	Indian Institute of Information Technology and Management - Kerala	2021-22	109.91	-10.34	-9.41
111	Clean Kerala Company Limited	2016-17	13.77	0.38	2.76
112	Kerala Academy for Skills Excellence	2020-21	26.94	2.17	8.05
113	Bhavanam Foundation Kerala	2021-22	44.21	0.80	1.81

Sl. No.	Name of the Company/ Corporation	Period of accounts	Capital employed	Net profit (+) / Loss(-) before tax and interest	Percentage of return on capital employed
114	Trivandrum Engineering Science & Technology Research Park	2021-22	0.02	0.01	25.00
115	Cochin Smart Mission Limited	2021-22	113.79	-55.54	-48.81
116	Impact Kerala Limited	2021-22	0.36	-0.54	-150.00
117	Smart City Thiruvananthapuram Limited	2020-21	0.10	0.00	0.00
118	Kerala State Pottery Marketing, Manufacturing and Welfare Development Corporation Limited	2020-21	0.71	-0.23	-31.69
119	Kerala Social Security Pension Limited	2018-19	2,645.02	1.44	0.05
120	Overseas Keralites Investment and Holding Company Limited	2021-22	2.27	-0.50	-22.03
121	Champs Boat League Limited	2019-20	-3.33	-4.22	---
122	Sports Kerala Foundation	First Accounts not finalised			
123	RestStop Private Limited	2021-22	0.00	-0.01	---
124	Additional Skill Acquisition Programme Kerala	2021-22	-4.55	-8.40	---
125	Kerala State Power and Infrastructure Finance Corporation Limited	2020-21	90.29	10.27	11.37
126	KINESCO Power and Utilities Private Limited	2022-23	23.46	7.24	30.86
127	Kerala State Electricity Board Limited	2021-22	12,509.58	2,354.52	18.82
128	Kerala State Warehousing Corporation	2021-22	26.61	4.51	16.95
129	Kerala Financial Corporation	2022-23	5,237.43	455.98	8.71
130	Kerala Industrial Infrastructure Development Corporation	2021-22	3,796.21	7.33	0.19
131	Kerala State Road Transport Corporation	2015-16	-1,206.25	-511.45	---
Total			51,619.01	4,487.81	8.70

Appendix 11
Statement showing percentage of Return on Equity by PSEs
(Referred to in paragraph 1.4.3)

(₹ in crore)

Sl. No.	Name of the Company/ Corporation	Period of accounts	Net profit (+) / Loss(-) after tax and interest	Shareholders' Fund (Equity)	Percentage of Return on Equity [(Net profit/ Equity)* 100]
1	Kerala Agro Machinery Corporation Limited	2020-21	0.48	122.21	0.39
2	Kerala Forest Development Corporation Limited	2020-21	5.18	23.61	21.94
3	Kerala Livestock Development Board Limited	2017-18	0.33	19.68	1.68
4	Kerala State Horticultural Products Development Corporation Limited	2019-20	-3.13	-11.17	...
5	Kerala State Poultry Development Corporation Limited	2017-18	-3.42	-15.08	...
6	Meat Products of India Limited	2020-21	-1.58	-36.13	...
7	Oil Palm India Limited	2021-22	5.87	29.21	20.10
8	The Kerala Agro Industries Corporation Limited	2017-18	-8.68	-26.28	...
9	The Kerala State Cashew Development Corporation Limited	2021-22	-77.62	-1,221.59	...
10	The Kerala State Coir Corporation Limited	2021-22	0.55	5.70	9.65
11	The Plantation Corporation of Kerala Limited	2020-21	-23.45	79.13	-29.63
12	The Rehabilitation Plantations Limited	2021-22	1.95	132.61	1.47
13	The State Farming Corporation of Kerala Limited	2022-23	-5.97	49.60	-12.04
14	Aralam Farming Corporation (Kerala) Limited	2014-15	-0.02	-0.30	...
15	Vazhakulam Agro and Fruit Processing Company Limited	2022-23	-1.70	-17.03	...
16	Kerala Aqua Ventures International Limited	2019-20	-0.19	-3.63	...
17	Kerala State Coconut Development Corporation Limited	2019-20	-0.54	-17.48	...
18	Kerala Cashew Board Limited	2020-21	0.89	50.10	1.78
19	Kerala Transport Development Finance Corporation Limited	2020-21	-68.38	-215.05	...
20	The Kerala State Financial Enterprises Limited	2021-22	105.49	1,001.28	10.54
21	Kerala Police Housing and Construction Corporation Limited	2021-22	0.26	-8.89	...
22	Kerala State Construction Corporation Limited	2018-19	2.22	60.63	3.66

Sl. No.	Name of the Company/ Corporation	Period of accounts	Net profit (+) / Loss(-) after tax and interest	Shareholders' Fund (Equity)	Percentage of Return on Equity [(Net profit/Equity)* 100]
23	Kerala State Industrial Development Corporation Limited	2022-23	64.73	301.24	21.49
24	Roads and Bridges Development Corporation of Kerala Limited	2021-22	39.55	29.52	133.98
25	The Kerala Land Development Corporation Limited	2020-21	-0.98	-32.51	...
26	Kerala State Information Technology Infrastructure Limited	2019-20	-1.86	197.73	-0.94
27	Kinfra Export Promotion Industrial Parks Limited	2021-22	1.00	26.29	3.80
28	Kinfra Film and Video Park Limited	2021-22	-0.76	6.91	-11.00
29	Kinfra International Apparel Parks Limited	2021-22	-0.64	-16.82	...
30	Marine Products Infrastructure Development Corporation Limited	2021-22	0.27	11.81	2.29
31	Kannur International Airport Limited	2015-16	-0.52	881.15	-0.06
32	Road Infrastructure Company Kerala Limited	2013-14	0.00	0.05	0.00
33	Autokast Limited	2021-22	-16.98	-89.26	...
34	Foam Mattings (India) Limited	2020-21	-1.80	-6.91	...
35	Forest Industries (Travancore) Limited	2019-20	0.44	-17.47	...
36	Keltron Component Complex Limited	2021-22	2.56	3.01	85.05
37	Keltron Electro Ceramics Limited	2021-22	0.40	2.88	13.89
38	Kerala Automobiles Limited	2020-21	-7.76	-80.58	...
39	KCCP Limited	2022-23	-2.33	-16.60	...
40	Kerala Electrical and Allied Engineering Company Limited	2021-22	-17.58	-38.65	...
41	Kerala Feeds Limited	2021-22	5.02	18.16	27.64
42	Kerala State Bamboo Corporation Limited	2015-16	-13.51	-54.33	...
43	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2019-20	-41.95	1,111.91	-3.77
44	Kerala State Drugs and Pharmaceuticals Limited	2021-22	0.35	41.74	0.84
45	Kerala State Electronics Development Corporation Limited	2020-21	3.34	179.32	1.86
46	Kerala State Mineral Development Corporation Limited	2021-22	-17.32	-18.18	...
47	Kerala State Textile Corporation Limited	2020-21	-48.29	-357.68	...
48	Malabar Cements Limited	2021-22	9.68	213.74	4.53
49	Sitaram Textiles Limited	2021-22	-6.99	-59.64	...

Sl. No.	Name of the Company/ Corporation	Period of accounts	Net profit (+) / Loss(-) after tax and interest	Shareholders' Fund (Equity)	Percentage of Return on Equity [(Net profit/ Equity)* 100]
50	Steel and Industrial Forgings Limited	2022-23	0.21	37.17	0.56
51	SAIL-SCL Kerala Limited	2020-21	-19.31	-112.81	...
52	Steel Industrials Kerala Limited	2021-22	0.53	4.99	10.62
53	The Kerala Ceramics Limited	2022-23	-21.92	-123.62	...
54	The Kerala Minerals and Metals Limited	2022-23	85.04	1,203.51	7.07
55	The Metal Industries Limited	2020-21	-1.69	-22.73	...
56	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2021-22	43.46	231.20	18.80
57	The Travancore Cements Limited	2019-20	-13.66	-98.48	...
58	The Travancore Sugars and Chemicals Limited	2020-21	8.50	33.12	25.66
59	The Travancore-Cochin Chemicals Limited	2022-23	67.91	176.16	38.55
60	Traco Cable Company Limited	2021-22	-42.37	-129.21	...
61	Transformers and Electricals Kerala Limited	2020-21	-22.76	54.14	-42.04
62	Travancore Titanium Products	2020-21	-67.07	-110.72	...
63	United Electrical Industries Limited	2021-22	-12.04	-92.98	...
64	Malabar Distilleries Limited	2022-23	0.31	2.53	12.24
65	Kerala State Coir Machinery Manufacturing Company Limited	2021-22	-1.94	20.13	-9.64
66	Trivandrum Spinning Mills Limited	2018-19	-4.20	-35.46	...
67	Bekal Resorts Development Corporation Limited	2019-20	2.52	66.70	3.78
68	Kerala Medical Services Corporation Limited	2015-16	0.79	10.23	7.72
69	Kerala Shipping and Inland Navigation Corporation Limited	2020-21	-1.99	31.35	-6.35
70	Kerala State Industrial Enterprises Limited	2020-21	-1.47	22.72	-6.47
71	Kerala State Maritime Development Corporation Limited	2017-18	-0.29	0.35	-82.86
72	Kerala Tourism Development Corporation Limited	2020-21	-54.62	-9.08	...
73	The Kerala State Civil Supplies Corporation Limited	2017-18	-106.81	-725.30	...
74	Kerala Tourism Infrastructure Limited	2020-21	1.40	52.76	2.65
75	Vizhinjam International Seaport Limited	2019-20	0.00	-48.11	...
76	Kerala State Coastal Area Development Corporation Limited	2019-20	-0.22	8.03	-2.74

