REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

on
PUBLIC SECTOR UNDERTAKINGS

for the year ended March 2012

Government of Kerala

Report No. 3 of the year 2012

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Preface

This Report deals with the results of audit of Government companies and Statutory corporations including Kerala State Electricity Board and has been prepared for submission to the Government of Kerala under Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time.

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

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

4. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2011-12 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever necessary.

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

Overview

1. Overview of State Public Sector Undertakings

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by Comptroller and Auditor General of India. These accounts are also subject to supplementary audit conducted by Comptroller and Auditor General of India. Audit of Statutory corporations is governed by their respective legislations. As on 31 March 2012, the State of Kerala had 99 working PSUs (94 companies and 5 Statutory corporations) and 17 non-working PSUs (all companies), which employed 1.25 lakh employees. The working PSUs registered a Turnover of ₹16171.31crore as per their latest finalised accounts. This Turnover was equal to 4.95 per cent of State GDP indicating the important role played by State PSUs in the economy. The PSUs had Accumulated Profit of ₹36.59 crore as per their latest finalised accounts.

Stake of Government

As on 31 March 2012, the Investment (Capital and Long Term Loans) by the State Government in 116 PSUs was ₹5880.68 crore. This has eroded over the years due to sustained losses and the present net worth of the PSUs as per their latest finalised accounts is only (–) ₹906.40 crore. The Government contributed ₹1022.46 crore towards Equity, Loans and Grants / Subsidies during 2011-12.

Performance of PSUs

Of the 76 PSUs which had finalised their accounts during2011-12, 44 PSUs earned profit of ₹645.36 crore and 29 PSUs incurred loss of ₹477.88 crore. The major chunk of profit was contributed by The Kerala Minerals and Metals Limited (₹115.45 crore), Kerala Financial Corporation (₹50.46 crore), Malabar Cements Limited (₹30.81 crore), Kerala State Financial Enterprises Limited (₹27.94crore) and Kerala State Industrial Development Corporation Limited (₹26.15 crore). Heavy loss makers were Kerala State Road Transport Corporation (₹376.89crore) and The Kerala State Cashew Development Corporation Limited (₹68.50 crore).

Though Kerala State Electricity Board showed a profit of ₹240.71 crore in compliance with the requirements of Central Electricity Regulatory Commission, its operations actually resulted in a loss of ₹1693.42crore.

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, out of 88 Accounts of companies finalised, the Statutory Auditors had given Unqualified Certificates for 16 Accounts, Qualified Certificates for 69 Accounts, Adverse Certificates (which means that accounts do not reflect a true and fair position) for one Account and disclaimer (meaning the Auditors are unable to form an opinion on Accounts) for two Accounts. Additionally, CAG gave comments on 19 Accounts during the supplementary audit. The compliance of companies with the Accounting Standards remained poor as there were 106 instances of non-compliance in 42 Accounts during the year.

Arrears in accounts and winding up

77 working PSUs had arrears of 207 accounts as of 30 September 2012. The extent of arrears was one to 14 years. There were 17 non-working PSUs including four under liquidation.

2 Audit Observations on Kerala State Electricity Board

2.1 Performance Audit on Power Transmission Activities

Performance audit relating to ***Power transmission activities of Kerala State Electricity Board***. Executive summary of audit findings is given below:

Introduction

Transmission of electricity and Grid operations in Kerala are managed and controlled by Kerala State Electricity Board (KSEB). As on 31 March 2007, KSEB had a transmission network of 9652 CKM and 270 Sub-Stations(SS) which rose to 10459 CKM and 350 SS with an installed capacity of 16326 MVA, by 31 March 2012. The quantity of energy transmitted increased from 15223.93 MUs in 2007-08 to 19086.93 MUs in 2011-12. The performance audit of KSEB for the period from 2007-08 to 2011-12 was conducted to assess the economy, efficiency and effectiveness of its transmission activities.

Transmission constraints

The Transmission infrastructure within the state and inter-state transmission lines developed were inadequate in the Northern part of the state resulting in transmission constraints and consequent shortage of power/supply of power with poor quality. There were delays in executing intra-state projects and lapses in pursuing inter-state projects. While the failure to increase transmission capacity in a major SS caused losses of ₹9.87 crore, the failure to develop an inter-state line from Puthur in Karnataka to Mylatty in Kerala is causing loss of ₹4.80 crore per annum.

Capacity Additions

The capacity creation of SS and lines did not meet the targets, as only 80 SS and 806 CKM of EHT lines were constructed during the five year period against the target of 225 SS and 3900 CKM of EHT lines. The shortfall was due to time overrun. The planning activities for capacity creation/ enhancement were deficient on account of non-preparation of long term plan and deficiencies in the five year and annual plans. KSEB has not been unbundled into separate utilities on a functional basis, as envisaged in the Electricity Act, 2003.

Project Management

KSEB could not complete its projects as per schedule. We noticed instances of time overrun ranging from three to 123 months and cost overrun of ₹24.64 crore during the period from 2007-2012. Many projects were delayed/ interrupted after substantial progress due to disputes over land/ right of way which were not ensured before commencing the projects.

Operation and Maintenance

The existing infrastructure for transmission was not managed properly as the maintenance and monitoring wings functioned with insufficient staff and lack of modern equipments. We noticed instances of failure of transformers and other SS equipment/power failure due to non-adherence to recommendations of the testing wings/deficiencies in maintenance. Out of seventeen 220 kV SSs, four did not have double buses resulting in lack of flexibility

in operations. Bus Bar Protection Panel was not installed in eight 220 kV SSs. Deficiencies affecting safety were noticed in several SSs.

Grid management

We noticed, on a test check, instances of fall in the lower voltages below the minimum norms fixed at all the SSs. 35 per cent of the capacitors installed were non-working during the last three years, which resulted in loss of annual energy saving of 2.2 million units. The present SCADA system for grid management has become outdated.

Financial management

We noticed avoidable payment of excess transmission charges of ₹41.24 lakh and payment of transmission charges on idly charged line and SS amounting to ₹6.10 crore.

Transmission losses

Transmission losses are not accurately measured but estimated based on simulation techniques. The annual transmission loss of five percent exceeded the CEA norm (four per cent) which resulted in an excess loss of ₹299.34 crore during the review period.

Monitoring and control

MIS implemented for monitoring the operations of SSs was incomplete. Internal audit in the Transmission wing was inadequate compared to the size and volume of operations.

Conclusions and Recommendations

KSEB had not prepared a long term plan and a State Electricity Plan. The transmission infrastructure developed in the State was insufficient to meet the power needs of northern part of the State. The inter-state connectivity with Karnataka was not adequately developed. Project execution was delayed in most cases as KSEB did not ensure possession of land/ROW for the entire area involved in projects. Maintenance activities were not given adequate priority. BBPP was not installed in eight out of seventeen 220 kV SSs. SCADA system used for grid management was outdated. The monitoring of field activities including internal audit was inadequate. The audit made eight recommendations which included streamlining of planning procedures, initiating urgent steps to improve transmission infrastructure in Northern Kerala and inter-state connectivity with Karnataka, installing BBPP in all 220 kV SSs, strengthening maintenance wings and monitoring activities including internal audit and expediting the process of unbundling KSEB.

2.2&2.3 Thematic/Transaction Audit Observations

Thematic audit observations on 'Procurement of Pre Stressed Concrete Poles' and 'Litigation Management' and transaction audit observations relating to Kerala State Electricity Board highlight deficiencies in its management involving serious financial implications. The deficiencies pointed out are of the following nature:

Procurement of Pre Stressed Concrete Poles - Lack of fairness/ financial propriety.

(Paragraph 2.2.1)

Litigation Management - Non-compliance with rules/deficient monitoring of cases.

(Paragraph 2.2.2)

Loss/extra expenditure of ₹7.96 crore due to non-safeguarding of the financial interest.

(Paragraphs 2.3.1 and 2.3.2)

3 Performance audit relating to Statutory corporation

Performance audit relating to ***Working of Kerala Financial Corporation***. Executive summary of audit findings is given below:

1. Disbursements were made without ensuring that the IRR of the project to be financed was significantly higher than the interest chargeable on the loan.

2. The professional competence/ commitment to success, of the promoter to run the business was not properly assessed before sanctioning loans.

3. Disbursement of funds was not synchronised with the progress of projects being financed.

4. While rescheduling the loans, the viability of the projects under revised repayment obligation was not assessed. Consequently, the immediate impact of faulty rescheduling was inflated income / profit shown in accounts.

5. The Corporation had to forgo amounts to the tune of ₹297.73 crore due to faulty disbursements. Government and financial institutions also had to suffer financial loss of ₹105 crore towards write off of accumulated losses against their equity contribution.

6. Delayed action under section 29 of SFC Act led to non-disposal of 57 units. There were no takers for the assets taken over, indicating that the assets financed did not have business potential.

7. Recovery under RR Act suffered due to intervention of Corporation/Government/Hon'ble Ministers.

8. Non-conformity with legal requirements resulted in the borrowers exploiting the situation to thwart recovery proceedings by seeking legal redressal.

9. Internal audit was ineffective. It failed to point out serious lapses in the disbursement and recovery stage

4 Thematic/Transaction Audit Observations

Loss Making Public Sector Undertakings- reasons for losses -
Deficient procurement & sales policy/marketing/high cost of operations in four selected PSUs.

(Paragraph 4.1)

Role of Kerala SIDCO as a facilitator of Small Scale Industries in Kerala -
Non-achievement of the objective of formation of PSU.

(Paragraph 4.4)

Sanction and Disbursement of loans by Kerala Transport Development Finance Corporation Limited - Non-compliance with rules, procedures and terms and conditions/deficient monitoring.

(Paragraph 4.5)

Loss of ₹ 9.20 crore in two cases due to non-safeguarding of the financial interests.

(Paragraphs 4.2 and 4.8)

Loss of ₹ 3.72 crore in three cases due to non-compliance with rules, terms and conditions of contracts.

(Paragraphs 4.3, 4.6 and 4.7)

Chapter I

1. OVERVIEW OF STATE PUBLIC SECTOR UNDERTAKINGS

Introduction

1.1 Government of Kerala (GoK) undertakes commercial activities through its business undertakings referred to as State Public Sector Undertakings (PSUs). These are owned, managed and controlled by the State on behalf of public at large. They are basically categorised into Statutory corporations and Government companies. Statutory corporations are public enterprises that came into existence by special Acts of the Legislature. The Act defines the powers and functions, rules and regulations governing the employees and the relationship of the Corporation with the Government. Government companies refer to companies in which not less than 51 *per cent* of the paid up capital is held by Government(s). It includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government is treated as if it were a Government company (deemed Government company as per Section 619 B of the Companies Act, 1956).

1.2 The PSUs operate in six major sectors of the economy viz., Power, Finance, Manufacturing, Infrastructure, Agriculture & allied and Services. In Kerala, the PSUs occupy an important place in the State economy and provide employment to about 1.25 lakh[1] persons as of 31 March 2012. As on 31 March 2012 there were 116 PSUs of which 99 were working and 17 were non-working. Of these, three companies[2] were listed on the stock exchange(s). During the year 2011-12, five PSUs[3] were established and nine PSUs[4] were closed.

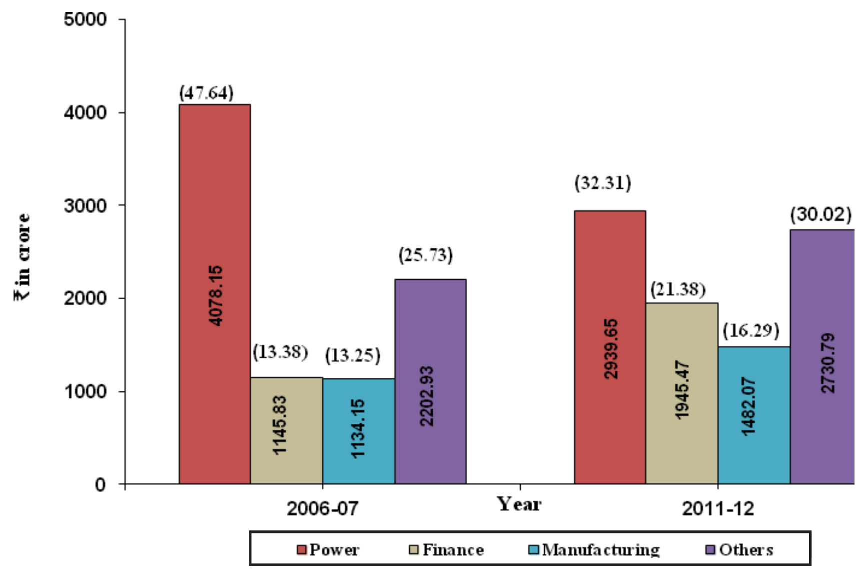
1.3 A sector-wise summary of the PSUs is given below:

Name of sector	Government companies[5]		Statutory corporations		Total	Investment (₹ in crore)
	Working	Non-working[6]	Working	Non-working		
Power	03	…	01	…	04	2939.65
Finance	15	…	01	…	16	1945.47

[1]As per the details provided by 102 PSUs.
[2]Keltron Component Complex Limited, The Travancore Cements Limited and The Travancore Sugars and Chemicals Limited.
[3]Kerala State Electricity Board Limited, Kochi Metro Rail Corporation Limited, Kerala High Speed Rail Corporation Limited, Road Infrastructure Company Kerala Limited and Norka Roots.
[4] Kerala Venture Capital Fund Private Limited, Kerala Venture Capital Trustee Private Limited, The Chalakudy Refractories Limited, Kerala Construction Components Limited, Scooters Kerala Limited, Kerala State Engineering Works Limited, Travancore Plywood Industries Limited, Kerala Soaps and Oils Limited and Kerala State Salicylates and Chemicals Limited.
[5] Includes 619 B companies.
[6] Non-working PSUs are those which have ceased to carry on their operations.

Manufacturing	34	15	…	…	49	1482.07
Infrastructure	12	01	01	…	14	908.15
Agriculture & allied	14	01	01	…	16	513.26
Services	16	…	01	…	17	1309.38
Total	**94**	**17**	**05**[7]	**…**	**116**	**9097.98**

1.4 The investment in PSUs in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. The major chunk of investment was in power sector but the sector saw its share decline from 47.64 *per cent* in 2006-07 to 32.31 *per cent* in 2011-12 due to repayment of long term loans.



(Figures in brackets show the sector percentage to total investment)

Accountability framework

1.5 The accounts of the Government companies/Statutory corporations for every financial year are required to be finalised within six months from the end of the relevant financial year i.e. by 30 September.

Statutory audit

1.6 The accounts of the State Government companies (as defined in Section 617 of the Companies Act,1956) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as per the provisions of Section 619 (2) of the Companies Act, 1956. The Statutory Auditors submit their Audit Report to the various stakeholders.

[7] **Kerala State Electricity Board has been shown as Statutory corporation as the vesting of assets and liabilities with the newly formed company, Kerala State Electricity Board Limited has not yet been done.**

1.7 The audit of Statutory corporations follow different pattern as provided by their respective legislations. Thus,

- CAG is the sole auditor for Kerala State Electricity Board, Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation.
- Chartered Accountants appointed by the Government in consultation with CAG is the auditor for Kerala State Warehousing Corporation, and
- Chartered Accountants appointed by the Corporation out of the panel approved by RBI is the auditor in the case of Kerala Financial Corporation.

Supplementary audit of CAG

1.8 The accounts of State Government companies are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956. In respect of the two Statutory corporations *viz*., Kerala State Warehousing Corporation and Kerala Financial Corporation also CAG conducts supplementary audit.

Role of Legislature and Government

1.9 State Government exercises control over the affairs of these PSUs as the owner through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The accounts of these PSUs are also subjected to scrutiny by the Finance department of the State Government.

1.10 The State legislature also monitors the accounting and utilisation of Government investment in PSUs. For this, the Annual Report together with the Statutory Auditors' Report and Comments of CAG, in respect of State Government companies and Separate Audit Report in the case of Statutory corporations are to be placed before the legislature within three months of its finalisation/as stipulated in the respective Acts. The audit reports of CAG are submitted to the Government under Section 19 A of the CAG's (DPC) Act, 1971.

Stake of Government of Kerala

1.11 As owners, GoK has huge financial stake in these PSUs. This stake is of mainly three types:

- Share capital and loans – In addition to the share capital contribution, GoK also provide financial assistance by way of loans to PSUs from time to time.
- Special financial support – GoK provide budgetary support by way of grants and subsidies to PSUs as and when required.
- Guarantees – GoK also guarantees the repayment of loans with interest availed by PSUs from financial institutions.

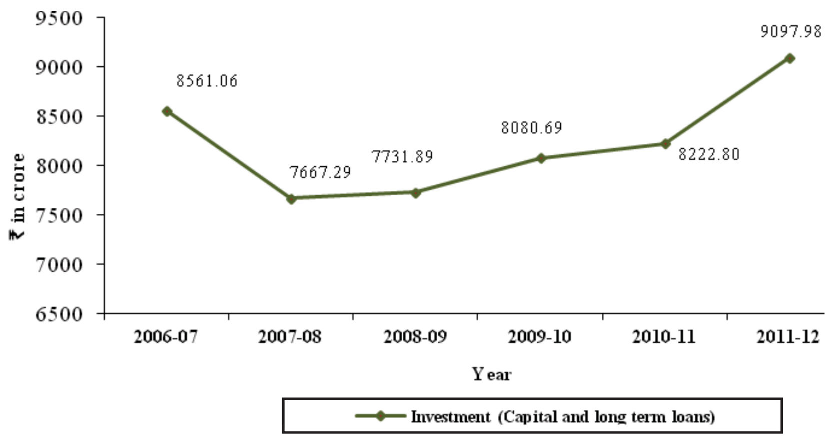
1.12 As on 31 March 2012, the total investment (capital and long term loans) in 116 PSUs (including 619-B companies) was ₹9097.98 crore as shown below:

(*₹ in crore*)

Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	2333.94	1392.55	3726.49	2352.47	2913.50	5265.97	8992.46
Non-working	47.93	57.59	105.52	…	…	…	105.52
Total	**2381.87**	**1450.14**	**3832.01**	**2352.47**	**2913.50**	**5265.97**	**9097.98**

The details of Government investment in PSUs is detailed in ***Annexure 1.***

1.13 The total investment in working PSUs consisted of 52.11 *per cent* towards capital and 47.89 *per cent* in long term loans. The total investment in PSUs had increased by 6.27 *per cent* from ₹8561.06 crore in 2006-07 to ₹9097.98 crore in 2011-12 as shown in the graph below:

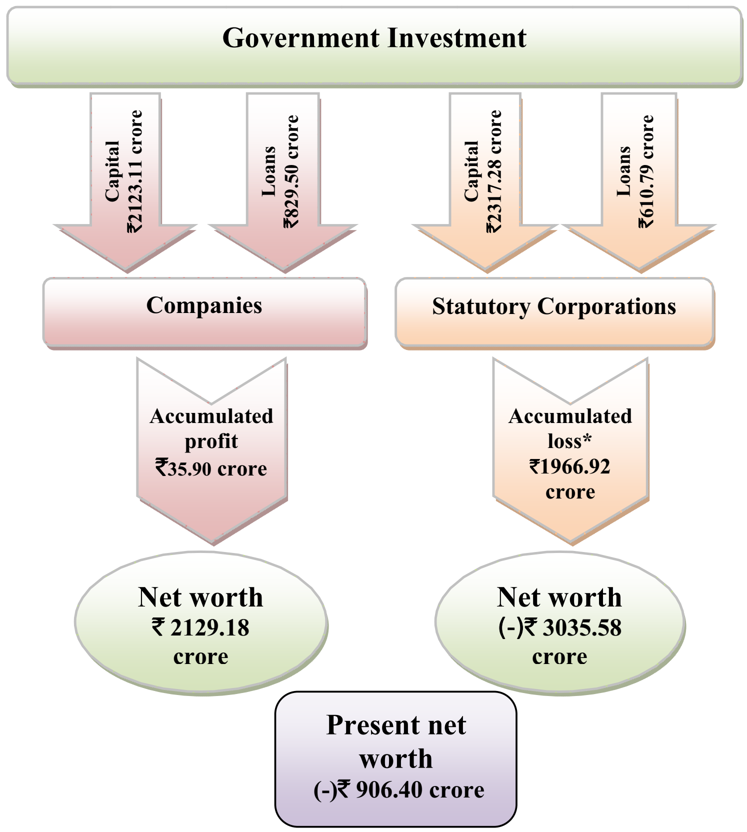


1.14 The capital investment increased by ₹1225.76 crore during 2007-2012 but long term loans reduced by ₹688.84 crore. There was overall net increase in investment by ₹536.92 crore during the period.

Present net worth of the investment-₹5880.68 crore eroded to (-) ₹906.40 crore

1.15 The investment of ₹5880.68 crore by State Government has eroded over the years due to sustained losses. The present net worth[8] of the PSUs as per their latest finalised accounts is only (-) ₹906.40 crore as depicted below:

[8] **Net worth represents paid up capital plus free reserves less accumulated losses and intangible assets.**



**excluding the accumulated profit shown by KSEB*

Special support to PSUs and returns during the year

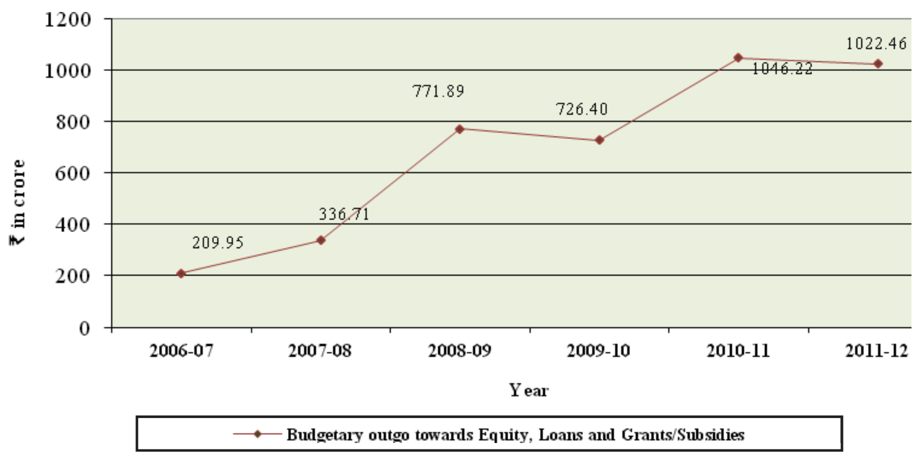
1.16 Each year, GoK provides additional investment and support to PSUs in various forms through annual budget. During the year 2011-12, GoK extended budgetary support of ₹1022.46 crore to 54 PSUs. The details of budgetary outgo towards equity, loans and grants/ subsidies as well as support by way of loans written off, loans converted into equity and interest waived in respect of PSUs are given in ***Annexure 3***. The summarised details for the three years ended 2011-12 are given below:

(Amount ₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	25	114.95	27	257.95	19	68.66
2.	Loans given from budget	16	322.73	16	322.56	18	258.81
3.	Grants / Subsidy given	24	288.72	28	465.71	28	694.99
4.	Total outgo (1+2+3)		726.40		1046.22		1022.46

5.	Loans converted into equity	1	12.38	4	66.87	2	2.25
6.	Loans written off	3	41.24	4	38.67	1	0.08
7.	Interest/Penal interest written off	5	572.33	4	34.65	3	2.06
8.	Total waiver (6+7)		613.57		73.32		2.14

1.17 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the six years ending 2011-12 are given in a graph below:



1.18 The above chart indicates that the budgetary assistance in the form of equity, loan and grant/subsidy by GoK to PSUs had increased from ₹209.95 crore in 2006-07 to ₹1046.22 crore in 2010-11 and then reduced to ₹1022.46 crore in 2011-12. During 2011-12, GoK had waived loans and interest/penal interest of ₹2.14 crore due from three PSUs as against ₹73.32 crore waived during the previous year.

Guarantees for loans and outstanding guarantee commission

1.19 Guarantee for loans availed by PSUs is the third form of support to PSUs. As per the provisions of the Kerala Ceiling on Government Guarantee Act 2003, the Government shall guarantee only loans taken by PSUs. During the year, GoK had guaranteed ₹3612.91 crore and commitment stood at ₹3315.37 crore at the end of the year (***Annexure 3***).

(₹ in crore)

Particulars	Government companies		Statutory corporations		Total
	Number	Amount	Number	Amount	
Guarantees issued	10	3162.91	2	450.00	3612.91
Commitment as on 31 March 2012	12	2744.25	4	571.12	3315.37

1.20 In return for the guarantees provided by GoK, PSUs shall pay guarantee commission not less than 0.75 *per cent* and payable on the actual balance, outstanding interest/penal interest etc. as on 31 March of previous year. The amount due shall be paid in two equal installments on 1 April and October of every financial year. The guarantee commission payable to GoK by Government companies (₹269.28 crore) and Statutory corporations (₹82.54 crore) during 2011-12 was ₹351.82 crore out of which ₹174.37 crore was paid and balance ₹177.45 crore was outstanding as on 31 March 2012. The PSUs which had major arrears were Kerala Small Industries Development Corporation Limited (₹85.20 crore), Kerala State Electricity Board (₹73.22 crore), Kerala State Electronics Development Corporation Limited (₹5.86 crore), The Kerala State Cashew Development Corporation Limited (₹3.92 crore) and Kerala State Road Transport Corporation (₹3.43 crore).

Failure to ensure proper accountability of the Government stake in PSUs

1.21 As stated above, GoK has huge financial stake in PSUs. We, however, found that the PSUs/Government did not ensure proper accountability of this investment. The lapses were mainly in three areas:

- To provide an accurate figure for investment;
- To prepare annual accounts and get them audited;
- To submit the separate audit reports to the legislature in respect of Statutory corporations.

These lapses have wide ranging implications including adverse impact on legislative financial control.

Absence of accurate figure for the investment in PSUs

1.22 The Finance Accounts of GoK prepared by Principal Accountant General (A&E) and certified by CAG depicts the Government stake in PSUs in respect of equity, loan and guarantees. These figures as per records of PSUs should agree with that appearing in the Finance Accounts. In case of difference, it should be reconciled immediately by the PSU concerned and the Finance department. This, however, was not done. As a result, there was wide variation in the figures. The position in this regard as at 31 March 2012 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2984.03	4440.39	1456.36
Loans	4728.61	1440.29	3288.32
Guarantees	4839.92	3315.37	1524.55

1.23 These differences were mainly in respect of 93 PSUs. The Accountant General (AG) addressed (June 2012) the concerns to the Chief Secretary, Principal Secretary (Finance), Secretaries of departments concerned of GoK and individual

PSUs so as to reconcile the differences in a time-bound manner. However the PSUs/ Finance department is yet to take action.

Arrears in finalisation of accounts

1.24 The accounts of the companies/Statutory corporations for every financial year are required[9] to be finalised within six months from the end of the relevant financial year. Thus accounts for 2011-12 were to be finalised by 30 September 2012. However, only 21 PSUs had finalised their accounts by this date. The table below indicates the details of progress made by working PSUs in finalisation of accounts as of 30 September 2012.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of Working PSUs	88	95	96	96	99
2.	Number of PSUs finalised accounts for the current year	17	24	23	20	21
3.	No of PSUs having arrears	71	71	73	76	77[10]

1.25 In respect of remaining PSUs, accounts were in arrears starting from 1998-99 onwards. The progress in finalisation of the accounts which were in arrears was poor. For example 22[11] working PSUs did not finalise even a single account during 2011-12.

1.26 55 PSUs finalised the arrear accounts for at least one year. The finalisation of arrear accounts during the year 2011-12 was slightly better compared to the previous year. Hence the average arrears per PSU decreased from 2.75 during 2010-11 to 2.69 during 2011-12.

1.27 The progress made by PSUs in finalisation of accounts by 30 September is shown below:

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of PSUs with arrears in accounts	71	71	73	76	77
2.	Number of arrear accounts finalised during the current year	57	75	70	66	76

[9] **Sections 166, 210, 230, 619 and 619-B of the Companies Act in case of companies and provisions of respective Act in case of Statutory corporations.**

[10] **Excluding Road Infrastructure Company Kerala Limited for which the first accounts are not due.**

[11] **Kerala Livestock Development Board Limited, Aralam Farming Corporation (Kerala) Limited, Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited, Kerala State Film Development Corporation Limited, Kerala State Women's Development Corporation Limited, Kerala State Information Technology Infrastructure Limited, Marine Products Infrastructure Development Corporation Limited, Foam Mattings (India) Limited, Kerala Automobiles Limited, Kerala State Beverages (Manufacturing and Marketing) Corporation Limited, Kerala State Textile Corporation Limited, The Metal Industries Limited, The Travancore Cements Limited, The Travancore Sugars and Chemicals Limited, Travancore Titanium Products Limited, Trivandrum Spinning Mills Limited, Bekal Resorts Development Corporation Limited, Kerala Medical Services Corporation Limited, Kerala State Ex-servicemen Development and Rehabilitation Corporation Limited, The Kerala State Civil Supplies Corporation Limited, Tourist Resorts (Kerala) Limited, Kerala High Speed Rail Corporation Limited.**

3.	Number of accounts in arrears	203	198	197	209	207[12]
4.	Average arrears per PSU (3/1)	2.86	2.79	2.70	2.75	2.69
5.	Extent of arrears (in years)	1 to 13	1 to 13	1 to 12	1 to 13	1 to 14

1.28 Of the 77 PSUs with arrears of accounts, GoK had extended support to 50 PSUs having arrears ranging from 1 to 12 years. The support extended was ₹1677.91 crore (equity: ₹163.28 crore, loans: ₹294.29 crore, and grants: ₹1220.34 crore) during the years for which accounts have not been finalised as detailed in ***Annexure 4***.

Arrears in respect of Statutory corporations

1.29 Of the five Statutory corporations, only Kerala Financial Corporation and Kerala State Electricity Board had finalised their accounts for the year 2011-12. The accounts of the remaining three Statutory corporations viz., Kerala State Warehousing Corporation, Kerala State Road Transport Corporation and Kerala Industrial Infrastructure Development Corporation were in arrears.

1.30 During the year 2011-12, Kerala State Warehousing Corporation finalised its accounts for three years upto 2010-11, Kerala State Road Transport Corporation for two years upto 2010-11 and Kerala Industrial Infrastructure Development Corporation finalised its accounts for the year 2010-11.

1.31 Separate Audit Reports (SARs) are audit reports of CAG on the accounts of Statutory corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. The Statutory corporations, however, did not submit the SARs on time to the Legislature as shown below:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in the Legislature	SAR issued by CAG but not placed in the Legislature	Remarks
1.	Kerala State Electricity Board	2008-09	2009-10	Not placed even after 15 months
			2010-11	Not placed even after 5 months
2.	Kerala State Road Transport Corporation	2008-09	2009-10	Not placed even after 5 months
3.	Kerala Financial Corporation	2010-11	2011-12	SAR issued in November 2012
4.	Kerala State Warehousing Corporation	2007-08	2008-09	Not placed even after 5 months
			2009-10	
			2010-11	SAR issued in October 2012
5.	Kerala Industrial Infrastructure Development Corporation	2010-11	…	…

[12] **Including one arrear account of Norka Roots and excluding two arrear accounts each of Kerala Venture Capital Fund Private Limited and Kerala Venture Capital Trustee Private Limited which were closed.**

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

Failure of the administrative department

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

1.33 As the position of arrears in finalisation of accounts was alarming, CAG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme which allowed the PSUs with arrears in accounts to finalise the latest two years' accounts and clear the backlog within five years.

1.34 The AG also addressed (October 2012) the Administrative Departments and the Managements of the PSUs whose accounts were in arrears for more than three years. The persisting huge arrears of accounts revealed that the PSUs did not avail this concession to make their accounts up to date.

Impact of non-finalisation of accounts

1.35 Non-finalisation of accounts by 30 September is a violation of the provisions of the Companies Act, 1956.

1.36 In the absence of accounts and their subsequent audit, there is no assurance that the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

1.37 Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956. In view of the above state of arrears, the actual contribution of PSUs to the State Gross Domestic Product (GDP) for the year 2011-12 could not be ascertained. Further, the result of operation of these PSUs for the year 2011-12 and their contribution to State exchequer was also not reported to the State legislature.

1.38 Hence it is recommended that the Government should monitor and ensure timely finalisation of accounts with special focus on liquidation of arrears and comply with the provisions of the Companies Act, 1956.

Performance of PSUs

Problems in assessing performance

1.39 In view of the heavy backlog in finalisation of accounts, the actual performance of PSUs could not be ascertained. Hence the performance of PSUs was assessed on the basis of their latest finalised accounts. However, the performance of major PSUs like Kerala State Beverages (Manufacturing & Marketing) Corporation Limited, The Kerala State Civil Supplies Corporation Limited, Travancore Titanium Products Limited and Travancore Cements Limited could not be commented due to non-finalisation of even a single account during the year.

Performance based on finalised accounts

1.40 The financial results of PSUs, financial position and working results of Statutory corporations are detailed in ***Annexures 2, 5*** and ***6*** respectively. The ratio of PSUs' turnover to State GDP shows the extent of PSU activities in the State economy. The table below provides the details of working PSUs' turnover and State GDP for the period 2006-07 to 2011-12.

(₹ in crore)

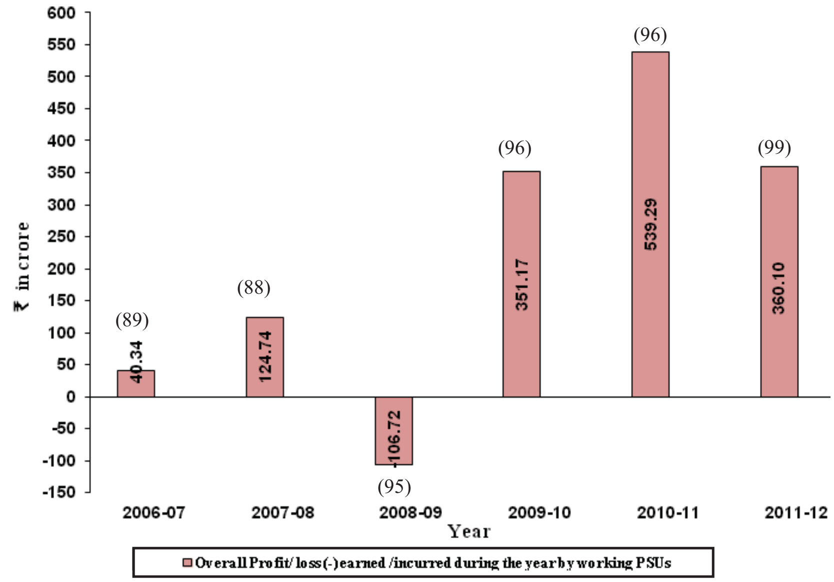
Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover[13]	8846.01	10082.22	10877.80	12349.97	14579.38	16171.31
State GDP[14]	153785	175141	202783	232381	276997	326693
Percentage of Turnover to State GDP	5.75	5.76	5.36	5.31	5.26	4.95

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

1.41 Profits earned/ losses incurred by State working PSUs during 2006-07 to 2011-12 are given below in a bar chart.

[13] **Turnover as per the latest finalised accounts as of 30 September of every year.**

[14] **State GDP at current prices from 2006-07 to 2008-09 , 2009-10 (provisional), 2010-11 (quick), 2011-12(figure from Budget in brief, Government of Kerala 2012-13).**



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

As evident from the above chart, profit earned by working PSUs showed a decreasing trend in 2011-12 over the year 2010-11.

1.42 As mentioned in ***paragraphs 1.24*** and ***1.25***, 76 PSUs had finalised their accounts during 2011-12 for periods ranging from one to four years. Of these, 44 PSUs earned profit of ₹645.36 crore and 29 PSUs incurred loss of ₹477.88 crore as per their latest finalised accounts, while remaining three[15] PSUs had not commenced commercial activities.

The PSUs that contributed a major chunk of the profit were:

- The Kerala Minerals and Metals Limited (₹115.45 crore – 2011-12),
- Kerala Financial Corporation (₹50.46 crore – 2011-12),
- Malabar Cements Limited (₹30.81 crore – 2010-11),
- Kerala State Financial Enterprises Limited (₹27.94 crore – 2010-11), and
- Kerala State Industrial Development Corporation Limited (₹26.15 crore – 2011-12).

Heavy loss makers were:

- Kerala State Road Transport Corporation (₹376.89 crore – 2010-11), and
- The Kerala State Cashew Development Corporation Limited (₹68.50 crore – 2007-08).

[15] **Serial Nos A 40, 78 and 92 in Annexure 2.**

KSEB- Concealing the losses

1.43 As per the notification issued by Central Electricity Regulatory Commission, electricity utility of every state has to show a return of 15.5 *per cent* on equity. In compliance with this, the accounts of KSEB for the year 2011-12 showed a profit of ₹240.71 crore whereas the operations actually resulted in a loss of ₹1693.42 crore. The differential amount (₹1934.13 crore) was shown as revenue gap/regulatory asset. As on 31 March 2012, the regulatory asset thus created over the years amounted to ₹5327.99 crore. This is not an asset, but only an accounting adjustment. Due to this adjustment, the real losses made by KSEB are concealed.

Reasons for the losses

1.44 A test check of records of PSUs revealed that their losses are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. An analysis of the reasons contributing to loss in respect of four major loss making PSUs are discussed in ***paragraph 4.1***. A review of latest Audit Reports of CAG for the period 2009 to 2012 had indicated that the PSUs incurred losses to the tune of ₹1337.37 crore and infructuous investment of ₹123.38 crore which were controllable with better management. The actual controllable losses would be much more. Year-wise details of such losses pointed out in the Audit Reports are stated below:

(₹in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit	331.78	521.47	348.33	1201.58
Controllable Losses as per CAG's Audit Report	300.86	484.89	551.62	1337.37
Infructuous Investment	65.92	48.87	8.59	123.38

1.45 The above table shows that with better management, the losses can be minimised or the profits can be enhanced. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

1.46 Some other key parameters pertaining to the 21 working PSUs which finalised their accounts for the year 2011-12 are given below:

Particulars	2011-12
Return on Capital Employed (*per cent*)	7.07
Debt (₹ in crore)	2401.19
Turnover (₹ in crore)	7737.85
Debt / Turnover Ratio	0.31:1
Interest Payments (₹ in crore)	407.64
Accumulated profit/loss(-) (₹ in crore)	3053.84

1.47 The State Government had formulated (December 1998) a Dividend Policy under which all PSUs are required to pay a minimum return of twenty *per cent* on the paid up share capital contributed by the State Government. As per their latest accounts finalised during 2011-12, 44 working PSUs earned an aggregate profit of

₹645.36 crore and 16 PSUs declared a dividend of ₹55.51 crore. The State Government Policy on dividend payment was, however, complied with only by six[16] companies.

