

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2003, the State had 113 Public Sector Undertakings (PSUs) comprising 108 Government companies and five Statutory corporations compared to 109 PSUs as on 31 March 2002. Out of 108 Government companies, 91 companies were working while 17 companies were non-working. All the five Statutory corporations were working corporations. In addition, there were eight companies (seven working and one non-working) under the purview of Section 619 - B of the Companies Act, 1956, as on 31 March 2003.

The total investment in working PSUs increased from Rs.10283.08 crore as on 31 March 2002 to Rs.10821.70 crore as on 31 March 2003. The total investment in 17 non-working PSUs was Rs.69.66 crore.

The budgetary support in the form of capital, loans and grants disbursed to the working PSUs increased from Rs.124.56 crore in 2001-02 to Rs.280.55 crore in 2002-03. The State Government provided budgetary support of Rs.1.10 crore to one non-working PSU during 2002-03. The State Government guaranteed loans aggregating Rs.3296.18 crore (working PSUs only) during 2002-03. The total amount of outstanding loans guaranteed by the State Government to all PSUs increased from Rs.6094.15 crore as on 31 March 2002 to Rs.7184.17 crore as on 31 March 2003.

Twenty two working Government companies and one working Statutory corporation had finalised their accounts for the year 2002-03. The accounts of remaining 69 working Government companies and four working Statutory corporations were in arrears for periods ranging from one to 11 years as on 30 September 2003. The accounts of all the 17 non-working Government companies were in arrears for periods ranging from one to 20 years as on 30 September 2003.

Out of 22 working Government companies which finalised their accounts for 2002-03, 13 companies earned an aggregate profit of Rs.126.79 crore and only ten companies declared dividend of Rs.9.25 crore during the year. Of the loss incurring working Government companies, 35 companies had accumulated losses aggregating Rs.1376.53 crore which exceeded their aggregate paid-up capital of Rs.492.62 crore. Kerala State Road Transport Corporation being a loss incurring Statutory corporation, had accumulated loss of Rs.1026.70 crore, which exceeded its paid-up capital of Rs.129.70 crore by more than seven times.

Even after completion of eight to seventy five years of their existence, the individual turnover of 29 Government companies and one Statutory corporation (all working) had been less than Rs.5 crore in each of the preceding five years of the latest finalised accounts. Further, nine working

Government companies had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth. As such, the Government may either improve the performance of these Government companies or consider their closure.

(Paragraphs 1.1, 1.2, 1.4, 1.6 to 1.10, 1.12,1.17,1.19,1.20,1.36 and 1.39)

2. Reviews relating to Government companies

2.1 The Travancore-Cochin Chemicals Limited

The Company was incorporated in 1951 with the main object of manufacture and sale of caustic soda and allied products. As on 31 March 2003, the total installed capacity was 74,250 MT per annum of caustic soda and 65,785 MT per annum of chlorine products.

(Paragraph 2.1.1)

The Company commissioned a new membrane cell plant in June 1997 at a cost of Rs.70.41 crore. During the first five years of its operation the actual savings in cost was Rs. 8.09 crore only as against the projected savings of Rs. 39.29 crore. Additional commitment towards financing cost was Rs. 8 crore per annum against the contribution of Rs. 1.62 crore.

(Paragraphs 2.1.11, 2.1.12 and 2.1.13)

Investment of Rs. 6.96 crore in enhancement of capacity of membrane cell plant proved to be non-productive and lower efficiency of rectifier resulted in loss of Rs. 1.90 crore.

(Paragraphs 2.1.15 and 2.1.16)

Failure to use available hydrogen as fuel and alternate consumption of furnace oil resulted in loss of Rs. 7.02 crore.

(Paragraph 2.1.19)

Extra cost due to excessive self-consumption of caustic soda amounted to Rs. 8.66 crore.

(Paragraph 2.1.28)

Excess consumption of salt, barium carbonate and hydrochloric acid resulted in extra expenditure of Rs. 7.41 crore.

(Paragraphs 2.1.32, 2.1.34 and 2.1.35)

The excess consumption of power with reference to the highest per metric ton consumption in other similar companies aggregated Rs. 19.66 crore.

(Paragraph 2.1.47)

2.2 Kerala State Industrial Development Corporation Limited

The Company was incorporated in July 1961 with the objective of promoting industries in the state and financing the industrial units by way of equity and loans.

(Paragraph 2.2.1)

Out of Rs.37.76 crore invested in unquoted shares, Rs.6.38 crore was written off due to winding up, non-working or negative net worth of the assisted units.

(Paragraph 2.2.8)

Investments of Rs.26 crore in 69 instances were written off during the five years up to 31 March 2003.