Sl. No.	Name of the Company/ Corporation	Period of accounts	Net profit (+) / Loss(-) after tax and interest	Shareholders' Fund (Equity)	Percentage of Return on Equity [(Net profit/ Equity)* 100]
77	Kerala Rapid Transit Corporation Ltd (Erstwhile Kerala Monorail Corporation Ltd.)	2018-19	0.003	28.00	0.01
78	Kerala Rail Development Corporation Limited	2020-21	0.28	76.47	0.37
79	Muziris Projects Limited	2020-21	-1.16	-5.57	...
80	Malabar International Port & SEZ Kerala Limited (Erstwhile Azhikkal Port Limited)	2020-21	-0.56	23.28	-2.41
81	Kerala Lifescience Industries Parks Private Limited	2022-23	0.51	0.52	98.08
82	Kerala Rubber Limited	2021-22	-0.41	-0.38	...
83	Kerala Rice Limited	2021-22	-0.18	0.82	-21.95
84	Kochi Water Metro Limited	2022-23	-2.41	2.44	-98.77
85	Kerala Paper Products Limited	2021-22	0.51	148.60	0.34
86	KEL Electrical Machines Ltd	First Accounts not finalised			
87	KSRTC-SWIFT Limited	First Accounts not finalised			
88	KIIFCON Private limited	2022-23	1.82	4.40	41.36
89	Handicrafts Development Corporation of Kerala Limited	2022-23	-4.34	-67.30	...
90	Kerala Artisans' Development Corporation Limited	2021-22	0.84	4.59	18.30
91	Kerala Fibre Optic Network Limited	2020-21	0.04	1.04	3.85
92	Kerala Small Industries Development Corporation Limited	2018-19	-3.60	-103.97	...
93	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	2019-20	-0.05	55.60	-0.09
94	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2021-22	-4.06	170.59	-2.38
95	Kerala State Film Development Corporation Limited	2017-18	-3.70	6.97	-53.08
96	Kerala State Handicapped Persons' Welfare Corporation Limited	2017-18	1.33	3.46	38.44
97	Kerala State Handloom Development Corporation Limited	2021-22	-10.17	-65.95	...
98	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2019-20	-0.61	-3.29	...
99	Kerala State Women's Development Corporation Limited	2021-22	1.94	20.67	9.39
100	Kerala Urban & Rural Development Finance Corporation Limited	2018-19	-7.71	15.65	-49.27

Sl. No.	Name of the Company/ Corporation	Period of accounts	Net profit (+) / Loss(-) after tax and interest	Shareholders' Fund (Equity)	Percentage of Return on Equity [(Net profit/ Equity)* 100]
101	The Kerala State Backward Classes Development Corporation Limited	2021-22	68.76	400.04	17.19
102	Kerala State Minorities Development Finance Corporation Limited	2020-21	1.33	64.78	2.05
103	Kerala State Welfare Corporation for Forward Communities Limited	2019-20	0.05	19.15	0.26
104	Vision Varkala Infrastructure Development Corporation Limited	2018-19	-0.40	3.03	-13.20
105	Kerala Irrigation Infrastructure Development Corporation Limited	2019-20	0.003	6.95	0.04
106	Kerala Infrastructure and Technology for Education	2021-22	8.50	10.43	81.50
107	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	2021-22	3.42	28.10	12.17
108	Overseas Development and Employment Promotion Consultants Limited	2021-22	5.72	13.80	41.45
109	Norka Roots	2022-23	1.23	3.32	37.05
110	Indian Institute of Information Technology and Management - Kerala	2021-22	-10.34	109.91	-9.41
111	Clean Kerala Company Limited	2016-17	0.38	13.77	2.76
112	Kerala Academy for Skills Excellence	2020-21	2.17	26.94	8.05
113	Bhavanam Foundation Kerala	2021-22	0.80	44.21	1.81
114	Trivandrum Engineering Science & Technology Research Park	2021-22	0.005	0.02	25.00
115	Cochin Smart Mission Limited	2021-22	-55.54	113.79	-48.81
116	Impact Kerala Limited	2021-22	-0.54	0.36	-150.00
117	Smart City Thiruvananthapuram Limited	2020-21	0.00	0.10	0.00
118	Kerala State Pottery Marketing, Manufacturing and Welfare Development Corporation Limited	2020-21	-0.23	0.71	-32.39
119	Kerala Social Security Pension Limited	2018-19	0.00	100.00	0.00
120	Overseas Keralites Investment and Holding Company Limited	2021-22	-0.50	2.27	-22.03
121	Champs Boat League Limited	2019-20	-4.33	-3.33	...
122	Sports Kerala Foundation	First Accounts not finalised			
123	RestStop Private Limited	2021-22	-0.01	0.00	...
124	Additional Skill Acquisition Programme Kerala	2021-22	-9.55	-4.55	...

Sl. No.	Name of the Company/ Corporation	Period of accounts	Net profit (+) / Loss(-) after tax and interest	Shareholders' Fund (Equity)	Percentage of Return on Equity [(Net profit/ Equity)* 100]
125	Kerala State Power and Infrastructure Finance Corporation Limited	2020-21	7.20	78.30	9.20
126	KINESCO Power and Utilities Private Limited	2022-23	4.78	18.77	25.47
127	Kerala State Electricity Board Limited	2021-22	736.27	-1,805.32	...
128	Kerala State Warehousing Corporation	2021-22	2.08	0.31	670.97
129	Kerala Financial Corporation	2022-23	50.19	782.22	6.42
130	Kerala Industrial Infrastructure Development Corporation	2021-22	7.33	170.01	4.31
131	Kerala State Road Transport Corporation	2015-16	-1,007.18	-5,297.62	...
Total			-505.17	-2,098.34	...

Appendix 12

List of working PSEs and their position of arrears in submission of accounts

(Referred to in paragraph 2.4.3)

Sl. No.	Name of the Company/ Corporation	Arrears in accounts in terms of years
1	Oil Palm India Limited	1
2	The Kerala State Cashew Development Corporation Limited	1
3	The Kerala State Coir Corporation Limited	1
4	The Rehabilitation Plantations Limited	1
5	The Kerala State Financial Enterprises Limited	1
6	Kerala Police Housing and Construction Corporation Limited	1
7	Roads and Bridges Development Corporation of Kerala Limited	1
8	Marine Products Infrastructure Development Corporation Limited	1
9	Autokast Limited	1
10	Kerala Electrical and Allied Engineering Company Limited	1
11	Kerala Feeds Limited	1
12	Kerala State Drugs and Pharmaceuticals Limited	1
13	Kerala State Mineral Development Corporation Limited	1
14	Malabar Cements Limited	1
15	Sitaram Textiles Limited	1
16	Steel Industrials Kerala Limited	1
17	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	1
18	Traco Cable Company Limited	1
19	United Electrical Industries Limited	1
20	Kerala State Coir Machinery Manufacturing Company Limited	1
21	Kerala Rubber Limited	1
22	Kerala Rice Limited	1
23	Kerala Paper Products Limited	1
24	Kerala Artisans' Development Corporation Limited	1
25	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	1
26	Kerala State Handloom Development Corporation Limited	1
27	Kerala State Women's Development Corporation Limited	1
28	The Kerala State Backward Classes Development Corporation Limited	1
29	Kerala Infrastructure and Technology for Education	1
30	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	1
31	Overseas Development and Employment Promotion Consultants Limited	1
32	Indian Institute of Information Technology and Management - Kerala	1
33	Bhavanam Foundation Kerala	1
34	Trivandrum Engineering Science & Technology Research Park	1
35	Cochin Smart Mission Limited	1
36	Impact Kerala Limited	1
37	Overseas Keralites Investment and Holding Company Limited	1
38	RestStop Private Limited	1
39	Additional Skill Acquisition Programme Kerala	1
40	Kerala State Electricity Board Limited	1
41	Kinfra Export Promotion Industrial Parks Limited	1
42	Kinfra Film and Video Park Limited	1

Sl. No.	Name of the Company/ Corporation	Arrears in accounts in terms of years
43	Kinfra International Apparel Parks Limited	1
44	Keltron Component Complex Limited	1
45	Keltron Electro Ceramics Limited	1
46	Kerala State Warehousing Corporation	1
47	Kerala Industrial Infrastructure Development Corporation	1
48	Kerala Agro Machinery Corporation Limited	2
49	Kerala Forest Development Corporation Limited	2
50	Meat Products of India Limited	2
51	The Plantation Corporation of Kerala Limited	2
52	Kerala Cashew Board Limited	2
53	Kerala Transport Development Finance Corporation Limited	2
54	The Kerala Land Development Corporation Limited	2
55	Foam Mattings (India) Limited	2
56	Kerala Automobiles Limited	2
57	Kerala State Electronics Development Corporation Limited	2
58	Kerala State Textile Corporation Limited	2
59	SAIL-SCL Kerala Limited	2
60	The Metal Industries Limited	2
61	The Travancore Sugars and Chemicals Limited	2
62	Transformers and Electricals Kerala Limited	2
63	Travancore Titanium Products	2
64	Kerala Shipping and Inland Navigation Corporation Limited	2
65	Kerala State Industrial Enterprises Limited	2
66	Kerala Tourism Development Corporation Limited	2
67	Kerala Tourism Infrastructure Limited	2
68	Kerala Rail Development Corporation Limited	2
69	Muziris Projects Limited	2
70	Malabar International Port & SEZ Kerala Limited (Erstwhile Azhikkal Port Limited)	2
71	Kerala Fibre Optic Network Limited	2
72	Kerala State Minorities Development Finance Corporation Limited	2
73	Kerala Academy for Skills Excellence	2
74	Smart City Thiruvananthapuram Limited	2
75	Kerala State Pottery Marketing, Manufacturing and Welfare Development Corporation Limited	2
76	Kerala State Power and Infrastructure Finance Corporation Limited	2
77	KEL Electrical Machines Ltd	2
78	KSRTC-SWIFT Limited	2
79	Sports Kerala Foundation	2
80	Kerala State Horticultural Products Development Corporation Limited	3
81	Kerala Aqua Ventures International Limited	3
82	Kerala State Coconut Development Corporation Limited	3
83	Kerala State Information Technology Infrastructure Limited	3
84	Forest Industries (Travancore) Limited	3
85	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	3
86	The Travancore Cements Limited	3
87	Bekal Resorts Development Corporation Limited	3
88	Vizhinjam International Seaport Limited	3