Non-working PSUs

1.48 There were 17 non-working PSUs (all companies) as on 31 March 2012 having a total investment of ₹105.52 crore towards capital (₹47.93 crore) and long term loans (₹57.59 crore). There were also arrears in finalisation of accounts by non-working PSUs. During 2011-12, two non-working PSUs[17] had finalised two accounts. All the 17 non-working PSUs had arrears of accounts for one to 27 years.

1.49 The number of non-working companies at the end of each year during the past five years is given below:

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
No. of non-working companies	25	28	27	24	17

1.50 Liquidation process had commenced in four PSUs. The stages of closure, total investment and accumulated loss in respect of the 17 non-working PSUs are given below:

(Amount ₹in crore)

Sl. No.	Particulars	No. of Companies	Investment	Accumulated loss
1.	Liquidation by Court/ Voluntary winding up (Liquidator appointed)	04[18]	52.68	76.76
2.	Closure, i.e. closing orders / instructions issued but liquidation process not yet started.	10	46.13	90.72
3.	Others	3	6.71	10.23

1.51 During the year 2011-12, nine companies were wound up. The companies which have taken the route of winding up by Court order are under liquidation for a period ranging from three to ten years. The process of voluntary winding up under the Companies Act is much faster and needs to be adopted/ pursued vigorously. The Government may make an early decision regarding winding up of 10 non-working PSUs where closing orders/ instructions have been issued but liquidation process has not yet started. The Government may consider expediting closing down of its non-working companies.

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[16] **The Kerala Minerals and Metals Limited, Kerala State Industrial Enterprises Limited, Kerala Agro Machinery Corporation Limited, Kerala State Financial Enterprises Limited, Oil Palm India Limited and Rehabilitation Plantations Limited.**

[17] **SIDECO Mohan Kerala Limited (2007-08), Astral Watches Limited (2010-11).**

[18] **Keltron Power Devices Limited, Keltron Counters Limited, Keltron Rectifiers Limited , Kunnathara Textiles Limited.**

Adverse Comments on the Accounts and Internal Audit of PSUs

1.52 Seventy one working companies forwarded their 88 audited accounts to AG upto September 2012. Of these, 50 accounts of 43 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and CAG are given below:

(Amount: ₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	21	102.96	24	29.05	26	152.30
2.	Increase in loss	23	175.85	20	21.15	18	47.00
3.	Non-disclosure of material facts	7	405.12	11	82.33	1	0.06
4.	Errors of classification	4	7.92	5	7.09	1	…

1.53 During the year 2011-12, the Statutory Auditors had given unqualified certificates for 16 accounts, qualified certificates for 69 accounts, adverse certificates (which means that accounts do not reflect a true and fair position) for one account and disclaimer (meaning the Auditors are unable to form an opinion on accounts) for two accounts. Additionally, CAG gave comments on 19 accounts during the supplementary audit. The compliance of companies with the Accounting Standards (AS) remained poor. There were 106 instances of non-compliance of AS in 42 accounts during the year.

1.54 Some of the important comments in respect of accounts of companies are stated below:

Kerala State Coastal Area Development Corporation Limited (2010-11)

- Profit before tax for the year, ₹1.20 crore, was overstated by ₹1.36 crore due to recognition of interest received/accrued on Government grants deposited as income with corresponding understatement of Grant.

United Electrical Industries Limited (2010-11)

- Loss for the year, ₹6.77 crore, was understated by ₹1.65 crore due to non-provision of interest due on guarantee commission payable, interest accrued/payable on loans and pay revision arrears of officers.

Kerala State Backward Classes Development Corporation Limited (2007-08)

- Profit for the year, ₹6.32 crore, was understated by ₹0.57 crore due to non-accounting of rebate for 2007-08 received during the year.

Kerala Electrical and Allied Engineering Company Limited (2007-08)

- Reserves and Surplus for the year, ₹3.66 crore, stood overstated by ₹3.50 crore due to treatment of grant received during 2006-07 for working capital requirement as Capital Reserve instead of as extraordinary income with corresponding overstatement of accumulated loss.

1.55 Similarly, the five working Statutory corporations had forwarded their nine accounts to AG upto 30 September 2012**.** Of these, five accounts[19] pertained to corporations where CAG was the sole auditor, of which the audit of three were completed and Separate Audit Reports (SARs) issued. The audit of balance two accounts was in progress. The remaining four accounts[20] were selected for supplementary audit and SARs issued in respect of three accounts. The balance one SAR is being issued. Of the six SARs issued, three[21] were issued qualified certificates while three[22] certificates were issued without qualification. The audit reports of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of Comments of Statutory Auditors and CAG are given below:

(Amount: ₹in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	2	1555.79	2	2580.81	2	1355.18
2.	Increase in loss	1	0.22	1	3.98	1	1.07
3.	Non-disclosure of material facts	1	0.07	3	251.45	2	51.28
4.	Errors of classification	1	1.18	1	126.37	2	133.13

1.56 Some of the important comments in respect of accounts of Statutory corporations are stated below:

Kerala State Electricity Board (2010-11)

- Interest on Electricity Duty, Inspection Fee and Surcharge payable to the State Government under Section 8 of the Kerala Electricity Duty Act, 1963 for the period from 2002-03 to 2009-10 amounting to ₹1204.64 crore was not provided for during the year.
- Subsidy amounting to ₹54 crore received from Government of Kerala was accounted twice**.**

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[19] **Kerala Industrial Infrastructure Development Corporation (2010-11), Kerala State Electricity Board (2010-11 and 2011-12) and Kerala State Road Transport Corporation (2009-10 and 2010-11).**

[20] **Kerala State Warehousing Corporation (2008-09, 2009-10 and 2010-11) and Kerala Financial Corporation (2011-12).**

[21] **Kerala Industrial Infrastructure Development Corporation (2010-11), Kerala State Electricity Board (2010-11) and Kerala State Road Transport Corporation (2009-10).**

[22] **Kerala State Warehousing Corporation (2008-09, 2009-10 and 2010-11).**

Kerala State Road Transport Corporation (2009-10)

- Loss for the year, ₹237.95 crore, was understated by ₹1.07 crore due to non-write off of unabsorbed depreciation (₹0.63 crore) on disposed vehicles and non-provision of penal interest (₹0.44 crore) on loans.

1.57 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 41 companies for the year 2010-11 and 42 companies[23] for the year 2011-12 are given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies		Reference to serial number of the companies as *per* Annexure 2	
		2010-11	2011-12	2010-11	2011-12
1.	Non-fixation of minimum/ maximum limits of stores and spares	2	3	A-34,65	A-37,50,73
2.	Absence of internal audit system commensurate with the nature and size of business of the company	29	22	A-2,3,4,13, 15, 19,20,24,26,28 33,36,47,53,54 56,63,65,66,67 69,71,74,82,85 86,88,C- 21,22	A-1,2,9,13,15, 18,19,22,24, 26,29,31,34, 50,58,63,66, 70,73,82,90, 91
3.	Non-maintenance of cost records	5	5	A-24,47,58, 62, C-21	A-18, 24, 46,54,61
4.	Non-maintenance of proper records showing full particulars including quantitative details, identity number, date of acquisition, depreciated value of fixed assets and their locations	23	31	A-3,4,8,13,17, 19,23,36,44, 54,55,62,63, 66,79,86,88, C-6,8, 9,13, 21,22	A-4,5,8,9,16, 17,18,19,22, 23,24,26,29, 30,31,34,42, 46,50,52,54, 55,56,61,62, 63,66,84,85, 86,93
5.	Lack of internal control over sale of power	8	…	A-2,4,13,19, 47,82,85,C-13	…

Recoveries at the instance of audit

1.58 During the course of propriety audit in 2011-12, recoveries to be made amounting to ₹40.85 crore were pointed out to the Managements of various PSUs, of which an amount of ₹5.43 crore was admitted and recovered.

[23] **A-1,2,4,5,8,9,13,15,16,17,18,19,22,23,24,26,29,30,31,34,37,42,46,50,52,54,55,56,58,61,62,63,66,70,73, 82,84,85,86,90,91,93.**

Disinvestment, Privatisation and Restructuring of PSUs

1.59 With a view to restructuring Kerala State Electricity Board, all interests, rights in properties, all rights and liabilities were vested with GoK. These properties and liabilities are administered by GoK through a Special Officer and a managing committee in the name as Kerala State Electricity Board. A new company viz., Kerala State Electricity Board Limited was incorporated on 14 January 2011. The re-vesting of all assets, rights and obligations with the new company is yet (October 2012) to take place.

Reforms in Power Sector

1.60 The State has Kerala State Electricity Regulatory Commission (KSERC) formed (November 2002) under Section 17 (1) of the Electricity Regulatory Commissions Act, 1998[24]**,** with the objective of rationalisation of electricity tariff, advising in matters relating to electricity generation, transmission and distribution in the State and issue of licences.

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

	Milestone	Achievement as at 31March 2012
By the State Government:		
Reduction in Transmission and Distribution losses	Reduction of loss to 17 *per cent* by December 2004	T&D loss has been reduced from 30.84 *per cent* in 2001-02 to 15.65 *per cent* in March 2012.
Electrification of all villages	100 *per cent*	All Villages electrified.
Metering of all distribution feeders	100 *per cent* by October 2001	Metering of all feeders completed.
Metering of all consumers	100 *per cent* by December 2001	Metering of all consumers completed.
Securitising outstanding dues of Central PSUs	Securitisation limit not to cross two months billing	An amount of ₹ 1158.25 crore outstanding as on 30.09.2001 has been securitised by Government of Kerala by issuing bonds to CPSUs.
Establishment of State Electricity Regulatory Commission (SERC)	October 2001	KSERC has started functioning on 29 November 2002.

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

	Milestone	Achievement as at 31March 2012
Implementation of tariff orders issued by SERC during the year		KSERC approved (December 2010) revision of tariff for Railway Traction in February 2012 which was implemented by KSEB from February 2012. KSERC approved revision of tariff applicable to all consumers in July 2012 and the tariff orders were implemented by KSEB with effect from July 2012.
Energy Audit of 11 KV metering	March 2002	Metering of all 11 KV feeders completed.
Energy Audit above 11 KV metering	October 2001	Metering of all feeders above 11 KV completed.
Computerisation of accounting and billing in towns	Computerised billing & customer service centre - Town Schemes (target 66 nos) Billing collection & Accounting in towns (target 619 numbers as on 31 March 2007)	LT Billing Computerisation completed in all 641 sections of KSEB.

CHAPTER II

AUDIT OBSERVATIONS ON KERALA STATE ELECTRICITY BOARD

Chapter II

2. AUDIT OBSERVATIONS ON KERALA STATE ELECTRICITY BOARD

Introduction

Kerala State Electricity Board (KSEB) was constituted on 31 March 1957 under section 5 of the Electricity Supply Act 1948. CAG is the sole auditor of KSEB. The paid up capital of KSEB stood at ₹ 1553 crore as on 31 March 2012. During the year 2011-12, we conducted audit of 48 units in addition to Performance audit on power transmission activities. This Chapter deals with important audit findings emerging from the audit. It comprises:

1. Performance Audit of Power Transmission Activities;
2. Thematic audits on 'Procurement of Pre-stressed Concrete (PSC) Poles' and 'Litigation Management'; and
3. Transaction audit observations.

2.1 Performance Audit on Power Transmission Activities

Executive Summary

Introduction

Transmission of electricity and Grid operations in Kerala are managed and controlled by Kerala State Electricity Board (KSEB). As on 31 March 2007, KSEB had a transmission network of 9652 Circuit Kilo Meters (CKM) and 270 Sub-Stations(SS) which rose to 10459 CKM and 350 SS with an installed capacity of 16326 MVA, by 31 March 2012. The quantity of energy transmitted increased from 15223.93 MUs in 2007-08 to 19086.93 MUs in 2011-12. The performance audit of KSEB for the period from 2007-08 to 2011-12 was conducted to assess the economy, efficiency and effectiveness of its transmission activities.

Transmission constraints

The transmission infrastructure within the state and inter-state transmission lines developed were inadequate in the Northern part of the State resulting in transmission constraints and consequent shortage of power/supply of power with poor quality. There were delays in executing intra-state projects and lapses in pursuing inter-state projects. While the failure to increase transmission capacity in a major SS caused loss of ₹9.87 crore, the failure to develop an inter-state line from Puthur in Karnataka to Mylatty in Kerala is causing loss of ₹4.80 crore per annum.

Capacity Additions

The capacity creation of SS and lines did not meet the targets, as only 80 SS and 806 CKM of Extra High Tension (EHT) lines were constructed during the five year period against the target of 225 SS and 3900 CKM of EHT lines. The shortfall was due to time overrun. The planning activities for capacity creation/ enhancement were deficient on account of non-preparation of long term plan and

deficiencies in the five year and annual plans. KSEB has not been unbundled into separate utilities on a functional basis, as envisaged in the Electricity Act, 2003.

Project Management

KSEB could not complete its projects as per schedule. We noticed instances of time overrun ranging from three to 123 months and cost overrun of ₹24.64 crore during the period from 2007-2012. Many projects were delayed/ interrupted after substantial progress due to disputes over land/ right of way (ROW) which were not ensured before commencing the projects.

Operation and Maintenance

The existing infrastructure for transmission was not managed properly as the maintenance and monitoring wings functioned with insufficient staff and lacked modern equipments. We noticed instances of failure of transformers and other SS equipment/power failure due to non-adherence to recommendations of the testing wings/deficiencies in maintenance. Out of seventeen 220 kV SSs, four did not have double buses resulting in lack of flexibility in operations. Bus Bar Protection Panel (BBPP) was not installed in eight 220 kV SSs. Deficiencies affecting safety were noticed in several SSs.

Grid management

We noticed, on a test check, instances of fall in the lower voltages below the minimum norms fixed at all the SSs. 35 per cent of the capacitors installed were non-working during the last three years, which resulted in loss of annual energy saving of 2.2 million units. The present Supervisory Control and Data Acquisition (SCADA) system for grid management has become outdated.

Financial management

We noticed avoidable payment of excess transmission charges of ₹0.41 crore and payment of transmission charges on idly charged line and SS amounting to ₹6.10 crore.

Transmission losses

Transmission losses were not accurately measured but estimated based on simulation techniques. The annual transmission loss of five percent exceeded the CEA norm (four per cent) which resulted in an excess loss of ₹299.34 crore during the review period.

Monitoring and control

MIS implemented for monitoring the operations of SSs was incomplete. Internal audit in the Transmission wing was inadequate compared to the size and volume of operations.

Conclusions and Recommendations

KSEB had not prepared a long term plan and a State Electricity Plan. The transmission infrastructure developed in the State was insufficient to meet the power needs of northern part of the State. The inter-state connectivity with Karnataka was not adequately developed. Project execution was delayed in most cases as KSEB did not ensure possession of land/ROW for the entire area involved in projects. Maintenance activities were not given adequate priority. BBPP was not installed in eight out of seventeen 220 kV SSs. SCADA system used for grid management was outdated. The monitoring of field activities including internal audit was inadequate. The audit made eight recommendations which included streamlining of planning procedures, initiating urgent steps to improve transmission infrastructure in Northern Kerala and inter-state connectivity with Karnataka, installing BBPP in all 220 kV SSs, strengthening maintenance wings and monitoring activities including internal audit and expediting the process of unbundling KSEB.

Introduction

2.1.1 With a view to supply reliable and quality power to all by 2012, the Government of India (GoI) prepared the National Electricity Policy (NEP) in February 2005 which stated that the Transmission System required adequate investment besides efficient and co-ordinated action to develop a robust and integrated power system for the country. It also, *inter-alia*, recognised the need for development of National and State Grids with the co-ordination of Central/State Transmission Utilities. Transmission of electricity and Grid operations in Kerala State are managed and controlled by Kerala State Electricity Board (KSEB) which is mandated to provide an efficient, adequate and properly co-ordinated grid management and transmission of energy. KSEB started functioning on 31 March 1957.

2.1.2 The Management of KSEB is vested with a team of seven members appointed by the State Government. The day-to-day operations are carried out by the Chairman of KSEB with the assistance of Member (Finance), Member (Transmission & Generation Operations), Member (Generation Projects) and Member (Distribution). During 2007-08, 15223.93 MUs of energy was transmitted by KSEB which increased to 19086.93 MUs in 2011-12, i.e. an increase of 25.37 *per cent* during 2007-2012. As on 31 March 2012, KSEB had a transmission network of 10459 circuit kilometer (CKM) and 350 Sub-Stations (SSs) with an installed capacity of 16326 MVA, capable of annually transmitting 41470 MUs at 220 kV. The turnover of KSEB was ₹7978.05 crore in 2011-12, which was equal to 2.44 *per cent* of the State Gross Domestic Product (₹326693 crore). It employed 31113 employees as on 31 March 2012.

A Performance Audit Report on 'Transmission System Improvements by KSEB' for the period 2002-2007 was included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Kerala for the year ended 31 March 2007. The Report is yet to be discussed by COPU (August 2012).

Scope of Audit

2.1.3 The present performance audit conducted from March 2012 to July 2012 covers performance of KSEB during 2007-08 to 2011-12. Audit examination involved scrutiny of records of different wings of KSEB at the Head Office, State Load Dispatch Centre (SLDC), two Transmission Regions headed by Chief Engineers and five out of twelve Circles headed by Deputy Chief Engineers.

KSEB constructed 80 SSs (capacity: 1561.9 MVA) and 94 lines (capacity: 806 CKM) and augmented existing transformation capacity by 1187.3 MVA during the review period. Fourteen SSs[1] (capacity 4640 MVA) were examined in audit. The selection was made ensuring geographical parity and other factors such as performance and execution of major works. The only 400 kV SS in the State,

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[1] **400 KV Madakkathara, 220 KV at Pothencode, Brahmapuram, Kalamassery, Kaniyampetta, Kanjirode, Mylatty, Nallalam,Vadakara, 110 KV at Edapally, Pathanamthitta, Paruthipara and 66 KV at Trivandrum Power House and Sulthan Bathery.**

eight out of seventeen 220 kV SSs, three out of one hundred thirty three 110 kV SSs and two out of seventy nine 66 kV SSs located in the selected Circles have been selected. The total transmission capacity (4640 MVA) of all the SSs selected constituted 28.42 *per cent* of the total capacity.

Audit Objectives

2.1.4 The objectives of the performance audit were to assess whether:

- Planning was in accordance with the guidelines of the National Electricity Policy/ Plan and State Electricity Regulatory Commission (SERC) and assessment of impact of failure to plan, if any;
- The transmission system was developed and commissioned in an economical, efficient and effective manner;
- Operation and maintenance of transmission system was carried out in an economical, efficient and effective manner;
- Disaster Management System was set up to safeguard operations against unforeseen disruptions;
- Effective failure analysis system was set up;
- Financial Management system was effective and efficient;
- Efficient and effective system of Procurement of material and inventory control mechanism existed;
- There was a monitoring system in place to review existing/ ongoing projects, take corrective measures to overcome deficiencies identified and respond adequately to Audit/ Internal audit observations.

Audit Criteria

2.1.5 The sources of audit criteria were the following:

- Provisions of National Electricity Policy/Plan;
- Plan Documents of KSEB;
- Standard procedures for award of contracts with reference to principles of economy, efficiency, effectiveness, equity and ethics;
- ARR filed with SERC for tariff fixation, Circulars, Manuals and MIS reports;
- Manual of Transmission Planning Criteria (MTPC);
- Code of Technical Interface/Grid Code consisting of planning, operation, connection codes;
- Directions from State Government/Ministry of Power (MoP);
- Norms/Guidelines issued/observed by SERC, Central Electricity Authority (CEA);
- "Best Practices in Transmission" identified by MoP/observed by Power Grid Corporation of India Limited (PGCIL);

- Report of the Task force constituted by MoP to analyse critical elements in transmission project implementation; and
- Reports of Southern Regional Power Committee (SRPC)/ Regional Load Dispatch Centre (RLDC).

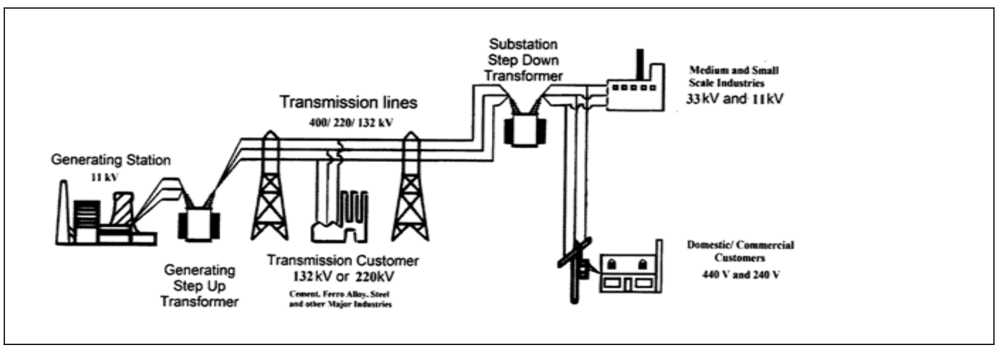
Audit Methodology

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

Brief description of transmission process

2.1.7 Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 220/110/66 kV in the State. Some transmission takes place at 33 kV also. Electric power generated at relatively low voltages in power plants is stepped up to high voltage power before it is transmitted to reduce the loss in transmission and to increase efficiency in the Grid. Sub-stations are facilities within the high voltage electric system used for stepping up or stepping down voltages from one level to another, connecting electric systems and switching equipment in and out of the system.

Every transmission system requires a sophisticated system of control called Grid management to ensure balancing of power generation closely with demand. A pictorial representation of the transmission process is given below:



Audit Findings

2.1.8 We explained the audit objectives to the Management of KSEB during an Entry Conference (May 2012). Subsequently, audit findings were reported to KSEB and the State Government (August 2012) and discussed in an Exit Conference (September 2012). The Exit Conference was attended by representatives of KSEB/ State Government. KSEB and the Government replied (October 2012) to audit findings. The replies have been considered while finalising this Performance Audit Report. The audit findings are discussed in subsequent paragraphs.

Planning and Development

National Electricity Policy/Plan and planning by KSEB

2.1.9 The Central Transmission Utility (CTU) and State Transmission Utilities (STUs) have the key responsibility of network planning and development based on the National Electricity Plan in co-ordination with all concerned agencies. As the STU, KSEB was responsible for planning and development of the transmission system in the State.

KSEB's planning process consisted of five year and annual plans prepared by its Corporate Planning wing. From the year 2008-09, KSEB has been following a decentralised process for planning. The process involved identification of targets from proposals forwarded by various Circle Offices, which were discussed and finalised by an expert team. The views of the stakeholders were also incorporated after consultations with consumer groups and government departments. However, the planning process had the following deficiencies:

- Consequent to introduction of the decentralised process from 2008-09, the five year and annual plans did not complement each other as the works in the two types of plans were widely different. Moreover, the quantum of expenditure in the Annual plans (2008-09 to 2011-12) exceeded that in the five year plan by 277 *per cent*. Among the two plans, the projects in the annual plans were implemented. Thus, the five year plan lost relevance.
- As against the requirement of ₹2743.08 crore for five years, the budget allocation was only ₹1062.65 crore (shortage of 61 *per cent*).
- KSEB had not prepared a State Electricity Plan forecasting demand and planning generation, power purchase, transmission and distribution.
- A long term or perspective plan covering periods in excess of five years was not prepared though the SERC had issued directions (January 2006) for preparation of a perspective plan based on load and energy forecasts for the next ten years.
- During the review period, KSEB did not construct 135 out of 225 SSs originally planned. However, 70 out of these 135 numbers, representing 30 *per cent* of the works originally planned were not included in the ongoing works as on 31 March 2012 or in the works proposed in the Annual Plans 2011-12/2012-13.
- A test check revealed instances of inclusion of works in the Annual plans before obtaining administrative sanction/conducting load flow studies.

The above deficiencies resulted in planning of activities in an adhoc manner. Absence of proper planning affected capacity creation, both intra-state and inter-state resulting in time/cost overrun as discussed in ***Paragraph 2.1.14.***

Government stated that the long term plan prepared (February 2010) upto the year 2022, after conducting Load Flow studies on the proposals up to 2017 was being revised in view of the changes in demand pattern and anticipated Generation additions.

Transmission network and its growth

2.1.10 A transmission network means Substations and Transmission lines. KSEB's transmission network at the beginning of 2007-08 consisted of 270 Extra High Tension (EHT) SS with a transmission capacity of 13576 MVA and 9652 CKM of EHT transmission lines. Details of capacity addition during the review period were as follows:

Particulars	SS New	SS upgraded	CKM	MVA
Target	184	41	3900	6988
Achievement	80	10	806	2749
Shortfall	104	31	3094	4239
Percentage of shortfall	57	76	79	61

The transmission network as on 31 March 2012 consisted of 350 EHT SS with a transmission capacity of 16326 MVA and 10459 CKM of EHT transmission lines. The actual capacity creation did not meet the targets**.** The particulars of capacity additions planned, actual additions, shortfall in capacity etc., during the review period are given in ***Annexure 7.*** The shortfall in capacity addition and slippages in achieving the target by KSEB was mainly due to time overrun. The deficiency in capacity addition created a shortage of transmission infrastructure and transmission constraints, which was more severe in Northern districts of Kerala.

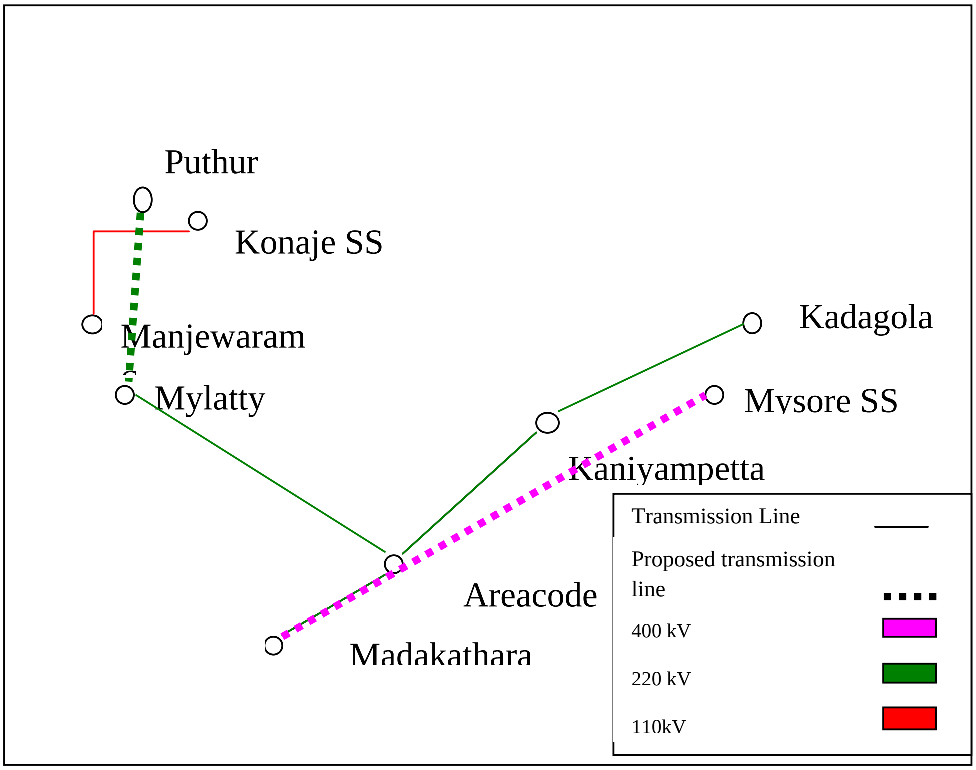
Transmission constraints in Northern Kerala

2.1.11 KSEB's internal notes and correspondence with SRPC revealed that the northern districts of Kasargod and Kannur faced a shortage of transmission infrastructure. This caused shortage of power, low voltages at various SS and frequent interruptions with lengthy restoration time in these districts. Compared to the rest of Kerala, this region had limited generation capacity[2]. Therefore, the main power supply to this region was through two inter-state lines (one major[3] and one minor[4]) and intra-state lines from 400 kV SS Madakkathara. The transmission network in Northern part of Kerala is shown below:

[2] Monsoon dependent 228.75MW -Kuttiyadi Hydro Station & two high cost thermal projects (128 MW Kozhikode Diesel Power Project and 22 MW Kasargode Power Corporation Limited).

[3] 220kV Kadakola- Kaniyampetta (drawal of 120 MW).

[4] 110kV SS Konaje-Manjeswaram (drawal of 15MW).



Concentration of transmission infrastructure in the southern part resulted in transmission constraints in northern Kerala

2.1.12 The major problems in these districts were lengthy feeding circuits, weak transmission network, poor inter-state connectivity, deficient intra-state transmission lines, shortage of transformation capacity for import of central sector power etc. The poor development of transmission network especially the poor inter-state connectivity reflected lopsided planning. The constraints could have been removed by creation of additional transmission capacity through inter-state and intra-state transmission lines either through its own projects or through projects[5] of PGCIL. The action initiated, however, was belated resulting in worsening the situation as detailed below:

Constraints	Required remedial action	KSEB's lapse	Impact
Inadequate transformation capacity at 400 kV SS Madakkathara for import of Central sector power	Installation of 3rd transformer bank of 315 MVA utilising spare available with PGCIL	Approved project of July 2007 was deferred (May 2008) considering the possibility of completion of an alternate project[6]. Deferred project resumed in August 2010.	Loss of savings for three years was ₹9.87crore at the annual estimated savings of ₹3.29 crore projected by KSEB

[5] **Projects involving system improvement of the grid as a whole/Central generating stations and inter-state projects.**
[6] **400 kV SS at Palakkad.**

280 km long inter-state line from Kadagolai (Karnataka) to Kaniyampetta covering an additional 86 km feeding stations upto Mylatty (Kerala) caused additional transmission losses	Drawing of an alternative 40 km interstate line to Mylatty through non-forest plain terrain from Puthur (Karnataka) where sufficient power[7] was available.	Proposal was made only in August 2011 though Puthur station was commissioned in 2008.	Loss of savings by way of reduction in transmission losses @ ₹4.80 crore[8] p.a. (as estimated by KSEB).
Curtailment (March 2011) of drawal of power through Kadagolai-Kaniyampetta line by 60 MW by KPTCL due to sagging of line in Karnataka region	Insertion of towers in between in Karnataka region.	KSEB belatedly agreed (July 2012) to the solution of bearing the cost of the work which was beneficial to Kerala predominantly.	Work yet to start. The annual power loss was 131.4 MUs[9].
Drawal limitation in 110 kV Konaje-Manjeswaram-Vidyanagar SC feeder by 45 MW due to non-availability of double circuit.	Conversion of the single circuit into double circuit		Caused a potential annual power loss of 98.55 MUs[10].
Absence of a 400 kV inter-state line from Udupi to Areacode with a 400 kV SS enroute for drawing power from a major project at Udupi.	Drawal of the line with a 400 kV SS enroute at Mylatty	KSEB belatedly proposed (October 2011) the work, after the commissioning of the project at Udupi.	The proposal is yet to be approved by SRPC/Karnataka. Resulted in power shortages and reduced flexibility in operations affecting quality of power supply.
Absence of 400 kV lines/SS in North Kerala	Construction of 400 kV SS Areacode and Mysore-Areacode 400 kV line (MAL) by PGCIL.	KSEB's role is limited. Projects held up due to severe ROW problems in Karnataka.	MAL has been delayed by five years. Resulted in power shortages.
Non-completion of evacuation lines for the Koodamkulam Nuclear project from Edamon to Pallikkara and from Madakkathara to Areacode.	Construction of the lines by PGCIL.	KSEB's role is limited. For the latter line, KSEB needs to solve a pending dispute[11] with PGCIL urgently.	Both lines are delayed. Resulted in power shortages and reduced flexibility in operation affecting the quality of power supply.

[7] Udupi STPS commissioned (August 2011) with 600 MW, with additional capacity of 600 MW under creation.
[8] Computed for peak hour period of six hours.
[9] 60x1000x6hrsx365days/10 lakh.
[10] 45x1000x6hrsx365 days/10 lakh.
[11] PGCIL has demanded surrender of one of KSEB's three existing ROW at 220 KV for the route. KSEB has demanded retention of its ROW through creation of a multi-circuit route by PGCIL.

In reply to these observations, Government stated that:

- A number of intra-state and inter-state proposals are completed/in progress.
- The S1-S2 constraint[12] was worsened by non-completion of the MAL due to ROW problems and surrender of an intra-state line[13] in January 2010.
- The work of 3rd transformer bank at Madakkathara was kept pending in view of sanction for a 400 kV SS (PGCIL) at Palakkad and the same was again taken up in 2010 due to increase in the demand for power.
- The Puthur-Mylatty line work was not proposed earlier anticipating completion of MAL. It was also stated that the availability of power at Puthur was known only after the commissioning of a Power Project at Udupi (August 2011).
- The under utilisation of Kadagola-Kaniyampetta line was taken seriously and several higher level meetings and a joint inspection of the line were conducted.
- Regarding the delay in construction of DC for Konaje-Manjeswaram line, KSEB could not bear the cost of construction in Karnataka, due to issues related to ownership and tariff.
- The proposal for Udupi-Areacode line was not made earlier anticipating completion of the MAL.

The replies were not acceptable as the deferment (May 2008) of the third bank at Madakkathara was a mistake as it was subsequently determined (April 2010) necessary despite the 400 kV Palakkad SS. Similarly, the line from Puthur was found necessary even with the commissioning of MAL. Further, the anticipated commissioning and scheduling of power from a grid connected power project is known/scheduled much before the actual commissioning. KSEB's stand that under utilisation of Kadagola-Kaniyampetta line was taken seriously was negated by the long delay in proposing the solution. Regarding the Konaje-Manjeswaram line, the issues related to ownership and tariff could be resolved bilaterally through consultations between the states. The reply was also contradictory to the stand taken by KSEB in SRPC meeting, where it had admitted willingness to bear the cost. Not proposing the line from Udupi considering probable commissioning of MAL was wrong as the line was later found necessary even with MAL.

Project Management of transmission system

2.1.13 A transmission project involves various activities from concept to commissioning. Major activities in a transmission project are (i) Project formulation, appraisal and approval phase and (ii) Project execution phase. For reduction in project implementation period, the MoP, Government of India constituted a Task Force on transmission projects (February 2005) with a view to suggest a model transmission project schedule of 24 months' duration. The

[12] **Inter-state constraints between Karnataka and Kerala.**
[13] **Idukki-Madakkathara (ID-MD) line** .

task force suggested and recommended (July 2005) the following remedial actions to accelerate the completion of Transmission systems:

- Undertake various preparatory activities including surveys, design & testing, processing for forest and other statutory clearances, tendering activities etc. in advance/parallel to project appraisal and approval phase and go ahead with construction activities once Transmission Line Project sanction/approval is received;
- Break-down the transmission projects into clearly defined packages so that the packages can be procured and implemented with least co-ordination & interfacing and at same time attracting competition, facilitating cost effective procurement; and
- Standardise designs of tower fabrication so that 6 to12 months can be saved in project execution.

Audit noticed instances where KSEB did not follow the recommendations of the task force. Various preparatory activities such as surveys, design and testing, land acquisition, right of way acquisition etc., were not undertaken in advance/parallel to project appraisal and approval phase as recommended by the Task Force Committee. Further, though transmission projects were broken down into packages, KSEB did not allot the packages to different contractors.

Poor planning and project formulation led to delay in completion of projects

2.1.14 Despite the elaborate guidelines given by the Task Force Committee, KSEB did not execute several SSs and Lines within time during 2007-2012 as detailed below:

Capacity in kV	Total No. of SSs & Lines constructed	No. of SSs & Lines test checked by Audit	Delay in construction (Numbers)	Time overrun (range in months)	Cost overrun (₹ in crore)
400	Nil	NA	NA	NA	NA
220/110	56	15	15	3-63	7.90
66/33	128	54	32	6-123	16.74
Total	**184**	**69**	**47**	**3-123**	**24.64**

2.1.15 The main reasons attributed for these delays were delay in acquisition of land and handing over of the site, right of way problems and delay by the contractors in executing the works as discussed below:

Failure to complete evacuation works for a major project due to transfer of own land to a private firm

2.1.16 For evacuation of the State's allotted share of power from the Koodamkulam Nuclear power station, the construction of a multi-circuit 6.5 km 220 kV evacuation line from Pallikkara to Brahmapuram by KSEB was required to be completed simultaneously with the 400 kV SS being constructed by PGCIL at Pallikkara. We observed the following lapses on the part of KSEB in the planning and execution of the work.

- After the commencement of construction of PGCIL SS (March 2006) the State Government initiated consultations with KSEB for transfer of 100 acres of KSEB land lying adjacent to the SS to a private entrepreneur (Smart city) to set up an IT park. KSEB gave its concurrence (June 2007) for the transfer. Accordingly, the State Government issued orders (November 2008) for transfer of 100 acres of KSEB land to Smart City. KSEB (08 January 2009) accepted the Government Order. The concurrence for the transfer of land and acceptance of Government Order was made before conducting the survey (February/September 2009) and determining the line route.

- KSEB consulted PGCIL only in January 2009 and determined the line route after conducting survey (February-September 2009) only when the construction of the 400kV SS by PGCIL was in advanced stage (December 2008).
- After a lapse of one year from the transfer of land, KSEB awarded (January 2010) the line construction work with a scheduled date of completion by 31 July 2010. Though the work was split into two parts for speedy execution, both the parts were awarded to the same contractor as two separate contracts defeating the purpose of bifurcating the work.
- The estimate for the work was originally prepared without proper assessment of the site conditions. This necessitated revision of the scope/estimate of the work after commencement which in turn delayed the execution of the work.
- On actual execution of the line work, it was found that the line passed through 1.8 acres of the surrendered land of 100 acres. Smart city objected the drawal of line through their land and the municipal authorities stopped the work on several occasions since December 2010. The work came to a standstill by August 2011.