(Paragraph 2.2.13)

Amount remaining unrecovered even after the scheduled date of closure of loan in respect of 81 units was Rs.219.12 crore .

(Paragraph 2.2.25)

Absence of collateral security from export processing units necessitated write off of loans of Rs.15.66 crore and equity investment of Rs.2.27 crore.

(Paragraph 2.2.29)

Non-performing assets of Rs.161.36 crore represented 66 *per cent* of the total principal amount outstanding and recorded 45 *per cent* increase during the five years ended 31 March 2003.

(Paragraph 2.2.50)

Chances of recovery of dues of Rs.163.98 crore from 47 units were remote since these units were being wound up or already closed.

(Paragraph 2.2.52)

Revenue recovery action was pending against 129 units for recovery of Rs.299.10 crore and the default ranged from six to 121 months.

(Paragraph 2.2.60)

3. Review relating to Statutory corporation

3.1 Generation of thermal power and power purchase agreements by Kerala State Electricity Board

Consequent on amendment to the Electricity Supply Act, 1948, by the Government of India, allowing private participation in power sector, the Board entered into power purchase agreements (PPAs) with independent power producers (IPPs) for purchase of thermal power. Board also created thermal generating capacity by implementing the Brahmapuram Diesel Power Project (BDPP) and Kozhikode Diesel Power Project (KDPP) during 1997-98 and 1999-2000 respectively. As at the end of 2002-03, the total installed capacity of the Board was 2598.68 mega watt (MW) comprising 1827.5 MW of hydro power, two own thermal projects (234.6 MW), two thermal projects of IPPs

(177 MW) and one PPA with National Thermal Power Corporation Limited (359.58 MW).

(Paragraphs 3.1.3, 3.1.4, 3.1.5 and 3.1.53)

Underutilisation of capacity of the two own thermal projects viz., BDPP and KDPP during 1998-2003 resulted in extra avoidable cost of Rs.351.28 crore.

(Paragraphs 3.1.12 and 3.1.17)

Failure of the Board to avail of the benefit of tax holiday pertaining to Kayamkulam unit of NTPC resulted in avoidable payment of income tax of Rs.48.35 crore during April 1999 to June 2003.

(Paragraph 3.1.23)

Failure of the Board to purchase the entire quantity of power available for sale from the plants of Kayamkulam unit of NTPC, BSES Kerala Power Limited (BSES) and Kasargod Power Corporation Limited (KPCL), as per PPAs, during 1999-2003 resulted in avoidable payment of deemed generation charges of Rs.395.33 crore on units not purchased.

(Paragraphs 3.1.25, 3.1.33 and 3.1.42)

Failure to claim the benefit of exemption from payment of excise duty on fuel admissible as per Government of India orders in the case of KPCL resulted in avoidable loss of Rs. 9.99 crore during March 2001 to March 2003.

(Paragraph 3.1.43)

Failure to draw cheaper power from central pool during April 1999 to August 2001 and alternative purchase of high cost thermal power resulted in avoidable additional expenditure of Rs. 16.47 crore.

(Paragraph 3.1.47)

4. Miscellaneous topics of interest relating to Government companies and Statutory corporations

Government companies

Kerala State Drugs and Pharmaceuticals Limited

The Company paid incentive to employees without ensuring the stipulated increase in productivity resulting in wasteful expenditure of Rs.68.82 lakh.

(Paragraph 4.1)

The Kerala State Civil Supplies Corporation Limited

The Company failed to protect its financial interests in procurement of cumin seed leading to avoidable expenditure of Rs.19.16 lakh.

(Paragraph 4.5)

Foam Mattings (India) Limited

Failure of the Company to comply with the requirements of insurance policy and absence of prompt action to collect the dues resulted in loss of Rs.28.92 lakh.

(Paragraph 4.6)

Statutory corporations

Kerala State Electricity Board

The Board's decision to incorporate a provision in the agreement deviating from the prescribed guidelines resulted in undue benefit of Rs.8.79 crore to a private entrepreneur.

(Paragraph 4.12)

Procurement of single phase static meters and pin insulators at exorbitant rates by the Board without considering the stock in hand and waiting for the outcome of the tenders floated, resulted in avoidable extra expenditure of Rs.1.41 crore.

(Paragraph 4.13)

Kerala State Road Transport Corporation

The Corporation incurred an unproductive expenditure of Rs.60 lakh on account of unauthorised participation as well as diversion of essential staff for People's Campaign Programme.

(Paragraph 4.15)

Kerala Financial Corporation

The Corporation's failure to insist on adequate collateral security from loanees resulted in non-realisation of Rs.17.29 crore.

(Paragraphs 4.16 and 4.17)