Sl. No.	Name of the Company/ Corporation	Arrears in accounts in terms of years
89	Kerala State Coastal Area Development Corporation Limited	3
90	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	3
91	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	3
92	Kerala State Welfare Corporation for Forward Communities Limited	3
93	Kerala Irrigation Infrastructure Development Corporation Limited	3
94	Champs Boat League Limited	3
95	Kerala State Construction Corporation Limited	4
96	Trivandrum Spinning Mills Limited	4
97	Kerala Rapid Transit Corporation Ltd (Erstwhile Kerala Monorail Corporation Ltd.)	4
98	Kerala Small Industries Development Corporation Limited	4
99	Kerala Urban & Rural Development Finance Corporation Limited	4
100	Vision Varkala Infrastructure Development Corporation Limited	4
101	Kerala Social Security Pension Limited	4
102	Kerala Livestock Development Board Limited	5
103	Kerala State Poultry Development Corporation Limited	5
104	The Kerala Agro Industries Corporation Limited	5
105	Kerala State Maritime Development Corporation Limited	5
106	The Kerala State Civil Supplies Corporation Limited	5
107	Kerala State Film Development Corporation Limited	5
108	Kerala State Handicapped Persons' Welfare Corporation Limited	5
109	Clean Kerala Company Limited	6
110	Kannur International Airport Limited	7
111	Kerala State Bamboo Corporation Limited	7
112	Kerala Medical Services Corporation Limited	7
113	Kerala State Road Transport Corporation	7
114	Aralam Farming Corporation (Kerala) Limited	8
115	Road Infrastructure Company Kerala Limited	9
TOTAL 115 PSEs with 270 accounts in arrears		270

Appendix 13

List of Non- working PSEs and their position of arrears in submission of accounts

(Referred to in paragraph 2.4.3)

Sl. No.	Name of the Company/ Corporation	Arrears in accounts in terms of years
1	The Kerala Asbestos Cement Pipe Factory Limited	38
2	The Kerala Premo Pipe Factory Limited	37
3	SIDKEL Televisions Limited	23
4	Keltron Rectifiers Limited	17
5	Keltron Power Devices Limited	17
6	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	15
7	SIDCO Mohan Kerala Limited	14
8	Kanjikode Electronics and Electricals Limited	13
9	Keltron Counters Limited	10
10	Kerala State Housing Development Finance Corporation Limited	9
11	Ashwas Public Amenities Kerala Limited	5
12	Pratheeksha Bus Shelters Kerala Limited	5
13	Kerala Special Refractories Limited	5
14	Kerala High Speed Rail Corporation Limited	4
15	Kerala State Wood Industries Limited	3
16	Kerala Garments Limited	1
17	Vanjinad Leathers Limited	36
18	Kunnathara Textiles Limited	34

Appendix 14

List of PSEs where CAG's comments were issued

(Referred to in paragraph 2.5.1.3)

Sl.No.	Name of the Company
1	Autokast Limited
2	Bekal Resorts development Corporation Limited
3	Indian Institute of Information Technology and Management Kerala
4	Kerala Irrigation Infrastructure Development Corporation Limited
5	Kerala State Drugs and Pharmaceuticals Limited
6	Kerala State Electricity Board Limited
7	Kerala State Handicapped Persons' Welfare Corporation Limited
8	Kerala State Industrial Enterprises Limited
9	Kerala State Information Technology Infrastructure Limited
10	Kerala State Poultry Development Corporation Limited
11	Kerala State Textiles Corporation Limited
12	Kerala State Women's Development Corporation Limited
13	Kerala Transport Development Finance Corporation Limited
14	RestStop Private Limited
15	Roads and Bridges Development Corporation of Kerala Limited
16	The Kerala Agro Industries Corporation Limited
17	The Kerala State Cashew Development Corporation Limited
18	The Kerala State Civil Supplies Corporation Limited
19	The Kerala State Financial Enterprises Limited
20	Transformers and Electricals Kerala Limited
21	United Electrical Industries Limited

Appendix 15

Significant comments issued on Financial Statements of PSEs

(Referred to in Paragraph 2.5.1.3)

A. Comments on Financial Position

Sl. No.	Name of the Company	Comment
1	The Kerala State Financial Enterprises Limited (2021-22)	Gratuity of ₹134.34 crore includes ₹24.71 crore in respect of the additional gratuity liability (1 April 2017 to 31 March 2021) created during the year 2020-21 due to revision of pay from August 2017. The additional gratuity liabilities of ₹24.71 crore due to pay revision were released to the retired employees in June 2022. As such, ₹24.71 crore should have been booked under Financial Liabilities instead of non-financial liabilities. This resulted in overstatement of non-financial liabilities by ₹24.71 crore with corresponding understatement of financial liabilities.
2	Kerala State Information Technology Infrastructure Limited (2019-20)	Share application money pending allotment of ₹7.80 crore is understated with corresponding understatement of other current assets by ₹12.49 crore due to reversal of share application money pending allotment instead of accounting the same under Other Current Assets when the Government resumed the amount from TSB accounts. Inclusion of balance amount receivable from Government of Kerala in the capacity of an SPV, designated for the project Skill Delivery Platform (SDPK) under the Head of Capital work in Progress has resulted in overstatement of Non-current assets- capital working progress by ₹3.49 crore with corresponding understatement in current assets-trade receivables.
3	Kerala Transport Development Finance Corporation Limited (2019-20)	Overstatement of Deferred Tax Asset (Net) by ₹106.13 crore and understatement of Reserves and Surplus (Negative) to that extent as the Company is not in a position to comply with the conditions as per paragraph 17 and 18 of AS 22 where an enterprise has unabsorbed depreciation or carry forward of losses under tax laws, deferred tax assets should be recognized only to the extent that there is virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realized.
4	Kerala State Women's Development Corporation Limited (2021-22)	Shareholder's Fund Reserves and Surplus includes ₹3.02 crore being the unutilized portion of grant received for Smile Kerala project. This should have been shown as current liabilities as per Accounting Standard 12. Other current assets were understated by ₹0.40 crore being the amount resumed by Government from the grant released to the company for implementing a self-employment loan scheme to persons belonging to transgender category, As the resumption was a temporary cash management practice and the same was refunded to the Company in October 2022, this should have been accounted as receivable government. This has resulted in corresponding understatement of Current Liability (unutilized grant).

Sl. No.	Name of the Company	Comment
5	Kerala State Warehousing Corporation (2021-22)	Cash in Bank ₹1.33 crore does not include ₹0.01 crore being bank balance of SBI, Alathur which was included in Capital Work in Progress as the bank account was operated for a separate work. This has resulted overstatement of Capital Work in Progress by ₹0.01 crore and understatement of Cash in Bank to the same extent.
6	Kerala Industrial Infrastructure Development Corporation (2021-22)	<p>i. Capital work in progress of ₹117.32 crore does not include the expenses incurred for the 45 MLD water supply project of KINFRA Export Promotion Industrial Park Limited (KEPIP) which resulted in understatement of Capital work in progress by ₹3.89 crore with corresponding understatement of Current Liabilities and Provisions.</p> <p>ii. Capital work in progress of ₹117.32 crore is overstated by ₹39.41 crore due to non-transferring of asset and loan from the books of accounts of the Corporation to Kerala Start-up Mission. This resulted in overstatement of unsecured loans by ₹10.00 crore, net overstatement of liabilities to Kerala Start-up Mission by ₹29.41 crore.</p>

B. Comments on Profitability

Sl. No.	Name of the Company	Comment
1.	The Kerala State Financial Enterprises Limited (2021-22)	<p>Expenses Employee Benefit Expenses on Contribution to Gratuity fund is understated by ₹24.50 crore due to short accounting of periodic cost to be recognized in the Profit and Loss Statement towards contribution to gratuity fund. The Company has accounted for ₹116.22 crore only as against the requirement of ₹140.72 crore in the Actuary Report. This has resulted in overstatement of Profit for the year to the extent of ₹24.50 crore with corresponding understatement of Gratuity Liability.</p> <p>Expenses on Finance cost is understated by ₹0.95 crore being the non-accounting of interest on income tax payable for the year. This has resulted in understatement of finance cost with corresponding overstatement of Profit before Tax by ₹0.95 crore.</p>
2.	Kerala State Information Technology Infrastructure Limited (2019-20)	Sale of Services- Centage amounting ₹6.08 crore is overstated with corresponding understatement of Centage charges of KFON Project by ₹0.92 crore due to calculation of centage income based in mobilisation advance paid to the contractor instead of actual project cost incurred resulting in understatement of loss for the year to the same extent.
3.	Autokast limited (2021-22)	Loss is understated by ₹1.12 crore due to incorrect capitalization of borrowing to ₹0.13 crore for the project loan from Government of Kerala (GoK) amounting to ₹3 crore which was converted to working capital loan. This has also resulted in overstatement of Capital Work in Progress by ₹0.13 crore.