Thus, failure of KSEB to put the permission to construct the line as a pre-condition for transfer of its land, delayed the work by 28 months based on KSEB's projected date of completion of work (November 2012). Government stated that the dispute with Smart City was settled by the end of July 2012. There is only one case now pending before the District Magistrate regarding stringing work between two other locations. Failure to complete the line work by the time of commissioning (January 2012) of the SS by PGCIL, resulted in payment of ₹6.10 crore towards transmission charges for the idle station to PGCIL during January to November 2012, worked out at the agreed rate of ₹55.42 lakh per month.

Idling of SS and line due to non-receipt of ROW

2.1.17 In several works, KSEB commenced construction of the SS/line without obtaining ROW for the entire line route resulting in idle investment on the completed SS/part of the line due to non–completion of the line/remaining part of line as detailed below:

Name of Work	Work pending completion	Idle investment on completed work (₹ in crore)	Period of idling	Loss of Interest @ 8 *per cent*[14] (₹ in crore)
Pathanamthitta-Koodal-Pathanapuram 110 kV line	Five *per cent* of Koodal-Pathanapuram line and entire Pathanamthitta-Koodal line	Koodal SS - 1.28	October 2010 – August 2012 (22months)	0.19
Mallapally-Kumbanad 33 kV line	Four km of the 10 km line	Kumbanad SS - 2.55	July 2011 – August 2012 (13 months)	0.22
Azhikode-Kannur 33 kV line	3.75 km out of 6.65km	Kannur Town SS - 4.03	January 2007 to July 2010 (36 months)	0.97
Kundara – Paripally 110 kV line	One tower at location 3	Expenditure incurred on balance work - 6.13	April 2010 – August 2012 (29 months)	1.19
Kakkayam-Vadakara 110 kV line	Pattanippara-Vadakara	Amount incurred on Kakkayam-Pattanippara portion - 2.33	April 2012- August 2012 (4 months)	0.06
220 kV SS Kattakada, Pothencode-Kattakada 220 kV line and related works at Pothencode.	60 *per cent* of Pothencode-Kattakada line	Amount incurred on SS works - 6.06 [15]	April 2010 – August 2012	0.60
	Total			**3.23**

Government, in reply to the above observations, stated that;

- Raising of objection by the property owners was beyond its control.
- In the case of the Kannur SS, it was presumed that permission for tree cutting already obtained was sufficient for laying the line as it did not cross railway track/yard. However, the line work was not permitted by Railways necessitating a deviation and consequent delays.
- For the Vadakara- Pattanippara work, the Court ordered deviation of the line route for which survey work was in progress.

The replies are not acceptable as KSEB went ahead with part of the work in all the cases without obtaining ROW for the complete route. In the case of Kannur SS, KSEB committed the lapse of not obtaining clearance of Railways before proceeding with the work. Further, in the case of upgradation works, delay in acquisition of ROW for lines could have been avoided by acquiring adequate

[14] Lowest borrowing rate of KSEB.
[15] ₹ 0.83crore during 2009-10, ₹3.31 crore during 2010-11, ₹1.92 crore during 2011-12.

ROW for higher capacity lines/adopting multi-voltage level or multi-circuit transmission lines during initial implementation as specified in MTPC 1994/Best practices in Transmission. As constant enhancement of capacity was a necessity in transmission, the failure to anticipate the same lacked justification.

Other lapses in project management

2.1.18 On scrutiny of other projects the following lapses were noticed in the execution:

Project	KSEB's lapse	Impact
Kattakada 220 kV SS	Alternately pursued two differing options[16] for land acquisition.	Delay of eight years from project sanction. Cost escalation ₹86.34 crore and loss of savings as per project report ₹22.72 crore.
Ranni-Perunad and Kumbanad 33 kV SSs along with the related line works contract.	Failed to encash/revalidate Bank guarantee (BG) for ₹57.12 lakh held as performance guarantee though contract was terminated at risk and cost. BG expired on 31 January 2008.	Loss of opportunity to realise a part of its losses on an unfinished project.
Peyad 33 kV SS	Failed to identify land available with the local Panchayat till the same was offered (January 2010). Delayed procurement of UG cable due to delay in finalisation of purchase proceedings.	Delay in land acquisition of nine years from project sanction caused loss of savings as per project report of ₹0.67 crore. Delay in procuring cable by one year caused loss of savings of ₹8.97 lakh[17].
DC line from Vidyanagar SS to Mulleria	Delay in charging one out of the two completed circuits for ten years from 2001 to October 2011 due to non-installation of C&R panels and non-clearance of tree touchings.	Idling of ₹1.95 crore invested for drawing one circuit for a period of 10 years. Loss of interest of ₹1.56 crore (@ 8 *per cent*).
Re-conductoring of the 33 km Punnapra-Mavelikkara 66 kV DC line	KSEB accepted that it had failed to notice collusion of field office with contractor enabling retention of 17.935 MT of copper by contractor. Absence of monitoring of material return by higher offices.	Non-realisation of ₹71.11 lakh (value of copper illegally retained by the contractor ₹85.19 lakh less dues payable).
Enhancing feeder capacity[18] to 110 kV Paruthipara SS by laying DC Under Ground (UG) cable from the 220 kV Pothencode SS.	Failed to determine existence of a better alternative[19] till capacity enhancement works were made at Paruthipara and Pothencode.	Abandonment of UG cable work (January 2012). ₹29.14 lakh incurred for erection of bays at Pothencode and ₹8.30 crore incurred for capacity enhancement at Paruthipara for power flow from UG cable was rendered waste.

[16] acquisition by invoking urgency clause/negotiation.
[17] 253400 units x ₹ 3.54(2010-11 average realisation).
[18] The capacity of the existing feeders (110 kV DC lines from Pothencode to Paruthipara and Edamon-Paruthipara to Paruthipara) was insufficient to meet the future load.
[19] Construction of a switching station at Pandalakkode where the existing feeders crossed each other would have transmitted more power to Paruthipara through existing feeders.

Government's replies to the above observations were as follows:

- The defaulting contractor for Ranni-Perinad and Kumbanad SS works had given (March 2007) an undertaking that BGs would be kept alive till the accounts relating to the contracts were settled. The matter has now been taken up to adjust the amount of the BG from other amounts due to the contractor.
- For the SS work at Peyad, the UG cable has been purchased and the laying work would be completed soon.
- The delay for the Vidyanagar-Mulleria line was due to diversion of material for more important works.
- The misappropriation of copper during the reconductoring of Punnappra-Mavelikara line occurred with the collusion of employees. There was delay in forwarding of bills for the work by the subordinate offices. Legal options were being pursued to realise the dues from the contractor.
- Regarding the work of enhancing feeder capacity to Paruthipara SS, the surplus bays at Pothencode could be used for future power allocation works. The enhancement of capacity at Paruthipara SS was to meet the increased load demand.

The replies are not acceptable. In respect of Ranni-Perinad/Kumbanad SS works, KSEB did not encash the available security deposit merely on the basis of an undertaking from a defaulting contractor. In case of cable laying at Peyad and commissioning of second circuit of Vidyanagar-Mulleria line, KSEB failed to synchronise the purchases with the other works resulting in delays and blocking up of investment. In the Punnapra-Mavelikara line reconductoring work, the supervising officers of KSEB failed to investigate the matter despite delay in forwarding of contractors' bills. It was also admitted that the field offices did not ensure prompt transfer of materials returned from site to store. KSEB's admittances bring out the inadequacy of monitoring and internal control. In respect of the work of enhancing feeder capacity to Paruthipara SS, KSEB admitted the idling of bays at Pothencode. The contention that additional capacity was already necessary at Paruthipara was contradictory to the report in the proposal for the capacity enhancement work, that it was required to transform the additional power received at Paruthipara through the UG cable.

Mismatch between Generation Capacity and Transmission facilities

2.1.19 National Electricity Policy envisaged augmenting transmission capacity taking into account the planning of new generation capacities, to avoid mismatch between generation capacity and transmission facilities. The execution of two[20] generation projects and the related transmission facilities were not proceeding in a synchronised manner. While civil works of the generation projects had been completed to the extent of 45 to 66 *per cent*, the transmission line works were only in the initial stages of planning/survey without a scheduled date of completion, resulting in scope for mismatch.

[20] **Vilangad, Barapole.**

In addition, construction of a 15 MW hydro project[21] by an IPP was allowed to be commenced without ensuring ROW for the transmission works. As a result, while the generation project works were in an advanced stage with scheduled completion by December 2012, the transmission works were yet to be commenced (August 2012) resulting in scope for mismatch. The potential loss of annual generation amounted to 78.84 MU[22].

Government stated that the Vilangad SHEP was scheduled to be commissioned in June 2013. The civil works of the projects were started earlier as it would take more time to complete. The transmission line works were in the tendering stage and would be completed along with the generation projects. The reply is not convincing, as the transmission works are generally more time consuming in KSEB due to delays related to ROW.

Performance of transmission system

2.1.20 The performance of a transmission utility mainly depends on efficient maintenance of its EHT transmission network for supply of quality power with minimum interruption. The performance of KSEB with regard to O&M of the system is discussed in succeeding paragraphs.

Transmission capacity

2.1.21 In order to evacuate power from the Generating Stations (GS) and to meet the load growth in different areas, lines and SSs are constructed at different EHT voltages. The voltage levels can be stepped up or down to obtain an increase or decrease of AC voltage with minimum loss in the process. The evacuation is normally done at 220 kV SSs. The transmission capacity[23] created vis-a-vis the transmitted capacity (peak demand met) at the end of each year by KSEB during the five years ending March 2012 were as follows:

Transmission capacity (in MVA)				
Year (1)	**Installed capacity (IC) (2)**	**IC less 30 *per cent* towards margin (3)**	**Peak demand (4)**	**Excess/ shortage (3-4)**
2007-08	4890	3423	3050	373
2008-09	4890	3423	3072	351
2009-10	5690	3983	3331	652
2010-11	5690	3983	3446	537
2011-12	5690	3983	3720	263

The table above indicates that the overall transmission capacity was marginally in excess of the requirement for every year. However, in reality the capacity was inadequate for the State as a whole, as there were transmission constraints in some parts of the State, as discussed in ***Paragraphs 2.1.11 and 2.1.12***.

[21] **Karikkayam SHEP being developed by Ayyappa Hydro Power Limited.**
[22] **15MW x 60 *per cent* (load factor) x 24 hrs x 365 days.**
[23] **Initial capacity of transformers stepping down power from 400 to 220 KVA and 220 to 110 KVA only considered as the rest were sub-transmission which involved further stepping down process.**

Adherence to standards in Sub-stations

2.1.22 We observed the following deviations/non adherences in the SSs from the standards prescribed/ best practices followed in transmission utilities.

Standards/Best Practices in Transmission	**Lapses in adherence by KSEB and impact thereof**
Permissible maximum capacity of 220 kV SS shall be 320 MVA {Manual of Planning Criteria (MTPC)}.	Maximum capacity exceeded 320 MVA in five[24] out of 17 SSs. Negative impact on operation/control.
In the event of outage of any single transformer, the remaining transformer(s) should supply 80 *per cent* of the load (Transmission Planning and Security Standards).	Not adhered to in eight[25] out of 14 SSs test checked. Reduced reliability of the station. The quality of power supply would be affected in the event of even a partial failure.
Alternate source of feeding to be available for SSs to maintain supply/avoid failure of the stations in case of failure of one source.	In thirty[26] SSs there were no alternative sources. Reliability affected due to interruptions in the event of contingencies.
Voltages at SSs to range between 380-420 kV, 198-245 kV, 119-145 kV and 99-121 kV in 400 kV, 220 kV, 132 kV and 110 kV SSs respectively	Lowest voltages recorded were below the minimum in all 14 SSs test checked (October 2011- March 2012) out of 230[27] SSs. This resulted in corresponding lower voltages for the transformer output/poor quality of supply.
Capacitors to be operated to manage fall in voltage. KSEB had installed capacitor banks in 38 SSs with a capacity of 996 MVAR.	35 *per cent* (345 MVAR) of the capacitors installed were non-working during the last three years. Working capacitor banks were operated only when directed by SLDC. Resulted in annual loss of ₹4.4 crore[28].
Power shortages to be managed by load shedding/power cut to reduce consumption of electricity. Tap[29] position of transformers to be raised and capacitors to be operated to increase voltages when there is fall in voltage.	SLDC issued directions not to raise tap position during peak hours despite fall in voltage (Taliparamba, Mundayad SSs,). Two SSs (Vadakara & Mylatty) did not raise tap position despite fall in voltage. Non-operation of capacitors was also noticed. Violated provisions of supply code as voltages fell below the prescribed minimum.
Utilities not maintaining specified voltages at import/export points have to pay VArh compensation for the increase in reactive energy (CERC regulations).	During the period from 2008-09 to April 2012, KSEB paid ₹1.21 crore to KPTCL as VArh compensation. About one-third of the capacitors installed were either not working/ not operated.

[24] **Kalamassery, Pallom, Edappon, Kundara, Pothencode.**
[25] **Paruthipara, Pathanamthitta, GIS PH, Kaniyampetta, Kanhirode, Mylatty, Vadakara, Madakathara.**
[26] **Sultan Bathery, Kuthumunda, Sreekantapuram, Edakara, Nilambur, perumthalmanna, Nenmara, Chittoor, Walayar quarry, Kodungalloor, Mala, Njarakkal, Kochi GIS, Karunagapally, Triveni, Koodal, Ayoor and Vizhinjam (all 66 kv), Punnayurkulam, Irinjalakuda, Melathur, Iritty, Mulleria, Cherupuzha, Mannarcaud, Vadakkancherry, Kollemcode, Kozhinjampara, Mallapally, Ranni (all 110 kV).**
[27] **Of 400 kV, 220 kV, 110 kV, 66 kV voltages.**
[28] **As per the technical study conducted (August 2011) by KSEB, operation of these capacitors would reduce the transmission loss by 15 MW, saving 2.2 MU worth ₹ 4.4 crore p.a.**
[29] **A connection point along a transformer winding that allows a certain number of turns with equivalent voltage variation.**

As per Grid norms and Best Practices in Transmission System, BBPP[30] is to be kept in service for all 220 kV SSs to maintain system stability during Grid disturbances and to provide faster clearance of faults on 220 kV buses.	BBPP was not provided in three[31] out of four 220 kV SSs which did not have double bus. BBPP was also not provided in five[32] out of the remaining thirteen SSs where there was double bus. Absence of BBPP causes avoidable tripping of the bus affecting reliability and efficiency/life of related equipment.
BBPP to be installed considering future requirements and maintained properly.	The BBPP provided at Kundara was not in working condition. KSEB failed to install spare module for additional feeders while installing (2006) BBPP at Pothencode. The BBPP did not support the extended bus on commissioning (November 2011) of the new 200 MVA transformer bank. Required modifications costing ₹20.99 lakh were pending.
Fire Protection walls should be installed between transformers forming part of a bank erected in a line/erected adjacent to each other (MTPC).	In three 220 kV and one 110 kV SS[33]out of the 14 SSs test checked, fire protection walls were not installed between transformers erected in a line. As a result the chances of spreading of fire cannot be ruled out.
The earthing should be adequate and commensurate with the fault level of the SS.	In five SSs[34] the old earth plate system required replacement with earth mats as it was inadequate/ineffective for the present fault level of the stations. These stations remained vulnerable to earth leaks/accidents/disruption of supply affecting safety of people and equipments. Deficiencies in earthing caused failure of five 12.5 MVA transformers in Nallalam SS during the period from 2002 to August 2012.
The area, design and layout of a SS should be planned in such a way to include all necessary equipment and lines.	Installation of a Power Transformer (PT) at Pathanamthitta SS and Lightning Arrestors (LA) on the primary side of two transformers at Mankavu SS are not possible due to space constraints exposing the stations to the risk of collision of power[35] and lightning strikes respectively.
The rupturing capacity of circuit breakers should not exceed 80 *per cent* of the fault level (MTPC).	The rupturing capacity of three ABCB[36] and four MOCB[37] at the Kalamassery and Paruthipara SSs respectively were below the fault level of the stations. This can cause the CBs to fail at fault levels lower than the maximum possible fault levels, leading to a dangerous situation where circuits may not break when needed.

[30] Bus bar is an application for interconnection of the incoming and outgoing lines and transformers at the SS. Bus Bar Protection Panel (BBPP) limits the impact of the bus bar faults and prevents unnecessary tripping by selectively tripping only those breakers necessary to clear the bus bar fault.
[31] Nallalam, Poovanthuruth, Kaniambetta.
[32] Kalamassery, Thaliparamba, Vadakara, Malaparamba, Shornur.
[33] Transformer banks at Nallalam, Kalamassery and Pothencode and at Edapally where transformers have been installed adjacent to each other.
[34] West Hill, Nallalam, Kalamassery, Pathanamthitta and Sultan Bathery.
[35] Necessary to ensure that the line is not live as there is scope for islanding of the connected Perinad SS evacuating power from Ranni-Perinad project in charged condition after power interruptions.
[36] Air based circuit breaker.
[37] Manually operated circuit breaker.

In reply to the above observations, Government stated that:

- Proposals were under consideration/approval for providing alternative source of feeding to ten[38] SSs.
- All efforts were being taken to make available the capacitor banks at local load centres.
- The absence of generation support and inter-state lines contributed to the uncontrolled reactive loading in North Kerala. Increasing the generation in North by fully operating the costly thermal stations was not feasible.
- Regarding BBPP, proposals have been initiated for installation of BBPP at Malaparamba, Kalamassery and Nallalam.
- Fire protection walls between 110/11kV transformers were not provided at any of the outdoor substations. Electrical Inspectorate had not stipulated such a practice.
- Proposals for providing earth mat system was pending sanction for Kalamassery SS and was in tendering stage for Pathanamthitta SS. Present earthing system in Sultan Bathery SS would be replaced on upgradation of the station which was under consideration.
- In Pathanamthitta, instructions were given to the operators regarding precautions in the absence of PT.

The replies are not justified. The proposals for providing alternate feeding arrangements and BBPP and better earthing facilities remain unimplemented. As against the statement that all efforts were taken to make available the capacitors, the fact remains that about one-third of the capacitors are not working. Regarding reactive compensation, the absence of inter-state lines in North Kerala indicated poor planning. The reasons attributed for non-provision of fire walls is not acceptable as this practice is stipulated in the Best Practices in transmission advocated by the MoP.

Maintenance

Performance of Transformers

2.1.23 As Power and Current transformers are the most important and cost-intensive components of electrical energy supply networks, it is necessary to prolong their life duration while reducing their maintenance expenditure.

Transformer Failures

2.1.24 Transformer failures in 127 out of 350 SSs were analysed during audit based on the data furnished by KSEB. The status of failure of transformers in these SSs during the years 2007-08 to 2011-12 are given in ***Annexure 8***. As per the above data, the number of transformer failures and failures within guarantee period for 350 SSs during the year 2011-12 were 17 and three respectively.

[38] Melathur, Nilambur, Perinthalmanna, Mannarcaud, Vadakkancherry, Kollengode, Kozhimjampara, Panniyurkulam, Irinjalakkuda and Kodungallur.

Performance of maintenance wings

2.1.25 Maintenance functions on the transmission network including SS was carried out either through the maintenance wings attached to SSs or through external agencies. Usually only routine maintenance was done by the permanent maintenance staff. There are three maintenance wings in KSEB. Testing of equipments for determining/recommending maintenance requirements was conducted by a separate wing called Power Equipment Testing (PET) wing. Testing and maintenance of relays[39] was carried out by the Relay Testing wing. Maintenance and repairs of transmission lines including periodic ROW clearance works was carried out by the Line Maintenance Subdivisions (LMSD). The summary of the operation of the maintenance wings and the deficiencies therein were as follows:

Maintenance wings functioned without adequate staff and equipment

PET Wing	Relay Wing	Line Maintenance Wing
Operated six wings. Working potential was 1200 days against a minimum requirement of 1500 days.	Operated 11 Relay Sub Divisions (RSDs). Coverage of testing was limited due to shortage of testing equipments and manpower.	Operated eight LMSDs. Hot line techniques[40] were not carried out by the Line Maintenance Subdivisions. Eight officials imparted (2011) training in hotline techniques at a cost of ₹8.40 lakh were deployed for regular duties for want of tools and equipment.
Essential instruments like Sweep Frequency Response analyser, online LA monitor etc., were not available in any of the wings.	Delay in replacing faulty relays ranged from one month to four years.	Kozhikode LMSDs had not carried out tree touchings clearance works for the last five years in seven out of 27 feeders. The ROW clearance work in jungle areas under Kannur LMSD was not carried out after 2009-10.
Shortage of tool kit/testing equipments resulting in limited testing[41].	58 nos. of the relays were working with back up relays though the purpose of the backup relays was to support the main relays.	Two LM sections (Kannur and Kanhirode) shared basic equipments such as pulley, rope and vehicles between them resulting in only one section being active at a time. Three out of eight LMSDs test checked were not provided with fault locators[42].
Trend analysis not carried out in three units.	Testing data was maintained manually and no software was used by the RSDs to make trend analysis and compilation of data.	On a test check by audit it was noticed that seven accidents occurred due to property owners/others cutting branches of trees or plucking fruits from trees within the ROW, resulting in electrocution of six persons and severe burns and loss of limb to one person.

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[39] Electrically operated switches which sense the system faults and safely switch off the system prior to occurrence of any exigencies.
[40] Envisages attending to maintenance works without switching off.
[41] Three units (Kannur, Madakkathara and Edappon) tested only power transformers in SSs till 2009-10s.
[42] Fault locators are used to detect the exact location of the fault in long distance feeders.

Adopted standards varying from 1 to 2 for PT/CT against accepted Tan Delta standards of 1/0.7.	Over flux (to arrest over voltage) and under voltage relays were not installed in the transmission system.	59 out of 118 towers in 110 kV KL-AR (Kalamassery-Aroor) feeder and all towers of 110 kV KL-CH (Kalamassery-Chalakudy) feeders did not have earth wire connectivity.
Dew Point meter and Core moisture analysing kit were available at two SSs[43] only.	12 out of 62 nos. of Autoreclosures installed at various feeders were disabled due to non availability of Carrier Aided Tripping facility and Protection Coupler.	134 towers under LMSD Kannur and 427 out of 1239 towers under LMSD Kozhikode constructed prior to 1947 needed replacement. The towers of the TVT (Trivandrum-Thackalay) feeders at Trivandrum and all the towers in the Manjeswaram-Thoudugoli 110 kV line were in deteriorated condition.

In response to the above observations, Government replied that:

- It was proposed to form two more sub-divisions to make good the shortfall of men and equipment in PET wing.
- Strict compliance on standards and recommendations may result in huge investments in a short span of time.
- The preparation of data bank of the test results/relays were in progress in PET/Relay wings.
- The mismatch in the target and achievement of testing works in Relay wing was due to lack of proper/efficient testing kits. Five numbers three phase relay test kits were recently purchased which would improve operations. All disabled autoreclosures would be put back in service on procurement of necessary protection couplers. Under voltage relays were not installed in view of the low voltage situation which if installed would result in denial of power.
- The functioning of hot line maintenance could not be started for want of required tools and trained personnel were deployed for cold line works. More than one clearing of tree touchings in ROW was carried out in a year. Accidents were caused by unauthorised cutting of trees without prior information to KSEB. The public were made aware of the dangers in cutting and removing touchings and the safety precautions for constructing buildings under/near EHT lines.

Despite KSEB's stand that steps were being taken to remove the deficiencies in the maintenance wings, the fact remains that the maintenance wings are functioning with deficiencies. Though accidents were caused by unauthorised removal of touchings by the victims, these were due to failure of KSEB to remove the touchings on the line route where it had ROW. Despite the comparatively high cost, the acquisition of modern equipments for maintenance wings requires priority.

The inadequacy of the PET/Relay wings reduces the quantum of testing and leaves the defects undetected. This would cause accidents, power failures and damage/breakdown of equipments/lines. Inadequacy of line maintenance would also result in snapping of lines, deterioration of towers, earth faults, accidents, and power failure.

[43] **Dew point meter at GIS, Marine drive and Moisture measuring kit at Kalamassery.**

Instances of poor maintenance including non-compliance with PET directions

Non-compliance with recommendations for replacement of defective equipment led to avoidable equipment failures

2.1.26 On a test check, we noticed instances of postponement of maintenance/overhauling of transformers for reasons such as absence of stand-by equipment, non-availability of materials, perceived need for avoiding power interruptions etc. We also noticed instances of such postponement of maintenance even after PET wing had insisted on the same resulting in equipment failures as stated below:

Name of SS	Lapse of KSEB	Impact
400 kV Madakkathara	Overhauling of Unit No.2 of transformer bank No.1 recommended by PET Wing (14 August 2010) was not carried out. According to KSEB this was on account of simultaneous poor condition of Unit No.4 and non-availability of another spare transformer unit.	Transformer bank No.1 tripped (7 August 2011) with fire and severe damage to Unit No.2. Resulted in repair at a cost of ₹2.44 crore and power restrictions for eight days.
110 kV Paruthipara	Replacement of R phase CT of 20 MVA 110/11 kV transformer No. II (26 January 2012) recommended by PET was not carried out.	CT caught fire (12 February 2012) resulting in tripping of all transformers and feeders causing power disruption.
220 kV Brahmapuram	The two transformer banks/tie lines were operated separately for intermittent periods on a risky basis with CTs which were tripping repeatedly. Spare CTs available were not of required ratio.	Emergency repair of available CTs to make ratios compatible caused operation of the station in a risky condition with risk to personnel and equipment.
220 kV Nallalam	The Bus coupler Circuit Breaker on 110 kV side of 12.5 MVA transformer failed to act upon detection of a fault on account of low SF6 gas pressure (26 July 2009). Low SF6 gas pressure was due to shortage of gas in the CB.	The transformer caught fire and blasted which caused power interruptions and avoidable repair cost and an emergency situation at the station.
66 kV GIS Power House, 110 kV Edapally	Poor maintenance caused entry of rats in the incomer side of indoor transformer (GIS Powerhouse) and inside control panel (Edapally).	This resulted in power interruptions in the stations.

In reply, while accepting the observations, Government stated that:

- The overhauling could not be done at Madakkathara SS despite recommendation as only one spare transformer was available at that time when more than one transformer was in poor condition.
- A new CT was not available for replacement at the time of PET recommendation at Paruthipara SS.
- When the existing CTs developed faults, the available spare CT at Brahmapuram which was not as per requirement (ratio difference which needed correction) was modified on a war footing and defective CTs were replaced.
- In GIS Power House the rat entered the incomer side by making a small hole which was earlier closed using packing materials. In Edapally, it was stated that the rat might have entered in switch gear panel during permit work.

The replies substantiated the fact of poor upkeep and maintenance of the critical and vital equipments in the transmission network.

Instances of delay in repairs

2.1.27 On a test check, we noticed the following instances of postponement of maintenance:

Name of SS	Delay in repair
400 kV Madakathara	Of the 15 CBs (installed during 1992-1995) entrusted (March 2008) for overhauling, only nine CBs were overhauled (August 2012).
220 kV Mylatty	Urgent overhauling of 110/11 kV transformer repeatedly recommended (2010 & 2011) by PET Wing has not been carried out (August 2012).
220 kV Brahmapuram	CTs with high tan delta values recommended for replacement (July 2008/April -May 2010) by PET Wing were not replaced (August 2012).
-do-	Overhauling of one 10 MVA transformer which was non-functional from March 2012 due to low Insulation Resistance (IR) value could not be done (August 2012) as transformer available for replacement was also faulty.
-do-	Replacement of PT of Kandanad feeder recommended for replacement by PET Wing as it showed high loss in watts, was not done (August 2012) for want of a new PT.
220 kV Nallalam	Repair of a blasted (July 2009) 12.5 MVA transformer was not carried out (August 2012), though the core was found (September 2010) to be intact.
220 kV Kalamassery	Non-maintenance of removed transformer bank (3 X 40 MVA) for 11 years resulted in failure of one unit in offline condition.
Azhikode SS and Thalassery SS	Repairs of 12.5 MVA (Azhikode SS) and 10 MVA (Thalassery SS) transformers which failed in August 2004/November 2006 were awarded only in August 2009.

In respect of the above observations, Government replied that:

- The 15 CBs at Madakkathara could not be repaired at a time as it depended upon the availability of supplier's service engineers.
- The overhauling of the transformer at Mylatty would be done after the installation of the new transformer which has been received.
- The CTs with high tan delta value and PT of Kandanad feeder and the defective spare for the 10 MVA transformer at Brahmapuram would be replaced on obtaining new equipment. The failed 10 MVA transformer at Brahmapuram was not overhauled as it was minimally loaded.
- The repairs of the defective transformers (Nallalam) were delayed as KSEB explored several options for cost reduction.
- Salvage value could be realised for the transformer which failed in offline condition at Kalamassery.

The reasons adduced for delay in repair *viz.* non-availability of supplier's engineers, non-purchase of spares/replacements etc., lacked justification. A suitable clause for subsequent repair should have been included in the purchase order itself. The delay in procurement of new spares/replacements reflects lack of earnestness in the maintenance of vital and critical equipments. As delay in replacement of defective equipments causes accidents and disruption of power, the same cannot be continued on the plea of exploration of options for cost reduction.

Transmission losses

2.1.28 While energy is carried from the generating station to the consumers through the Transmission & Distribution (T&D) network, some energy is lost which is termed as T&D loss. Transmission loss is the difference between energy received from the generating station/Grid and energy sent for distribution.

KSEB had worked out and furnished combined T & D losses only to SERC in its tariff proposals. Consequent to the direction of SERC for identification of transmission losses separately, study was conducted (2010-11) based on the power flow simulations on the Transmission Network Model by the Corporate Planning wing. Based on this study, the average peak technical losses for the complete transmission system upto the 11 kV Bus in SSs were estimated at 3.64 *per cent* for morning peak and 4.17 *per cent* for evening peak, corresponding to an annual energy loss of 355.37 MU and 553.75 MU respectively. However, the transmission loss of each year was determined as five *per cent* in the ARR proposals submitted to the SERC before and after the simulation study. The reason for non-adoption of the data as per the simulation study was not explained by KSEB. The actual loss of five *per cent* exceeded the CEA norm of four *per cent* for transmission loss.

The details of transmission losses from 2007-08 to 2011-12 (taking into account the power received and assuming transmission loss of five *per cent)* are given below:

Particulars	Unit	2007-08	2008-09	2009-10	2010-11	2011-12
Power received for transmission	MUs	15223.93	15451.34	17094.76	17469.02	19086.93
Net power transmitted	MUs	14462.74	14678.77	16240.02	16595.57	18132.58
Actual transmission loss	MUs	761.19	772.57	854.74	873.45	954.35
	Percentage	5	5	5	5	5
Target transmission loss as per the CEA norm	Percentage	4	4	4	4	4
Target transmission loss as per SERC norms	Percentage	NA	NA	NA	NA	NA
Transmission loss in excess of CEA norm	MUs	152.24	154.51	170.95	174.69	190.87
	Rate per[44] unit in ₹	3.51	3.80	3.38	3.54	3.54[45]
	₹ in crore	53.44	58.71	57.78	61.84	67.57

The Report of the 17th Electric Power Survey Committee specified only T & D losses, instead of separately stating Transmission loss. The T &D loss target for the State for the year 2011-12 was 15 *per cent*. Similar target fixed by SERC was 16 *per cent*. As against these targets, the actual T & D loss (estimated by KSEB) at the end of the year 2011-12 was 15.56 *per cent*. Transmission losses

[44] **Valued at average realisation per unit.**
[45] **2010-11 rate.**

result in loss of energy and reduction of the same could have reduced the power shortages and earned additional revenue.

Grid Management

2.1.29 Grid Management is the function of ensuring moment-to-moment power balance in the interconnected power system to take care of reliability, security, economy and efficiency. In the State, the State Load Despatch Centre (SLDC), a constituent of Southern Regional Load Despatch Centre (RLDC), Bangalore, ensures integrated operation of the grid. The main SLDC at Kalamassery is assisted by two Area Load Dispatch Centres (ALDCs) at Thiruvananthapuram and Kannur. The various aspects of grid management and the observance of the same by KSEB were as follows:

Technology used for grid management was obsolete / outdated

Parameter	Implementation in KSEB
SLDCs should operate as an independent wing, having own office and state of the art equipment (Electricity Act, 2003).	SLDCs in the State were functioning in the premises of KSEB, under its direct control and supervision.
SLDCs to be integrated facilitating smooth transfer of data.	SLDCs were not integrated as the data acquired at Sub SLDCs were transferred to main SLDC, which in turn transmitted the same to SRLDC.
SLDCs to have data storage/back up facilities.	SLDCs lacked data storage or back up facilities reducing them to observation centres.
State of Art Supervisory Control and Data Acquisition (SCADA) essential for all grid stations (SS/GS) for monitoring the efficiency of the transmission system and the loads (Grid norms).	The existing SCADA arrangement commissioned during the beginning of 2002 under Unified Load Dispatch and Communication (ULDC) scheme by PGCIL had become obsolete on account of deficiencies[46]
Adequate number of Remote Terminal Units (RTU) forming part of SCADA are essential for all grid stations (SS/GS) for monitoring the transmission system.	The total number of RTUs installed was 33 including those at sixteen out of seventeen 220 kV SS (94 *per cent*) and eight (62 *per cent*) out of thirteen generators with capacity above 25 MW. This was inadequate.
As per Grid Code, all the constituent members of the Grid are expected to maintain a system frequency between 49 and 50.5 Hertz (Hz) (49.2 and 50.3 Hz with effect from 1April 2009). To enforce the grid discipline, the SLDC issues three types of violation messages for over-drawal at frequencies below 49.2 Hz (A[47], B[48], C[49]).	KSEB received 27 and eight type 'C' messages in the years 2008-09 and 2011-12 which indicated prevalence of frequency violations. Though no penalty was levied for violation of frequency norms, the overdrawals resulted in payment of a huge amount of ₹2.83 crore as additional UI charges during the period from 2009-10 to 2011-12.
Power procurement should be planned after determining the net additional requirement of power through a supply plan taking into account the planned generation capacity and contracted allocation from central sector and	Power shortage during peak hours was widely prevalent and occurred during most of the days in the years 2008-09 to 2011-12. On account of shortages, the demand was substantially met through Unscheduled Interchanges (UI) when the frequency was low, for which UI charges

[46] absence of back up for the data, absence of a metering interface, limited coverage, use of old transducers for transmitting data etc.

[47] over-drawl more than 50 MW or 10 *per cent* of schedule whichever is less.

[48] over-drawl between 50 and 200 MWs for more than ten minutes or 200 MW for more than five minutes.

[49] issued 15 minutes after the issue of message B when over drawl is more than 100 MW or ten *per cent* of the schedule whichever is less.

day-ahead plans for assessing its day to day power requirement.	amounting to ₹588.63 crore prescribed by SLDC were paid for the audit period indicating that the planning for power procurement was defective.
Power purchases from traders and power exchanges can be effected through Short Term Open Access (STOA) [50], Medium Term Open Access (MTOA)[51] and Long Term Access (LTA)[52]. STOA is more prone to cancellation compared to the other options in the event of system constraints. Test check of STOA transactions of KSEB for the period from December 2011 to February 2012 revealed curtailments of the load indented by KSEB/Traders by SRLDC due to non-availability of transmission corridor.	There was lack of timely action by KSEB in arranging/filing of application for transfer of power through MTOA. MTOA applications filed (April 2012) by two traders for transfer of power to KSEB for the period from September 2012 to May 2013 was turned down by PGCIL as the entire Available Transfer Capacity of 750 MW under MTOA was already allocated for the period till 15 June 2013. KSEB thus would have to purchase costly power through STOA/day ahead/UI purchases.

In reply to the above, Government stated that;

- Agreement for execution of the SCADA upgradation work had been signed between PGCIL and KSEB (June 2012) which was expected to be completed by December 2013. The new project envisaged a main SLDC (Kalamassery) and a back up SLDC (Thiruvananthapuram) with 21 additional RTU locations. The data to both main and back up LDC would be fed directly from the RTUs.
- Additional UI charges were caused by non-availability of transmission corridor for import of power from outside which was cheaper than operating naphtha based generators. Power demand of the State was growing rapidly compared to the availability of power, creating a widening gap between demand and availability. Many of the generation projects were not getting materialised owing to environmental and other objections. KSEB was importing power to the maximum import capability through all inter-state feeders. Major transmission projects were being held up at many places due to ROW issues.
- It lacked the huge financial resources to ensure dynamic stability of the system for developing sufficient generation capacity equipped with governor system and creating sufficient redundancy in transmission system. Further the hydel generators were constrained by the availability of water and the costly naphtha based projects could not provide immediate additional generation support, and under such a situation, dependency on UI support was inevitable.

Government's replies are not acceptable. As the new SCADA system would come into operation only by December 2013, KSEB would continue functioning with the current deficient system. Though the drawals causing UI charges were stated as inevitable, the fact remains that KSEB violated grid discipline by doing so. Further, modernisation of the system (equipping the system with governors) cannot be ignored on the plea of high cost.

[50] access up to one month at one time.
[51] access for 3 months to 3 years.
[52] access for 12 years to 25 years.

Disaster Management

2.1.30 Disaster Management (DM) aims at mitigating the impact of a major break down on the system and restoring it in the shortest possible time. As per the Best Practices, DM should be set up by all power utilities for immediate restoration of transmission system in the event of a major failure. It is carried out by deploying Emergency Restoration System, DG sets, vehicles, fire fighting equipments and skilled/specialised manpower. Disaster Management Centre, NLDC, New Delhi will act as a central control room in case of disasters. As a part of DM programme, mock drill for starting up generating stations during black start[53] operations was being carried out by KSEB every six months.