Sl. No.	Name of the Company	Comment
		Loss is understated due to non-accounting of depreciation/ amortization for assets amounting to ₹0.99 crore (<i>i.e.</i> , 5 MT Arc Furnace, Sand Reclamation Plant, Shot Blasting Machine and simulation software) which were not capitalized despite their commissioning before finalization of financial statements. This has also resulted in overstatement of Capital Work in Progress by ₹4.26 crore with corresponding understatement of property. Plant and equipment by ₹3.21 crore and Intangible assets by ₹0.06 crore.
4.	Kerala Transport Development Finance Corporation Limited (2019-20)	Overstatement of Other Income by ₹2.88 crore (₹1.45 crore in respect of BTC Thampanoor and ₹1.43 crore towards BTC Ankamaly) due to non-provision of annuity/operating fee payable to KSRTC (half of the net income from the BTCs), as provided under the Terms and conditions of the Government Orders
5.	Kerala State Women's Development Corporation Limited (2021-22)	Profit is overstated by ₹4.63 crore as the Company was recognizing interest on loan assets without considering the default in repayment by the loanees, which is against prudence, conservatism, and provisions of Accounting Standard 9 – Revenue Recognition, since there exists uncertainty in realization of these loan assets. This has resulted in overstatement income by ₹4.56 crore due to this inclusion of interest accrued (₹3.46 crore) and penal interest (₹1.10 crore) on non-performing assets due to default in repayment for a period of more than two years. The recognition of interest on these overdue loan accounts has also resulted in corresponding overstatement of Other Current Assets.
6.	Kerala State Civil Supplies Corporation Limited (2017-18)	Employee Benefit Expenses does not include ₹7.76 crore being the pay revision arrear pertaining to the period 2014-15 to 2017-18 payable to own employees of the company approved by Government of Kerala vide GO. Dated 19.06.2017 and had resulted in understatement of Employee Benefits Expenses and loss for the year by ₹7.76 crore with corresponding understatement of Other Current Liabilities by the same extent. Other Expenses was understated by ₹2 crore due to non-creation of provision for a known liability to a supplier of this company towards final settlement of dispute related to termination of contract based on the order of Micro and Small Enterprises Facilitation Council (MSEFC) in March 2016, paid during January 2020. This has resulted in understatement of other expenses (compensation/ interest expense) with respective understatement of provisions by ₹2 crore.

C. Comments on Auditors' Report

Sl. No.	Name of the Company	Comment
1.	RestStop Private Limited (2021-22)	As per para 1(c) to Report on Other Legal and Regulatory Requirements, it was reported that Cash flow statement is in agreement with books of accounts. This statement is incorrect as Cash flow statement was not prepared and included in financial statements for the year 2021-22.

Sl. No.	Name of the Company	Comment
2.	Kerala State Women's Development Corporation Limited (2021-22)	A. The facts of revision of the Independent Auditor's Report and reasons for revision were not disclosed. B. The Statutory Auditor stated in para XII of Emphasis of Matters the Cash Flow Statement was not prepared as per Accounting Standard 3, which is contradictory to the opinion given in the first paragraph under Qualified Opinion.
3.	Kerala State Financial Enterprises Limited (2019-20)	As per Sec 143 (6) (b) of the Companies Act 2013, the comments given by the C&AG of India upon or supplement to the audit report shall be sent by the Company to every person entitled to copies of audited financial statements and also be placed before the Annual General Meeting of the Company at the same time and in the same manner as the audit report. The annual accounts of the company for year 2018-19 was adopted in the 50 th Adjourned meeting of the company held on 19 April 2021 which was after the date of Audit Report (23 March 2021) for the year 2019-20. The fact of non-adoption of the previous year accounts in the Annual General Meeting has not been disclosed by the statutory auditor in his report.

D. Comments on Cash Flow Statement

Sl. No.	Name of the Company	Comment
1.	Kerala State Drugs and Pharmaceuticals Limited (2021-22)	Inclusion of ₹71.96 lakh being interest accrued/ receivable on bank deposits (non-cash item) in cash flow statement under cash flow from investing activities has resulted in overstatement of cash flow from investing activities.
2.	Bekal Resorts Development Corporation Limited (2019-20)	Inclusion of non- cash transaction (interest receivable on fixed deposit) of ₹68.01 lakh in cash flow statement in violation of AS-3, has resulted in overstatement of cash flow from investing activities to the extent of ₹68.01 lakh.
3.	Kerala State Warehousing Corporation (2021-22)	Cash flow from Investing Activities is overstated by Rs.25.21 lakh being interest accrued on fixed deposits which is not actually received and hence did not involve cash inflow. This has resulted in understatement of cash flow from operating activities to the same extent.

E. Comments on Disclosure

Sl. No.	Name of the Company	Comment
1.	Kerala State Financial Enterprises Limited (2019-20)	Bank balance include ₹3,599.67 lakh being CMDRF refund received from Government in December 2019 which was provided with a clear direction to utilise the amount for construction of community shelter halls. As this treasury deposit is not free to be used by the Company, this fact should have been stated in the notes on accounts.

Sl. No.	Name of the Company	Comment
2.	Kerala State Financial Enterprises Limited (2020-21)	Out of the loan of ₹2,720.69 crore outstanding from Kerala State Social Security Pension Limited, the loan amount of ₹2,200.69 crore was not guaranteed by Government of Kerala. Therefore, the disclosure of the outstanding loan amount of ₹2,720.69 crore under Note no.7 as "Covered by Government guarantee" is incorrect and misleading. Disbursement of loan without obtaining any form of security is a material information and the same should have been suitably disclosed in notes to financial statements for enabling better understanding of the financial statements.

Appendix 16
Details of non-compliance with Accounting Standards/ Indian Accounting Standards
(IND AS) as reported by the Statutory auditors
(Referred to in paragraph 2.6)

Sl. No.	Name of the Government Companies	Year of accounts	Non-compliance with accounting standards
1	Additional Skill Acquisition Programme Kerala	2021-22	AS 15
2	Autokast Limited	2021-22	AS 15
3	Bekal Resorts development Corporation Limited	2019-20	AS 15
4	Bhavanam Foundation Kerala	2021-22	AS 15
5	Cochin Smart Mission Limited	2021-22	IND AS 7
6	Foam Matings (India) Limited	2018-19	AS 15
7	Foam Matings (India) Limited	2019-20	AS 15
8	Foam Matings (India) Limited	2020-21	AS 15
9	Handicrafts Development Corporation of Kerala Limited	2022-23	AS 28,15,11,9,22
10	Kerala Artisans' Development Corporation Limited	2020-21	AS 12
11	Kerala Automobiles Limited	2019-20	AS 3,15,29,2,5,17,18,9,1
12	Kerala Automobiles Limited	2020-21	AS 15,9,1,29,22,28,17,3
13	Kerala Electrical and Allied Engineering Company Limited	2021-22	AS 7,28,29,17,22,2
14	Kerala Irrigation Infrastructure Development Corporation Limited	2017-18	AS 15
15	Kerala Irrigation Infrastructure Development Corporation Limited	2016-17	AS 15
16	Kerala Irrigation Infrastructure Development Corporation Limited	2019-20	AS 15
17	Kerala Irrigation Infrastructure Development Corporation Limited	2018-19	AS 15
18	Kerala Livestock Development Board Limited	2017-18	AS 12,3,19,10,1,9,22,15,28,4
19	Kerala Police Housing and Construction Corporation Limited	2020-21	AS 15
20	Kerala Police Housing and Construction Corporation Limited	2019-20	AS 15
21	Kerala Police Housing and Construction Corporation Limited	2017-18	AS 15
22	Kerala Police Housing and Construction Corporation Limited	2016-17	AS 15
23	Kerala Police Housing and Construction Corporation Limited	2018-19	AS 15
24	Kerala Shipping and Inland Navigation Corporation Limited	2020-21	AS 22,12,10,2
25	Kerala Shipping and Inland Navigation Corporation Limited	2019-20	AS 22,12,10,2
26	Kerala Small Industries Development Corporation Limited	2017-18	AS 19,2,10
27	Kerala State Backward Classes Development Corporation Limited	2021-22	IND AS 19
28	Kerala State Bamboo Corporation Limited	2015-16	AS 12,15,3

Sl. No.	Name of the Government Companies	Year of accounts	Non-compliance with accounting standards
29	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2019-20	IND AS 116,36
30	Kerala State Coastal Area Development Corporation Limited	2017-18	AS 9
31	Kerala State Coastal Area Development Corporation Limited	2018-19	AS 9
32	Kerala State Coastal Area Development Corporation Limited	2019-20	AS 9
33	Kerala State Coconut Development Corporation Limited	2016-17	AS 2,10
34	Kerala State Coconut Development Corporation Limited	2017-18	AS 2,10
35	Kerala State Development Corporation for Christian Converts from Scheduled Casts & the Recommended Communities Limited	2019-20	AS 18,15
36	Kerala State Electricity Board Limited	2021-22	IND AS 16,23,36,116,109,2,12,107
37	Kerala State Electronics Development Corporation Limited	2018-19	AS 13
38	Kerala State Ex-servicemen Development and Rehabilitation Corporation	2021-22	AS 15
39	Kerala State Handicapped Persons' Welfare Corporation Limited	2017-18	AS 2.9,12,22
40	Kerala State Handloom Development Corporation Limited	2021-22	AS 2
41	Kerala State Horticultural Products Development Corporation Limited	2019-20	AS 15,22,12,20,3
42	Kerala State Horticultural Products Development Corporation Limited	2018-19	AS 12,15,22,29,3
43	Kerala State Industrial Enterprises Limited	2019-20	AS 3
44	Kerala State Industrial Enterprises Limited	2020-21	AS 3,26
45	Kerala State Poultry Development Corporation Limited	2017-18	AS 10,22,28
46	Kerala State Poultry Development Corporation Limited	2015-16	AS 10,15
47	Kerala State Poultry Development Corporation Limited	2016-17	AS 10,28,22
48	Kerala State Textiles Corporation Limited	2020-21	AS 15
49	Kerala State Textiles Corporation Limited	2019-20	AS 2
50	Kerala State Welfare Corporation for Forward Communities Limited	2019-20	AS 3,28,15
51	Kerala State Welfare Corporation for Forward Communities Limited	2018-19	AS 15,28,18
52	Kerala State Women's Development Corporation Limited	2020-21	AS 15,12,22
53	Kerala State Women's Development Corporation Limited	2021-22	AS 15,12,22
54	Kerala Tourism Development Corporation Limited	2019-20	AS 10
55	Kerala Tourism Development Corporation Limited	2020-21	AS10,22
56	Kerala Tourism Infrastructure Limited	2020-21	AS 22,3,15,27
57	Meat Products of India Limited	2020-21	AS 10,27,13,16
58	Norka Roots	2020-21	AS 15,26
59	Norka Roots	2021-22	AS 15
60	Oil Palm India Limited	2021-22	AS 22
61	Steel and Industrial Forgings Limited	2021-22	AS 2,16

Sl. No.	Name of the Government Companies	Year of accounts	Non-compliance with accounting standards
62	Steel and Industrial Forgings Limited	2022-23	AS15
63	Steel Industrials Kerala Limited	2021-22	AS 7,28,2,17
64	Steel Industrials Kerala Limited	2020-21	AS 7,28,2
65	SIDCO Mohan Limited	2008-19	AS 15
66	The Kerala Agro Industries Corporation Limited	2016-17	AS 2,10,15,28
67	The Kerala Agro Industries Corporation Limited	2017-18	AS 28,15,2
68	The Kerala Land Development Corporation Limited	2020-21	AS 15
69	The Kerala State Cashew Development Corporation Limited	2020-21	AS 2
70	The Kerala State Civil Supplies Corporation Limited	2017-18	AS 9,12,15,4,2,5
71	The Kerala State Financial Enterprises Limited	2020-21	IND AS 109,107,32,36,37,115,116
72	The Kerala State Financial Enterprises Limited	2019-20	IND AS 109,12,7,19
73	The Kerala State Financial Enterprises Limited	2021-22	IND AS 107,109
74	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2020-21	AS 2,9
75	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2019-20	AS 2,9,15
76	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2021-22	AS 2,9,1,20,3
77	The Plantation Corporation of Kerala Limited	2019-20	AS 12
78	The Plantation Corporation of Kerala Limited	2020-21	AS 29,12
79	The State Farming Corporation of Kerala Limited	2021-22	AS 28
80	The State Farming Corporation of Kerala Limited	2022-23	AS 28
81	Traco Cable Company Limited	2021-22	AS 15,28,24
82	Transformers and Electricals Kerala Limited	2020-21	IND AS 109
83	Trivandrum Spinning Mills Limited	2012-13	AS 22
84	Trivandrum Spinning Mills Limited	2013-14	AS 22
85	Trivandrum Spinning Mills Limited	2014-15	AS 22
86	Trivandrum Spinning Mills Limited	2015-16	AS 22
87	Trivandrum Spinning Mills Limited	2016-17	AS 22
88	Trivandrum Spinning Mills Limited	2017-18	AS 22
89	Trivandrum Spinning Mills Limited	2018-19	AS 22
90	United Electrical Industries Limited	2021-22	AS 28

Appendix 17
List of Public Sector Enterprises taken for review of Corporate Governance
(Referred to in paragraph 3.1.3)

Sl. No.	Name of Public Sector Undertaking
1	Aralam Farming Corporation (Kerala) Limited
2	Autokast Limited
3	Bhavanam Foundation Kerala
4	Cochin Smart Mission Limited
5	Foam Mattings (India) Limited
6	Forest Industries (Travancore) Limited
7	Handicrafts Development Corporation of Kerala Limited
8	Impact Kerala Limited
9	Indian Institute of Information Technology and Management Kerala
10	KCCP Limited
11	KEL Electrical Machines Limited
12	Keltron Component Complex Limited
13	Keltron Electro Ceramics Limited
14	Kerala Academy for Skills Excellence
15	Kerala Agro Machinery Corporation Ltd.
16	Kerala Aqua Ventures International Limited
17	Kerala Artisans Development Corporation Limited
18	Kerala Automobiles Limited
19	Kerala Electrical and Allied Engineering Company Limited
20	Kerala Feeds Limited
21	Kerala Financial Corporation
22	Kerala Forest Development Corporation Limited
23	Kerala Industrial Infrastructure Development Corporation
24	Kerala Infrastructure and Technology for Education
25	Kerala Irrigation Infrastructure Development Corporation Limited
26	Kerala Lifesciences Industries Parks Private Limited
27	Kerala Livestock Development Board Limited
28	Kerala Police Housing and Construction Corporation Limited

Sl. No.	Name of Public Sector Undertaking
29	Kerala Rice Limited
30	Kerala Rubber Limited
31	Kerala Small Industries Development Corporation Limited
32	Kerala Social Security Pension Limited
33	Kerala State Beverages (M&M) Corporation Limited
34	Kerala State Coconut Development Corporation
35	Kerala State Coir Machinery Manufacturing Company Limited
36	Kerala State Construction Corporation Limited
37	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities limited
38	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited
39	Kerala State Drugs and Pharmaceuticals Limited
40	Kerala State Electricity Board Limited
41	Kerala State Electronics Development Corporation Limited
42	Kerala State Ex-Servicemen Development and Rehabilitation Corporation
43	Kerala State Film Development Corporation Limited
44	The Kerala State Financial Enterprises Limited
45	Kerala State Handicapped Persons' Welfare Corporation Limited
46	Kerala State Handloom Development Corporation Limited
47	Kerala State Horticultural Products Development Corporation Limited
48	Kerala State Industrial Development Corporation Limited
49	Kerala State Industrial Enterprises Limited
50	Kerala State Mineral Development Corporation Limited
51	Kerala State Minorities Development Finance Corporation Limited
52	Kerala State Pottery Manufacturing Marketing and Welfare Development Corporation Limited
53	Kerala State Poultry Development Corporation Limited
54	Kerala State Power & Infrastructure Finance Corporation Limited
55	Kerala State Road Transport Corporation
56	Kerala State Warehousing Corporation

Sl. No.	Name of Public Sector Undertaking
57	Kerala State Welfare Corporation for Forward Communities Limited
58	Kerala Tourism Development Corporation Limited
59	Kerala Transport Development Finance Corporation Limited
60	Kerala Urban and Rural Development Corporation Limited
61	KIIFCON Private Limited
62	Kinesco Power and Utilities Limited
63	Kinfra Export Promotion Industrial Parks Limited
64	KINFRA Film and Video Park
65	KINFRA International Apparel Parks Limited
66	Kochi Water Metro Limited
67	Malabar Cements Limited
68	Malabar Distilleries Limited
69	Malabar International Port & Sez Limited
70	Marine Products Infrastructure Development Corporation Limited
71	Meat Products of India Limited
72	Oil Palm India Limited
73	Overseas Development and Employment Promotion Consultants Limited
74	Overseas Keralites Investment & Holding Limited
75	Rehabilitation Plantations Limited
76	Reststop Private Limited
77	Road and Bridges Development Corporation of Kerala Limited
78	Sports Kerala Foundation
79	Steel and Industrial Forgings Limited
80	Steel Industrials Kerala Limited
81	The Kerala State Civil Supplies Corporation Limited
82	The Kerala Agro Industries Corporation Limited
83	The Kerala Ceramics Limited
84	The Kerala Land Development Corporation Limited
85	The Kerala State Backward Classes Development Corporation Limited
86	The Kerala State Coir Corporation Limited

Sl. No.	Name of Public Sector Undertaking
87	The Pharmaceutical Corporation (IM) Kerala Limited
88	The Plantation Corporation of Kerala Limited
89	The State Farming Corporation of Kerala Limited
90	The Travancore Cements Limited
91	The Travancore-Cochin Chemicals Limited
92	Transformers and Electricals Kerala Limited
93	Travancore Sugars and Chemicals Limited
94	Travancore Titanium Products Limited
95	Trivandrum Engineering Science & Technology Research Park
96	Trivandrum Spinning Mills Limited
97	United Electrical Industries Limited
98	Vazhakulam Agro and Fruit Processing Company Limited
99	Vision Varkala Infrastructure Development Corporation Limited
100	Vizhinjam International Seaport Limited
101	Kerala Medical Services Corporation Limited

Appendix 18

List of Companies which failed to hold the required number of Board Meetings

(Referred to in paragraph 3.2.1)

Sl. No.	Name of Company	Number of Board of Directors meeting
1	Aralam Farming Corporation (Kerala) Limited	2
2	Bhavanam Foundation Kerala	2
3	Forest Industries (Travancore) Limited	2
4	Impact Kerala Limited	3
5	Indian Institute of Information Technology and Management - Kerala	2
6	Keltron Electro Ceramics Limited	3
7	Kerala Academy for Skills Excellence	1
8	Kerala Aqua Ventures International Limited	2
9	Kerala Infrastructure and Technology for Education	2
10	Kerala Irrigation Infrastructure Development Corporation Limited	3
11	Kerala Social Security Pension Limited	3
12	Kerala State Construction Corporation Limited	2
13	Kerala State Film Development Corporation Limited	1
14	Kerala State Handicapped Persons' Welfare Corporation Limited	3
15	Malabar International Ports and SEZ Limited (erstwhile Azhikkal Port Limited)	1
16	Marine Products Infrastructure Development Corporation Limited	3
17	Road Infrastructure Company Kerala Limited	1
18	Trivandrum Engineering Science & Technology Research Park	2
19	Vision Varkala Infrastructure Development Corporation Limited	1
20	Vizhinjam International Seaport Limited	1