Inadequate facilities for DM

2.1.31 Though, KSEB stated that it had developed plans and procedures for restoration of the system from blackout for 13 generating stations in four sub-systems, black start facilities were provided only at nine out of 24 major generating stations. Thus, the preparedness of KSEB to meet the occurrence of disasters, if any, was inadequate and gave rise to the risk of accidents and heavy damages in the event of disaster.

Energy Accounting and Audit

2.1.32 Energy accounting and audit is essential to assess and reduce the transmission losses. The transmission losses are calculated from the readings of the Meter Reading Instrument (MRI) at the metering points. These points are at the boundaries between Generation to Transmission (GT) and Transmission to Distribution (TD). To ensure the accuracy, the CEA had specified (June 2010) that the interface meters in the generation/transmission wing shall not be inferior to the accuracy class of 0.2 S. We, however, found that the meters were of inferior accuracy class leading to various problems in energy accounting as detailed below:

- Meters of 0.2 S class were installed at major interstate TD metering points by PGCIL. KSEB had not installed its set of check meters at these points.
- Only meters of 0.5 S class were installed at the substations of KSEB. KSEB had stated that 0.2 S class meters were not installed on account of the huge financial commitment involved. The replacement of meters would be effective only if the related meters of CT/PT were also replaced by those with 0.2 S accuracy class.
- On a test check of meter readings of 220 and 110 kV SSs of three circles[54] for the period from October 2011 to March 2012, it was noticed that the incoming meter readings were less than the outgoing meter readings in some months in respect of 20 out of 22 SSs showing that the meters were defective.

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[53] **procedure necessary to recover from partial or a total black out.**

[54] **Trivandrum, Kannur, Pathanamthitta.**

- As per KSEB's studies, in case of 18 feeders, the energy received at the sending end (sending to one SS) of the feeders was more than the energy received at the receiving end (receipt from another SS) of the feeders.

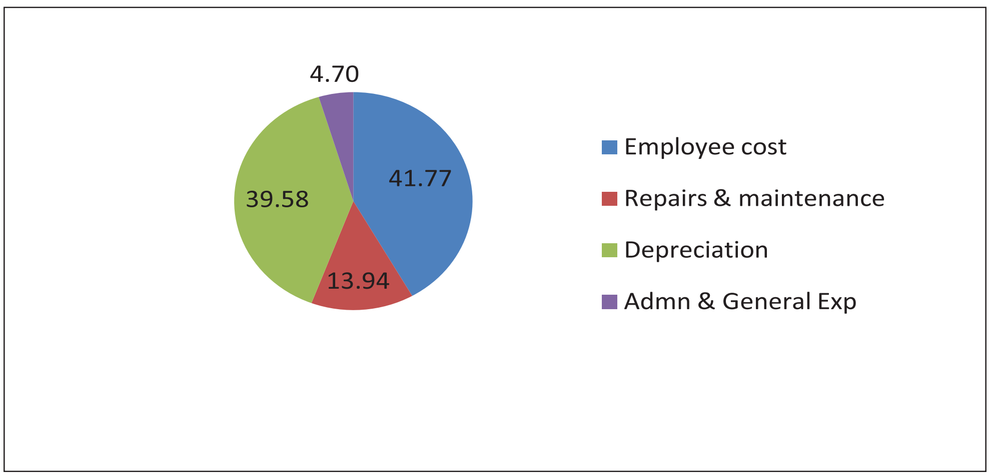
Government stated that the requirement for purchasing meters for interface boundary metering points and GT points was under consideration. It was also stated that the meters used in Thiruvananthapuram Circle were of the accuracy class of 1.0 which allowed a percentage error of up to 1.3 *per cent*. The errors were also due to defects in CTs and PTs. Non-compliance with the recommendations of the CEA rendered the metering ineffective/prone to errors. This can cause excess payment of transmission/power purchase charges.

Financial Management

2.1.33 National Electricity Policy 2005, envisaged financial turnaround and commercial viability in each area of Power Sector. Since KSEB functioned as a composite unit without being unbundled into separate profit centres, the details of revenue realisation, net surplus/loss and earnings could not be computed separately for transmission.

Elements of Cost

2.1.34 The details of expenditure of the Transmission wing and cost per unit of transmission are given in ***Annexure 9***. Employee cost, Depreciation, and Repairs & Maintenance constituted the major elements of cost in 2011-12 which represented 41.77, 39.58 and 13.94 *per cent* respectively of the total cost (excluding finance and interest charges of ₹0.75 lakh).



The details of fixed cost, variable cost and total cost per unit for the period of five years were as follows:

Cost per unit (₹)	2007-08	2008-09	2009-10	2010-11	2011-12
Fixed cost	0.12	0.13	0.13	0.15	0.15
Variable cost	0.02	0.02	0.03	0.03	0.03
Total cost	**0.14**	**0.15**	**0.16**	**0.18**	**0.18**

It may be seen that the fixed and variable cost showed an increasing trend till the year 2010-11. There was no change in both fixed and variable cost in 2011-12 compared to previous year, as the units consumed increased substantially.

Avoidable expenditure and non-realisation of dues

2.1.35 We noticed deficiencies which led to KSEB paying ₹13.69 crore to PGCIL/SRPC as compensation towards unavailed power allocation and share in cost of capitalisation of idle infrastructure. At the same time KSEB failed to realise the amounts due to it promptly.

KSEB incurred avoidable expenditure towards transmission charges and capitalisation costs.

Facts	Observation
Compensation for unavailed power – ₹0.41 crore	
135 MW of NTPC's ER power allocated to Tamil Nadu Electricity Board (TNEB) for pooling with the costly RGCCPP[55] power was rejected by TNEB along with RGCCPP power. On 14.9.2011, MoP allocated this quantity to Kerala for 6 days from 15.9.11 and thereafter to Andhra Pradesh. CE, SLDC intimated non-acceptance of the allocation by fax on the day of allocation and by letter on next day on the plea that Board's decision was pending. KSEB, however, had to pay ₹41.24 lakh as transmission/ POC charges for undrawn power to SRPC and PGCIL.	KSEB did not reject the allocation, but rejected the day ahead scheduling only. KSEB's plea for this was that a decision of its Board was required. KSEB should be able to make outright decisions in emergencies without waiting for a meeting of its Board. The failure to do so caused huge losses and lacked justification.
Share in capitilistion of idle infrastructure – ₹13.28 crore	
PGCIL notified commercial operation of a line and SS[56] designed for transmission of power from the Koodamkulam project, w.e.f 01 January 2012, despite non-commissioning of the project. KSEB's evacuation lines from the SS were also pending. KSEB accepted (February 2012) its monthly share of transmission charges (cost of capitalisation incurred by PGCIL) of ₹55.42 lakh.	KSEB was liable to pay ₹6.10 crore[57] for a project which had not been commissioned and from which power was not received. Government stated that PGCIL expected return on investment and may charge interest on deferred capital charges if the commercial operation of the completed infrastructure was not allowed. The reply indicates that KSEB is compelled to bear the cost of evacuation system, despite the non-completion of the related generation project, which is not correct.
KSEB assessed (September 2010) that the third transformer installed by PGCIL at their SS at Thiruvananthapuram would not be utilised effectively for a period of ten years. Transmission charges of ₹7.18 crore was paid (cost of capitalisation incurred by PGCIL) for the third transformer from July 2009 to June 2011. KSEB had not ascertained the amount of excess transmission charges from June 2011.	The matter regarding payment of transmission charges for idle/excess capacity was not taken up with PGCIL. Government replied that PGCIL had constructed these transformers after approval of the matter at various levels including SRPC. It was also stated that the actual demand growth may not tally with the assumption made at the time of planning. Thus, the huge idle expenditure was caused on account of the poor load forecasting by KSEB.

[55] **Rajiv Gandhi Combined Cycle Power Project.**
[56] **Trichur - Cochin 400 kV DC transmission line and the 400 kV SS at Pallikara.**
[57] **For 11 months from January 2012 till November 2012 when commissioning of KSEB's evacuation lines is expected.**

KSEB dues not collected	
66 kV SSs at the Air Port, Thiruvananthapuram and the Bharat Petroleum Corporation Limited (BPCL) refinery at Ambalamugal commissioned in May 2010 and May 2012 respectively were operated by KSEB. Maintenance charges were not collected from BPCL due to non-finalisation of agreement. Maintenance charges for the two years from May 2010 amounting to ₹2.18 crore was paid (July 2012) by Airport Authority of India (AAI) after a delay of two years.	KSEB had not demanded compensation from AAI for the interest loss on account of the delay in payment though as per the agreement, payment had to be made monthly. The agreement with BPCL remains to be executed. Government stated that the finalisation of the agreement with AAI took two years on account of administrative delays and claiming of interest would not be justifiable. Agreement can be executed with BPCL only after approval of MOU between both parties. The replies are not acceptable as KSEB had rendered maintenance services without compensation. Further administrative delay of two years for finalisation of agreement lacked justification.

Material Management

2.1.36 The key functions in material management are laying down inventory control policy, procurement of materials and disposal of obsolete inventory. We, however, found various deficiencies in the procurement procedure like delay in finalisation of purchases resulting in lapse of offer and consequent retendering, excess procurement resulting in idling of costly equipment etc.

Purchase of transformers in advance of requirement

2.1.37 Purchase of transformers is made by the Chief Engineer (SCM). Prudent purchase management demanded that purchase of transformers for substations should be synchronised with the progress in completion of other works to avoid idling of costly equipment and loss of guarantee period. We noticed the following instances where KSEB did not comply with these requirements:

- Even before acquiring (August 2005) land for 220 kV SS at Vadakara, CE (SC&M) placed orders (April 2005) and procured (March 2006) two 220/110 kV three phase 100 MVA transformers from TELK, Angamaly at a cost of ₹6.25 crore. The SS was commissioned only in June 2009 and the transformers were idling for about 3 years.
- Though orders were placed (May 2007) on TELK, Angamaly, for four 66.67 MVA 220/110 kV single phase transformers for enhancement of capacity of the 220 kV SS Kundara at a cost of ₹12.88 crore, the equipment was delivered/diverted (October 2007/February 2008) to 220 kV SS, Pothencode, on the ground that they were urgently needed at that station. The transformers, however, were commissioned (November 2010) at Pothencode after 33 months. One of the transformers which failed after being in service for six months was repaired at a cost of ₹20 lakh due to expiry of guarantee period. Three transformers subsequently procured (January 2009) against orders (June 2008) for Kundara SS at a cost of ₹8.87 crore remained idle for 12 months without commissioning (December 2009).

- Against orders placed (December 2006/April 2007) with Indotech Transformers, Chennai, two 5 MVA transformers were purchased (March 2007/August 2007) for the 33 kV SS at Venjaramood at a total cost of ₹54.59 lakh before technical sanction (November 2008) of the work. The transformers remained idle till the commissioning of the SS in March 2010.
- Against orders placed (May 2007) with Indotech Transformers, Chennai, four 12.5 MVA transformers procured (September/October 2007) at a cost of ₹2.51 crore remained idle for more than one year at three SSs (Ayathil (two nos), Kozhinjampara and Pathanapuram) on account of non-completion of related works.

Government replied that procurement in advance of actual requirement occurred due to the need to give time to the suppliers for the manufacture. The reply is not convincing as the maximum time required by leading manufacturers for supplying transformers was 10 months from the date of order. KSEB also pointed out that in these cases, the construction was delayed due to adverse climatic conditions and disputes.

We also found that the transformers supplied were guaranteed by the manufacturers for a period of 12 months from the date of commissioning or 18 months from the date of supply whichever was earlier. Thus, due to the delays, these transformers were installed/operated after the warranty period thereby depriving KSEB of the benefits of free replacement/repair within warranty period. Hence KSEB should ensure proper co-ordination between purchase and other wings.

Non finalisation of tender within the validity period

2.1.38 KSEB invited (January 2011) competitive tenders for procurement of 41km XLPE UG cable for its urgent common requirement. As per the General Conditions of tender, the bid was valid for four months from the date of opening of the price bid or six months from the date of opening of pre-qualification bid whichever was earlier. KSEB however, did not finalise the tender within the validity period of the bid. Subsequently 31 kms of cable were procured at higher rate obtained in fresh tenders resulting in avoidable extra expenditure of ₹30.01 lakh[58].

Failure to reform Purchase wing

2.1.39 KSEB assessed (May 2008) that the Supply Chain Management (SCM) was deficient in all areas including forecasting, indenting, procurement, storage and payment. Hence, KSEB awarded (January 2009) the assignment of optimising SCM to Deolite Touche Tohmastu India Pvt Ltd, the lowest bidder at a cost of ₹41.29 lakh. Though the consultant submitted final recommendations during February 2010, the software developed by them for the purpose which was the main item in the reformation of the purchase wing was yet (August 2012) to be implemented in Transmission wing even after the lapse of four years. The recommendations for standardisation, classification

[58] ₹ 1275943.24 (subsequent price quoted) – ₹ 1179135.90 (original price quoted by Cable Corporation of India, Chennai) x 31 km.

and coding of equipments and materials procured also have not been implemented.

Monitoring and Control

2.1.40 Monitoring by top management is conducted by the Technical Audit Wing (TAW) formed in February 2010 under CE (SO) and the System Study Wing (SSW) formed in July 2010 under CE (Corporate Planning). Technical audit of SSs is conducted by adhoc audit teams comprising a Chief Auditor (Deputy Chief Engineer rank) and two auditors (Executive Engineers). The system study group monitors the activities of SSs through data collected from Monthly Operation Review (MOR) reports/load flow studies/loss studies. We noticed the following deficiencies in the monitoring functions:

- The coverage of technical audit was not exhaustive and 151 out of 230 SSs were yet (August 2012) to be audited.
- The MORs sent by the SSs included routine data such as operating parameters of transformers and lines, equipment status, details of capacity addition/deletion etc. Details of performance of the equipments installed including SS batteries and relays, maintenance activities[59], OLTC[60] operations, cause-wise analysis of breakdowns etc., were not called for through the MOR. The year-wise cumulative performance of the SSs and lines were neither maintained nor consolidated for evaluation of annual performance of the SSs and lines. KSEB needs to develop a more comprehensive Management Information System.
- On a test check, we noticed lapses in compliance with recommendations of the system study/technical audit wings.
  - Replacement of weak and faulty LAs and installation of a capacitor bank on the 110 kV bus at the Chevayur SS (September 2011 TAW).
  - Replacement of old panels at the SS, Relays of Attingal-Paripally feeder and the Breather of 220/110 kV transformers at Pothencode SS (July 2011 TAW).
  - Overloading of seven[61] SSs and underloading in 37 SSs and 59 transformers remained without rectification. The overloaded transformers comprised 16 nos. 110/66 kV transformers, 5 nos. 16 MVA transformers and 17 nos. 110/11 kV transformers (System study group).
  - The idle capacitor lying at the 110 kV Mundayad SS had not been installed at the 220 kV Kaniampetta SS (July 2011 SSW).

Government stated that the deficiencies relating to Pothencode SS and Attingal-Paripally feeder would be corrected soon. A proposal had been prepared for removing the capacitor from Mundayad SS. Thus, the defects remain without rectification. The deficiencies in monitoring affect the overall efficiency and may cause accidents and power disruptions.

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[59] **Maintenance activities carried out, urgent maintenance pending, programme of maintenance activities, due dates of major maintenance activities etc.**

[60] **On Load Tap Changer.**

[61] **Vennakkara, Veli, Neyattinkara, Vizhinjam, Koilandy , Perinthalmanna and Paika.**

Duty timings at SSs

2.1.41 The approved timings of KSEB for duty at its SSs comprise three shifts (07 00 to 13 00 hrs, 13 00 to 21 00 hrs and 21 00 to 07 00 hrs). The duration of the third shift was thus for 10 hours. However, in most SSs, the duty was performed in two shifts (09 00 to 17 00 hrs and 17 00 to 09 00 hrs). Shift duty in three shifts was observed only in two out of fourteen SSs visited by us. The execution of the second shift for 16 hours continuously would have a negative impact on the quality of performance and monitoring and violates labour laws. KSEB needs to enforce the approved duty timings strictly or formulate shift duty of eight hours duration. Though Government stated that approved shift timings were in practice in almost all stations, the actual shift timings as recorded in the Operators' Diaries maintained at the substations did not support the Board's contention.

Comparison with best practices adopted by PGCIL

2.1.42 Best practice is the method or technique that has consistently shown results superior to those achieved with other means, and that is used as a benchmark. The State of the Art practices for operation, maintenance and monitoring purposes followed by PGCIL, the CTU, as compared with those of KSEB revealed the following shortcomings in KSEB:

Practice followed by PGCIL	Implementation in KSEB
Stations were automated/planned for automation.	Automation was not planned for any of the SS of KSEB.
One and half breaker system[62] was adopted for better reliability at SSs.	Spare breaker system was generally not adopted in KSEB. One and half breaker was adopted in case of one 400 kV SS only (Madakkathara).
Double/transfer bus facility at SS.	Most 110 kV SSs and four 220 kV SSs had single bus facility only. Transfer bus facility was available at one SS only (Brahmapuram).
Only SF6 CBs at EHV SS.	CBs at Kalamassery and Paruthipara SSs included MOCB/ABCB.
Operations of isolators and other yard equipments to be remotely controlled at all EHT SSs.	Test check revealed that facility for remote operation was not provided at four 220 kV[63] SSs.
GPS based time synchronising equipment and Air conditioning system to be provided in SSs.	GPS based time synchronising equipment and Air conditioning system not provided in most SS.
Advanced relays such as Numerical relays to be used.	Relays used in most of the SSs are mainly electro mechanical. Numerical relays installed are minimal.
Use of State of the Art firefighting equipment.	State of the Art firefighting equipment such as emulsifiers/detection lines and spray lines were not used in any of the SSs.
History registers to be maintained in the form of a log book for each item of equipment.	Only common equipment registers were maintained for all equipment in most SSs and the entries in these registers did not include a detailed record of all activities relating to operation and repair in the form of a log book.
Tests such as tan delta were done at the SS itself.	None of the SSs had facilities for testing of vital parameters such as Tan Delta and these were done only during the visits of the PET Wing.

[62] **which provides a spare breaker and related bay equipment for sharing among the buses.**
[63] **Kalamassery, Brahmapuram, Nallalam, Pothencode (facility available at 220 kV side only at Pothencode)**.

Government stated that the incorporation of most of these practices involved huge financial investment. It was also replied that some of the facilities such as one and a half breaker system, numerical relays, transfer bus, auto-reclosures, event logging etc., were available in major substations. However, these facilities were available in a few 220 kV stations only. The Board needs to modernise/improve its level of functioning by adopting the modern techniques/practices of PGCIL to a wider extent**.**

Failure to unbundle KSEB

2.1.43 Though, as per Electricity Act 2003, KSEB was to be unbundled into separate profit centres for the three functional areas of generation, transmission and distribution, this remains to be achieved. KSEB functioned as a composite unit executing the functions of generation, transmission and distribution. A company *viz*., Kerala State Electricity Board Limited (KSEB Ltd) was incorporated (January 2011) under the Companies Act, 1956 for taking over the functions of KSEB. However, the assets and liabilities of KSEB have not been transferred to KSEB Ltd till August 2012. The restructuring and creation of separate utilities with separate profit centres would have enhanced the efficiency/performance of KSEB. This caused non-preparation of separate accounts for each of the three wings. On account of non-implementation of unbundling of KSEB, there was no separate tariff for the transmission wing. Only a composite tariff was followed for all the three functional wings. The delay in filing the composite tariff delays the recovery of cost of operations of all the three wings of KSEB including the Transmission wing.

Internal Controls and Internal Audit

2.1.44 Internal control is a process designed for providing reasonable assurance of efficiency of operations, reliability of financial reporting and compliance with applicable laws and statutes. Internal audit relating to the offices under the Transmission wing was confined to financial transactions. Pre-check of contractors' bills was commenced only in April 2012. Other aspects were not audited. Various other matters relating to technical issues were not reviewed in audit. Instances of presentation of the internal audit reports in the meetings of the Board of KSEB were very few on account of the relatively minor level of objections. Thus, the audit was inadequate when compared to the size and volume of operations. KSEB needs to take steps to strengthen its audit wing.

Conclusions

- **KSEB had not prepared a long term plan and a State Electricity Plan. The five year plans when translated into annual plans had wide variations.**
- **The Transmission infrastructure developed over the years did not cover the whole State in a uniform manner resulting in severe shortages in the northern districts of Kannur and Kasargod. Inadequacy of inter-state connectivity with Karnataka aggravated the transmission constraints in Northern Kerala.**

- **There were inordinate delays in executing the projects. Several planned projects were not implemented at all.**
- **KSEB did not ensure availability/possession of land/ROW for the entire project. Thus prolonged disputes over land acquisition/ROW for drawing lines were a major cause of delay.**
- **KSEB failed to adhere to standard practices in the operation of SSs. Maintenance activities were not given adequate priority. These wings functioned without adequate staff and modern equipments hampering their efficiency. The recommendations of the testing wings were not carried out in several cases. BBPP had not been installed in eight out of seventeen 220 kV SSs.**
- **SCADA system for grid management had become outdated. The number of RTUs installed was insufficient. SLDC in the State was not independent. KSEB was yet to implement CEA norms for installation of meters of 0.2 S class.**
- **KSEB made avoidable payments for unavailed power allocation and capitalisation cost of idle infrastructure to PGCIL/SRPC.**
- **Failure to plan purchases resulted in idling of transformers for long periods with lapse of guarantee period. The reformation of procurement activities in KSEB commenced over four years ago remains without implementation.**
- **The monitoring of field operations was not adequate. The MIS implemented by KSEB for monitoring was not adequate. The internal audit needs strengthening as it was not commensurate with the size and nature of activities of the transmission wing.**
- **KSEB is still functioning as a single utility, violating the provisions of the Electricity Act, 2003 for unbundling.**

Recommendations

- **Planning procedures should be streamlined with a long term perspective/State Electricity Plan.**
- **Urgent steps may be taken to implement the projects planned and those in pipeline to improve the power situation in Northern Kerala and S1-S2 connectivity.**
- **Steps should be taken to adhere to accepted practices for operation of SSs. Maintenance activities should be strengthened by providing adequate staff and modern equipments to Testing (PET, Relay) and Line Maintenance wings.**
- **BBPP needs to be installed in all 220 kV SSs.**
- **The modernisation of SCADA system through PGCIL and replacement of meters as per the specifications of CEA may be expedited.**

- **Implementation of procedures for reforming the Purchase wing should be expedited to enhance the efficiency of the purchases.**
- **Monitoring of activities of the substations and field offices needs to be improved by enhancing the scope of the MIS and strengthening internal audit.**
- **Urgent steps may be taken to expedite the process of unbundling of KSEB.**

2.2 THEMATIC AUDIT

2.2.1 Procurement of Pre-Stressed Concrete poles

Introduction

Kerala State Electricity Board (KSEB) uses Pre-Stressed Concrete (PSC) Poles of various sizes (7m, 8m & 9m) for laying distribution lines.

Up to 2004, KSEB was awarding centralised short term (3 months to 3 years) contracts for the procurement of PSC poles in small quantities. With a view to attract new firms, KSEB decided (November 2004) to award centralised long term contracts for five years. Accordingly, the CE (TC&M)[64] assessed (November 2004/March/May 2005) the requirement (36.93 lakh) of PSC poles for the next five years. Three tenders[65] were invited (November/December 2004, April & May 2005) for 20 Electrical Circles (ECs) under the two bid system involving Pre-qualification (PQ) and Price bids. The Pre-qualification Committee (PQC) evaluated (January/June 2005) the PQ bids and qualified the bidders. The Purchase Committee (PC) opened (January/June/August 2005) the Price bids of the qualified bidders and submitted the proposal to the Board of Members (Board) for placing the order with the lowest bidder of each EC. Though 22 firms participated in the tender, contracts, as approved by the Board, were awarded[66] to 17 firms for supply of 41 lakh poles, to be delivered during 2005-2013[67]. Since the procurement of poles through long term contracts was a major policy decision, we scruitinised the system of procurement under the long term contract and our findings are discussed below:

Improper assessment of requirement

Assessment of actual requirement of poles considering the ongoing works, poles held with KSEB and the new works to be taken up in future is the primary step in the procurement process. CE (TC&M) assessed the requirement of poles for five years on an adhoc basis as five times the requirement for one year. This assessment was unrealistic and unscientific as we noticed that one EC[68]**,** out of 12 ECs test checked for which allocation of 2085 number of 9m poles per month was made, intimated (June 2007) that such huge quantity of poles was not required and in another EC[69], allocation of poles was not given citing sufficient stock of poles. KSEB subsequently reduced the monthly target of those contractors[70].

Further, we noticed that in respect of eight ECs, as against the assessed quantity of 11.80 lakh, the ordered quantity was 17.16 lakh and the quantity delivered was only 8.72 lakh poles. This resulted in diversion of poles from other Circles

[64] Chief Engineer (Technical, Contracts and Materials).
[65] Tender no 47/2004-05 dt 30/11/04 was issued for 12 ECs, tender no 11/2005-06 dated 19/4/2005 was issued for 7 ECs and tender no 37/2005-06 dt. 02.06.2005 for 1 EC.
[66] In April 2005, August 2005, December 2005 & October 2006.
[67] Including the time period allotted for the delivery vide additional orders at 25/30 *per cent.*
[68] Pathanamthitta EC.
[69] Thodupuzha EC.
[70] 433 nos of 8m and 867 nos of 9m poles for Pooja Industries and 1290 nos of 9m poles for Vellackamattathil.

by paying additional transportation charges and procurement of poles at higher rates through subsequent tenders incurring extra expenditure as discussed subsequently.

Undue favour to few firms

Though, KSEB followed the General Conditions in tendering process, we noticed that KSEB favoured a few firms in awarding the contract as detailed below:

- The PQC disqualified (January 2005) one[71] firm during the scrutiny of the Prequalification bid**s** due to poor past performance. Subsequently, the firm was qualified (April 2005), violating the tender condition, based on representation to the then Chairman of the Board.
- Similarly, another firm[72] was disqualified (02 June 2005) for not satisfying the PQ conditions. Subsequently, the firm was qualified (16 June 2005) stating that they were existing suppliers to a Karnataka State PSU, though this was not a PQ condition.
- Even though these two firms were awarded contract for the supply of 3.92 lakh poles in three ECs, the firms failed to supply poles as per schedule and the contract had to be terminated.
- Contracts were awarded (April 2005 to August 2005) to four[73] firms for the supply of 10.17 lakh poles in four ECs. These were new firms promoted by a previously defaulted supplier[74]. Contracts with three of these firms were terminated for non supply and the termination order initially issued (September 2010) in respect of the fourth firm[75] was subsequently (December 2010) kept in abeyance.
- Even after initiating (November 2009) procedures for termination of the contracts at the risk and cost of the above mentioned firms, KSEB purchased (from May 2010) 11187 poles from three[76] of the above mentioned firms at updated prices for ₹1.24 crore and released payments, though ₹1.99 crore was recoverable from these firms towards penalty for belated supplies.
- The tenders did not prescribe the maximum number of ECs for which a bidder can submit its bids. As such all the bidders submitted their quotation for many ECs and became lowest in more than one EC. We noticed that the manufacturing capacity of the bidders were not considered by the PQC as a criterion and hence the bidders were prequalified for up to seven ECs though, their manufacturing capacity was not sufficient to cater to the requirement of more than one or two ECs. As such, KSEB negotiated with other bidders and placed orders. Thus orders were placed even with fourth lowest bidder[77] as was noticed

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[71] West Coast Concrete Products got order for Ernakulam (0.83 lakh) and Perumbavoor ECs (0.70 lakh)
[72] Suman Concrete Product got order for Kannur EC (2.39 lakh)
[73] Suman Concrete Products (Kannur EC), Suma Concrete Products (Kasaragod EC), Roopa Engineering Corporation (Kalpetta & Manjeri ECs), Roopa Construction Company (Kozhikode EC)
[74] Sri Naveen Chandra D Suvarna
[75] Suma Concrete Products (Kasaragod EC)
[76] Suman Concrete Products, Suma Concrete Products, Roopa Engineering Corporation.
[77] Raphel & Company

in Irinjalakkuda EC. Thus it was evident that the quoted price was not relevant for getting orders. This defeated the underlying principle of inviting competitive tenders.

KSEB stated (September 2012) that by placing orders with the above firms, they could save ₹19.30 lakh as their rates were the lowest. Further, on placing orders with the fourth lowest bidder, the underlying principle of inviting competitive tenders was also not defeated as the bidder accepted the lowest rates. The reply was not acceptable as the two firms[78] supplied only eight to twenty two *per cent* of the ordered quantity only and the risk and cost amount involved on termination of the contract was ₹5.02 crore. Further, the tenders lacked competitiveness as the bidders got a chance to get orders on accepting the lowest rates, irrespective of their quoted rate.

Non-compliance with contract conditions

The contract provided for the terms and conditions relating to delivery of poles, imposition of penalty, release of payment, etc. to be complied with strictly during the performance of the contract. KSEB, however, favoured the contractors by not invoking these provisions as discussed in succeeding paragraphs:

Payment of additional transportation charges due to non adherence to delivery schedule

As per Purchase Order (PO), the contractors had to complete the supply of poles on a monthly basis by delivering at least the quantity fixed as the monthly target. The contract stipulated (clause 12) that the monthly target should not be refixed on any account. KSEB, however, reduced the monthly target in five[79] ECs as requested by the contractors. To meet the shortage of poles due to above reduction, KSEB diverted poles from other circles incurring additional expenditure of ₹44.85 lakh ***(Annexure 10)*** towards transportation charges.

The contracts for Kottayam and Pala ECs were awarded to the same contractor. Though KSEB reduced (June 2008) the monthly scheduled quantity and though there was heavy backlog in supply by the contractor in both the circles, instead of restoring the reduced target/ insisting the contractor to supply the backlog, KSEB asked the contractor to divert poles from Kottayam to Pala EC by paying additional transportation charges to the same contractor[80]. The extra expenditure on these worked out to ₹2.39 lakh ***(Annexure 11)***.

KSEB stated that the monthly targets were reduced only in genuine cases. It was further stated that agreement authority/Board had not taken any decision regarding payment of additional transportation charges to Pooja Industries**.** The reply is not acceptable as the contract did not permit reduction of monthly target on any account and on verification we found that KSEB had paid additional transportation charges to Pooja Industries for diversion of poles to Pala EC from Kottayam EC.

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[78] West Coast Concrete Products & Suman Concrete Products.

[79] Pooja Industries in Kottayam, Pala and Thodupuzha circles, Venad Structurals in Alapuzha Circle and Imperial trading company in Trivandrum Circle.

[80] Pooja Industries.

Advance payment contrary to terms of contract

The contract provided (clause 4) for payment of 95 *per cent* of the invoice value within 45 days of presentation of bills along with way bills duly signed by the Engineer concerned for having received the materials in good condition at the designated location. KSEB, however, favoured one contractor[81] by releasing ₹4.21 crore being 50 *per cent* of the invoice value (excluding the taxes and duties) immediately after testing the poles. The contractor supplied the poles only after periods ranging from one month to four months from the date of payment.

KSEB stated that advance payment was made on the request of the contractor and as per the orders of the Hon'ble Minister to consider the request. It was also stipulated that the poles be delivered within 15 days. The fact remains that advance payment was contrary to the terms of contract and also the stipulation regarding delivery of poles within 15 days was also not adhered to.

Failure to collect security deposit as per contract

As per the Purchase Order (clause 5), the contractor had to furnish security deposit for an amount equal to five *per cent* of the total value of the contract by way of cash/DD/bank guarantee. This was the security available with KSEB towards satisfactory performance of the contract and would be released only after expiry of the period of guarantee of all poles supplied and after fixing liability, if any, of the contractor. In the 12 ECs test checked all contractors furnished the security deposit equal to only one *per cent* of the contract value. Instead of recouping the shortfall from subsequent payments to the contractors, KSEB reduced the security deposit to one *per cent*. As such there was no sufficient amount with KSEB to recover the risk and cost amount from the defaulted suppliers. This made the operation of risk purchase clause ineffective. As a result, the liability of ₹1.26 crore ***(Annexure 12)***[82] assessed in respect of three contracts[83] terminated due to non-performance became irrecoverable.

KSEB stated that the Security Deposit was reduced based on the request of the contractors.

Non levy of penalty for belated supplies as per the terms of contract

The contract fixed (clause 6) monthly schedule which was the minimum quantity of poles to be supplied by the contractor. If the contractor fails to achieve the quarterly target as per the above schedule, penalty (clause 12) was to be imposed quarterly at the rate of five *per cent* of the value (including transportation charges) of the poles short supplied. The penalty once levied would not be refunded on any account. KSEB, however, invoked the penalty clause so as to cause minimum loss to the contractor as below:

- KSEB, considered belated supplies of the previous quarter as supplies against the target for the current quarter while computing the penalty. This resulted in short recovery of penalty.

[81] Pinarayi Indusrial Co-operative Society at Kannur EC and Vadakara EC.
[82] Since the liability in respect of other contractors is not yet determined.
[83] Suman Concrete Products in Kannur Circle, Roopa Construction Company at Kozhikode EC and West Coast Concrete Products at Ernakulam and Perumbavoor ECs.

- While computing the penalty instead of reckoning the escalated price (including escalated transportation charges) as the value of poles, KSEB reckoned only the basic rate.
- KSEB waived ₹14.65 lakh being the penalty to be recovered from one contractor[84] in violation of the contract clauses.
- Imposition of penalty on one contractor[85] for three ECs was deferred till the completion of supplies. Though the contractor supplied only 29, 33 and 74 *per cent* of the ordered quantity respectively in these three ECs, the penalty of ₹47.05 lakh worked out by KSEB was not recovered.
- The short recovery of penalty due to the above and consequent undue favour to the contractors worked out to ₹8.90 crore in fourteen ECs.

KSEB stated that as per the agreement, the contractor was not supposed to make up the shortfall in a quarter and if poles were supplied in excess of the quarterly target, it was not to be adjusted against the previous quarter. As such, the penalty should be calculated only for the short supplies in the quarter and not for the accumulated short supplies**.** It was further stated that at the time of recovery of penalty, the escalated price was not known and hence penalty was calculated only on basic price. The reply was not acceptable as the contractor was bound to supply the ordered quantity in accordance with the monthly schedule fixed. Recovery of penalty did not relieve the contractor from supply of the ordered quantity by adjusting belated supplies, which was an adjustment of the quantity supplied in a month against the shortfall in previous month. As regards the calculation of penalty, it was to be calculated on the value of poles.

Refund of penalty in violation of terms of contract

Though there was express provision (clause 12) in the contract for non refund of penalty once levied, KSEB favoured five contractors by refunding penalty of ₹62.74 lakh recovered in six ECs.

KSEB stated that the provision of penalty was to deter the contractors from making shortfall and to ensure adequate supply of poles. The fact, however, remains that the ordered quantity was not supplied by the contractors in full and KSEB had to resort to procurement at higher rate, besides violating the provisions of clause 12.

Non initiation of action under risk purchase clause

The contract provided (clause G-20) that in case of failure of the contractor to supply and deliver materials or in case of breach of any of the covenants, stipulations, etc by the contractor, the contract would be terminated and the non delivered materials would be procured from elsewhere at the risk and cost of the contractor. Though six contracts were terminated due to non delivery of poles as per the contract, KSEB did not initiate action to recover the extra expenditure of ₹20.61 crore incurred for procurement of poles from other sources. Further, the contract with one supplier[86] was not terminated and even though the contractor had stopped supply in 2007, the Purchase Committee decided (March 2010) to defer the matter**.**

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[84] Suman Concrete Products in Kannur EC.
[85] Mr. D Ajaya Kumar, Pooja industries, for Kottayam, Pala and Thodupuzha ECs.
[86] Vallikkat Construction.

KSEB stated that necessary steps including RR action would be initiated after assessing the liability of the firms. The fact, however, remains that no action had been taken even after five years of termination of contracts (March 2012).

Post contract modification of the terms and conditions

Post contract modification of the terms and conditions to the advantage of the contractor is against the spirit of competitive bidding and should be avoided. After award of the contract, KSEB authorised amendments/modifications to the terms and conditions having financial implications giving undue financial advantage to the contractors as follows:

Dilution of Price Variation Clause

The Contract clause (clause 14) regarding price variation stipulated that the benefit of price increase would be given only for the poles supplied as per delivery schedule, i.e. the benefit of price increase would not be given for poles that were supplied late. Subsequently, based on the request of one of the contractors[87], the Purchase Committee decided (January 2009) to give the benefit of price escalation for belated supplies also. This resulted in undue financial advantage to the contractors to the extent of ₹16.89 crore ***(Annexure 13)*** in 12 ECs (March 2012).

KSEB replied that poles delivered late means that the poles were supplied beyond the contract period. This interpretation of KSEB, however, did not go in line with the spirit of clause 14 of the contract. Further, KSEB's subsequent communications had also reiterated that the benefit of price escalation would be allowed only for poles supplied as per delivery schedule under clause 14.

Amendment of Price variation formula in favour of the contractors

- The Price Variation clause (clause 14) and the formula thereunder stipulated that the prices would be re-fixed in case of variation in the average cost of cement, steel etc., in excess of 10 *per cent* from their value on the due date of tender. KSEB, however, removed the 10 *per cent* ceiling amending (September 2008) the formula to the advantage of the contractors by allowing the benefit of full price variation once the increase in the cost exceeded 10 *per cent.* It was interpreted that the 10 *per cent* ceiling was to ensure that small changes in the input prices would not lead to constant revision in the cost of output**.** This resulted in extension of unintended benefit of ₹1.59 crore to the contractors in four ECs.
- Contrary to clause 14(i) KSEB amended (September 2008) the formula to the advantage of the contractors by including the changes in the price of sand and coarse aggregate also, thereby extending benefit to the contractors to the extent of ₹68.31 lakh in three ECs.

KSEB stated that the PSC pole manufacturers represented to the Chairman requesting to allow some concessions as the contract allowed price escalation only on cement, HTS wire and labour charges. Accordingly, the Board decided to remove the 10 *per cent* ceiling in the formula and to allow escalation on river sand and coarse aggregate also. The fact, however, remained that these

[87] **Pooja Industries.**

amendments resulted in financial advantage to the contractors not contemplated in the tender/contract.