Appendix 19

List of Companies which failed to appoint Independent Directors in the Board (Referred to in paragraph 3.2.2)

Sl. No.	Name of Company
1	Kerala State Handloom Development Corporation Limited
2	The Kerala State Coir Corporation Limited
3	Keltron Component Complex Limited
4	Kerala Agro Machinery Corporation Ltd.
5	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities limited
6	Transformers and Electricals Kerala Limited
7	Kerala Feeds Limited
8	Kerala Irrigation Infrastructure Development Corporation Limited
9	Steel Industrials Kerala Limited
10	The Kerala Ceramics Limited
11	Travancore Titanium Products Limited

Appendix 20

List of PSEs which did not constitute Audit Committee

(Referred to in paragraph 3.4.1)

Sl. No.	Name of Company/Statutory Corporation
1	Bhavanam Foundation Kerala
2	Impact Kerala Limited
3	Kerala Academy for Skills Excellence
4	Kerala Forest Development Corporation Limited
5	Kerala Lifesciences Industries Parks Private Limited
6	Kerala Rice Limited
7	Kerala Rubber Limited
8	Kerala State Drugs and Pharmaceuticals Limited
9	Kerala State Electronics Development Corporation Limited
10	Kerala State Film Development Corporation Limited
11	Kerala State Horticultural Products Development Corporation Limited
12	Kerala State Industrial Development Corporation Limited
13	Kerala State Industrial Enterprises Limited
14	Kerala State Poultry Development Corporation Limited
15	Kerala State Welfare Corporation for Forward Communities Limited
16	Kerala Urban and Rural Development Corporation Limited
17	KIIFCON Private Limited
18	Kinfra Export Promotion Industrial Parks Limited
19	Kochi Water Metro Limited
20	Malabar International Port and SEZ Limited
21	Oil Palm India Limited
22	Overseas Development and Employment Promotion Consultants Limited
23	Sports Kerala Foundation
24	Vision Varkala Infrastructure Development Corporation Limited
25	Vizhinjam International Seaport Limited
26	Kerala Medical Services Corporation Limited
27	Kerala Police Housing and Construction Corporation Limited
28	Kerala State Development Corporation for Christian Converts from Scheduled Castes and the Recommended Communities limited
29	Kerala State Minorities Development Finance Corporation Limited
30	Kinesco Power and Utilities Limited
31	KINFRA Film and Video Park
32	KINFRA International Apparel Parks Limited
33	The Kerala Land Development Corporation Limited
34	Aralam Farming Corporation (Kerala) Limited
35	Foam Mattings (India) Limited
36	Handicrafts Development Corporation of Kerala Limited
37	Indian Institute of Information Technology and Management Kerala
38	KEL Electrical Machines Limited
39	Kerala Aqua Ventures International Limited
40	Kerala Artisans Development Corporation Limited

Sl. No.	Name of Company/Statutory Corporation
41	Kerala Irrigation Infrastructure Development Corporation Limited
42	Kerala Livestock Development Board Limited
43	Kerala State Coconut Development Corporation
44	Kerala State Ex-Servicemen Development and Rehabilitation Corporation
45	Kerala State Pottery Manufacturing Marketing and Welfare Development Corporation Limited
46	Kerala Tourism Development Corporation Limited
47	Malabar Distilleries Limited
48	Marine Products Infrastructure Development Corporation Limited
49	Overseas Keralites Investment and Holding Limited
50	Rehabilitation Plantations Limited
51	Reststop Private Limited
52	Steel and Industrial Forgings Limited
53	The Kerala Agro Industries Corporation Limited
54	Travancore Sugars and Chemicals Limited
55	Vazhakulam Agro and Fruit Processing Company Limited
56	Forest Industries (Travancore) Limited
57	Kerala Infrastructure and Technology for Education
58	Kerala State Coir Machinery Manufacturing Company Limited
59	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited
60	Kerala Transport Development Finance Corporation Limited
61	Meat Products of India Limited
62	The Kerala Ceramics Limited
63	Trivandrum Engineering Science and Technology Research Park
64	United Electrical Industries Limited
65	Kerala State Road Transport Corporation
66	Kerala Industrial Infrastructure Development Corporation

Appendix 21
List of PSEs where Audit Committee members did not have any
independent directors as its member
(Referred to in paragraph 3.4.1)

Sl No.	Name of PSE	Number of Directors in Audit Committee.	Number of Independent Directors present in the Audit Committee.
1	Keltron Component Complex Limited	3	0
2	The Travancore Cements Limited	4	0
3	Autokast Limited	3	0
4	The Kerala State Civil Supplies Corporation Limited	6	0
5	The Kerala State Coir Corporation Limited	3	0
6	The Kerala State Financial Enterprises Limited	5	0
7	The Pharmaceutical Corporation (IM) Kerala Limited	4	0
8	The Plantation Corporation of Kerala Limited	3	0
9	The State Farming Corporation of Kerala Limited	5	0
10	KCCP Limited	5	0
11	Keltron Electro Ceramics Limited	3	0
12	Kerala Automobiles Limited	3	0
13	Kerala Electrical and Allied Engineering Company Limited	3	0
14	Kerala Small Industries Development Corporation Limited	3	0
15	Kerala Social Security Pension Limited	3	0
16	The Kerala State Backward Classes Development Corporation Limited	6	0
17	Kerala State Beverages (M&M) Corporation Limited	3	0
18	Kerala State Construction Corporation Limited	4	0
19	Kerala State Handloom Development Corporation Limited	4	0
20	Kerala State Mineral Development Corporation Limited	3	0
21	Kerala State Power & Infrastructure Finance Corporation Limited	4	0
22	Transformers and Electricals Kerala Limited	3	0
23	Kerala Feeds Limited	3	0
24	Trivandrum Spinning Mills Limited	3	0
25	Steel Industrials Kerala Limited	2	0
26	Travancore Titanium Products Limited	4	0
27	Kerala Agro Machinery Corporation Ltd.	4	0

Appendix 22

Review of Information/Documents by Audit Committee

(Referred to in paragraph 3.4.2)

Sl. No.	Name of PSEs	Whether Audit Committee is constituted as per Section 177?	Discussions with the auditors periodically about internal control system and the scope of audit including observations of the auditors.	To review with management, external auditors, the adequacy of internal control system	To review with management, the annual financial statements before submission to the Board	The audit committee should review the Audit Para, Audit Report and comments of the Accountant General	Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern
1	Autokast Limited	Yes	Yes	Yes	Yes	Yes	Yes
2	Cochin Smart Mission Limited	Yes	Yes	Yes	Yes	Yes	Yes
3	KCCP Limited	Yes	Yes	Yes	Yes	Yes	Yes
4	Keltron Component Complex Limited	Yes	Yes	Yes	Yes	Yes	No
5	Keltron Electro Ceramics Limited	Yes	Yes	Yes	Yes	Yes	Yes
6	Kerala Agro Machinery Corporation Ltd.	Yes	Yes	Yes	Yes	Yes	Yes
7	Kerala Automobiles Limited	Yes	NA	NA	NA	NA	NA
8	Kerala Electrical and Allied Engineering Company Limited	Yes	Yes	Yes	Yes	Yes	No
9	Kerala Feeds Limited	Yes	NR	NR	Yes	NA	No
10	Kerala Financial Corporation	Yes	Yes	Yes	Yes	Yes	Yes
11	Kerala Small Industries Development Corporation Limited	Yes	No	Yes	Yes	No	No
12	Kerala Social Security Pension Limited	Yes	No	No	Yes	No	Yes
13	Kerala State Beverages (M&M) Corporation Limited	Yes	Yes	Yes	Yes	Yes	No
14	Kerala State Construction Corporation Limited	Yes	No	No	Yes	Yes	No

Sl. No.	Name of PSEs	Whether Audit Committee is constituted as per Section 177?	Discussions with the auditors periodically about control system and the scope of audit including observations of the auditors.	To review with management, external auditors, the adequacy of internal control system	To review with management, the annual financial statements before submission to the Board	The audit committee should review the Audit Para, Audit Report and comments of the Accountant General	Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern
15	Kerala State Electricity Board Limited	Yes	Yes	Yes	Yes	Yes	Yes
16	The Kerala State Financial Enterprises Limited	Yes	Yes	No	Yes	Yes	No
17	Kerala State Handicapped Persons' Welfare Corporation Limited	Yes	NR	NR	NR	NR	NR
18	Kerala State Handloom Development Corporation Limited	Yes	Yes	Yes	Yes	Yes	No
19	Kerala State Mineral Development Corporation Limited	Yes	No	No	No	No	No
20	Kerala State Power & Infrastructure Finance Corporation Limited	Yes	Yes	Yes	Yes	No	Yes
21	Kerala State Warehousing Corporation	Yes	Yes	Yes	Yes	NA	No
22	Malabar Cements Limited	Yes	Yes	Yes	Yes	Yes	No
23	Road and Bridges Development Corporation of Kerala Limited	Yes	Yes	Yes	Yes	Yes	No
24	Steel Industries Kerala Limited	Yes	NR	Yes	Yes	Yes	Yes
25	The Kerala State Civil Supplies Corporation Limited	Yes	Yes	NR	Yes	NR	NR
26	The Kerala State Backward Classes Development Corporation Limited	Yes	Yes	No	Yes	Nil	No
27	The Kerala State Coir Corporation Limited	Yes	NR	NR	NR	NR	NR

Sl. No.	Name of PSEs	Whether Audit Committee is constituted as per Section 177?	Discussions with the auditors periodically about internal control system and the scope of audit including observations of the auditors.	To review with management, external auditors, the adequacy of internal control system	To review with management, the annual financial statements before submission to the Board	The audit committee should review the Audit Para, Audit Report and comments of the Accountant General	Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern
28	The Pharmaccutical Corporation (IM) Kerala Limited	Yes	Yes	Yes	Yes	Yes	No
29	The Plantation Corporation of Kerala Limited	Yes	NA	NA	NA	NA	NA
30	The State Farming Corporation of Kerala Limited	Yes	Yes	Yes	Yes	Yes	No
31	The Travancore Cements Limited	Yes	Yes	No	No	No	No
32	The Travancore-Cochin Chemicals Limited	Yes	Yes	Yes	Yes	Yes	No
33	Transformers and Electricals Kerala Limited	Yes	Yes	Yes	Yes	Yes	Yes
34	Travancore Titanium Products Limited	Yes	Yes	NR	Yes	Yes	No
35	Trivandrum Spinning Mills Limited	Yes	Na	NA	NA	NA	NA

Appendix 23
Details of production units, products and major customers
(Referred to in Paragraph 5.1.1)

Unit	Products	Major raw materials used	Major sources of supply	Use	Major customers
MS Unit	Ilmenite	Naturally occurring mineral sand	Beach sand from Sankaramangalam, Kollam (Kerala)	Synthetic Rutile, Titanium Tetra Chloride, Titanium Dioxide Pigment, Titanium salts	KMML (captive use)
	Zircon				
	Rutile	Welding electrodes, Titanium Tetra Chloride, Titanium Dioxide Pigment, Titanium compounds, Titanium Sponge/ metal		Divine Enterprises, Hira Industry Corporation, Sharma Trading Company, Moyalan Electrodes (P) Ltd., Nucor Weld (India) Pvt. Ltd., Pioneer Weld Technologies, Arvind Arc Electrodes Mfg. Co., V. C. A. Minerals & Metals.	
	Sillimanite				High temperature refractory, ceramic industry
TP Unit	Titanium Chloride	Beneficiated Ilmenite, Chlorine	KMML (MS Unit)	Titanium Dioxide, Titanium Sponge/ metal, Titanium salts, Butyl Titanate, and Titanium Oxides.	

Unit	Products	Major raw materials used	Major sources of supply	Use	Major customers
	Titanium Dioxide Pigment (Rutile Grade)	Titanium Chloride, Oxygen, Hydrochloric Acid, Nitrogen	KMML (TP Unit), various suppliers	Paints, printing inks, plastics, paper, rubber, textiles, ceramics	Asian Paints, Grasim Paints, Pidilite Industries, Ashirvad Pipes, Supreme Industries, Indigo Paints
TSP Unit	Titanium Sponge	Titanium Chloride, Magnesium	KMML (TP Unit)	Engine parts, rocket structural, ocean platforms, ship hull, pumps, heat exchangers, water desalination plants, automotive industry, reactors, medical implants, artificial bones.	Vikram Sarabhai Space Centre, Mishra Dhatu Nigam Limited, ATVP.

Appendix 24
Financial results of KMML during 2020-23
(Referred to in Paragraph 5.1.3)

Particulars	2020-21	2021-22	2022-23	Total
	(₹ in crore)			
Total Income (A)	806.31	1,094.25	965.04	2,865.60
Procurement expenditure	457.66	588.86	657.94	1,704.46
Other expenses	233.15	195.88	200.63	629.66
Total Expenses (B)	690.81	784.74	858.57	2,334.12
Exceptional items	0.00	(0.56) *	0.00	
Profit Before Tax (A)-(B)	115.50	308.95	106.47	
Break-up of Procurement Expenditure				
Cost of raw materials - Imported	14.16	10.65	5.72	30.53
- Indigenous	223.03	264.19	288.85	776.07
Cost of power and fuel	177.15	256.46	305.35	738.96
Cost of stores and spares - Imported	9.21	46.98	49.19	105.38
- Indigenous	34.11	10.58	8.83	53.52

*Provision for land to be returned

(Source: Annual financial statements of KMML for 2020-21, 2021-22 and 2022-23)

Appendix 25

Procurement of materials without inviting tender

(Referred to in Paragraph 5.1.9.3)

Sl. No.	Material	Enquiry date	No. of bidders	PO Date	PO value (₹ in lakh)	Vendor/ supplier (M/s)	Remarks
1	Filter Bags, T-Bolt Clamps, Cage	Jun-2020	1	Aug-2020	205.00	Maxtech Industries LLP	Enquiry sent to one vendor sans approval of MD. Latest price list for items was not available.
2	Wet Table Deck	Jul-2021	1	Sep-2021	23.25	CMEA, Australia	Enquiry sent to one vendor. Updated price list was not available for item.
3	Eccentric Shaft	-	-	Mar-2022	1.62		No enquiry was sent.
4	Water and Feed Box for Wet Table	-	-	Aug-2022	5.98		No enquiry was sent.
5	Auto Ranging Digital Conductivity Meter	Jun-2020	-	Sep-2020	0.50	Toshniwal Instruments Mfg. Pvt. Ltd.	Enquiry sent to one vendor. Certificate of LPC and approval of HoU were not available.
6	Cement (PPC/ PSC Grade)	Oct-2020	2	Oct-2020	3.09	The India Cements Ltd.	Enquiry sent to eight vendors.
7	Flexitallic Gasket	Jan-2021	1	Feb-2021	1.78	IGP Engineers Pvt. Ltd.	Enquiry sent to one vendor.
8	Absorber	Apr-2021	4	Sep-2021	18.75	Arul Rubbers (P) Ltd.	Enquiry sent to five vendors.
9	Pipe Seamless CS	Jan-2021	2	Mar-2021	5.71	Ratnadeep Metals & Tubes Ltd.	Enquiry sent to five vendors.
10	Gear Box for Digester	Jul-2022	1	Sep-2022	33.63	Elecon Engineering Co. Ltd.	Enquiry sent to two vendors. Original proposal for Open E-Tender was not followed citing replacement of critical item.
11	Weir Pump Spares	Apr-2021	1	May-2021	29.51	Weir Minerals (India) Pvt. Ltd.	Enquiry sent to OEM. No updated price list.

Sl. No.	Material	Enquiry date	No. of bidders	PO Date	PO value (₹ in lakh)	Vendor/ supplier (M/s)	Remarks
12	Gyrator Assembly (Electrical Spares)	Nov-2021	1	Feb-2022	79.43	Vibra Screw Inc., USA	Enquiry sent to OEM without approval of MD. Updated price list was not available.
13	Carbo Bead	Jun-2020	1	Aug-2020/ Dec-2020	475.55	Carbo Ceramics Inc., USA	Enquiry sent to one vendor for meeting the requirement for 2020-21 and 2021-22.
		Apr-2021	1	May-2021	461.63		
		Jul-2022	2	Sep-2022	545.73			Grinding and Dispersion Technology
14	Radiant Coil Assembly	Jul-2020	1	Nov-2020	67.85	Uni Abex Alloy Products Ltd.	Enquiry sent to OEM. Latest price list for item was not available.
Total					1,959.01		

(Source: KMML records)

Appendix 26 (i)
Cost of procurement from M/s TCC during 2019-23
(Referred to in Paragraph 5.1.9.4.b)

Material	2019-20		2020-21		2021-22		2022-23		Total
	Cost	Freight	Cost	Freight	Cost	Freight	Cost	Freight	
Caustic Soda Lye	7.23	0.43	6.55	0.41	7.68	0.52	7.68	0.52	31.02
Liquid Chlorine	10.10	2.10	10.26	2.24	9.66	2.42	4.99	2.41	44.18
Hydrochloric Acid	10.50	3.50	10.73	3.82	10.45	4.16	5.58	4.21	52.95
	27.83	6.03	27.54	6.47	27.79	7.10	18.25	7.14	128.15

(₹ in crore, excluding tax)

(Source: KMML records)

Appendix 26 (ii)
Extra expenditure incurred on procurement from M/s TCC
(Referred to in Paragraph 5.1.9.4.b)

Supply period	Quantity received (MT)	Sale price for KMML (₹/MT)	Average sale price for other buyers (₹/MT)	Minimum sale price (₹/MT)	Extra expenditure (₹ lakh)
From					
To					
			Caustic Soda Lye		
01-04-2020	1,909	14,640	11,645	9,120	57.18
01-11-2020	4,506	14,520	13,701	8,376	36.92
Sub-total (1)	6,415				94.10
			Liquid Chlorine		
01-04-2020	7,227	6,500	5,481	3,500	73.64
01-11-2020	15,167	6,500	6,138	5,000	54.91
01-12-2021	14,942	6,500	2,024	500	668.79
01-12-2022	7,199	3,370	376	5	215.54
Sub-total (2)	44,535				1,012.88
			Hydrochloric Acid		
01-04-2020	20,109	2,700	1,983	1,150	144.18
01-11-2020	39,694	2,700	2,502	850	78.59
01-12-2021	35,576	2,700	849	25	658.52
01-01-2022	15,321	1,425	387	10	159.03
Sub-total (3)	1,10,701				1,040.32
Grand Total (1+2+3)					2,147.32

(Source: KMML records)

Appendix 27

Time series of tenders for procurement of energy efficient Tickle pre-heaters

(Referred to in Paragraph 5.1.9.5)