Payment of transportation charges in violation of the terms of contract

As per the terms of the contract (clause 1) transportation charges would be paid at lump sum rates for delivery of poles anywhere within the EC concerned. In case of necessity the contractor was bound to supply poles to other Circles also for which transportation charges would be paid at separate rates (per pole per kilometer basis).

KSEB, however, paid transportation charges at the lump sum rates applicable for supply within the Circle in addition to the transportation charges at separate rates for poles supplied outside the Circle. This resulted in extension of unintended benefit to the extent of ₹63.56 lakh to two contractors[88] only.

KSEB stated that no decision was taken by the competent authority to allow transportation charges at inside circle rate plus per km rate for delivery outside circle boundary. We, however, observed that KSEB decided (January 2011) and paid transportation charges at rates within the Circle in addition to per pole/km rate for delivery of poles outside the Circle. Similarly, we also noticed unauthorised payment of excess transportation charges to Pooja Industries in respect of poles delivered outside Kottayam EC.

Role of Chief Engineer (TC & M)

CE (TC &M) was submitting proposals relating to procurement of poles to the PC as well as the Board. All decisions regarding post contract modifications to the advantage of the contractors were taken by the PC/Board on the basis of the detailed note/proposals submitted by CE (TC&M). Instead of exercising due diligence, the CE (TC&M) forwarded the request of the contractors with a favourable note to the Board/PC without analysing the financial implication. On the strength of the recommendation of the CE (TC&M), PC/Board authorised amendments/ modifications to the terms and conditions of the contract which ultimately resulted in undue financial benefit to the contractors**.**

KSEB stated that recommendations on the request of the contractors were given only in very genuine cases and decision in violation of agreement conditions were taken only to ensure the continuance of the contract. As the contractors were bound to supply the poles at the agreed rate and as per the terms of the contract, the relaxation/concessions allowed through post contract modifications lacked justification.

Storage and Accounting

Poles are delivered at the Electrical Sections (ESs) and Goods Received Notes (GRNs) are prepared at Sub Regional Stores.

We observed that the present system of accounting of poles was defective as the stores ledger kept at Sub Regional Stores always showed a nil balance. This resulted from the system of accounting where the poles received were

[88] **Pooja Industries and Vellackamattathil Industries.**

immediately shown as issued. Hence we were not in a position to assess the total quantity supplied, balance to be supplied, poles utilised, poles held as stock, etc.

The actual utilisation and stock position of the poles were monitored only through Material At Site Account (MASA) maintained in ES concerned. The poles supplied at ES were stacked on the way side at different locations and many poles got damaged and even got buried under soil while widening the road.

Poles stacked on way side and buried under soil and bitumen at Thodupuzha EC.

On physical verification of the stock of poles at the instance of audit in two Electrical Section offices (Thodupuzha I & II), shortage of 168 nos (7m and 8m) poles worth ₹1.96 lakh (calculated @ ₹1091.81 for 7 m and ₹1302.31 for 8 m poles) and unaccounted 73 nos poles (9m) worth ₹1.51 lakh (calculated @ ₹2069.14 per pole) were detected.

The payments are made at the ECs. We, however, found that different ECs book the expenditure on procurement of all types of poles (Iron poles, 'A' poles, PSC poles) under the same head (22-226). Hence, we could not assess the total payment made, payment outstanding, price escalation paid, penalty recovered, price escalation payable etc., in respect of PSC poles procured. Further, no consolidated data was available with KSEB too.

KSEB, while admitting the observation stated that report from the Dy.CE called for was awaited.

Award of contract before expiry of the existing contract

During the currency of the long term contract, Board decided (October 2009) to decentralise pole purchase and delegated the power to the three CE (Ds). Accordingly, the CE (Ds) invited (January 2010) tenders and placed orders for

13.44 lakh poles (7m, 8m and 9m) with 10 firms, of which nine firms were existing suppliers under long term contract. The rates obtained were higher than that of the current long term contract. Consequent upon receipt of new orders at higher rates, nine contractors stopped supply of the balance quantity of 821811 poles (7m/8m/9m) against previous contracts. KSEB failed to insist supply of the backlog as well as balance quantity. Calling for tenders before expiry of the current contract was unwarranted. This gave a chance to the contractors to escape responsibility of supplying the balance quantity against previous contract. As a result, 500205 poles had to be procured from the same contractors at higher rates obtained in the new tenders. The liability towards extra expenditure on account of this worked out to ₹15.12 crore.

KSEB stated that as the contract was for five years, delivery of poles was for five years and the contracts were to be short closed with the supplied quantity on the specified date of completion. Therefore no condition in the agreement could be invoked to insist on supply of balance quantity. The reply was not true to facts as the contractor was bound to perform the contract in full and in case of non supply, the contract provided for termination and procurement of the non supplied material at the risk and cost of the defaulted contractor. Further, KSEB in addition to the original quantity ordered, placed additional orders as per the contract extending the period of contract beyond the stipulated period of five years, which the contractors were bound to supply. This contradicts the reply of KSEB.

The matter was reported to Government in July 2012; their reply was awaited (November 2012).

2.2.2 Litigation Management

Introduction

The Kerala State Electricity Board (KSEB), Thiruvananthapuram in the course of carrying out its objects, operation and maintenance activities, confronts with large number of litigations under various categories of issues like, land acquisition, line drawing (tree cutting and diminution in land value), contracts, billing and tariff disputes, theft of energy, revenue recovery, tax matters, employee benefits, etc.

KSEB has a Legal Cell at the Corporate office headed by Legal Advisor and Disciplinary Enquiry Officer (LA&DEO) to conduct the cases through its standing counsels. The LA&DEO is the prime advisor of KSEB in all legal matters and his functions include *inter alia* vetting of tender documents and agreements executed between KSEB and contractors. KSEB also settles cases through Adalats conducted at various courts. We conducted an audit to assess the efficiency and effectiveness in handling of legal cases by KSEB.

Present position

As on 31 March 2012, KSEB had 22741 cases and 1326 appeals pending in various courts ***(Annexure 14)***. The position of legal cases dealt with for the last four years was as shown below:

Particulars	2008-09	2009-10	2010-11	2011-12
Number of cases at the beginning of the year	19101	19218	21516	23058
New cases	5286	6079	5619	5520
Total	24387	25297	27135	28578
Number of cases disposed during the year	5169	3781	4077	5837
Number of cases pending at the end of the year	**19218**	**21516**	**23058**	**22741**

We selected 517 case files (169 lower Court and 348 High Court cases) for scrutiny based on random selection. These included pending cases, new cases filed and disposed of during the years 2008-09 to 2011-12. Out of the 409 disposed cases test checked, there were 53 favourable, 82 partially favourable and 274 unfavourable cases. We noticed deficiencies/shortcomings in management of litigation as discussed below:

Avoidable Litigation

KSEB, as a public sector statutory body, should be a model in following rules and regulations in the conduct of its business. We, however, found that KSEB violated the provisions of its own manual/ Supply Code[89]/ other rules etc. leading to a spate of avoidable litigations. Sometimes Government interference also led to litigation.

Out of the 517 case files test checked, 257 cases were filed against KSEB due to avoidable reasons. These aspects have been discussed below:

Sl. No.	Type of case	No. of cases	Reason for litigation	Impact
1.	Tree cutting compensation	193	Payment of lower compensation than prescribed in the manual of KSEB.	Constituted 23 *per cent* of the total cases.
2.	Contract Matters	1	Irregular cancellation of work order by Government of Kerala (GoK)	Delay of 19 months
3.	Arrears of electricity charges	7	(a) Violation of Clause 12 of the Supply Code.	Unnecessary litigation which was finally decided against KSEB.
		2	(b) Violation of Clause 23 of the Supply Code.	
		3	(c) Violation of Clause 34 (d) of the Conditions of Supply of Electrical Energy, 1990.	
4.	Employee benefits	51	Non-deposit/payment of gratuity	Led to huge financial commitment of ₹250 crore (approx).
	Total	**257**		

[89] Kerala State Electricity Supply Code 2005.

Tree cutting compensation

KSEB paid to the claimants only half of the tree cutting compensation that was prescribed in the Manual on the ground to avoid huge payments. We found that this reduction did not lead to any saving as the Court allowed compensation in full, at the rate prescribed in the Manual (in 123 out 193 cases test checked).

Government stated (October 2012) that though five *per cent* annuity was mentioned in the Manual, finding it excessive, KSEB contested the rate in the Court. KSEB also stated that it can move against the provisions in the Manual of Instructions if it feels detrimental or impractical as it has no statutory force. The fact remains that non-compliance with the provisions of the Manual led to avoidable litigation and KSEB had to pay compensation at five *per cent* in 123 cases. Further, KSEB is bound to follow the Manual as it is a prevailing Board order to be followed with regard to land acquisition and tree cutting compensation.

Contract Matters

Korean Electric Power Data Networking Company (KDN) was awarded (September 2010) the work of implementation of the Information Technology system under Part A of the Restructured Accelerated Power Development and Reforms Programme Scheme for ₹239.97 crore. Subsequently, GoK directed (December 2010) KSEB to cancel the contract based on their reservation over tender process. KDN challenged (December 2010) the cancellation of the work order in the High Court of Kerala. The Hon'ble Court, in its judgement held (May 2012), that the Government had no authority to interfere in the matter and quashed the Government Order. Later KSEB issued (September 2012) Letter of Award to KDN. The project was delayed for more than 20 months[90] due to Government interference. Cost escalation due to time overrun cannot be ruled out. Besides, this delay has postponed the social benefit of loss reduction in the transmission and distribution of electricity.

Government stated that the Hon'ble High Court has since directed the Government of India/Power Finance Corporation to enlarge the time frame for implementation of the project. The reply was, however, silent about the postponement of social benefits due to delay in implementation. Further cost escalation due to time overrun cannot be ruled out as KDN is yet to accept the re-awarded work as per the original terms and conditions.

Arrears of electricity charges

(a) According to Clause 12 of the Supply Code 'If a purchaser of a premise requires to have a new connection, as the earlier connection has already dismantled after disconnection, the arrear, if any, shall be realised from the previous owner/occupier of the premises and not from the purchaser'. KSEB denied electric connection to the petitioners on the ground of pending dues from previous owners of the property. The Court directed KSEB to give electricity connection upon the petitioner complying with the requirements for the grant of a new connection other than payment of energy charges due from the former occupier.

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[90] **Delay from date of cancellation of work order (December 2010) to date of re-awarding the work (September 2012).**

Government stated that the Kerala State Electricity Regulatory Commission has amended (30 May 2012) clause 12 by inclusion of sub clause (2) as 'Notwithstanding anything contained in sub-clause (1), the purchaser referred to therein shall deposit an amount equivalent to such arrears excluding interest with the licensee, which shall be reimbursed as and when realised from the previous owner/occupier'. The cases pointed out arose in the absence of such empowering clause earlier.

(b) According to Clause 23 of the Supply Code 'In case of belated payments penal interest at twice the bank rate[91] based on actual number of days of delay from due date may be charged by the Licensee'. KSEB charged interest at the rate of 24 *per cent* per annum for the defaulted payments from consumers, while the bank rate was 6 *per cent* (from April 2003 to February 2012.) The Hon'ble Court directed KSEB to rework the liability of the consumers as per the provisions of Supply Code, 2005.

While accepting the facts, KSEB stated that strict instructions have been given for applying clause 23 of the Supply Code 2005.

(c) Conditions of Supply of Electrical Energy, 1990 (Clause 34 (d)) provides that 'No service shall remain disconnected continuously for a period exceeding six months for non-payment of amount due to the Board. If the dues are not paid within the six months period of disconnection, the service shall be dismantled and the amount due to the Board shall be realised through revenue recovery action'. KSEB did not dismantle the connections even after 6 months from the date of disconnection and later demanded current charges for the period beyond 6 months. The Hon'ble Court observed that KSEB was bound to dismantle an electric connection within 6 months of disconnection, if dues are not paid and directed KSEB to refund the current charges collected beyond the period of 6 months.

Government stated that it has included (27 July 2012) a clause in One Time Settlement Scheme to limit the minimum charge payable to a period of six months after disconnection if the connection is dismantled. The reply does not explain the above case of levying minimum charges beyond six months where the connection is not dismantled.

Employee Benefits

The District Labour Officer (DLO), based on petition filed by the retired employees, directed KSEB to pay or deposit the gratuity and interest thereon under Payment of Gratuity Act, 1972. KSEB, however, did not comply with the direction whereby, the retired employees approached the Court. The Court disposed of all writ petitions with a direction to KSEB to deposit gratuity along with interest, up to the dates of deposit, at the applicable rate.

All the above cases could have been avoided had KSEB formulated its orders/procedures in conformity with the Acts, rules and regulations applicable to it.

[91] Bank Rate means the rate at which the Reserve Bank of India is prepared to buy or rediscount bills of exchange or other commercial paper eligible for purchase under the RBI Act, 1934 (Section 1 (f) of the Supply Code 2005).

Government stated that the Board took a policy decision to implement the Payment of Gratuity Act 1972 on 24 May 2011 only and this caused filing of umpteen WPs. The reply does not explain the reason for non-deposit of the gratuity amount as directed by the Controlling Authority which led to litigation.

Defective handling of cases

KSEB should efficiently handle the cases during investigation/presentation so as to get favourable orders to the maximum extent. We observed that the failure of KSEB to efficiently handle the cases helped the petitioners in winning the cases as discussed below:

Sl. No.	Type of case	No. of cases	Name of the petitioner/respondent and date of decision.	Reason for losing the case.	Loss of revenue (₹ in lakh)
1.	Theft of energy	2	(a) Shri K Nandakumar (April 2011)	• Failure in raising timely demand • Defective presentation • Failure to establish theft of energy.	8.13
			(b) Shri AR Narayanan (August 2009)		5.44
2.	Tree cutting compensation	29	Various claimants	Delay in filing the case	-
	Total	**31**			**13.57**

Theft of energy

(a) The APTS on inspection (15 December 2003) detected unauthorised use of electricity and raised (December 2003) demand for ₹8.13 lakh towards penalty. This was challenged by the consumer. Kerala State Consumer Dispute Redressal Commission, in its judgement set aside the bill citing that KSEB did not adduce evidence in support of the site mahazer.

(b) The APTS on inspection (5 January 2005) detected theft of energy and raised (January 2005) demand for ₹5.44 lakh. KSEB initiated action against the consumer but the Court acquitted the consumer of the charges finding that there was no proof for theft of energy.

Government while admitting the defective handling of the above cases stated that necessary in-service training would be imparted to the field officers for successful conduct of cases.

Tree cutting Compensation

There was delay in filing Civil Revision Petitions (CRP) by KSEB at the Hon’ble High Court against the compensation allowed by lower courts and as a result the court dismissed these petitions. We found that out of 175 CRP cases reviewed, 29 were dismissed due to delay upto 1315 days in filing.

Government while admitting the delay stated that it has ordered action against the delinquents and more attention would be given in avoiding such instances in future.

Lack of follow up action

Once a case is decided in favour of KSEB, it has to take suitable action to implement the decision. We observed that KSEB did not initiate timely/effective follow up action on cases decided in its favour which resulted in blocking up of revenue and limited the scope of recovery as discussed below:

Sl. No	Type of case	No. of cases	Name of the petitioner/respondent	Remarks	Amount involved (₹ in lakh)
1.	Revenue Recovery	1	Hitech Electrothermic and Hydro Power Ltd, Palakkad	Delay of more than two years in resuming Revenue Recovery action	8687.56
2.	Billing and Tariff Dispute	2	(a) Grammax Paper & Boards (P) Ltd	Settling of arrear claims for a meagre amount, despite favourable judgement	65.32
			(b) Hotel Indraprastha, Palakkad	More than two years delay in forwarding the copy of judgement to the field office and consequent delay in raising of bills on the consumer	90.35
3.	Land encroach-ment	1	Smt.Kochikkan Lakshmi, Edamon	Delay in eviction, though favourable Court orders were obtained	--
Total					**8843.23**

Revenue Recovery

Though the case filed by the consumer against the Revenue Recovery (RR) initiated by the Special Officer (Revenue) of KSEB (SOR) was disposed of in November 2005, the SOR resumed RR action only in March 2008 after two years. Meanwhile, the movable assets of the consumer were sold (March 2007) by another creditor for ₹4.60 crore. Thus the delay of more than two years in resuming the revenue recovery action limited the scope of recovery by KSEB. No responsibility was fixed on the SOR for the delay in initiating RR action.

Government stated that as per the judgement, it had to consider the claims of the petitioner and to pass orders after hearing. Even though KSEB invited (April & May 2006) the consumer, he never turned up for hearing and the matter was disposed of (March 2008) without hearing. The reply is not acceptable in view of the fact that KSEB took almost two years to dispose of the matter and resume RR action.

Billing and Tariff Dispute

(a) The Court held that the consumer (Grammax Paper & Boards (P) Ltd) was entitled to get the benefit of Pre-92 tariff concession for the allocated power of 700 KVA, instead of 1000 KVA demanded by the consumer. The Hon'ble Supreme Court upheld (November 2008) the judgement of the Hon'ble High Court. The amount payable by the consumer including surcharge for the belated payment worked out to ₹95.16 lakh. The SOR, however, unwarrantedly settled

(December 2010) the claim under One Time Settlement Scheme for ₹29.85 lakh forgoing revenue to the tune of ₹65.32 lakh.

Government stated that huge arrears were pending from the consumer on account of disputes over pre-92 tariff and KSEB had included the case under One Time Settlement Package (OTS) evolved for realising long pending arrears from all kinds of consumers. The reply is not acceptable as there was no dispute in the instant case for collecting arrear amount up to a demand of 700KVA as per the order of the Hon'ble Supreme Court. Further, KSEB did not protect its financial interest by including the case under OTS.

(b) As per the Hon'ble Supreme Court's judgement the consumer, Hotel Indraprastha, Palakkad was to be billed under commercial tariff (LT VII A) from 26 September 2000 to October 2003 instead of industrial tariff (LT IV). The copy of Hon'ble Supreme Court's judgement (May 2008) was forwarded to field office only in October 2011 after a delay of more than two years. The demand for the differential amount of ₹66.23 lakh was yet (May 2012) to be raised, resulting in loss of interest of ₹24.12 lakh (@ 9.50 *per cent*) from July 2008 to May 2012.

Government while admitting the delay explained that the present system was inadequate for the proper and efficient conduct of cases.

Land encroachment

The Court authorised (September 2003) KSEB to take over the land. Though the appeal for stay was denied (December 2009) by the Hon'ble High Court the eviction did not materialise so far. The encroached land admeasuring 24 cents was attached to the 220 kV Substation, Edamon where the Intelligence Bureau of Government of India had warned for securing the Substation premises by building security fencing.

Government stated that eviction and acquisition were sovereign functions of the State and KSEB as a requisitioning authority had acted in time. The reply indicates the need for urgent intervention of the State Government in the matter.

In addition to the deficiencies mentioned above; we also noticed lack of qualified personnel in legal wing and absence of special wings at field offices (SOR, Circles etc.) for attending to legal cases resulting in poor performance of the wing.

Government assured to take steps to make the system effective.

It is recommended that KSEB should analyse the reasons for mounting number of cases and take appropriate remedial measures to save time and money. The reasons for losing the cases may also be analysed and lacunae noticed be circulated to field offices to avoid their recurrence in future. KSEB should develop a suitable mechanism to monitor the cases decided in its favour for its effective implementation and strengthen the Legal Wing.

2.3 TRANSACTION AUDIT OBSERVATIONS

2.3.1 Loss of revenue

Non-charging of separate rates in case of non segregation of light/power loads and unauthorised use of electricity in respect of HT/ EHT consumers led to loss of revenue amounting to ₹7.52 crore.

As per Kerala State Electricity Board Terms and Conditions of Supply, 2005 (TCS), an agreement has to be entered into between Kerala State Electricity Board (KSEB) and the consumer. Terms of the agreement with High Tension (HT)/ Extra High Tension (EHT) consumers *inter alia* provided for charging of separate rates in case of non-segregation of light and power load, unauthorised use of electricity etc. Invoking these provisions had the benefit of additional revenue accruing to KSEB. KSEB, however, did not carry out inspection of the consumers' premises to identify such unauthorised use/non-segregation of load which led to loss of revenue as detailed below:

a) As per tariff notifications for HT and EHT consumers issued by KSEB from time to time and as incorporated in the agreement for supply of energy, when the connected lighting load of the factory is more than five *per cent* of the connected load for power, the whole lighting load is to be segregated and metered by a sub-meter and lighting consumption in excess over 10 *per cent* of the bulk supply consumption for power is to be charged at 7 paise extra per kWh for EHT and 25 paise extra per kWh for HT consumers. If segregation and sub-metering was not made as specified above, the bill amount of the consumers is to be increased for demand and energy charges by 10 *per cent* and 20 *per cent* for EHT and HT consumers respectively.

We observed (May 2012) that out of the total 1304 HT consumers, information pertaining to light and power loads was available only in respect of 400 consumers. Of these 400 consumers, 56 consumers had not installed separate sub-meters despite their light load exceeding five *per cent* of the total load. KSEB, however, did not charge rates applicable for non- installation of separate meter @ 20 *per cent* of the bill amount on demand and energy charges. The loss of revenue to KSEB for the limited period of September 2010 to March 2012 alone worked out to ₹4.78 crore. In the absence of information in respect of the balance 904 consumers, the shortfall, if any, in revenue collection could not be assessed by audit.

The matter was reported (August 2012) to Government/Management; their replies were awaited (November 2012).

b) As per the agreement for supply of HT/ EHT energy, the consumer shall not make any alteration, without prior approval of KSEB so as to increase the obligation of KSEB to supply electrical energy in excess of agreed Contract Demand (CD)/Connected Load (CL). If the consumer fails to obtain prior approval from KSEB to increase the CD, KSEB shall charge penalty as per TCS, after giving notice (clause 14(a) / (b) of the agreement). The consumer as per clause 15 of the agreement shall be liable to pay excess demand charges at 50 *per cent* of demand charges as per tariff notification, if agreement for revised

CD is not executed but prior approval is obtained. As per clause 50 (1) / (2) of TCS, if a consumer is found to be indulging in unauthorised use of electricity, the electricity charges payable on such usage shall be charged as per Section 126 of the Electricity Act, 2003, i.e at twice the rate applicable for relevant category of services for the entire period during which such unauthorised use of electricity has taken place, after giving notice.

We observed (July 2012) that the Recorded Maximum Demand (RMD) in respect of 78 consumers[92] was in excess of CD for a period ranging from six to eighteen consecutive months indicating misuse/theft of energy. In such cases, the Assessing Officer[93] (AO) of the sections along with Anti Power Theft Squad (APTS) of the region was to conduct inspection of premises of these consumers with a view to ascertain the unauthorised use of energy and to provisionally bill for misuse of energy. AO/APTS, however, did not carry out such an inspection. Further, Executive Engineers / Deputy Chief Engineers concerned also did not monitor the consumption by the consumer and direct AO / APTS squads to conduct inspection of premises. As such, only 150 *per cent* (normal demand charges 100 *per cent* plus excess demand charges 50 *per cent*) was charged for such RMD in excess of CD.

KSEB while explaining (October 2012) the reasons for lapses assured to take steps to review the tariff order and that direction would be given to field offices to inspect the premises of such consumers.

Failure to conduct inspection of premises resulted in non billing of penal charges for the misuse of energy at twice the rate of demand charges as provided in the TCS and consequent loss of revenue of ₹2.74 crore (reckoned at 200 *per cent* of tariff rates less already billed 150 *per cent*) to KSEB in respect of 78 consumers during September 2010 to February 2012.

The matter was reported (August 2012) to Government; their reply was awaited (November 2012).

2.3.2 Irregular Payment

Irregular payment of Isolated Area Allowance resulted in an extra expenditure of ₹0.44 crore

As per the Pay revision orders of Kerala State Electricity Board (KSEB) for the period from July 2003 to June 2008, as approved (September 2007) by the Government of Kerala, Isolated Area Allowance (IAA) @ 10 *per cent* of the Basic Pay, subject to a maximum of ₹1300 per month was payable to those officers of the Board who were physically present at the notified isolated areas[94]. It further stipulated that IAA would not be payable to officers drawing Hydel Allowance (HA)/Investigation Allowance (IA).

Subsequently, based on a request from the Association of Officers in KSEB and recommendation of the Chief Engineer (Generation), KSEB withdrew the

[92]One EHT II category consumer and seventy seven HT category consumers.
[93]Officer not below the rank of Assistant Engineer of Electrical sections in case of HT consumers and Transmission Sections in case of EHT consumers assigned with the duty of monthly meter reading.
[94] Isolated areas as notified by the Board as on 31.3.2007 were Sholayar, Poringalkuthu, Moozhiyar, Kochupampa, Edamalayar, Kakkayam and Thriveni-Pampa.

restriction imposed on claiming IAA and HA together and ordered (May 2008) that the officers working in the notified isolated area would be entitled to IAA @ ₹1300 per month in addition to HA w.e.f June 2008. The Committee of Public Undertakings (COPU), quoting the Government Order of 1979, had directed (July 2008) KSEB that all decisions regarding pay revision were to be taken only after prior approval of Government. The concurrent payment of IAA and HA during the period from June 2008 to March 2011 lacked Government approval and hence was ultra vires.

We noticed that an amount of ₹43.80 lakh was paid as IAA to 291 officers stationed in the five isolated areas during the period from June 2008 to February 2011 as detailed below:

Sl.No	Account Rendering Unit (ARU)	Isolated Area	No of cases of payment of IAA, along with HA	Amount (₹ in lakh)
1.	Generation Circle, Thrissur	Poringalkuthu	77	17.42
2.	Investigation Circle, Thrissur	Kakkayam	16	0.26
3.	Generation, Civil Circles, Kothamangalam	Edamalayar Meencut	40	9.43
4.	Generation Circle, Moozhiyar	Moozhiyar	153	15.75
5.	Transmission Circle, Pathanamthitta	Kochupampa	05	0.94
	Total			**43.80**

KSEB while admitting our observation stated (November 2012) that the matter has since been taken up with the Government for ratification. The fact, however, remained that payment of Isolated Area Allowance was without approval of the Government and resulted in extra expenditure of ₹43.80 lakh.

The matter was reported to Government (July 2012); their reply was awaited (November 2012).

CHAPTER III

PERFORMANCE AUDIT RELATING TO STATUTORY CORPORATION

WORKING OF KERALA FINANCIAL CORPORATION

Chapter III

PERFORMANCE AUDIT RELATING TO STATUTORY CORPORATION

3. Working of Kerala Financial Corporation

Executive Summary

1. Disbursements were made without ensuring that the IRR of the project to be financed was significantly higher than the interest chargeable on the loan.

2. The professional competence/ commitment to success, of the promoter to run the business was not properly assessed before sanctioning loans.

3. Disbursement of funds was not synchronised with the progress of projects being financed.

4. While rescheduling the loans, the viability of the projects under revised repayment obligation was not assessed. Consequently, the immediate impact of faulty rescheduling was inflated income / profit shown in accounts.

5. The Corporation had to forgo amounts to the tune of ₹297.73 crore due to faulty disbursements. Government and financial institutions also had to suffer financial loss of ₹105 crore towards write off of accumulated losses against their equity contribution.

6. Delayed action under Section 29 of SFC Act led to non-disposal of 57 units. There were no takers for the assets taken over, indicating that the assets financed did not have business potential.

7. Recovery under RR Act suffered due to intervention of Corporation/Government/Hon'ble Ministers.

8. Non-conformity with legal requirements resulted in the borrowers exploiting the situation to thwart recovery proceedings by seeking legal redressal.

9. Internal audit was ineffective. It failed to point out serious lapses in the disbursement and recovery stages.

Introduction

3.1 Kerala Financial Corporation (Corporation) was established in December 1953 under the State Financial Corporations Act 1951 (SFC Act). The basic business objective of the Corporation is lending to industries and to support sustained industrial growth of the State with special attention to Micro, Small and Medium Enterprises (MSMEs). Provisions of the SFC Act as amended in the year 2000, control and guide the functions of the Corporation.

Organisational set up

3.2 The Board of Directors (BoD) of the Corporation consists of four members nominated by the Government of Kerala (GoK), two by Small Industries Development Bank of India (SIDBI) and one each by Life Insurance Corporation of India and State Bank of Travancore. Policies approved by the BoD are being implemented through the Chairman and Managing Director (CMD) who is the Chief Executive Officer. The CMD is assisted by a Corporate Secretary, three General Managers and a Financial Controller. The activities of the Corporation are being carried out through three Zonal Offices and sixteen Branch Offices.

Scope of Audit

3.3 The present performance audit on the working of the Corporation conducted during March to July 2012 covers the period of five years from 2007-08 to 2011-12. This involved scrutiny of records at Head Office and eight out of sixteen branch offices, selected based on random sampling. We have taken into account the data for four years ending 2010-11 for the purpose of selecting the sample as the figures for 2011-12 were not available then. We have also covered the sanction and disbursement of loan up to the year 2011-12. Of the 1590 loans disbursed during the last five years in these eight branches, we scrutinised 138 cases based on materiality.

Audit Objectives

3.4 MSME sector is fast emerging into a major income generating and employment providing sector in our economy. Main objectives of the performance audit were to ascertain whether the Corporation was able to achieve its defined objectives and whether:

- the Corporation achieved its objectives efficiently, effectively and economically;
- there was proper financial planning and management to achieve maximum efficiency in operations;
- adequate policies, procedures and systems were formulated for sanction and disbursement of financial assistance and were complied with;
- an adequate system of internal control with regard to sanction, disbursement and recovery of dues was in place and operative;
- the system of recovery of dues and action taken in case of default was efficient for prompt realisation of over dues; and
- One Time Settlement (OTS) schemes were implemented in accordance with the approved policies.

Audit Criteria

3.5 The audit criteria derived from the following were adopted to assess the performance of the Corporation:

- Annual Budgets including Performance Budget, Annual Accounts of the Corporation, Manuals and Resolutions of the Board;
- Laid down policies, procedures and guidelines of the Corporation related to financial management, sanction of financial assistance, disbursement and loan recovery, relevant provisions of the SFC Act, 1951, guidelines of SIDBI and Reserve Bank of India (RBI);
- Norms fixed for categorisation of loan/asset classification issued by SIDBI and RBI;
- OTS policy, delegation of powers and canons of financial propriety;
- Various orders and circulars issued by the State Government, SIDBI and RBI from time to time; and
- Policies, guidelines and reports prescribed for/by Management Information System/ internal control/internal audit and Corporate Governance.

Audit Methodology

3.6 The following mix of methodology was adopted for attaining audit objectives:

- Review of Board Minutes, Agenda Notes, Minutes of various Committee meetings;
- Review of Business Plan and Resource Forecast (BPRF) including budgets and annual accounts of the Corporation;
- Examination of relevant provisions of SFC Act 1951 and guidelines issued by State Government , SIDBI and RBI from time to time;
- Examination of Economic Review published by State Planning Commission, information from official websites of Government of India (GoI) and GoK and other Government institutions;
- Review of sanction and disbursement procedures, loan ledger/ records;
- Scrutiny of loan sanction and follow up files pertaining to loanees/ MIS;
- Examination of files pertaining to OTS schemes;
- Test check of loan files at selected branch offices and head office.

Financial Position

3.7 Share capital of the Corporation as on 31 March 2012 was ₹211.97 crore held by GoK (₹205.74 crore), SIDBI (₹6.13 crore), Life Insurance Corporation of India (₹0.07 crore), State Bank of Travancore (₹0.02 crore) and other private parties (₹0.01 crore). The financial position for the period from 2007-08 to 2011-12 and important liquidity ratios derived from the financial statements for the corresponding period are given in ***Annexure 15.***

Working Results

3.8 The Corporation had finalised its annual accounts up to 2011-12. Comparative details of working results for the last five years up to 2011-12 and important profitability ratios pertaining to the corresponding period are given in ***Annexure 16.*** While the working of the Corporation resulted in loss of ₹28.15 crore in 2007-08 and ₹76.36 crore in 2008-09, it showed profit in subsequent years in 2009-10 (₹33.73 crore), 2010-11 (₹36.40 crore) and 2011-12 (₹45.65 crore). The profit during these years was mainly due to financial restructuring/rescheduling of loans as subsequently explained.

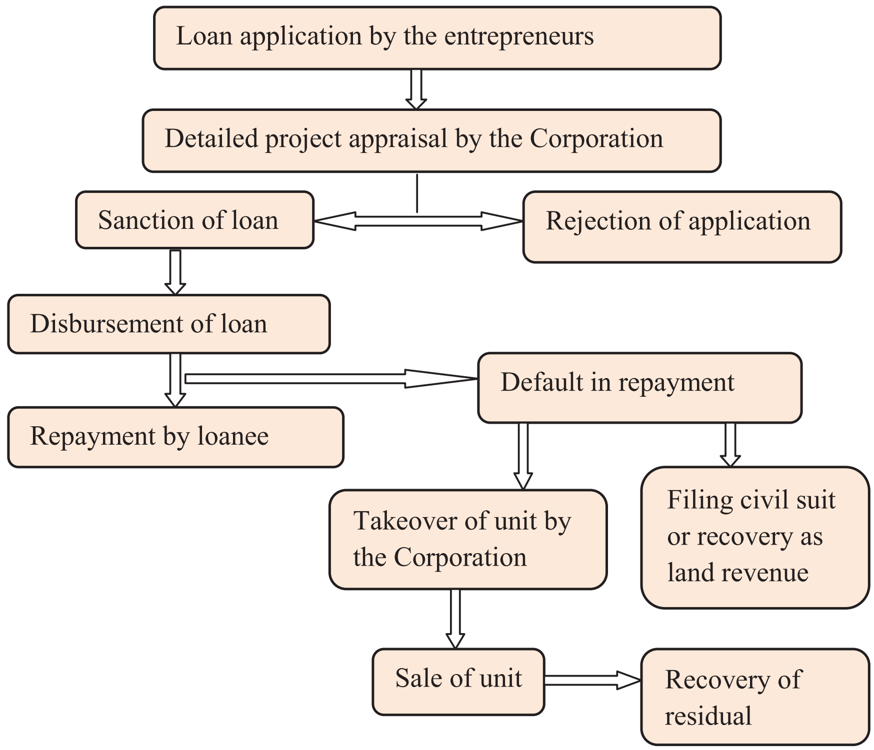
Audit Findings

3.9 The audit objectives, audit criteria and scope of the performance audit were explained to the Management in an Entry Conference (May 2012). Audit findings were reported to the Government/Management (August 2012) and discussed in Exit Conference (September 2012), which was attended by Special Secretary, Finance Department of Government of Kerala and CMD of the Corporation. The Corporation replied (August 2012) to the performance audit report. The replies from the Government are awaited (November 2012). The views of the Management have been considered while finalising the report.

Functioning of the Corporation

3.10 As per Section 28(d) of the SFC Act, financial assistance is given to any industrial concern in respect of which the aggregate of the paid up share capital and free reserves does not exceed ten crores of rupees or such higher amount not exceeding thirty crores of rupees as the State Government, on the recommendation of the SIDBI, may, by notification in the official gazette, specify. Further as per provisions of Section 26(i) and (ii) of the Act, the exposure limit is ₹5 crore for private/public limited companies, co-operative societies and ₹2 crore for others. This limit is relaxable up to ₹20 crore and ₹8 crore respectively with prior approval of SIDBI. As per loan policy 2007-08, Committees constituted at Branch Offices are competent to sanction loans up to ₹1 crore. Financial assistance above ₹1 crore and upto ₹2 crore is sanctioned by Zonal level Committees, loans above ₹2 crore and upto ₹3 crore by Committees at Head Office, loans above ₹3 crore and upto ₹5 crore by Managing Director with recommendation of Head Office Committee and loans above ₹5 crore by Executive Committee. The maximum limit was enhanced to ₹2.5 crore, ₹5crore, ₹7.5 crore, ₹10 crore and above ₹10 crore respectively during the year 2011-12. Sanctioned loans are to be disbursed in instalments considering the agreed debt equity ratio and progress in implementation of projects.

3.11 Recovery of principal is to start after initial moratorium period ranging from six months to two years and recovery of interest from the next month of disbursement of loan. Rules and procedures governing sanction and disbursement of loans (Loan Policy) were formulated in August 2005. Similarly, the Corporation had formulated a recovery policy in 2007-08 and these policies were subject to changes from time to time. The process involved in sanction, disbursement and recovery of loans is given below:



Business Performance

3.12 The details of achievements against targets fixed by the Corporation for the last five years up to 2011-12 were as follows:

(₹in crore)

Year	**Sanction**			**Disbursement**			**Percent age of disburse ment to sanction**	**Recovery**		
	Target	**Achieve ment**	***Per cent***	**Target**	**Achieve ment**	***Per cent***		**Target**	**Achieve ment**	***Per cent***
2007-08	192	245.56	128	180	186.44	104	76	250	221.82	89
2008-09	350	350.21	100	275	293.94	107	84	316	269.25	85
2009-10	1000	615.92	62	800	419.56	52	68	500	299.50	60
2010-11	850	507.39	60	650	443.52	68	87	366	354.22	97
2011-12	1080	539.01	50	815	464.57	57	86	410	467.15	114

(Source: Business Plan and Resource Forecast(BPRF))

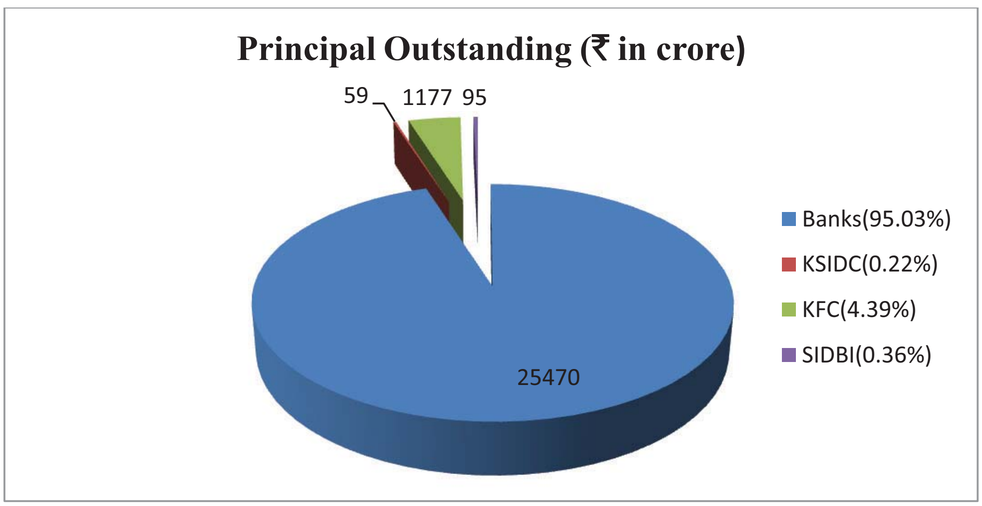
3.13 The achievement of the Corporation was more than the target fixed for sanction and disbursement of loan during 2007-08 and 2008-09. During the subsequent three years, achievements against the targets for sanction and disbursement varied from 50 to 62 *per cent* and 52 to 68 *per cent* respectively. We observed that the annual BPRF were unrealistic as the plan documents have been prepared without obtaining data on actual requirement of branch offices.

3.14 As against ₹2930 crore targeted for sanction during last three years, the actual (net) applications received was for ₹1798.59 crore only. This indicated inadequacy of marketing of its products by the Corporation.

Role of the Corporation in financing MSME sector

3.15 As per 4th All India Census Report published in April 2011 by Development Commissioner of MSME, GoI, there were 13.18 lakh unregistered and 1.50 lakh registered units in Kerala as on 31 March 2007. New units registered during 2007-2012 were 0.43 lakh. During the same period, the Corporation provided financial assistance to 2706 units.

3.16 The State Level Bankers Committee, Kerala also reported (March 2012) that total outstanding against advances provided to the MSME sector as on December 2011 by banks and other financial institutions was ₹26801 crore in 7.62 lakh accounts. Other than the Corporation, major players in the field of financing MSME sector were banks, SIDBI and Kerala State Industries Development Corporation Limited (another State PSU). The diagram below shows the position of advances provided by the above agencies and the Corporation:



Financial Planning

3.17 Financial planning of the Corporation involves estimation of requirement of funds, decision on sources of borrowing and appropriate investment activities. As part of better financial planning, the Corporation has to raise funds in most economic manner and deploy it in the most efficient manner.

Rescheduling of loan accounts and financial restructuring

3.18 As per SIDBI guidelines if interest and/or installment of principal remain due for more than 90 days, loans are classified as Non Performing Asset (NPA). Immediately before or after slippage into NPA category, the Corporation had been rescheduling such loan accounts with revised repayment schedule. As a pre-condition for rescheduling, the Corporation insisted settlement of interest arrears either by remitting or by funding the same.

3.19 As per the accounting policy adopted for income recognition, the interest on loans under standard category was accounted on accrual basis and interest on NPAs, on cash basis. As per RBI guidelines, no account was to be taken up for rescheduling unless alteration/changes in the original loan agreement were made and financial viability was established. This would require reassessment of the feasibility of the project. Without undertaking such an exercise, the loans were rescheduled and classified as standard assets.

3.20 During the last five years up to 2011-12, NPAs of ₹297.19 crore was rescheduled and upgraded to standard category. We observed that 842 borrowers defaulted in repayment of ₹24.78 crore even after rescheduling. But for this rescheduling/grant of OTS, the assets could have been immediately taken over under Section 29 of the SFC Act. The immediate impact of this faulty rescheduling was inflated income/profits being shown in the accounts despite uncertainty of realisation.

The Corporation stated (August 2012) that for upgradation of NPAs it followed the guidelines on prudential norms and asset classification issued by the RBI/SIDBI from time to time. We, however, observed that the Corporation had not been following the RBI/SIDBI guidelines for rescheduling of loans as stated above.

Government/ FIs suffered a loss of ₹105 crore due to financial restructuring

3.21 The Corporation had written off loans amounting to ₹117.58 crore during 2008-09 and the corresponding provision for doubtful debts of ₹84.32 crore was reckoned as income. As part of restructuring, the GoK had permitted (March 2009) the Corporation to write off accumulated loss against the share capital. Accordingly, in the annual accounts for the year 2008-09, the Corporation had written off accumulated loss of ₹105 crore against share capital. Thus the Government and other share holders had to sacrifice 58.64 *per cent* of their equity.

3.22 The working results of the Corporation for the last three years ended March 2012, showed a profit of ₹115.78 crore. This was after reckoning ₹76.63 crore being recovery of principal amount of the loans written off up to March 2009 as income. Thus the capital restructuring resulted in vitiating the working results of the Corporation by ₹76.63 crore.

Thus the positive working results were mainly due to rescheduling and restructuring.

The Corporation while concurring with the audit observation stated that the financial restructuring enabled them to set off its accumulated loss and reduce its NPA level.

Borrowings

3.23 The Corporation prepares, every year, Business Plan and Resource Forecast, the plan document which indicates resource mobilisation and its utilisation. The summarised position of actual cash flow for the last five years up to 2011-12 is given in ***Annexure 17.***

3.24 We observed that when disbursement of loan increased from ₹186.44 crore in 2007-08 to ₹464.57 crore in 2011-12, the corresponding increase in recovery was ₹221.82 crore to ₹430.15 crore only. The short fall in cash inflow due to insufficient recovery as well as increase in demand for loans was compensated by additional borrowings, which increased from ₹75.95 crore to ₹394 crore during the corresponding period.

Refinance from SIDBI

3.25 During the period under review, financial assistance from SIDBI had reduced substantially from 54 *per cent* of loans disbursed (2008-09) to 17 *per cent* (2011-12). To overcome the financial crunch, the Corporation availed ₹401 crore from commercial banks during 2010-2012 at interest rates varying from 9 to 12.75 *per cent*. As per Section 8 of the SFC Act, the Corporation can accept public deposit with prior approval of RBI. The request of the Corporation to accept public deposit was turned down (November 2009) due to poor working results for the previous three years, higher level of NPA and absence of credit rating from approved rating agencies.

Borrowings from Commercial banks

3.26 The Corporation had to resort to expensive borrowings from banks instead of low cost public deposits. The additional expenditure towards interest on account of this worked out to ₹8.23 crore[1] for the years 2010-11 and 2011-12.

The Corporation stated that acceptance of public deposit would result in asset liability mismatch and the performance of the Corporation had improved to become eligible to accept public deposit. The Corporation had also approached (August 2012) SIDBI. The contentions of the Corporation contradict each other.

Loan from HUDCO

3.27 Housing and Urban Development Corporation Limited (HUDCO) sanctioned (March 2011) a loan of ₹100 crore to the Corporation.

We observed that:

- A decision was taken to mobilise funds through issue of bonds in April 2010 to meet the target fixed for 2010-11. The bonds, however, were issued only in December 2011, after a lapse of 1½ years. The delay was attributed to get a better credit rating.
- Loan availed from HUDCO carried interest rate of 11.5 to 13 *per cent* as against 10.74 *per cent* payable on bonds. The delay in issue of bonds necessitated expensive borrowing from HUDCO.
- Since the Corporation did not provide government guarantee in the prescribed format, HUDCO charged one *per cent* additional interest which worked out to ₹0.15 crore.

[1] **The excess of interest paid on bank borrowings over interest (@ 10.25% per annum) payable on public deposits.**

- The Corporation did not assess the actual requirement before getting the loan sanctioned. The Corporation actually availed loan of only ₹25 crore. This necessitated payment of ₹0.55 crore towards front end fee on sanctioned amount as against ₹0.14 crore payable on the loan of ₹25 crore actually availed.
- The Corporation pre-closed (December 2011) the loan account by utilising funds raised through issue of Non SLR Bonds and as a result had to pay ₹0.49 crore towards pre-payment charges.

The Corporation replied that the issue of bond was delayed due to delay in getting credit rating and the pre-payment charges on the closure of loan had not been paid. The reply was not acceptable as the pre-closure, within six months, of a loan availed for a period of ten years indicated poor financial planning. Besides, HUDCO had already appropriated (February 2012) ₹0.49 crore from payment made by the Corporation.

Temporary parking of surplus funds

3.28 Section 34 of the SFC Act, permits the Corporation to invest its surplus funds in accordance with applicable guidelines and prudential norms and in such securities as the Board may decide from time to time. As per GoK circular (November 1997) all Public Sector Undertakings (PSUs) were directed to deposit the surplus/Reserve Funds with them in Government Treasuries only. The Guidelines issued (December 1994) by Department of Public Enterprises (DPE), GoI stipulated that there should be no element of speculation on the yield in respect of investment of surplus funds by PSUs. It was clarified that PSUs would not be allowed to invest their surplus funds in Unit Trust of India and other public and private mutual funds as they were inherently risky. It was further clarified (November 1999) that the Non-Banking Financial Companies may be allowed to invest surplus funds in call money deposits after taking individual approval from Reserve Bank of India.

3.29 The Corporation, in the absence of any approval in this regard, parked surplus funds in Mutual Funds. The Corporation commenced transactions in mutual fund in September 2008 and during the period up to March 2012, average holding varied from ₹2.70 crore to ₹26.05 crore. The decision (July 2008) to invest in liquid fund/Fixed Maturity Plans by the Board was against the guidelines issued by GoI/GoK. The mutual fund transactions of the Corporation, however, resulted in lesser returns than the cost of borrowings by ₹0.81 crore.

The Corporation stated that the investment in Mutual Funds used to give better return than Fixed Deposits in banks and during the last three years Corporation earned an income of ₹38.87 crore. The reply of the Corporation was incorrect as on further verification, we, however, noticed that the actual income earned as per the annual accounts during the above period was ₹3.14 crore only as against ₹38.87 crore claimed by the Corporation. Further, the Board's decision was contradictory to the guidelines of DPE/RBI and the provisions of the SFC Act.

Sanction and disbursement of loans

3.30 Loan application received along with Detailed Project Report (DPR) and other documents were to be evaluated by Technical/ Legal sections at Branch Offices. Appraisal Notes were to be prepared stating the nature of activity for which financial assistance was requested, project cost and its source of finance, promoter's contribution to be brought in, marketing and financial viability, managerial ability of the promoters and their expertise in the field etc.

3.31 Since inception in 1953, the Corporation had disbursed ₹4169 crore in 40703 loan accounts. During the last five years up to 2011-12, the amount of loan disbursed was ₹1808 crore (in 3458 accounts), which worked out to 43 *per cent* of total disbursements made so far. Principal outstanding as on 31 March 2012, was ₹1481 crore. A comparative statement showing applications for loans received and loans sanctioned for the last five years up to 2011-12 is given in ***Annexure 18.***

3.32 An analysis of the actual disbursements in various sectors *vis a vis* the exposure limits fixed by the Corporation revealed that disbursements to Hotel and Tourism sectors constituted 60 *per cent* of the total disbursements. Further in 2008-09 it also crossed the exposure limit of 65 *per cent* **(*Annexure 19*)**.

3.33 With a view to safeguarding the interest of the Corporation, an effective and efficient system of sanction and disbursement of loans would involve the following:

- The Internal Rate of Return (IRR) of the project proposed to be financed should be significantly higher than the rate of interest chargeable on the loan so as to give a reasonable return to the promoters.
- Professional competence of the promoter to run the business on profitable lines ensures success of the project.
- Sufficient collateral security free of encumbrance ensures safety.
- Willingness on the part of the promoters to part finance the project indicates his commitment to ensure success of the project.
- The release of funds by the Corporation after the initial expenditure is met by the promoter is an additional safeguard.
- Disbursement of funds in a phased manner linked to progress of work addresses the risk of diversion of funds.

The Corporation stated that it had been following various safeguards to ensure quality of the assets. Further, the value of the prime securities as on date was considerably high as compared to outstanding amount. We, however, observed that the Corporation did not ensure the quality of the asset as evident from the succeeding paragraphs:

Loan to a charitable trust

3.34 The Corporation disbursed (2007-2009) two loans of ₹17.21 crore to a charitable trust *viz.*, Malabar Province OCD. Out of ₹17.21 crore, ₹4.48 crore was for construction of a spirituality centre and ₹12.73 crore for a multipurpose commercial complex.

IRR was far below the interest rate of loan

- Loan of ₹4.48 crore was disbursed although the projected IRR of 3.08 *per cent* for Spirituality Centre was far below the rate of interest of 12.50 *per cent* of loan. This indicated that the Corporation did not safeguard its financial interest.
- Loan sanctioned and disbursed exceeded the exposure limit of ₹8 crore fixed by the Act and as approved by SIDBI.
- The financing of the total project was in the ratio of 0.99:1 by the promoter and the Corporation. The Corporation disbursed the loan without ensuring that the initial 50 *per cent* investment was met by the promoter.
- Though the trust defaulted in repayment and arrears amounted to ₹10.82 crore (August 2012), the Corporation did not invoke Section 29 of the SFC Act to recover the dues.

The Corporation replied that the IRR was more than the interest rate and the trust had cleared (August 2012) all the arrears. The reply was not correct as the IRR (3.08 *per cent*) calculated in respect of Spirituality Centre was far below the interest rate (12.5 *per cent*). Further the total loan outstanding as on 31 August 2012 as per ledger of the Corporation was ₹21.71 crore including arrears of ₹10.82[2] crore.

Loan to a glass bottle manufacturing unit

3.35 The Corporation provided (February 2011) a loan of ₹7.25 crore to Excell Glasses Ltd. (a Somania group company).

We observed the following:

Viability of project/track record of borrower not considered

- No Detailed Project Report was submitted and the Corporation did not work out IRR.
- The past track record indicated failure of the promoter to run the business profitably.
- As per the Corporation's own assessment, the project was unviable and the promoters were not creditworthy.
- Despite the above, the Corporation did not obtain the personal property of the Managing Director of the loanee company as collateral security.
- Escrow account to facilitate appropriation of a portion of sale proceeds towards repayment of loan was not opened as stipulated while sanctioning the loan.
- The outstanding loan was ₹8.01 crore including arrears of ₹0.77 crore (August 2012).

The Corporation replied that DPR had been submitted and IRR was calculated. After appraisal of the project it was found that the project merited financing and personal guarantee of Managing Director was also obtained. The loan was sanctioned at the instance of Hon'ble Ministers of GoK (Finance and

[2] ₹9.49 crore in respect of multi-purpose commercial complex and ₹1.33 crore in respect of Spirituality Centre.

Industries), which was initially denied (August 2009) by the Branch Level Screening Committee of the Corporation on the ground of non-viability of the project. We, however, observed that the reply was not correct as the loanee did not produce DPR and the Corporation did not compute IRR. Personal guarantee of the Managing Director was also not obtained.

Loan to a Hospital run by Co-operative Society

3.36 The Corporation disbursed (December 2007) a loan of ₹1.25 crore to Peravoor Co-operative Hospital at Kannur for construction of a new block. The total project cost was ₹4.27 crore. Time required for commissioning the project was 18 months and repayment was to be made in 96 monthly installments, after a moratorium of 24 months.

We observed the following:

- The rate of interest was 13.5 *per cent*. For project appraisal the annual income reckoned was ₹2.92 crore as against ₹2.34 crore projected in DPR resulting in inflated IRR of 13.87 *per cent.* Adjusting the IRR after giving margin for adverse business conditions, the project was not creditworthy.
- Considering the existing assets (₹1.49 crore) the maximum eligible amount of loan was ₹0.75 crore (50 *per cent* of ₹1.49 crore). The Corporation disbursed ₹1.25 crore and in fact had sanctioned a higher amount of ₹2 crore.
- The loan was to be disbursed in proportion to the progress in implementation. The Corporation, however, disbursed (November/December 2007) the amount even before the party had obtained the building permit. The work had not even commenced (August 2012).
- The borrower started defaulting in repaying the loan after remitting interest of ₹1.33 lakh in January 2008 and the amount outstanding as on August 2012 stood at ₹1.91 crore including arrears of ₹1.09 crore. The Corporation, however, did not invoke Section 29 of the Act to recover the dues.

The Corporation stated that the loanee proposed to settle the loan account under compromise settlement after disposal of the hospital properties. The account is yet to be settled (August 2012).

Loan to a partnership firm

3.37 The Corporation disbursed a loan of ₹1.50 crore to Haritha Investments during January to May 2009 and an additional loan of rupee one crore in December 2009.

We observed the following:

- The promoter did not have experience in running such a business.
- The project report submitted by the promoter showed IRR of 6.83 *per cent*. The income generated during 2009-10 was only ₹0.04 crore as against the projected income of ₹1.65 crore.

- The promoter failed to establish marketing tie up with established tour operators and non-consideration of the locational disadvantages resulted in project failure.
- Prior approval of SIDBI as required under Section 26 (ii) of the SFC Act was not obtained.
- The firm defaulted in repayment and as on 31 August 2012, the outstanding amount was ₹3.04 crore including arrears of ₹0.94 crore.

The Corporation stated that the promoter had prior experience in hotel industry. It was also stated that the total asset value of the unit stood at ₹5.23 crore and it was expected that the account would be closed shortly. We, however, observed that the promoter had no experience in the relevant field as per the bio-data furnished. Further, the above lapses indicated that the appraisal of the project itself was wrong.

Loans to an existing hotel group

3.38 The Corporation disbursed a loan of ₹4 crore to Kanichai Hotels (P) Limited during March 2007 to March 2009 for upgrading Hotel Lucia from the existing four star to five star category.

We observed:

- The borrower's track record in running the business was poor as they had defaulted an earlier loan necessitating giving relief under OTS. So it was a fit case for outright rejection.
- The past track record of another firm of the same management was also poor. Two loans of ₹4.28 crore disbursed (July 2003 and August 2004) were also under default.
- As against the total project cost of ₹8.24 crore financing to the tune of ₹4.24 crore was to be done by the promoter. Initial funding of the 50 *per cent* cost by the promoter would have been a clear indication of his commitment to the success of the project. However, the funds were released without the promoter doing the initial funding.
- The Corporation assessed the utilisation of the earlier loan of ₹1.20 crore (disbursed during March to May 2003) only in July 2006, after a lapse of three years and prior to disbursement of fresh loan of ₹4 crore.
- The loan was under default and the outstanding amount was ₹3.92 crore including arrears of ₹1.52 crore (August 2012).

The Corporation replied that the loans were disbursed in accordance with the Debt Equity Ratio (DER) (i.e. 1:1) of the project. The reply of the Corporation was not correct. As per the financial statements of the loanee, the DER was at an adverse position of 12.09:1.

Loans to the same group of companies

3.39 The Corporation disbursed (May 2005 to March 2009) a loan of ₹2.08 crore to Southern Hospitalities (P) Limited for construction of a three star hotel. The project was to be completed within ten months from the drawal of first installment i.e, by March 2006. The project was not completed so far (August 2012).

We observed that:

Disbursement of funds was not synchronised with progress in implementation

- When the Corporation disbursed the above loan, completion of an earlier project (a three star apartment hotel) for which a loan of ₹3.50 crore was disbursed (September 2003 to December 2005) was pending. The second loan of ₹2.08 crore should have been declined considering the failure of the promoter to successfully complete the first project.
- The Corporation further disbursed (December 2009 to August 2010) a loan of ₹2.50 crore to Guardian Builders and Realtors (P) Ltd., a company promoted by the same group, though their track record was unreliable.
- The Corporation instead of waiting for the successful completion of the earlier two projects and repayment of earlier loans as per the terms and conditions disbursed further loan of ₹2.50 crore.
- The borrower had also violated building rules for the first project and deviated from the approved plan resulting in cancellation (May 2011) of the permit.

The Corporation stated that the first project could not be implemented within time frame due to third party litigation and that the loan had since been closed (August 2012). The fact, however, remained that the two loans were under default and the outstanding amount was ₹4.03 crore including arrears of ₹0.86 crore (August 2012).

Loans to two hotels in Thrissur District

Kangappadan Residency

3.40 The Corporation disbursed a term loan of ₹3.50 crore (October 2008) to the above unit by taking over an existing bank loan (₹2.07 crore) for completion of construction of three star hotel. The scheduled completion period was seven weeks from the date of drawal of first installment (October 2008). Following lapses were noticed in sanction and disbursement of the loan.

- Assessment of viability is a very critical stage before disbursement of loan. There was failure to carry out such an exercise.
- Out of the total project cost of ₹5.96 crore, the promoter was to contribute ₹2.46 crore whereas the actual contribution was only ₹0.20 crore.

Commitment of promoter by way of initial investment was not ensured

- Without ensuring commitment of the promoter by way of initial investment, the Corporation disbursed the loan. Non-contribution by the promoter indicated lack of his confidence in the profitable operation of the business.
- Though the commercial operation of the hotel started in August 2009, the party defaulted (April 2010) in repayment and the outstanding amount was ₹3.58 crore including arrears of ₹1.08 crore (August 2012).

The Corporation replied that it was decided to fund the project after detailed appraisal of the project and disbursements were made in installments after ensuring promoters contribution. Reply is not acceptable as there was failure in assessing expected income in a realistic manner and the promoter had contributed ₹0.20 crore only as equity against the required amount of ₹2.46 crore.

Dale and Carrington Investment (P) Ltd.

3.41 The Corporation sanctioned and disbursed (August 2009 to March 2012) a term loan of ₹4.81 crore for construction of a three star hotel.

We observed that:

- The initial part of expenditure should have been from the promoter for ensuring the successful completion of the project. The Corporation did not ensure investment of promoters contribution of ₹2.65 crore before disbursement.
- First installment of ₹0.15 crore was disbursed in August 2009. The Corporation released subsequent installments without ascertaining the utilisation of earlier installments.
- Out of ₹4.81 crore disbursed, the Corporation adjusted (November 2009 to March 2012) ₹1.48 crore (including ₹0.36 crore of a sister concern) towards arrears of interest. This indicated poor repayment behaviour of the borrower.
- The borrower defaulted and the outstanding amount was ₹5.30 crore including arrears of ₹0.58 crore (August 2012).
- The project scheduled to be completed by September 2010 still remained to be completed (August 2012).
- The Corporation did not invoke Section 29 of the SFC Act.

The Corporation while justifying the delay stated that the project was likely to be commissioned by September 2012. Reply was silent about inadequacy of promoter's contribution and irregular adjustment of disbursement amounting to ₹1.48 crore against arrears of interest.

Loan to a new hotel project

3.42 The Corporation disbursed (December 2006 to March 2010) ₹11.40 crore to Gold Coast Hotels (P) Ltd. in two loan accounts for construction of a four star hotel.

We noticed that:

- As per the Act (Section 26) loans exceeding ₹5 crore required prior approval from SIDBI. The Corporation, however, sanctioned first loan of ₹5.85 crore and an additional loan of ₹5.55 crore without complying with the said provision.
- As against the required contribution of ₹11.40 crore, the actual contribution by the promoter was only ₹6 crore. The promoter not making his part of investment indicated that he did not have confidence in the success of the project. Ignoring this, the Corporation disbursed ₹11.40 crore.

- The Corporation sanctioned the second loan for additional plinth area not envisaged in the original project. The loan should not have been sanctioned. The Corporation should have insisted the borrower to meet the funds required for additional construction from own sources.
- The Project scheduled to be completed by April 2010 remained incomplete (August 2012).
- The outstanding loan amount as on August 2012 stood at ₹11.95 crore including arrears of ₹6.16 crore and the unit was taken over (Section 29 of SFC Act) by the Corporation.

The Corporation stated that the value of land was limited to the document value and if the actual cost was considered the investment would be substantial. Reply was not tenable. As per the valuation policy of Corporation, the market value could not be considered for valuation. The project failed mainly because of inadequate cash flow and increase in plinth area.

Loan to EVM group

3.43 The Corporation disbursed (2008-2011) loan of ₹4.12 crore for two projects of same promoters, EVM Fuels Pvt. Ltd. (hotel at Guruvayur- ₹3.08 crore) and EVM Reclamations Pvt. Ltd. (Reclaimed Rubber production unit- ₹1.04 crore).

We observed the following:

- The Corporation failed to ensure in advance that the investment by the promoter had been made before disbursement of the loan. Thus the Corporation disbursed ₹3.08 crore as against the eligible amount of ₹2.86 crore, being 50 *per cent* of investment of ₹5.71 crore (June 2011) as agreed upon.
- The project scheduled to be completed in February 2010 remained (August 2012) incomplete.
- The Corporation without waiting for the completion of the first project and assessment of the promptness in repayment by the borrower, sanctioned (August 2010) another loan of ₹1.50 crore for setting up a rubber reclamation plant with a total cost of ₹2.38 crore.
- Considering the past track record of the borrower, the loan application should have been wisely scrutinised to safeguard its financial interest.
- The Corporation disbursed ₹0.54 crore. The borrower had utilised only ₹0.18 crore out of the first installment of ₹0.50 crore disbursed in September 2010. This indicated that the disbursement was not linked to the progress in implementation of the project so as to take care of the risk of diversion of funds.
- The project to be completed by February 2009 remained incomplete (August 2012) and the outstanding amount of loans stood at ₹3.30 crore (August 2012) including arrears of ₹0.09 crore.

The Corporation stated that the excess disbursements were made relaxing the DER as per the then existing loan policy. The reply ignored the fact that as per loan policy promoter's contribution could be relaxed only on the basis of additional collateral security which was not obtained.

Loan to Apartment Complex

3.44 The Corporation disbursed a term loan of ₹0.68 crore (January to August 2008) to Shri. Abi T J of Smart Homes for construction of two storied apartment complex.

We observed that:

- The Corporation did not ascertain the viability of the project before sanctioning the loan.
- The loanee violated the conditions of sanction and constructed third floor without permission of the Corporation.
- Credit rating of the unit was wrongly projected as 72 *per cent* (very good) as against the actual credit rating of 28.75 *per cent* (did not merit for financing).
- The Corporation sanctioned 65 *per cent* of the project cost as loan instead of 50 *per cent* eligible as per loan policy.
- The Debt Service Coverage Ratio (DSCR) and IRR of the project was not calculated and considered.
- The outstanding balance as on August 2012 was ₹0.47 crore including arrears of principal of ₹0.35 crore. The Corporation did not invoke Section 29 of the SFC Act.

The Corporation replied that the value of mortgaged property was sufficient to cover the dues and recovery action under RR would give the desired result than take over under Section 29 of the Act. The reply, however, was silent about the irregularities occurred in sanction of loan.

Recovery Performance

3.45 Recovery can be good only if the project is viable and the promoter shows his commitment to the project by funding initial part of the investments from own funds and offer security. These basic requirements were missing resulting in high default rate and NPAs. Percentage of NPAs was as high as 52 in 2007-08 as shown in the table below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Standard Assets	359.41	624.69	809.72	1036.06	1199.26
Non-Performing Assets					
-Sub Standard Assets[3]	61.24	75.61	53.18	57.72	46.66
-Doubtful-I Assets[4]	42.46	41.66	30.67	37.10	48.23
-Doubtful-II Assets[5]	44.40	35.29	26.77	23.37	44.58

[3] **Assets remained as months NPA for 3 to 21.**
[4] **Assets remained NPA for 21 to 57 months.**
[5] **Assets remained doubtful for more than 57 months.**

-Loss Assets[6]	246.79	194.59	174.81	155.73	141.96
Total NPA	394.89	347.15	285.43	273.92	281.43
Total Loans and Advances	754.30	971.84	1095.15	1309.98	1480.69
Percentage of NPA to total loans	**52**	**36**	**26**	**21**	**19**

3.46 During the period from 2007-08 to 2011-12, the loans and advances had increased by ₹726 crore whereas the standard assets had increased by ₹840 crore. Basically the increase in standard assets should not be more than that of total loans and advances. The increase in standard asset compared to loans and advances were attributable to rescheduling of loans. Rescheduling of loans resulted in conversion of NPAs to standard assets. The large scale loan write off (₹191.03 crore during April 2008 to March 2012) had also attributed to substantial reduction in NPA.

Extension of OTS

3.47 All doubtful loans and loss assets continuing in the same category as on the date of approaching for OTS/Compromise Settlement (CS) are eligible for settlement under the scheme. The other conditions are that the default should not be willful and the borrower did not involve in any fraudulent practice. Thus the benefit of OTS is meant for *bonafide* borrowers only. The fact that the borrowers took loans despite the projects being not viable and/or without making the initial funding indicated that they were not *bonafide* borrowers. Extension of OTS to such category of borrowers was therefore objectionable. But the benefit of OTS/reschedulement of loans was extended to all defaulting borrowers.

- During the review period, in respect of 1179 loan accounts with a total outstanding amount of ₹416.67 crore (March 2012), the Corporation gave a massive benefit of ₹297.73 crore to the defaulters.
- In respect of 431 loan accounts with a total outstanding amount of ₹202.45 crore agreed to be settled under the scheme for ₹105.90 crore, recovery of ₹61.20 crore (March 2012) was pending which worked out to 58 *per cent* of ₹105.90 crore.

Principal amount of loan to the tune of ₹ 12.26 crore was waived in OTS

- While granting OTS only interest is to be waived and not principal. But we noticed that in respect of 120 loan accounts undue benefit of waiver of ₹12.26 crore was given in principal.
- OTS is a mechanism to be resorted to as a last measure before RR action is initiated. In 339 loan accounts securities to the tune of ₹141.03 crore were available. Takeover of these assets under Section 29 of the Act would have been appropriate. Instead the defaulters were given benefits under OTS by reducing their obligation to ₹56.16 crore as against the outstanding amount of ₹130.50 crore.

Reply of the Corporation that willful defaulters were excluded from OTS scheme was not acceptable as a test check revealed that in three cases the Corporation had allowed OTS to willful defaulters also.

[6] **Nil value assets.**

Recovery from taken over units

57 units taken over under section 29 of SFC Act was not disposed of

3.48 As on 31 March 2012, the number of units taken over by the Corporation and pending disposal was 57 and amount outstanding against them as on that date was ₹92.14 crore (principal ₹9.81 crore and interest ₹82.33 crore). The performance with regard to recovery under Section 29 of the SFC Act was very poor as detailed below:

- During the period under review, the Corporation disposed of only 24 units out of 81 units taken over. This leads to two inferences. Firstly, the Corporation had financed assets which had poor marketability. Secondly, delayed action under Section 29 of SFC Act reduced the value of assets to prospective buyers.
- Out of total 57 units pending disposal, settlement in respect of 26 units (46 *per cent*) was pending for more than ten years and the amount outstanding against such cases was ₹49.02 crore (principal ₹3.46 crore and interest ₹45.56 crore).
- As per details furnished by three branches (Alapuzha, Pathanamthitta and Kasargod) in seven cases, the value of assets in hand (₹0.48 crore) was even less than the principal amount outstanding (₹0.88 crore) whereas the total amount outstanding was ₹6.36 crore.
- The pending cases in Thiruvananthapuram, Alapuzha and Kattapana alone constituted 51 *per cent* of total units taken over by the Corporation.

The Corporation replied that invoking Section 29 was done only as a last resort and the number of units pending disposal after takeover had reduced from 300 to 57. We, however, observed that the delay in invoking Section 29 reduces the realisability of the assets to be taken over and majority of units taken over were yet to be disposed of, which included cases pending disposal for more than ten years.

Recovery under RR Act

3.49 The Corporation had been initiating action under Kerala Revenue Recovery Act, 1968 to recover arrears in repayments. The amount recovered was ₹74.71 crore during the years 2010-11 and 2011-12. As on 31 March 2012, an amount of ₹104.21 crore towards principal and ₹1495.54 crore towards interest was pending in respect of 1142 cases.

As per the details furnished by eleven branches (out of sixteen) the age-wise pendency of RR cases as on 31 March 2012 were as follows:

(₹ *in crore*)

Period of pendency	Cases having security			Cases having no security	
	Nos.	Asset value	Principal outstanding	Nos.	Principal outstanding
Up to five years	53	46.43	18.06	7	0.58
Five to ten years	125	85.57	20.71	52	7.50
More than ten years	76	18.19	6.68	252	18.62

The Corporation replied that the reduction in recovery under RR Act was due to settlement of more D3 (loss assets) cases under CS scheme. The reply did not reflect our observation about huge volume of RR cases pending, which includes 329 cases involving ₹135.06 crore stayed by the State Government and the Corporation itself.

Case study

Protection to defaulters from recovery proceedings

3.50 We observed that the defaulting borrowers were favoured by the Corporation (306 cases of ₹114.55 crore) and Hon'ble Ministers/Government (23 cases of ₹20.51 crore) halting recovery of dues. The details are given in the table below:

Sl. No	Name of the borrower	Amount Disbursed	Dues as on 31 August 2012	Deficiencies in recovery	Further observations
		(₹in crore)			
1.	Jayalakshmi Builders Pvt. Ltd.	1.50	13.26	• Release of property on two occasions without collecting dues even after invoking Section 29 of SFC Act.	• Personal guarantee of promoter/directors was not obtained. • No action was taken to maintain the quality of asset taken over in October 2006. Hence the quality deteriorated heavily due to passage of time. • Disposal of the taken over asset was stayed by the then Finance Minister in 2007.
2	Supreme Milk Ltd.	2.15	10.90	• Though Section 29 of the SFC Act was invoked, the property was not sold. • On two occasions, the then Revenue Minister imposed stay.	• The promoter was absconding and the property was leased out without the knowledge of the Corporation. The Corporation did not file criminal case against the promoter. • The Corporation sanctioned (March 2008) OTS which was extended four times up to June 2010. No amount had been remitted till date (March 2012).

3	Chaithram Cares Pvt. Ltd.	1.86	5.09	• Section 29 of the SFC Act was not invoked. • RR action initiated (November 2009) was stayed (February 2012) by the then Chief Minister. • Personal property of the promoters was not attached.	• The original schedule of repayment was up to March 2009 and it was rescheduled in February 2005 extending the repayment period up to August 2011. However, the loanee did not make any payment.
4	Fathima Foods and Proteins Pvt. Ltd.	0.93	1.33	• Section 29 of the SFC Act was not invoked. • Revenue recovery initiated (January 2010) was set aside due to Government intervention.	• The loanee had submitted 42 postdated cheques of closed bank account indicating that the loanee had no intention to repay. • Despite this, the Corporation did not file criminal case against the loanee.
5	Bentek Cables Pvt. Ltd.	0.39	1.29	• Section 29 of the SFC Act was not invoked. • RR action was stayed by the then Finance Minister.	• OTS was offered for ₹0.60 crore against which the loanee remitted only ₹0.17 crore.
6	Salih Industrial Enterprise Pvt. Ltd.	0.60	9.05	• Though Section 29 of the SFC Act was invoked, the property was not disposed of.	• The property taken over (February 1997) was not disposed of even after twelve years (October 2009). • The property was returned (October 2009) to the loanee due to Government intervention. • Though the Corporation agreed for the OTS amount of ₹0.63 crore offered by the loanee, the loanee paid only ₹10 lakh. • The Corporation failed to recover the dues even after twenty five years

The Corporation replied that action under RR was more desirable than takeover of the defaulted unit under Section 29 of the Act and agreed that intervention of the State Government had delayed the recovery under RR Act. The Corporation did not contest the other observations and the fact remained that in the above cases the Corporation failed to recover the dues by initiating coercive action.

3.51 Deficiencies in recovery process resulted in the borrowers being able to thwart recovery through courts (124 cases of ₹32.48 crore). We also noticed serious deficiencies in other cases as detailed below:

Sl. No	Name of the borrower	Amount Disbursed	Dues as on 31 August 2012	Deficien cies in recovery	Further observations
		(₹ in crore)			
1	Rukmoni Memorial Devi Hospital	6.64	9.54	Section 29 of the SFC Act was not invoked	• No collateral security was obtained. • Additional loan of ₹2.08 crore was disbursed when previous loan of ₹4.57 crore was under default. • Utilisation of funds was not ensured, thereby funds were diverted. • No mechanism was evolved to ensure recovery through remittance of daily collection from the hospital
2	Palanattil Construction Company Ltd.	1.80	5.48	Unable to take action under Section 29 of the Act.	• The loan was towards working capital assistance for completion of over bridge for Public Works Department. • The collateral security accepted was not disposable. The land accepted was located in a highly elevated rocky place which was not even accessible. • Though land was valued (2000) at ₹2.71 crore, the upset value fixed (2007) was only ₹1.62 crore indicating inflated valuation. • The Corporation did not file criminal case against borrower though one of the post dated cheque was dishonoured. Remaining two cheques were not presented on due date, thus favouring the borrower.
3	Moolan Modern Rice Mill	0.99	4.39	Section 29 of the SFC Act invoked was not fruitful.	• The property was taken over (2003) by Revenue Authorities and sold (2007) to recover sales tax dues. • The Collateral security remained in the possession of the Revenue Authorities despite lapse of eight years.
4	Panchami Exporters Pvt. Ltd.	1.45	9.70	Section 29 of the SFC Act invoked was not fruitful.	• Though the unit was taken over (March 2001) it was not sold. The Revenue Authorities attached (January 2004) and sold (July 2007) the industrial land to recover the sales tax dues. • The collateral security was under the custody of official liquidator. • Despite this the Corporation sanctioned two loans (₹1.40 crore and ₹1.20 crore) to the sister concern (Panchami Pack Kerala Pvt. Ltd.).
5	St Mary's Properties .	1.50	18.96	Section 29 of the SFC Act invoked was not fruitful.	• Hon'ble High Court of Kerala ordered (October 2002) for winding up and the official liquidator sold (March 2008) properties of sister concerns for ₹17.10 crore. The claims of all creditors were settled except that of the Corporation. • The Corporation filed claim petition for ₹15.05 crore only in December 2010. • The loan account has not been settled so far.

The Corporation stated that it was difficult to take over hospitals under Section 29 of the Act and in other cases the Corporation had initiated action to take over the units, wherever it became possible. The fact, however, remained that the Corporation failed to recover the dues.

Internal/Concurrent Audit

3.52 The Internal Audit team consisting of officers from general, legal and technical sections was reporting to the Deputy General Manager (IA&IW), who in turn reported directly to the Chairman and Managing Director. The periodicity of internal audit was generally six months and days allotted ranged from two to five days. The system of internal audit was replaced with concurrent audit from December 2011 onwards. The Chartered Accountants appointed as Concurrent Auditors do the audit of branch offices as per directions given by the Board of Directors. Manager Accounts and Head of Department (Internal Audit) co-ordinate the concurrent audit and initiate follow up action on the recommendations of the Concurrent Auditors.