Sl. No.	Date (and mode of tendering)	Name of bidder (M/s)	Offer date	Offer expiry date	Price quoted (incl. tax)	Remarks	Time from offer date to next tender
1	4-Dec-2010 (Global e-Tender)	Linde Engineering	18-Feb-2011	18-Jun-2011; 15-Jul-2011; 10-Oct-2011; 10-Jan-2012; 12-Apr-2012	Price bid not opened	Technically suitable offer; not finalized within the validity period of bid. Supplier agreed for further extension of time but with price escalation.	Two years and six months
2	16-Aug-2013 (Global e-Tender)	Linde Engineering; Global Engitec Inc., Canada	15-Dec-2013	13-Jun-2014	Price bid not opened	Both technically suitable offers, but not finalized despite extension of validity by bidders for another 120 days.	Eight months
3	30-Aug-2014 (Global e-Tender)	Linde Engineering	28-Oct-2014	27-Apr-2015; 27-Jul-2015; 27-Aug-2015	₹21.39 crore	Technically suitable offer not finalized, being single bid and increase in price <i>vis-à-vis</i> estimate. Bidder stated that further extension would be possible only with price escalation.	One year and four months
4	12-Feb-2016 (Global e-Tender)	Heurtey Petrochem India Pvt. Ltd., Mumbai	10-Jun-2016	9-Dec-2016; 8-Feb-2017	Price bid not opened	Offer not considered as bidder did not submit some documents to prove technical suitability.	11 months
5	6-May-2017 (Global e-Tender)	Linde Engineering	21-Jul-2017	17-Jan-2018	₹16.52 crore	Technically suitable offer. GoK approval (January 2018) sought for enhancement of project cost to ₹20 crore. BoD decided to simultaneously re-tender the item to avoid delay. Bidder did not extend validity citing increase in input costs.	One year and three months
6	20-Oct-2018 (Manual Tender)	-	-	-	-	Manual tendering. No offer received.	One year and seven months
7	25-May-2020 (Global e-Tender)	Linde Engineering; Trafalgar EPC Pvt. Ltd. Gurugram; Lepton Projects Pvt. Ltd., Ghaziabad	1-Sep-2020	1-Mar-2021	Price bid not opened	Offer of M/s Linde Engineering rejected due to modified tender terms. Other two offers technically suitable. As tender was not finalised within the validity period, bidders sought for an increase in price.	Six months
8	18-Mar-2021 (Global e-Tender)	Trafalgar EPC Pvt. Ltd. Gurugram; Lepton	24-Apr-2021	12-Aug-2021	₹20.09 crore	LoI placed on M/s Lepton Projects Pvt. Ltd. on 25-Oct-2021. Supply Order issued on 22-Dec-2021 but contract breached by supplier citing <i>force majeure</i> reasons.	One year and four months

Sl. No.	Date (and mode of tendering)	Name of bidder (M/s)	Offer date	Offer expiry date	Price quoted (incl. tax)	Remarks	Time from offer date to next tender
		Projects Pvt. Ltd., Ghaziabad					
9	30-Aug-2022 (Global e-Tender)	Trafalgar EPC Pvt. Ltd. Gurugram; Advent Tech DMCC, Dubai	11-Nov-2022; 14-Nov-2022	15-May-2023	Price bid not opened	Offers not finalised as they contained deviations to e-Tender terms. BoD decided (July 2023) to invite new tender for one pre-heater at a time.	Six months
10	29-May-2023 (Global e-Tender)	JNK India Ltd., Thane	07-Jul-2023	06-Jan-2024	₹12.05 crore (for one pre-heater)	Single bid received against the tender for supply of one pre-heater. BoD decided to issue formal order on the bidder at the quoted cost for one unit of pre-heater and to seek GoK approval for revision in the estimated cost of the second pre-heater to ₹12.70 crore (excluding tax and contingency charges of 10 per cent due to volatility in price). As per information furnished by the Company, GoK approval is awaited (February 2024).	-

(Source: KMML records)

Appendix 28 (i)
Procedure followed by KMML for evaluation of bids
(Referred to in Paragraph 5.1.9.6.a)

STEP 1	For bidders who offered to supply full tendered quantity, the estimated value of purchase was fixed as the required turnover (RT). For bidders who offered to supply less than the tendered quantity, RT was calculated proportionate to the offered quantity. The required solvency (RS) and the required capacity (RC) were specified as 50 per cent (or more) of RT.
STEP 2	The actual turnover (AT) of each bidder (as per annual financial statements submitted along with bid) was compared with RT.
STEP 3	If AT was lower than RT, an 'eligible quantity' or 'qualified quantity' was worked out as: (AT / RT) * (offered part quantity).
STEP 4	The 'qualified quantity' was calculated in respect of solvency parameter also, in the same manner.
STEP 5	The lower of the 'qualified quantity' for turnover and solvency was the quantity ordered on each bidder.

(Source: KMML records)

Appendix 28 (ii)
Evaluation of bids for procurement of Wooden Pallets
(Referred to in Paragraph 5.1.9.6.a)

Bidder (M/s)	Offered quantity (No.)	Turnover (₹ lakh)		Solvency (₹ lakh)		Capacity (₹ lakh)		'Qualified quantity' (No.)	Ordered quantity (No.)
		RT	AT	RS	AS	RC	AC		
2020-21 (e-Tender of June 2020)									
Alby Saw Mills (L1)	15,750	61.99	98.51	30.99	31.00	30.99	>100	15,750	15,750
Aisha Wood Industries (L2)	36,504	141.68	87.33	70.84	75.00	70.84	42.67	22,190	4,543
Indcon Industries (L2)	38,160	141.68	179.72	70.84	100.00	70.84	12.00	36,000	4,131
Anchuvila Saw Mills (L3)	36,504	141.68	78.25	70.84	80.00	70.84	38.00	19,883	3,991
Liber Eco-Furniwood (L4)	36,000	141.68	59.93	70.84	71.00	70.84	>100	15,228	3,734
G. S. K. Wood Industries (L5)	39,000	141.68	51.81	70.84	75.00	70.84	28.00	13,163	3,476
P. K. G. Saw Mill (L6)	36,840	141.68	134.60	70.84	100.00	70.84	14.76	34,201	375
36,000									
2021-22 (e-Tender of November 2021)									
Anchuvila Saw Mills (L1)	12,600	64.54	21.21	32.27	25.00	32.27	65.58	9,761	9,761
Indcon Industries (L2)	39,000	184.40	231.48	92.20	100.00	92.20	36.09	36,000	6,459
G. S. K. Wood Industries (L3)	39,000	184.40	51.81	92.20	93.00	92.20	48.34	10,023	5,995
Liber Eco-Furniwood (L4)	24,000	122.93	32.47	61.47	71.00	61.47	56.72	6,340	5,531
Chithira Wooden Furniture (L5)	13,200	67.61	18.52	33.81	10.00	33.81	2.72	3,615	3,615
Alby Saw Mills (L6)	21,600	110.64	98.51	55.32	50.00	55.32	90.35	19,232	4,639
36,000									

(Source: KMML records)

Appendix 29
Table of Credit score assessment by KSIDC
(Referred to in Paragraph 5.2.8.1)

Sl. No.	Criteria	Benchmark	Minimum marks	Benchmark	Maximum marks
1	Line of experience	Zero	3	> = 3 years	10
2	Proposed activity	New	3	Expansion	5
3	Value of land and building against loan	< 0.75	6	> = 1	10
4	Past performance				
	(i) Turnover growth	Negative	0	> 20%	7.5
	(ii) Profit growth (PAT)	Negative	0	>10% of sales	7.5
	(iii) Return on equity	>=15%	0	> = 30%	15
5	Security (to loan amount)	<1.5 times	4	>=2 times	10
6	Payment to bank/FIs	Sub-standard	4	Standard	10
7	Repayment period of loan	> 7 years	3	<5 years	5
8	Profitability				
	(i) Payback period	>7 years	2	< =5 yrs.	5
	(ii) Debt service coverage ratio	<1.5	0	>2	5
9	Debt-equity ratio	Above 1.75	4	1:1	10
TOTAL					100

Appendix 30
Interest Loss due to defective credit rating
(Referred to in Paragraph 5.2.8.2)

Name of loanee	Prompt payment		Security		Payback period		DE Ratio		ROE		DSCR		Profit growth		Turnover growth		Total		Interest rate (%)		Loss (₹ in lakh)
	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	KSIDC	Audit	
Solar Offset Printers Pvt. Ltd.							10.00	6.00			5.00	3.00					70.00	64.00	11.25	11.75	12.54
Propyl Packaging Pvt. Ltd.									9.00	-		4.50	-				77.50	64.00	11.50	12.50	204.30
Accel Limited			8.00	4.00					6.00	-				7.50	-		66.50	49.00	10.00	11.00	62.39
Joy's The Beach Resorts Pvt.Ltd.									15.00	-							94.00	79.00	8.75	9.25	100.93
Kumarakom Aqua Serene Pvt. Ltd.	10.00	-									4.00	3.00					71.00	60.00	11.00	11.50	14.55
KGR Gems and Bullion Private Limited	10.00	-															70.00	60.00	9.75	10.00	4.88
Parisons Agrotech Pvt. Ltd					5.00	4.00	10.00	4.00					4.50	-			77.00	65.50	8.90	9.40	40.29
Total interest loss																				439.88	

Appendix 31
Interest earned on deposit of Grants in aid amount
(Referred to in Paragraph 5.5)

Year	Interest earned
2016-17	₹36,93,843.70
2017-18	₹30,79,481.40
2018-19	₹29,77,398.90
2019-20	₹14,88,212.90
2020-21	₹ 3,72,094.77
Total	₹1,16,11,031.67

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