3.53 As discussed above, we noticed significant deviations from the approved loan policies, loan recovery policies, OTS/CS guidelines and provisions of the SFC Act (in 48 loan cases in 8 branch offices). The major lapses noticed were sanction of loans to ineligible units, exceeding the exposure limit in loan sanctions, disbursements without matching contribution by promoter, sanction of loan based on wrong credit rating, wrong IRR, DER, DSCR, inadequate security and unauthorised constructions etc. None of the above lapses were reported in the internal/concurrent audit reports, except some minor observations such as missing of Field Officer report, monitoring cards, preliminary screening report etc and statistical information regarding RR cases, undisbursed credit cases etc. This indicated that either the Internal Auditors lacked professional competence or they did not have freedom to comment on serious deficiencies in decisions taken at higher levels of management.

Conclusions

Recovery can be effective only if the project is viable and the promoter shows his commitment to the project by funding the initial part of the investments from own funds and offer security. These basic requirements were not ensured resulting in high default and NPAs. The Corporation had to forgo ₹297.73 crore due to defective disbursements. Rescheduling of loans etc, resulted in overstated profit/income shown in the accounts despite uncertainty of realisation. Due to poor performance of the Corporation, the Government/financial institutions also had to suffer to the tune of ₹105 crore by agreeing to adjust losses against their equity contribution. Belated action under Section 29 of SFC Act resulted in non disposal of 57 units taken over. Deficiencies were found in rescheduling of loans. The recovery under RR Act suffered due to intervention of Government/Hon'ble Ministers. Deficiencies in recovery process also resulted in borrowers being able to thwart recovery through Courts. Internal Audit lacked professional approach and failed to point out the major deficiencies in disbursement and recovery stages.

Recommendations

- **The Corporation should adhere to the prescribed rules/regulations/procedures while sanctioning and disbursing the loans.**
- **No disbursement should be made unless the IRR is significantly higher than the rate of interest charged, the promoters have professional competence to run business on profitable lines, sufficient collateral security free of encumbrance is obtained and promoter indicates his commitment to ensure success of the project by financing the initial investment of the project.**
- **The disbursement of funds should be done in a phased manner linked to progress of work to address the risk of diversion of funds.**
- **Despite taking all safeguarding measures as mentioned above, if the borrower defaults in payment, there should be immediate action by invoking Section 29 of the SFC Act as any delay reduces the prospects of finding takers for the asset.**
- **Recovery mechanism needs to be effective to generate resources for funding new projects without having to depend on expensive external borrowings.**
- **There should be no lack of commitment in prompt recovery under RR Act. The procedures adopted should be in consonance with legal requirements to deny the opportunity to the borrowers to shield themselves from recovery proceedings by taking legal recourse.**
- **Sanctions and disbursements involving serious irregularities may be investigated.**
- **Internal Audit should be professional in their approach and should not hesitate to point out deficiencies in the working.**

CHAPTER IV

TRANSACTION AUDIT OBSERVATIONS

Chapter IV

4. TRANSACTION AUDIT OBSERVATIONS

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

Government Companies

4.1 Loss making Public Sector Undertakings – reasons for losses

As on 31 March 2012, there were 116 Public Sector Undertakings (PSUs), of which 96 were working. The total investment by the State Government in these PSUs as on the above date was ₹5837.49 crore (equity ₹4422.85 crore and long term loans ₹1414.64 crore). Of the 34 loss incurring working PSUs, 17 PSUs had been incurring losses continuously for five years or more and the entire equity capital (₹1002.63 crore) was eroded by their accumulated loss of ₹3219.27 crore.

Out of the above mentioned 17 PSUs, 12 PSUs had a paid up capital of ₹10 crore or more. We identified four geographically distributed PSUs viz, Kerala State Warehousing Corporation, Kerala State Handloom Development Corporation Limited, Kerala State Cashew Development Corporation Limited and Autokast Limited, and conducted an analysis of their activities for the period from April 2006 to March 2012[1] under the broad categories of functioning of Board of Directors, Operational issues and Government support to ascertain the reasons for such huge and recurring losses. The deficiencies noticed in these aspects are discussed in succeeding paragraphs.

We found that all the four selected PSUs had deficiencies in Operational and Marketing activities and except Kerala State Handloom Development Corporation Limited, all three had issues in the functioning of Board of Directors. The areas where deficiencies were noticed in the selected PSUs is discussed below:

4.1.1 Kerala State Warehousing Corporation

Kerala State Warehousing Corporation (Corporation) is engaged in acquisition, construction and running of warehouses in the State for the storage of agricultural and notified commodities. The Corporation, with its Head Office at Ernakulam has nine Regional offices, three Zonal offices and operates 59 warehouses with 1.98 lakh MT warehousing capacity as on 31 March 2012. The Corporation had been continuously incurring operating losses during the last five years ***(Annexure 20).*** The Corporation incurred a loss of 36 paise for every rupee of operating income earned. We observed that this was due to the absence of an effective Board of Directors, high operating cost and poor revenue generation as discussed below:

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[1] **Due to delay in finalisation of Annual Accounts of the PSUs, some of the analysis was limited to the period up to 2010-11.**

Functioning of Board of Directors

As per Section 20 (1) of the Warehousing Corporations Act, 1962 (Act), the general superintendence and management of the affairs of a state warehousing corporation shall vest in a Board of Directors comprising 10 directors[2] and Managing Director appointed by the State Government under intimation to Central Warehousing Corporation (CWC). We, however, found that there were several deficiencies in the functioning of the Board of Directors as detailed below:

Lack of interest by the Directors

As per the Section 20 (4) of the Act, the Board of Directors shall act on business principles having regard to public interest and shall be guided by such instructions on questions of policy as may be given to them by the State Government or the Central Warehousing Corporation. We, however, noticed that during the five year period ending on 31 March 2012, directors' absenteeism was as high as 44 *per cent*[3]**.** Three Directors did not attend even a single meeting during their tenure[4]. This indicated lack of interest of the directors in the affairs of the Corporation and the Board of Directors did not take cognizance of the major problems of operational inefficiencies and continued losses.

The Corporation stated (August 2012) that the absenteeism of directors was not intentional. Further, on the advice of the Board, the Corporation was trying to close down the continuous loss making hired warehouses. The high absenteeism, however, defeated the very purpose of appointment of the directors and adversely affected the performance of the Corporation as well as decision making process and corporate governance.

Ineffective Audit Committee

Audit Committee was formed in July 2008, but no meetings were conducted during the year 2011-12. As a result, several important issues such as ineffective internal audit system, delay in finalisation of accounts etc. were not discussed. The Corporation accepted that due to certain changes occurred in the constitution of the Board, the sub committees had to be reconstituted and hence the Audit Committee could not be convened. This, however, shows lack of effective corporate governance.

Frequent change of Chief Executive Officer

During the period from November 2009 to March 2012, the Managing Director of the Corporation was changed five times, with tenure varying from one month to 12 months**.** Such frequent changes of the Chief Executive Officer also hampered the smooth functioning of the Corporation. The Management apprised (August 2012) that the appointment of a full time Managing Director was under active consideration of the Government.

Operational Inefficiencies

The Corporation rents out storage space in two ways; normal warehousing basis (based on quantity) and reservation basis (area/quantity based), including bulk

[2] Five directors each nominated by the Central Warehousing Corporation and Government of Kerala.
[3] (Required attendance – Actual attendance/Required attendance)* 100: (209-117/209)*100 = 44 %.
[4] From July 2006 to December 2010, November 2008 to July 2010 and December 2006 to December 2007.

reservation scheme for two PSUs. We found the following weak areas in its operational activities:

High cost of operations

Since the expenses remained higher than the operational income, we analysed the expenses and found that employee cost was the single largest item constituting about 78 *per cent* of the total expenditure. We also found that the revenue earned was insufficient to meet even the employee cost. For example, for every rupee of revenue earned, the Corporation incurred (2010-11) ₹1.03 towards manpower. Considering all other costs, the Corporation spent ₹1.36 to generate an income of one rupee ***(Annexure 21).*** The reasons for high employee cost were as discussed below:

Administrative set up

Administrative staff

The Corporation has a three tier administrative set up consisting of Head office, three Zonal offices and nine Regional offices, with a total man power of 110, to manage the affairs of 59 warehouses. The warehouses have an additional manpower of 286 raising the total staff strength to 396. Out of the total establishment expenditure, about 1/3rd was on the administrative staff in the Head office, Zonal offices and Regional offices.

The Corporation replied that the three tier administrative set up was with a view to manage the business effectively. The fact remained that the Corporation did not analyse the high administrative cost and present administrative set up did not improve the performance of the Corporation.

Staff in warehouses

The Corporation employs its own staff in the warehouses for carrying out various related activities like receipt and issue of commodities, maintenance of books/records, fumigation and other godown keeping activities and overall supervision. Out of 59 warehouses, only 14 warehouses were able to generate sufficient revenue to meet even the employee cost ***(Annexure 22*****)**. The Corporation replied that the staff pattern and strength were fixed after taking into account the works related to its activities. The Corporation should reassess the staff requirement scientifically and rationalise deployment of the existing staff.

Small and unviable size of the warehouses

We found that the size of the warehouses of the Corporation ranged from 770 MTs to 11000 MTs. Considering the potential revenue and staff cost as per norms, the warehouses with a capacity of 10000 MTs (at 90 *per cent* capacity utilisation) alone could achieve breakeven. Considering this, 55 out of 59 warehouses of the Corporation were uneconomic in size ***(Annexure 23)***. The Corporation acknowledged that a number of warehouses were small in size as they were functioning in rural areas to cater to the needs of the rural population.

Comparison with Central Warehousing Corporation

To understand the high cost of operations, we compared the Corporation with CWC operations in Kerala. We found that the average size of the warehouse of the Corporation was much smaller i.e. only 1/3rd of the size of the CWC warehouse; but the employee strength was four times higher with a heavy administration structure as shown below:

Sl. No	Item	CWC	Corporation	Audit comment
1	Warehouses	13	59	Uneconomic size
2	Storage capacity	1.54 lakh MT	1.98 lakh MT	
3	Average size	11,846 MT	3,355 MT	
4	Administration Offices	1 no	12 nos (3 tier)	Excess manpower
5	Office Staff	15	110	
6	Warehouse Staff	59	286	
7	Total staff	74	396	
8	Capacity-Employee ratio	2081:1	500:1	
9	Employee cost for 2010-11	₹4.20 crore	₹11.82 crore	High employee cost
10	Employee cost/MT	₹273	₹597	

It was replied that the high variance in operating cost was because of the concentration of CWC in highly potential areas while the Corporation caters to the needs of rural beneficiaries. But the fact remains that for improving the performance of the Corporation, the capacity-employee ratio needs to be improved.

Low income generation

We also observed that along with the high cost of operations, low income generation aggravated the loss as explained below:

- During the year 2011-12, only 14 out of 59 warehouses had occupancy of 80 *per cent* or above. Average capacity utilisation of the warehouses was only 59 *per cent* and 68 *per cent* in 2008-09 and 2009-10 respectively and 62 *per cent* in 2010-11 and 2011-12. The Corporation, however, had not even worked out the breakeven level and taken any effective action to maximise the capacity utilisation of its warehouses.

  While accepting that the capacity of the warehouses was not being fully utilised, the Corporation clarified that the occupancy of warehouses was dependent on various factors like climatic conditions, market price of agricultural produce and procurement programmes of governments. However, continuous poor occupancy indicated lack of initiative of the Corporation to maximise its capacity utilisation and formulation of business plan.

- Though the occupancy of the warehouses was very low, the Corporation did not formulate any business plan, marketing strategy etc. to attract more business. We noticed that Kerala State Beverages (M&M) Corporation Ltd. and Kerala State Civil Supplies Corporation Ltd. occupied about 29 *per cent* of the total area under the Bulk Reservation Scheme and generated 45 *per cent* of the total income of the Corporation. But for the revenue from bulk reservation, the operations of 47 out of 59 warehouses would have ended up in loss for the year 2011-12 ***(Annexure 24)***. Further, the two PSUs used their own staff to manage stock in the Corporation's warehouses under the scheme. The staff of the Corporation deployed in these warehouses was idling.

The Corporation responded that storage space provided to two PSUs was to ensure guaranteed occupancy. Reduced rates extended to them were adversely affecting income of the Corporation. The fact however, remained that given the low return from such warehouses, the Corporation should have taken efforts to reduce the employee cost by suitable re-deployment of idle staff.

- Warehousing charges being the main source of revenue should have been fixed keeping in view the prevailing market rates and cost of operation. The Corporation, however, revised (January 2008) its rates only after a lapse of seven and half years. Thereafter, the rates were being revised on biennial basis. The Corporation apprised that the tariff was revised with effect from 01 April 2012. The rate revision, however, was not made scientifically, but arbitrarily enhanced by 20 *per cent.*
- The Corporation allotted 19459 sq.ft of warehouse space to various customers for functioning as office. We noticed that CWC levies 50 *per cent* higher rent for its warehouse area rented out as office space. The Corporation, however, did not have the practice of applying differential tariff for office space and warehouse space though an area of 19459 sq.ft was utilised for office purpose by the customers. Accepting our suggestion, the Corporation agreed to enhance the rates for office space.

Government Assistance

The Government of Kerala and CWC, together had invested (March 2011) ₹10.75 crore as equity in the Corporation. The Corporation, instead of providing a return on equity, incurred a loss of ₹1.56 for every rupee invested. During the last five years ending 31 March 2012, the assistance by Government and CWC amounted to ₹5 crore (equity ₹2.25 crore and grants ₹2.75 crore).

4.1.2 Kerala State Handloom Development Corporation Limited

The main objective of Kerala State Handloom Development Corporation Limited (Company) is developing the handloom industry in the State. The Company functions with a Corporate office at Kannur and three Regional offices at Kannur, Ernakulam and Thiruvananthapuram. It has 33 procurement centres, four processing units/dye houses and three regional stores.

The Company had been continuously incurring operating losses during the five year period ending 31 March 2011 ***(Annexure 25)***. We observed that high operating expenditure, insufficient margin, poor sales performance etc. were the major reasons for the continuous losses as discussed below:

Operational issues

The Company procures yarn mainly from National Handloom Development Corporation Ltd. which is issued at cost to the registered weavers for making different kinds of fabrics. These fabrics are purchased back at pre-determined prices i.e. cost plus wages and are marketed by the Company at prices fixed by adding 15 to 38 *per cent* towards margin, through showrooms and direct sales.

We identified the following areas of operational inefficiency:

High Operating Expenditure

We found that during the review period, to generate one rupee sale the Company had to spend ₹1.41 on an average ***(Annexure 26)***. The major elements forming part of the expenditure of the Company were material consumed, employee cost and wages and production incentive to weavers.

While accepting our contention, the Company stated (September 2012) that it was not in a position to reduce the high operating expenses.

Meagre monetary benefit to weavers

The basic objective of the Company is to develop handloom industry. We, however, found that the benefits accrued to weavers were negligible.

- Though there were 6500 weavers registered with the Company, only 1200 to 1580 weavers *(22 per cent)* were active during the review period, indicating poor achievement of its social objective.
- As on 31 March 2011, the Company had 297 staff to support the activities of the weavers and to carry out other operations. We observed that for every rupee of sale, the weavers on an average received only 25 paise as against 37 paise paid to the staff of the Company. Further, average annual monetary benefit received by a weaver during the period was only ₹0.25 lakh as compared to ₹1.58 lakh received by an employee.

While accepting that low earnings of the weaver was the main reason for downfall in weaver strength, the Company stated that the wage of the weavers was fixed based on the industrial standards. It was also clarified that a proposal for semi-automation of production was submitted to Government for increasing the productivity and the earning capacity of the weavers. The fact, however, remained that the Company could not achieve the social objective which was to uplift the living conditions of the traditional weavers in the State.

Poor sales performance

The sales of the Company through showrooms (56 showrooms and two mobile sales vans) accounted for 71 *per cent* (₹39.46 crore) of the total sales (₹55.35 crore) during the period from 2006-07 to 2010-11 and the balance was through seasonal exhibitions, agency showrooms and direct sales. We observed that despite the huge infrastructure for marketing, the Company took, on an average, 262 days[5] to sell its finished fabrics indicating poor marketing strategy. Further analysis revealed that:

- 82 *per cent* of showroom sales were during the rebate period[6] of 71 days per year on an average.
- The balance 18 *per cent* sales were achieved during the remaining period of 294 days for which the showrooms functioned throughout the year. As

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[5] **Days in Inventory = 365 days/(Cost of sales/average inventory).**
[6] **Period during which Central and State Governments allow rebate for handloom products.**

a result, the margin achieved during the rebate period was wiped off by the expenses during the remaining period.

- The Company did not undertake adequate promotional activities and also did not fix any monthly/ annual sales target. As such the showroom staff did not have any pre-set goal to achieve and had no motivation which led to piling up of finished products. During the year 2010-11, the Company held an average monthly stock of ₹960.23 lakh against the average monthly sale of ₹84.72 lakh. Further, the selling and distribution expenses incurred by the Company were only 2.24 to 3.20 *per cent* of sales.

The Company stated that showroom-wise targets were given and closely monitored to improve the performance. During non-rebate period sales staff was used to canvas institutional orders. It was also stated that hectic efforts were being made to obtain bulk orders from Government departments. However, the Company has yet to get any favourable orders from the Government.

Insufficient margin-a pointer to increase sales and reduce cost of sales

The need for increasing sales and reducing cost was evident from the low sales margin which was insufficient to meet the operating expenses. We observed that, during the period from 2006-07 to 2010-11, the average margin[7] obtained by the Company was ₹323 lakh. This was not sufficient to meet even the salary and wages paid to the staff and administration and selling expenses amounting to ₹688 lakh. The Company concurred with the audit observation.

Government assistance

The Government of Kerala had invested (March 2010) ₹18.08 crore as equity in the Company. Against the above, the Government suffered a loss of ₹2.33 on every rupee of its investment. During the five year period, the Government disbursed an amount of ₹41.22 crore to the Company by way of equity (₹10.90 crore), loans (₹0.87 crore) and grants etc (₹29.45 crore[8]). Despite this, the Company continued to incur losses. This indicated failure of the Company to capitalise on the substantial financial assistance extended by Government.

4.1.3 Autokast Limited

Autokast Limited (Company) was incorporated in 1984 with the objective of promoting, undertaking, financing, executing and developing ferrous and non ferrous castings to meet the requirements of industrial units in the State of Kerala or elsewhere. The Company had been continuously incurring operating losses during the five year period ending 31 March 2011. The major reasons for continued losses, in addition to frequent changes in the management, were insufficient value addition, mismatch in capacity, low labour productivity, excessive consumption of power and high rate of rejections as discussed below:

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[7] **Sales less (material consumed and manufacturing expenses).**
[8] **Grant (₹10.36 crore), Subsidy (₹2.24 crore), Rebate(₹11.52 crore), Marketing Incentive (₹5.33 crore).**

Tenure of Chief Executive

The tenure of service of the Chief Executive had to be long enough to enable continuity in decision making. We noticed that the Managing Director was changed four times with tenure ranging from seven months to 17 months having adverse effect on the decision making process. Meetings of the Board of Directors/Audit Committee were, however, conducted regularly.

Operational issues

The production process involves feeding of raw material consisting of Cold Rolled Continuously Annealed scrap, Pig Iron, MS Scrap etc, into the Induction Furnace for melting. Necessary additives are added for maintaining the properties of castings as required by the individual customers. The molten metal is then poured into the moulds and after cooling, the same is decored, fettled and machined to form the finished product as per the requirement of the customer.

Expenditure incurred by the Company to generate one rupee sales during the review period was as detailed below:

(in ₹)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Average
Raw material consumed	0.46	0.46	0.48	0.27	0.41	0.41
Manufacturing expense	0.33	0.32	0.28	0.32	0.27	0.31
Employee cost	0.36	0.39	0.40	0.41	0.35	0.38
Other expenses	0.06	0.20	0.20	0.06	0.06	0.12
Total expenditure	1.21	1.37	1.35	1.07	1.10	1.22
Loss	**0.21**	**0.37**	**0.35**	**0.07**	**0.10**	**0.22**

As could be seen, to generate one rupee of sale, the Company had to incur an average total expenditure of ₹1.22. Major elements of expenditure were raw materials consumed, manufacturing expenses and employee cost. In this regard, we identified the following areas of operational inefficiency:

Mismatch in capacity

We noticed that the maximum quantity melted and moulded in a month during the year 2011-12 was 403 MT whereas the maximum fettling[9] in a month was only 325 MT including quantity out sourced indicating mismatch in capacity at different stages (***Annexure 27***). This led to under utilisation of the melting capacity in addition to excess consumption of power.

While accepting the existence of mismatch in its melting and fettling capacities, the Company stated (August 2012) that additional fettling facilities have been added and efforts were on to further minimise the mismatch in melting and fettling capacities.

Labour productivity

The major element of cost, other than raw material, was employee cost, which constituted nearly 35 to 41 *per cent* of sales revenue. To minimise the employee cost per MT, every effort should be made to maximise labour productivity.

[9] **Removal of protrusions, runners, risers etc from the decored castings.**

The actual productivity, however, varied from 0.45 MT to 0.62 MT during the five years ending 31 March 2011 as compared to the standard[10] labour productivity of 1.2 MT per month, resulting in under utilisation of manpower ***(Annexure 28)***. The actual labour cost per MT amounted to ₹23984 as against the standard cost of ₹10749.

The Company replied that low labour productivity was due to the high employee turnover and shift in the product mix from high weight items to low weight items.

Excess consumption of power

The actual consumption of power varied from 2200 units to 2800 units per MT for the last five years ending 31 March 2011 against the envisaged 1500 units in the project report. The excess consumption of power resulted in increase in average cost of production for the last five years by ₹4108 per MT constituting 37.04 *per cent* of cost of power (***Annexure 29***).

The Company stated that most of the machines in operation were 25 years old which was the major reason for high power consumption. The Company also stated that they were vigilant in bringing down the power consumption and had achieved 1647 unit per MT of production during the month of June 2012.

High rate of rejection

The production process should be managed efficiently to ensure product conformity with customer requirement keeping the rejection level to the minimum. While industrial norm for in-house rejection was 4 *per cent* and customer rejection 1 *per cent*, the actual in-house rejection ranged from 4.90 to 7.61 *per cent* and customer rejection from 1.68 to 3.16 *per cent* during the last five years. The reasons identified by the Company for excessive rejections were poor quality of sand used, poor workmanship etc.

The Company replied that rejection was a matter of concern for them and steps had been taken for containing rejection. It further stated that current rejection levels were within the industry norm. The reply was not acceptable as present rejection levels were also very high i.e. 10.02 *per cent* and 9.55 *per cent* for July and August 2012 respectively as compared to the industrial norm.

Insufficient value addition

Value addition[11] achieved by the Company varied from ₹27678 per MT to ₹41068 per MT (100 to 127 *per cent* of the cost of raw materials) during the period. This, however, was not sufficient to meet even the manufacturing and labour cost of ₹36102 per MT to ₹51896 per MT (126 to 157 *per cent* of cost of raw materials) over the last five years ***(Annexure 30).***

The Company pointed out their inability to import steel scrap during import friendly time and hold sufficient stock of raw material due to working capital shortage apart from stiff competition in casting market as the reasons for insufficient value addition. The Government may consider addressing the issue of working capital shortage.

[10] **Source: Detailed Project Report.**
[11] **Value addition = sales – cost of raw material.**

Government assistance

The Government of Kerala invested (March 2011) ₹19.97 crore as equity in the Company. Against the above, the Government suffered a loss of ₹5.12 on every rupee of its investment. During the review period up to 31 March 2011, the Company received ₹27.63 crore by way of loans (₹23.81 crore) and grants (₹3.82 crore) from Government of Kerala which constituted ₹24735 per MT of sales and 103.13 *per cent* of the employee cost (₹23984 per MT).

4.1.4 The Kerala State Cashew Development Corporation Limited

The Kerala State Cashew Development Corporation Limited (Company) was incorporated in 1969 with the objective of developing cashew industry so as to provide employment to cashew workers in the State. During the year 2011-12 the Company provided on an average 179 working days (28.94 lakh mandays for 16137 workers) through its 30 cashew processing factories across the State. The Company had been continuously incurring operating losses during the five year period up to 31 March 2011. We found that high cost of procurement and low rate of sales realisation were the major reasons for the continuous losses. We also noticed that the Board of Directors failed to constitute Audit Committee, an important measure of internal control and corporate governance. These are discussed in detail below:

Functioning of the Board of Directors

In line with the provisions of Section 292A of the Companies Act, 1956, the Government, with a view to strengthen the corporate governance, issued (November 2008) direction for the formation of Audit Committees by every State Level Public Sector Enterprise. We observed that though 79 meetings of the Board of Directors of the Company were held during the last five years, the Audit Committee, an important pillar of corporate governance had not been constituted so far (June 2012). Hence the transparency in decision making, accuracy of financial reporting and disclosures, robustness of internal control and internal audit functions etc. were not being properly evaluated or monitored in the Company.

The Company replied (August 2012) that internal control system envisaged for the Audit Committee was looked after by the Board of Directors. The reply indicated the violation of Government direction.

Operational inefficiencies

The Company procures raw nuts and allots to 30 factories for processing. The raw nuts are drum-roasted/steam-roasted to produce roasted cashew nuts, which are shelled (removal of shells), peeled (removal of the outer skin of kernels) and graded into different varieties.

We noticed that the Company had to spend ₹3.02 lakh to produce one MT of cashew kernel. However, sales realisation was only ₹2.18 lakh per MT resulting in loss of ₹0.85 lakh per MT as shown below:

(Amount ₹ in lakh)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Average
			(provisional)			
Sales quantity (in MT)	3660.18	3775.44	5327.56	7516.41	7719.49	-
Sales realisation per MT	1.73	1.64	2.38	2.38	2.75	2.18
Value of Materials per MT of sales	1.39	1.08	1.78	1.70	2.16	1.62
Employee cost per MT of sales	1.00	1.18	0.72	0.76	0.76	0.88
Other expenses per MT of sales	1.14	1.23	0.09	0.06	0.06	0.52
Total expenditure per MT of sales	**3.53**	**3.49**	**2.59**	**2.52**	**2.98**	**3.02**
Net loss per MT of sales	**1.80**	**1.85**	**0.21**	**0.14**	**0.23**	**0.85**

We observed that for every rupee of sale the Company incurred 74 paise towards raw materials, 44 paise towards employee cost and 30 paise towards other expenses leading to a loss of 48 paise.

Procurement of raw cashew nut

The Company procured raw cashew nuts from suppliers based on open tenders through advertisements. In this regard we noticed the following:

Dilution of tender process

Central Vigilance Commission (CVC) guidelines stated that '*as post tender negotiations could be a source of corruption, it is directed that there should be no post tender negotiations with L-1 except in certain exceptional situations*'. The Board of Directors, however, conducted post tender negotiations with all bidders and orders were placed with the lowest negotiated tenderer.

The Company stated (August 2012) that inviting only the lowest tenderer for negotiations would lead to cartel formation. The reply is not acceptable as it indicates the violation of CVC guidelines.

High rate of procurement

The major source of raw cashew nuts was imports. The average procurement rate of raw cashew nuts of the Company was higher than the average rate published by the Directorate of Cashew and Cocoa Development (DC & CD) as shown below.

(Amount in ₹)

Year	Procurement rate per MT		Excess
	Company	DC & CD	
2008-09	46782	43450	3332
2009-10	43445	40342	3102

We also observed that the Company was depending on a single supplier (JMJ Traders) for majority (49.50 to 99.77 *per cent)* of its raw nuts requirement for the period from 2008-09 to 2011-12.

The Company stated that the rates published by DC & CD may not reflect the actual rate as they were based on the statistics collected by them. But the fact remained that the present procurement procedure followed by the Company had not fetched the competitive rate as the procurement rate was higher than the average All India rate.

Low rate of sales realisation

Efficient marketing of the product through proper advertising and sale of the product at most competitive rates ensures increased sales realisation and thereby better profitability. The Company, however, had not formulated any marketing policy. We noticed that the Company marketed only a small quantity (three *per cent*) under its brand name 'CDC Cashew' and the remaining portion was sold to wholesale traders. In respect of wholesale trade, the Board of Directors entrusted the Managing Director to sell the cashew kernels based on the then prevailing market rates. Thus, the Company sold the cashew kernels on the basis of rates fixed by the Managing Director in a non-transparent manner without inviting any competitive tenders. This unfair practice of marketing resulted in low rate of sales realisation.

As a result, the average sales realisation per MT of cashew kernel obtained for the years 2008-09 and 2009-10 were less than the rate published by DC & CD, as shown below:

(Amount in₹)

Year	Average sales realisation per MT		Shortage
	Company	DC & CD	
2008-09	217837	272858	55021
2009-10	213286	268759	55473

The Company replied that selling price of the cashew kernel was controlled by international market which varied day by day. Sales contract was finalised between MD and the buyer based on the price offered by the buyer on daily basis. The fact, however, remained that the recommendations of the Committee on Public Undertakings (CoPU) to adopt well defined sales and marketing policy in consultation with an expert agency is yet to be implemented.

Insufficient value addition- impact of high procurement cost and low sales value

The impact of high procurement cost and low sales realisation resulted in low sales margin which was insufficient to meet cost of production. Sales margin earned by the Company ranged from ₹33933 per MT to ₹67825 per MT (24 to 53 *per cent* of cost of raw material) during the review period. This was not sufficient to meet even the labour cost of ₹72190 per MT to ₹118039 per MT over the review period.

Thus, considering the import/export rates published by DC &CD, there was scope for reducing the raw material cost by ₹0.13 lakh[12] and increasing sales revenue by ₹0.55 lakh per MT of cashew kernels. Thus, ensuring transparency in procurement and sales alone has a scope for reducing the loss of the Company by ₹0.68 lakh per MT of sales.

The 42nd Report of CoPU (July 2003) stated that:

- The Company should adopt well defined sales and marketing policy in consultation with an expert agency.

[12] **four kilograms of raw cashew nuts required to produce one kg of Cashew kernel ie., (₹3332+₹ 3102/2) * 4**

- The system of procurement of raw cashew nuts required to be streamlined in such a way that the same does not exceed the All India procurement cost.

In spite of CoPU recommendations, the Company had neither streamlined the system of procurement of raw cashew nuts nor regulated the cost so as to ensure sufficient margin to meet the expenses. We also observed that the recommendation of the expert agency appointed by the Government with regard to inviting only the lowest tenderer for negotiations was relaxed by the Government themselves and permitted the Company to continue with the prevailing practice of giving chances to the bidders to amend their rates after knowing the rates quoted by other bidders.

The Government should review the permission granted to the Company for conducting negotiations with all the tenderers. The Company replied that measures would be taken to reduce the cost of production.

Government assistance

Government assistance to the Company is for strengthening its financial base to enable it to achieve better performance. We noticed that Government of Kerala had invested (March 2008) ₹200.64 crore as equity in the Company. Against the above, the Government suffered a loss of ₹3.66 on every rupee of its investment. The Government provided ₹176.41 crore from the exchequer to the Company by way of loans (₹93.19 crore) and grant (₹83.22 crore) during review period. This amounted to ₹63005.11 per MT of sales as against ₹71886 per MT incurred towards salary and wages (₹201.27 crore) of factory staff and workers.

The matter was reported to Government in July 2012; their reply was awaited (November 2012).

4.2 Transformers and Electricals Kerala Limited

Avoidable loss

Reckoning the gross weight including the weight of kraft paper as the weight of copper conductor returned after fabrication resulted in loss of ₹1.08 crore.

Transformers and Electricals Kerala Limited (Company) is engaged in the manufacture of Power Transformers and one of the major raw materials used in the process is Paper Covered Copper Conductor (PCC). Annual requirement of PCC is around 900 MT. The Company procures Continuous Cast Copper Wire Rod from copper manufacturing companies and gets it converted into PCC by insulating with imported kraft paper on a weight to weight basis through fabricating contractors. During the fabrication process, copper rod is converted into rectangular conductors of specified sizes by drawing, rolling, annealing and covering with imported kraft paper of specified number of layers. After completing the process, the PCC is returned on a weight to weight basis, ie. for 100 kg of copper rod supplied, the contractor returns 100 kg of PCC to the Company. This indicated that the process does not involve any loss/ wastage of copper.

During the scrutiny of the contracts for fabrication of PCC for the period 2010-11 and 2011-12 we noticed (December 2011) that while returning the finished product (PCC) on a weight to weight basis, for every 100 kg of copper rod supplied, the contractor returned 100 kg of PCC including the weight of the kraft paper ranging from 0.9 to 9.04 *per cent* of PCC resulting in advantage to the contractor and loss to the Company. The Company thus lost ₹1.08 crore in respect of 1127.37 MT[13] of PCC consumed in the manufacture of 127 power transformers during 2010-2012.

The Company stated (July 2012) that when copper rods were converted into rectangular conductors there was scrap, the amount of which may vary on case to case basis. It was further added that there was no loss to the Company and even the notional profit/loss was minimal after considering a scrap of 3 *per cent* of which 60 *per cent* was saleable. Further, the contractors were not willing to change the prevailing practice and return 103 kg of PCC for every 100 kg of copper rod supplied. The Government endorsed (August 2012) the reply of the Company.

The reply was not correct as the supply condition of 'weight to weight basis' itself indicated that the process did not involve any loss. No scientific assessment as to copper scrap, if any, generated *vis a vis* the quantity of paper used and its cost implication was carried out by the Company. The Management, however, admitted that the realisable price of scrap was only notional and not actual. On being pointed out (October 2011) by us, the Company took up the matter and the contractors offered a reduced rate of ₹6.80 per kg towards conversion charges in the subsequent tender (November 2011) as against ₹9.35 per kg charged for the past three years.

4.3 Kerala Minerals and Metals Limited

Avoidable extra expenditure

Purchase of Liquid Oxygen by unwarrantedly enhancing the accepted rates resulted in avoidable extra expenditure of ₹0.55 crore.

The Kerala Minerals and Metals Limited (Company), manufactures Titanium Dioxide Pigment from the raw material Ilmenite. Liquid Oxygen (LOX) with 99.5 *per cent* purity is used in the production process to remove impurities from Ilmenite. The estimated annual requirement of LOX is about 18000 MT. The Company has a captive plant that produces about 50 *per cent* (9000 MT) of the requirement. The balance 50 *per cent* is purchased at the rate of 750 MT per month (9000 MT annually) from private suppliers.

The Company invited (August 2009) limited tenders from five suppliers for the supply of 9000 MT (6930000 SM^3)[14] of LOX for one year and four firms offered their rates. Though the lowest bidder (₹10.35 per SM^3 (landed cost)) was Bhuruka Gases Limited, they could offer only about 387.5 MT per month (52 *per cent* of the monthly requirement). Hence, the Company negotiated with the other suppliers and placed (November 2009) orders with all the four firms[15] at the rate offered by Bhuruka Gases Ltd.

[13] 2010-11 (708.33 MT) and 2011-12 (419.04 MT).
[14] 1 MT equals 770 SM^3, SM^3 - Standard Meter Cube.
[15] Bhuruka Gases Ltd. (4500 MT), Praxair India (P) Ltd. (1800 MT), Inox Air Products Ltd.(1800 MT) & National Oxygen Ltd.(900 MT).

Praxair India (P) Ltd (firm), one of the four suppliers, supplied 2292112 SM^3 of LOX during the period from January 2010 to January 2011 at a total price of ₹3.40 crore. We observed the following deficiencies in the contract/supplies made by the firm:

- Orders were placed with the firm though, according to the Company, the firm was not dependable and not even completed supplies against earlier orders.
- As per Clause 3 of the agreement, the price was fixed and firm, and not subject to any escalation till the completion of supply of the entire ordered quantity. The firm, however, demanded (January 2010) enhanced rate of ₹13.74 per SM^3 (landed cost). The reason cited was increase in power costs. The firm supplied 40764 SM^3 (53 MT) during January 2010 at the original rate. Meanwhile, the Company accepted the request and increased (1 March 2010) the price to ₹13.74 per SM^3 (landed cost) and reduced the total quantity to 616000 SM^3 (800 MT). The other firms were, however, supplying at the original rate itself. Thus, amendment to price, contrary to the agreement, after finalisation of tender and award of contract resulted in avoidable extra expenditure to the extent of ₹0.11 crore in respect of 463667 SM^3 of LOX supplied during March 2010 to June 2010.
- The Company, during the contract period, placed (8 July 2010) another order with the firm for the supply of 2307000 SM^3 of LOX at the mutually agreed rate of ₹18 per SM^3 (landed cost) without inviting competitive tenders.
- Subsequently, the Company amended (20 October 2010) the order giving it retrospective effect from 8 May 2010 and clarified that the price applicable for supply of 150 MT in a calendar month would be ₹13.74 per SM^3 and for supplies over and above 150 MT during the same month would be ₹18 per SM^3. Accordingly, the firm supplied 805960.6 SM^3 (150 MT per month for the period from July 2010 to January 2011) at ₹13.74 per SM^3 and 981720.7 SM^3 (quantity supplied over and above 150 MT) at ₹18 per SM^3. This was in violation of tender stipulation that the successful tenderer should cater to any increase in requirement during the contract period. During the same period, the other two firms supplied LOX @ ₹12.78/12.48 per SM^3. Award of a new contract at mutually agreed higher rates during the currency of the existing contract resulted in avoidable extra expenditure of ₹0.44 crore. The monetary impact on the post contract modification of prices are summarised below:

PO No.	Period of Supply	Rate per SM^3(₹)	Quantity (SM^3)	Actual payment effected (₹)	Payment to be made (₹)		Excess Payment (₹)
					Rate	Amount	
2374/09-10 dtd.23.11.2009	Jan & Feb 10	11.19	40763.8	456031	11.19	456147	**Nil**
3507/09-10 dtd.3.3.2010	Mar to June 10	13.74	463667	6338629	11.19	5188434	**1150195**
1153/10-11 dtd.8.7.2010	July to Jan 11	13.74	805960.6	10996051	12.78	10300177	**695874**
	May to Dec 10	18	981720.7	16223681[16]	12.78	12546390	**3677291**
	Total		**2292112**	**34014392**		**25648734**	**5523360**

Thus, the procurement was made in an adhoc, arbitrary and non-transparent manner without satisfying the prime requirement of establishing

[16] After deducting ₹13, 03,420 withheld from the invoiced amount.

competitiveness, fairness and transparency. The decisions for enhancement of accepted rates and placing of further orders at higher rates without inviting competitive tenders were made by the Managing Director and never placed before the Board for discussions. Post contract modification of the prices to the advantage of the supplier without analysing the financial implications and placing of orders at mutually agreed rates vitiated the objective of procurement through competitive tenders and resulted in extra expenditure of ₹0.55 crore to the Company.

Management stated (September 2012) that procurement of LOX at higher rates was unavoidable for uninterrupted operation since production from captive plant had come down to 30 TPD[17] whereas the requirement for targeted production was 65 TPD.

The reply was not acceptable as the captive production envisaged for assessment of requirement was 9000 MT per annum i.e. 25 TPD only which was below the production of 30 TPD from captive plant. Further, the actual average monthly procurement for the period from March 2010 to January 2011 was 702.41 MT (i.e. 23.41 TPD).

The matter was reported to Government in July 2012; their reply was awaited (November 2012).

4.4 Role of Kerala SIDCO as a facilitator of Small Scale Industries in Kerala

Kerala Small Industries Development Corporation Limited (Company) was incorporated (November 1975)[18] with the objectives of protecting and promoting the interest of Small Scale Industries (SSIs) in the State. The major restricting factors[19] of Micro/Small Enterprises (MSEs) in Kerala were lack of demand for their products/deficient marketing and shortage of working capital. The activities pertaining to facilitation of MSEs were carried out by Industrial Estate/Park Division, Raw Material Division and Marketing Division of the Company. These three Divisions together contributed approximately 89 *per cent* of total turnover. We analysed the performance of these Divisions to assess the role of the Company as a facilitator of MSEs in the State. The major findings are discussed in the succeeding paragraphs.

Infrastructure support to Small Scale Industries

Industrial Estate (IE)/Industrial Park (IP) Division of the Company is responsible for providing infrastructure support to MSEs. The support is provided in two forms; Industrial Estates with all infrastructure facilities and Industrial Parks where only plots are allotted. Total area of Estates and Parks was 322.348 acres of which 258.32 acres (220.43 acres in IEs and 37.89 acres in IPs) were allotted to 1374 units till March 2012.

[17] **Tonne Per Day.**

[18] **Company was originally incorporated as Kerala State Small Industries Development and Employment Corporation Ltd. to which the erstwhile Kerala State Small Industries Corporation Ltd was amalgamated (March 1977).**

[19] **As per MSME Census (2007) of Ministry of Micro, Small and Medium Enterprises, GOI.**

Industrial Estate Division

The Government of Kerala transferred (March 1975) seventeen IEs and 36 mini IEs to the Company. Sheds/ land in IEs were allotted to prospective entrepreneurs on lease[20] /hire purchase basis. In accordance with the amendment (1971) to the Rules for allotment by Government to encourage the small scale industrialists and enable them to become the owners of factory sheds occupied by them in industrial estates, the Company gradually shifted (February 1996) from allotment of shed/land on lease basis to Outright Sale basis (ORS). During the period up to March 2012, out of the allotted 220.43 acres of land, the Company sold off 215.35 acres of land under ORS scheme to 1158 units. Currently, the Company's role is limited to management of the remaining 5.08 acres of land on lease under the possession of lessees for which it incurs an annual establishment expenditure of ₹1.01 crore (March 2012). The Company should take measures to reduce this unproductive expenditure.

Issues in transfer of ownership

Outright sale of sheds/land

Consequent to enhancement of land value by Government (April 1994), the Company fixed (February 1996) the price for land on hire purchase/ORS. The Government, based on the recommendations of One Man Commission (November 2001) decided (January 2003) to fix ORS value of land/shed considering the cost of land as on 1 April 1975 *plus* value addition @ six *per cent* per annum from April 1975 to the date of assignment *less* 75 *per cent* of lease rent paid.

Subsequently, the Government decided (May 2005) to give remission of 75 *per cent* of rent paid before adding six *per cent* for value addition. But a final decision to accept this formula was taken only in January 2011. Adoption of this formula was against Rule 8 of Rules of Assignment of Government land for industrial purpose for fixing land value[21]. We noticed that in case of 91 allotments (2005-2009), 38 lessees got the lease hold property at nil value and 53 lessees at nominal value consequent to which the Company suffered loss to the extent of ₹1.69 crore.

In line with enhancement of land value by Government in 1994, the Company revised the lease rent of sheds/land from April 1996. However, the Monitoring Committee appointed (May 2005) by the Government decided to realise lease rent at the rate applicable at the time of application for ORS (i.e. 31 January 1996) and accordingly the Company waived (March 2007) rent arrears amounting to ₹1.83 crore. As the lease rent was revised based on the enhancement in value of land, realisation of rent at pre-revised rates lacked justification and resulted in loss of ₹1.83 crore to the Company.

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[20] Lease rent fixed based on cost of land and development expenses. Amount is payable monthly.
[21] Land value to include interest @ six *per cent* per annum up to date of assignment.

Outright sale based on fair value

The Company started (February 1996) allowing ORS based on fair value fixed by revenue authorities. We noticed that the Company did not get the fair value[22] refixed periodically. In two out of 17 estates test checked, there was delay upto 12 years in revising fair value and allotments were made at the last available rates which were far below the prevalent fair value. However, as the fair value as on the date of allotment was not available, total loss on this account could not be quantified. In one instance where fair value was revised after one month of allotment, the loss worked out to ₹16.01 lakh.

Transfer policy promoting sale of industrial land

Consequent on change in policy from allotment of sheds/land on lease basis to ORS, the Company sold (1996 to 2012) 95.86 *per cent* of the allotable area in the Estates. Unprecedented appreciation in land value encouraged many of the ORS allottees to make profit from sale of land instead of using it for industrial activity. Outright Purchase Rules 1996, provided (Rule 16 (b)) for transfer of shed/land after remitting the difference between the current fair value and value already remitted to the Company. The Company relaxed (November 2009) the rule by allowing transfer without remitting the differential amount. We observed that this relaxation paved way for large scale transfer of land/shed as was evident from the transfer of 137 units during the period from January 2010 to April 2012 as against 17 units from January 2007 to December 2009. In respect of 49 units test checked, the difference between fair value (which was far below the market value) as at the date of transfer and the ORS value realised was ₹5.90 crore which could have been earned by the Company, had the transfer allotment policy not been liberalised.

One of the beneficiaries of the liberalised transfer allotment policy was a Director of the Board to whom the Company allotted (May 2010) a unit at Karunagappally estate. This unit was subsequently transfer allotted (October 2010) based on his request (July 2010). The land included in the transaction was worth ₹31.68 lakh against the original ORS value (April 2003) of ₹2.54 lakh. The Director did not bring this to the notice of the Board of Directors as required under section 299(1) of the Companies Act, 1956 for which he was liable to vacate the Office of the Director under section 283 (1)(i) of the Act. The transfer allotment was hence voidable at the option of the Company under section 297 (5) of the said Act.

The Company stated (August 2012) that the liberalisation in respect of the amount to be collected from the transfer allottees was based on the complaints received from the industrialists. The reply was not correct as the Company had no mechanism to ensure that the concession was passed on to the transferee with the objective to protect and promote the interests of MSEs. The concession was passed on to the transferor besides the loss to the Company.

Failure to ensure compliance of conditions of allotment

As per Rules 5 (e) and 6 (a) of Rules of Allotment of the Company, sheds/land allotted should not be transferred without prior permission and the Company

[22] **Value fixed by Revenue Authorities.**

had the power to resume the property if the unit became defunct/utilised for other purposes/transferred unauthorisedly.

We observed:

- The Company allowed transfer allotment[23] of 14 defunct units and six unauthorisedly transferred units instead of resuming those units. Based on fair value, the Company sustained a loss of ₹1.66 crore.
- In three estates visited, three allottees had not started business (for periods upto 32 years), 16 units remained idle for more than one year and six units were utilised for non-industrial purposes. The Company, however, did not initiate action to resume possession in case of 24 units (March 2012).
- The Company deleted (June 2009) the condition in the sale deed that the Rules of allotment of the Company will form its part. This enabled the purchaser to transfer the shed/land without permission of the Company and utilise it even for non- industrial purpose.

The Company stated that transfer allotment was allowed to units which became sick due to unforeseen reasons and it could revive considerable number of idling units. The reply of the Company is not acceptable as the action of the Company was contrary to the Rules of Allotment. The Company should have resumed these units and allotted afresh to eligible entrepreneurs and prevented the transferor making undue advantage.

Diversion of sales proceeds

During the period 2007-2012, the Company realised an amount of ₹6.48 crore from outright sale of industrial sheds/land. We observed that the Company utilised the sales proceeds for working capital requirements consisting of pay and allowance and other revenue expenses instead of acquiring and developing new estates for further promotion of industrialisation. In the absence of any new projects, the Company has abysmal role in the field of development of infrastructure for MSEs.

Industrial Park

In Industrial Parks, vacant plots are allotted to prospective entrepreneurs on 90 years lease basis realising lease premium[24]. Lease premium was fixed based on auction. The Company had seven Industrial Parks covering an area of 45.82 acres of which 37.89 acres had been allotted to152 units since 2003-04 leaving 0.37 acre.

As per Rule 9 (h) of Rules for Allotment of land in industrial parks, production was to commence within a period of two years from the date of agreement. Further, Rule 10 (a) provided for termination of agreement and resumption of land if positive action was not taken to start the industry within two years of allotment.

[23] Transfer by the original allottee to another person.
[24] Sixty *per cent* of lease premium is collected upfront and balance 40 *per cent* in two yearly instalments. Token yearly rent of Re.1 /cent is also collected.

We observed:

- In four parks[25], 82 plots covering an area of 8.49 acres were idling and production was not commenced for periods ranging from two to six years. In six parks[26], with regard to 49 plots covering an area of 5.10 acres, only construction works were in progress/not completed even after one to eight years of allotment. Inaction on the part of the Company in resuming the idle plots as per Rules led to poor development of industrial parks. The Company assured (August 2012) to resume the idle plots immediately.
- Transfer allotment was not allowed within a period of 10 years. But, this period was reduced to 5 years (May 2010), 2 years (November 2010) and finally to one year (January 2011) thus enabling allottees to transfer the plots immediately after acquisition and make profit therefrom instead of setting up industrial units.
- Spot visit at IP Angamaly revealed that there was lack of infrastructure like boundary wall and common water supply. Two candle marketing units were allotted 59.24 cents of which one was used as shuttle court and parking area and the sheds were kept idle for long periods. It was also noticed that auction had not been conducted since August 2009 and land was being allotted at the rate fixed in 2009.

Transfer allotment policy adopted by the Company encouraged ingenuine entrepreneurs to make profit from sale of land rather than promoting industrial activity. Non-resumption of idle sheds/land and allotment to new entrepreneurs defeated the purpose of allotment. The Company did not have any policy regarding development of new estates. Non-utilisation of sale proceeds from outright sale for acquisition and development of new industrial estates led to non-achievement of objective of facilitating industrialisation in rural and backward areas.

Raw Material Support

Raw material division was formed for procurement and distribution of raw materials required for Small Scale units when there was scarcity of materials. The proportion of turnover of the Division to total turnover of the Company declined from 95 *per cent* in 1994-95 to 55.38 *per cent* in 2008-09. The Division incurred net loss during the period 2007-2011.

The sales mix of the Division during the period 2007-2011 comprised mainly wax (47.26 *per cent*), bitumen (25.95 *per cent*) and iron & steel (24.66 *per cent*). Wax and iron & steel were the only items that were in demand from the Small Industries Sector. About 38 *per cent* of the turnover of the Division was from sale to non-MSE Sector. We observed that the Division supplied raw materials to only 1.24 *per cent* of the total MSEs in Kerala and served only two industries viz. candle and iron & steel out of a total of about 747 types of small industries operating in the State. Despite incurring establishment expenditure of ₹1.50 crore (approximate) *per annum*, service rendered by the Division was minimal on the sector of the State.

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[25] Angamaly, Shornur, Moodadi and Chelakkara
[26] Angamaly,Shornur,Moodadi,Chelakkara,Thiruvarpu and Athani

A detailed analysis of the items dealt with by the Division revealed the following:

Wax

Paraffin wax is the major raw material required for the candle industry and the main source of wax is Chennai Petroleum Corporation Ltd. (CPCL). After removal of quota restrictions, consumers directly procured wax from CPCL which was affordable only for larger units and based on the request of the Company, CPCL agreed (September 2008) to supply a minimum quantity of 300 MT per month based on the availability of wax to the Company for equitable distribution to units in Kerala. It was observed that of the 6000 units in Kerala, the Company could cater to the requirements of only 450 units. We further noticed that about 57 *per cent* of sale of wax by Ernakulam Depot during October 2008 to March 2012 was to three units of a single owner, a major consumer/importer/ distributor of wax. The average monthly purchase by these units was 61700 kg as against 50 to 3000 kg by any single MSE.

The Company also supplied wax to these units at concessional rate excluding employee cost and other indirect expenses. This resulted in passing on undue benefit of ₹28.90 lakh during 2008-2012.

The Company stated that the supply of wax to these units was to avoid parallel trading by them to other small units. The reply was not acceptable as the supply of wax to trading units was detrimental to the smaller units as the Company curtailed the supply to them to cater to the requirements of the trading units in full. The Company further justified the concession given to the units stating that they were also MSEs and were remitting the price in advance. The reply was not correct as the advance payment was compensated by granting special discount of ₹600 / MT.

Iron & Steel

Small Scale Industry Co-ordination and Review Committee allocates iron & steel items to Small Scale Industries Corporations for supply to MSEs as per demand raised by them and allows a rebate (for meeting handling charges) of ₹500/MT for quantity lifted so that raw materials would be delivered at the site of MSEs . In addition to this, the Company procures iron & steel items from local traders mainly to cater to the needs of State PSUs.

During 2007-2012, the Company procured only 8336.80 MT (21.33 *per cent*) out of 39092 MT offered by the manufacturers. In this connection we observed the following:

- The Company could cater to the needs of only 36 units (3.29 *per cent*) during 2009-2012 due to low demand though there was 1093 registered iron & steel units in the State.
- Trading of iron & steel items sourced from private traders increased from 629.07 MT in 2008-09 to 1101.64 MT in 2011-12 whereas sale to MSEs decreased from 3075.77 MT to 1240.33 MT (81.75 *per cent* to 48 *per cent* of total turnover) during the corresponding period. The Company

thus acted merely as a trading agent of local suppliers and not as a facilitator of Small Scale Industry.

- Sale to MSEs located in Ernakulam (of which 71.64 *per cent* of sales were to two MSEs) and Thrissur districts alone contributed to 83.59 *per cent* of the turnover during the period 2008-2011. The Company did not serve any of the units in other eight districts where they had raw material depots.
- The Company received ₹41.16 lakh during 2007-2012 towards nominal handling charges for supply of steel materials at the doorsteps of MSEs. The Company, however, neither passed on the same nor delivered the material at their site.

The Company stated that with decontrol there was free availability of raw material in the market and that it was not able to stock in bulk and sell it at competitive prices due to fund constraints. It was further stated that it was giving discount of ₹200/MT from the rebate received. We observed that this discount was passed on only from February 2012.

Bitumen

Though bitumen was not required by MSEs, sale of bitumen constituted 25.55 *per cent* of the turnover of the Division during the period 2007-2011. During the said period, the Company traded in 12827.57 MT of bitumen valued at ₹42.21 crore. The Company procured bitumen from petroleum companies[27] and supplied to Local Self Government Departments (LSGDs).The margin of the Company was the discount ranging from ₹172 to ₹1000/MT (net of loading charges) allowed by Petroleum Companies.

The Company did not take advantage of the higher discount offered by MRPL as compared to BPCL/HPCL for purchases meant for four northern districts[28] leading to loss of ₹18.40 lakh (up to January 2012).

The Company stated (August 2012) that there were restrictions to purchase from MRPL because of the preference for BPCL bitumen among customers and non-availability of trucks at Kasargod. The reply was not factually correct as the purchase from MRPL registered an increase of 816 *per cent* during 2011-12 compared to 2010-11 and contractor was engaged for transportation of bitumen all over Kerala.

The Division served only 1.24 *per cent* of the total MSEs in Kerala despite incurring huge establishment expenditure. In the post liberalisation period, availability of raw material was not a constraint for MSE Sector and hence a dedicated Division for extending raw material support to MSEs has lost relevance.

Marketing Support

Marketing support to MSEs is extended through the Marketing Division of the Company. The performance of the Division during the period 2007-2011

[27] Bharath Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL) and Mangalore Refinery and Petrochemicals Limited (MRPL).
[28] Malappuram,Kozhikode,Kannur and Wayanad.

showed that the Division was making gross profit in the range of 8.67 *per cent* to 9.96 *per cent* and net profit in the range of 1.22 *per cent* to 2.57 *per cent*.

Product-wise analysis of turnover showed that 72 *per cent* of turnover was from supply of furniture to Government departments/PSUs based on preferential Government orders. We observed the following:

Process of selection

The Company, as and when requested by the suppliers empanelled them. Hence transparency and equity could not be ensured in the selection and listing of prospective suppliers. As a result, only three to five major large scale suppliers were benefited in each emporium of the Company.

The Company assured (August 2012) to take necessary steps to make a comprehensive vendor list.

Assistance to MSEs

The Company's marketing support was limited to furniture industry. Major purchases were made only from 178 units (7.80 *per cent*) out of 2283 furniture units registered in Kerala during 2011-12. Fifty *per cent* of the purchases of each emporium were made from three to four units showing that the Company could support only a meagre number of units. The Company is also giving marketing support to various traders to market non-MSE products deviating from its objectives.

The Company replied that steps were being taken to serve maximum MSEs.

Delay in revision of rates and payment to MSEs

The Government did not revise the rates of furniture supplied by the Company to Government Departments annually commensurate with increase in cost of raw material and labour. This resulted in the MSEs compromising the quality of items supplied. During the year 2010-11, the average payment period to MSEs was 285 days against the maximum credit period of 45 days as stipulated by MSMED Act 2006.

The Company stated that revision of rates was under consideration of the State Government and that Government had been approached for allotting revolving fund to the Company so as to provide funds to MSEs.

The Division, however, failed to extend intended support so as to ensure marketing of MSE products at reasonable price and timely payment to the units.

Conclusion

The Company, with the objective of facilitating and supporting Small Scale Industries by providing infrastructure facilities and resources so as to ensure industrial growth in the State, did not fulfill its objectives. Instead, it has diversified its activities into areas which are not related with the prime objective to serve MSEs.

The matter was reported to Government in July 2012; their reply was awaited (November 2012).

4.5 Sanction and Disbursement of Loans by Kerala Transport Development Finance Corporation Limited

Introduction

Kerala Transport Development Finance Corporation Limited (Company) was incorporated in 1991 and registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company (NBFC). The main objective is to finance Kerala State Road Transport Corporation (KSRTC) for building up commercially viable infrastructural facilities and for the purpose of acquisition of transport vehicles and machinery. The Company also disburses other category loans viz, construction, housing, vehicle and personal loans and finances BOT projects.

The Company mobilises funds mainly through cash credit from banks and deposit from public. During the five years up to March 2012, the Company disbursed ₹1377.62 crore (***Annexure 31***). The total loan outstanding as on 31 March 2012 was ₹1014.70 crore (KSRTC ₹899.11 crore, construction loan ₹95.71 crore, housing loan ₹16.94 crore, vehicle loan ₹2.90 crore and personal loan ₹0.04 crore). Thus the loan to KSRTC constituted 90.70 *per cent* of the total loan disbursed. Construction and housing loans constituted 92.71 *per cent* and 2.37 *per cent* respectively of the other loans distributed during the period of five years. Construction loans comprised loans to builders/promoters for housing projects, hotels and commercial complexes. The Company sanctioned both construction and housing loans under the Aiswarya Griha Housing Finance Scheme[29].

We analysed the appraisal, sanction, disbursement and recovery of Construction and Housing loans during the period 2007-08 to 2011-12 in Head office and Thiruvananthapuram branch.

The major findings are discussed in succeeding paragraphs:

Lack of Guidelines for Construction loans

The Company did not have codified procedure/guidelines for appraisal, sanction and disbursement of construction loan. Procedures for the loans were, however, issued in piece meal in various circulars for guidance.

The Company stated (August 2012) that it followed the guidelines of Aiswarya Griha Housing Finance Scheme for these loans also. Construction loans were sanctioned based on financial viability and credit worthiness of the applicant/company and also considered the land value.

The fact remained that the Company sanctioned/disbursed construction loans on a case to case basis. Absence of codified guidelines for construction loan led to deficiencies in sanction, disbursement and recovery as summarised below:

[29] Housing finance scheme introduced in 2005 for purchase/construction/repairs/alteration, etc of house/flat for own/family's residential purpose.

Sl. No.	Nature of failure	No. of cases	Impact
1	Failure to ensure credit worthiness	35	Loans amounting to ₹ 83.14 crore
2	Non-compliance with eligibility	1	Repayment obligation beyond 50 *per cent* of monthly income– ₹2 crore
		3	Loan to NRI- ₹7.51 crore
3	Non-compliance with conditions of take over	2	Enhancement loan beyond maximum limit – ₹5.11 crore
4	Failure to ensure capacity, sufficient security, asset creation, etc	1	Loan of ₹20 crore
5	Non-compliance with Board decision	1	Charged fixed rate instead of floating rate– ₹5 crore
6	Disbursement of loans	7	Disbursement without ensuring initial investment and utilisation – ₹32.20 crore

We observed that though construction loans were sanctioned under the broad frame work of Aiswarya Griha Housing Scheme, the competent authority took various decisions involving deviation from the scheme without obtaining concurrence of the Board.

The deficiencies noticed at various stages of appraisal, sanction, disbursement, monitoring and recovery are discussed in succeeding paragraphs:

Sanction and Disbursement

Failure to ensure credit worthiness of loanee

The terms and conditions of the Aiswarya Griha Housing Finance scheme prescribe to ensure the credit worthiness of the loanee before sanctioning of the loan. We, in 35 cases amounting to ₹83.14 crore test checked, observed that the Company did not ensure the repaying capacity of the applicant. As a result, nine loans amounting to ₹7.02 crore as on 31 August 2012 were under default.

Government replied (September 2012) that loans were sanctioned after getting valuation, legal and inspection report from empanelled Engineers, Advocates and from verification agencies.

The fact was that the above mentioned loans were sanctioned without ensuring credit worthiness which ultimately resulted in default in repayment of loans. The verification agents did not consider existing liabilities of the loanees while recommending for sanction of loan in two cases (Sl no. 1 and 2 of ***Annexure 34***) and in one case (Grantech Builders) the Company did not consider the weakness pointed out by the credit appraisal agency.

Non- compliance with eligibility criteria

The terms and conditions of Aishwarya Griha Housing Finance Scheme of the Company and RBI Exchange Control Manual stipulates the eligibility criteria for sanctioning of loan. We observed non-compliance of these guidelines as detailed below:

- As per the terms and conditions, the repayment obligation (EMI) of the borrower should be restricted to 50 *per cent* of the monthly income. In an instance (Power link Builders), a construction loan of ₹2 crore with sixty EMI of ₹2.16 lakh was sanctioned (disbursed ₹1crore) in violation of the above condition considering the monthly income of ₹0.90 lakh. We observed that at the time of sanctioning the above loan, two housing loans amounting to ₹90 lakh with total EMI of ₹0.74 lakh availed by the applicants were outstanding. An amount of ₹49.78 lakh (August 2012) was under default.

- As per RBI Exchange Control Manual, loans to non-resident persons of Indian nationality/origin should not be sanctioned for investment in real estate business, dealing in land and other immovable property, for commercial purposes either singly or in association with others. The Company, contrary to the said direction sanctioned loans amounting to ₹7.51 crore to three NRIs (Sl no. 1, 2 and 4 of ***Annexure 32***). Out of these, two loans amounting to ₹84.28 lakh were in default. Of the above, a loan of ₹4.31crore was sanctioned (December 2006) to be repaid in 72 installments though the monthly salary of the applicant was ₹18 lakh with a liability of ₹6 crore. Further being a NRI, the Company was not in a position to recover salary given by foreign employer though the loan was under default.

Government stated that the loans were sanctioned based on the financial viability and credit worthiness of the applicant/company and also by considering the land value.

The reply was not correct as the sanctioning of loans to NRIs for construction of real estate/commercial purpose violated the provisions of RBI Exchange Control Manual and loans were sanctioned under Aiswarya Griha Housing Finance Scheme which was not meant for this purpose.

Non-compliance with conditions of takeover

The Company in addition to sanctioning of loan takes over loan disbursed by other financial institutions. As per the terms and conditions of Aiswarya Griha Housing Finance Scheme, the amount that can be enhanced was limited to 25 *per cent* of the takeover. If further top ups were required then it would be sanctioned at a later stage after evaluating the progress of construction. We noticed that:

- While taking over a loan of ₹1.37 crore (Paramount Studio) the Company sanctioned (July 2006) enhancement of ₹83.42 lakh (61 *per cent*) in violation of the above limit. The loanee defaulted installments amounting to ₹51.51 lakh (August 2012) besides the outstanding balance of ₹1.17 crore.
- While taking over a loan of ₹71.76 lakh (Venugopal & Bindu Venugopal) the Company sanctioned (August 2008) ₹5 crore including enhancement of ₹4.28 crore (596 *per cent*). The loanee defaulted 12 installments amounting to ₹90.87 lakh as on March 2011. Meanwhile the Company sanctioned (May 2011), an additional loan of ₹2 crore as top up and the same was disbursed by adjusting defaulted installments with penal interest (₹1 crore).

Thus the Company violated its guidelines/procedures to favour the loanees.

Government replied that there were no specific norms regarding the amount that could be sanctioned in the case of construction loan by take over from banks/ financial institutions.

The reply was not correct as the loans were sanctioned under Aishwarya Griha Housing Finance Scheme, terms and conditions of which limit the amount of enhancement to 25 *per cent.*

Failure to ensure promoter's contribution/repaying capacity

For timely completion and prompt repayment of loans the Company should ensure the repaying capacity of the loanee and the prescribed promoter's contribution (10 to 20 *per cent* of the project cost) before releasing the loan amount. Further, adequate security to alleviate risk for the loan amount has also to be obtained. The Company sanctioned (April / October 2010) two loans of ₹10 crore each for construction of residential villa – Green city phase I and II to Grandtech Builders and Developers Pvt Ltd (represented through its Directors), a company with a share capital of only ₹21.58 lakh. However, the amount disbursed in second loan was ₹4 crore. We noticed that:

- The Managing Director was empowered to sanction loan upto ₹10 crore only. The MD, however, sanctioned two loans of ₹10 crore each within a period of 6 months to the same firm to keep it within the delegated power;
- The credit worthiness and repaying capacity of the borrower was uncertain as the firm was newly incorporated and promoters had no previous experience in construction field;
- Land offered as security for the loan was reckoned (March 2010) at an inflated value of ₹3.64 crore as against the purchase (February 2010) cost of ₹28.50 lakh;
- The loan carried an EMI of ₹48.01 lakh; whereas the monthly income of the applicants was left blank. However, the first applicant in his personal details had shown an annual income of ₹6 lakh;
- The Company released first installment of ₹5 crore on 8 April 2010 though the land offered as security was valued at ₹3.64 crore only. The subsequent installments were released (₹2 crore on 27 May 2010 and ₹3 crore on 28 June 2010) within a gap of two months without ascertaining asset creation corresponding to the previous disbursements;
- For releasing subsequent installments, asset created out of previous disbursement were reckoned as security. The Company on inspection found that construction valuing ₹9.20 crore (March 2012) was completed as against the total cost of construction of ₹17.22 crore. Thus the loan was left without adequate security.
- The Company sanctioned (15 October 2010) another loan of ₹10 crore to the same borrower at a time when the third installment (due on 05 October 2010) of the previous loan was under default and released (15 October 2010) ₹2 crore as first installment. The borrower utilised a portion of the amount for remitting the third overdue installment of ₹48.01 lakh with penal charges of the first loan. The second installment (₹2 crore) was released on 26 October 2010 after a period of 10 days without ensuring utilisation of the first installment for asset creation. The project was yet to commence.
- The borrower defaulted repayment from thirteenth installment (August

2011) onwards. Total overdue amount was ₹3.15 crore (August 2012) besides outstanding loan amount of ₹5.21 crore.

Government stated that the loans were sanctioned based on the recommendations in report of the credit appraisal agency. Further, the Company considered the loans as two different loans since these were sanctioned on the mortgage of two different properties.

The reply was not factual as the recommendation of the credit appraiser was subject to valuation of property. Further, it was clearly mentioned as weakness in the appraisal report that the company was a new one and it was their first project. The second loan was sanctioned within a period of six months without ensuring the utilisation and prompt repayment of the loan disbursed earlier.

Sanctioning of loans at interest rate below cost of borrowings

For the profitable operation of the Company the rate of interest on loans should be fixed with a margin over the cost of borrowings. During the year 2005-06, the cost of borrowings of the Company was 9.99 *per cent*. The Company, however, reduced (w.e.f 16 January 2006) the interest rate for housing loans by 0.75 *per cent* as discussed below. Subsequently, after four months the Company decided (09 May 2006) to restore the original rate w.e.f 16 May 2006 and to allow the pre-revised rate for all loans sanctioned till 15 May 2006 including those pending disbursements.

We observed that:

- The Company sanctioned 68 loans at the reduced rate of interest during the above four months period.
- Of the above, 38 loans amounting to ₹2.57 crore were sanctioned during 9 to 16 May 2006 without complying with necessary formalities. As the rate of interest during this period was fixed, it resulted in estimated revenue loss of ₹21.72 lakh (sl no.1 to 10 of ***Annexure 33***) in ten cases test checked.
- Out of the above, in seven loans amounting to ₹50.50 lakh, the date of sanction of loan was seen corrected as 15 May 2006.
- Though the higher rate was applicable w.e.f 16 May 2006, the Company sanctioned four loans amounting to ₹0.38 crore during 16 to 23 May 2006 at pre-revised rates resulting in forgone revenue of ₹4.54 lakh (sl no.11 to 14 of ***Annexure 33***).
- The Company sanctioned loans (₹60 lakh and ₹30 lakh) to the Managing partners of canvassing and verification agents (M/s Power link and M/s H-Work net) based on their own verification report.
- Out of 42 loans disbursed as above, two loans amounting to ₹45.53 lakh were defaulted.

Government, in their reply stated that they had charged the rate of interest as per the direction of the Board.

Non-compliance of Board Decisions

The Board decided to charge floating rate of interest for all construction and project loans w.e.f 4 July 2008. The Company, while sanctioning (16 May 2011) top up loan of ₹2 crore to Venugopal and Bindu Venugopal changed interest rate of first loan (₹5 crore sanctioned on 8 August 2008) from floating rate to fixed for three years and then floating rate resulting in benefit of ₹29.54 lakh to the loanee.

Government while admitting this as a mistake, stated that the interest was being reworked and loanee being intimated to remit the balance amount.

Disbursement of Loans

To safeguard the interest of the Company and to weed out non-serious promoters, the terms and conditions stipulates disbursement of 30 *per cent* of the loan on executing necessary documents including creation of mortgage and after the borrower has expended 30 *per cent* of his share (margin) in the construction. The Company, however, disbursed to seven loanees the initial installment (₹7.04 crore) without ensuring the investment of 30 *per cent* share and subsequent installments (₹25.16 crore) before utilisation of the amount already disbursed (Sl no.2 to 8 of ***Annexure 32)***.

Government replied that construction loans were released in installments based on nature of projects and conditions of normal housing loans were not applicable to construction loans.

The reply was not acceptable as the Company had not formulated any separate rules for construction loans.

Monitoring

Post disbursement monitoring is of vital importance for ensuring utilisation of loan for the purpose for which it was sanctioned and the project was progressing as per schedule. We observed that:

- The Company did not have any institutionalised mechanism for post disbursement monitoring of the progress (physical and financial) achieved. Hence the Company also could not ensure promoters contribution and asset creation before release of subsequent installments as already mentioned.
- As per special condition (a) of Annexure H to agreement, the collateral/ additional securities should not be released during the currency of loan. During 2008-09 the Company, however, in a case as per the request of loanee released the collateral security of 19 cents of land valued at ₹1.71 crore leaving only a security of 17 cents valuing ₹1.36 crore.

Government replied that the collateral security was released considering the completion of the project and its present value of ₹10 crore. This, however, was in violation of the terms and conditions of the agreement.

Recovery

Recovery of loan as per repayment schedule is essential to safeguard the financial interest of the Company. Slackness in recovery may lead to increased dependence on borrowings for disbursement of fresh loans. We, however, noticed that:

- The Company delayed the preparation and communication of the repayment schedule to loanee. Further post dated cheques collected to ensure prompt repayment were not presented for collection. This resulted in non-recovery of ₹0.94 crore in respect of two loans (Sl. no. 1 and 2 of ***Annexure 34***).

- The Company did not revise the interest rates for construction and housing loans in accordance with the loan agreement and Board decision despite the acceptance by the borrowers resulting in revenue loss of ₹0.31crore to the Company in respect of three loans (Sl. no.1, 4 and 5 of ***Annexure 34***).

- The Company released (January 2008) the mortgage created in respect of two loanees, valuing ₹3.99 crore, enabling them to sell the 49 built-up apartments/villas in two projects test checked. We observed that the Company, however, did not recover the proportionate loan amount of ₹0.56 crore (sl no. 2 and 3 of ***Annexure 34***) in respect of these apartments/villas before releasing the mortgage to safeguard its interest. Both the loans amounting to ₹3.65 crore were under default.

  Further, the Company did not obtain title deed of the mortgaged property from one of the above loanees. This enabled the loanee to sell 18 as against 11 apartments for which the Company had issued No Objection Certificate. The value of the seven apartments thus sold by the loanee without obtaining NOC amounted to ₹0.61crore.

Government replied that the repayment schedule was not forwarded to the loanee in time mainly due to inadequate skilled staff in the Branch office and that the interest on loans was charged as per Board decision.

The reply indicated that the internal control and monitoring mechanism was poor. Further there was no rationale behind Board's wavering decision for charging the interest which would ultimately result in loss of revenue to the Company.

Government further stated that necessary directions had been given to the MD to take urgent action for avoiding the shortcomings in future and to initiate recovery action in cases of default.

4.6 Kerala State Electronics Development Corporation Limited

Avoidable expenditure on penal charges

Failure of the Company in regularising the Unauthorised Additional Load and subsequent delay in conversion to HT connection resulted in avoidable penalty of ₹0.53 crore.

The Corporate office of Kerala State Electronics Development Corporation Limited (Company) was having a LT connection from Kerala State Electricity Board (KSEB) with connected load of 16 KW for meeting its power requirements. The Company ventured (1999) into software field by setting up an Information Technology Business Group (ITBG) in the premises of its Corporate office. With the expansion in operations over the years, new buildings were constructed and new electrical equipments were installed which led to increased power requirement and consumption.

The Company, without enhancing the connected load as per Rules[30], continued to draw power with the existing connected load. KSEB officials inspected (April 2009) the premises and detected Unauthorised Additional Load (UAL) to the extent of 189 KW and levied (April 2009) penalty of ₹14.16 lakh with direction to regularise the UAL. But the Company obtained the High Tension connection only in April 2012 and as such KSEB continued to levy penalty up to March 2012. The inaction of the Company to enhance the connected load commensurate with increase in business requirements or to regularise the UAL immediately on its detection resulted in avoidable expenditure of ₹0.53 crore ***(Annexure 35)*** towards penal charges during the period from April 2008 to March 2012.

The Government stated (November 2012) that the increase in connected electrical load came into notice only in 2009 when KSEB pointed out the usage of UAL and though action was initiated to set up substation it could be commissioned only in April 2012 due to various technical reasons and procedures involved.

The reply is not acceptable since the Company was bound to comply with the Rules and terms and conditions of KSEB and inaction of the Company for three years after detection of UAL in regularising the load resulted in penal charges of ₹0.53 crore.

4.7 The State Farming Corporation of Kerala Limited

Avoidable expenditure on interest

Failure to adhere to the provisions of Agricultural Income Tax Act resulted in avoidable expenditure on interest of ₹2.64 crore.

The State Farming Corporation of Kerala Limited (Company) is a profit making Public Sector Undertaking (PSU) engaged in farming activities and is an assessee under the Kerala Agriculture Income Tax (AIT) Act. Government of Kerala exempted (February 1994) the Company for six years (1992-93 to 1997-98) from paying AIT for providing financial assistance to Trivandrum Rubber Works Limited (TRW), a loss making PSU engaged in the manufacture of rubber based products. The Company transferred fund and material to TRW from 1993-94 onwards and this continued beyond March 1998 (up to 2007-08) to meet the working capital requirements and payment of salaries to employees.

Although the Company was liable to pay AIT from 1997-98, the Company did not have AIT liability[31] for six years (up to 2003-04). Though the Company was

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[30] As per Clause 51 of the Kerala State Electricity Board Terms and Conditions of Supply, 2005, where a Low Tension (LT) consumer exceeds the connected load and/ or resorts to UAL and if the connected load exceeds 100 KVA, the UAL shall be disconnected by the consumer within twenty four hours of detection by the Board's Officers or take action to regularise the UAL. If the consumer fails to disconnect or regularise the additional load, penalty shall be levied at a rate equal to twice the tariff applicable (Section 126 of Electricity Amendment Act, 2007) for the entire period of unauthorised usage and if the period cannot be determined, for a period of 12 months immediately preceding the date of detection of UAL. The penalty for UAL shall be levied till the said UAL is either removed or regularised as per Rules.

[31] either on account of no profit from agricultural activities or due to set off of carry forward losses

liable[32] to self assess the tax and furnish returns and pay advance tax before the end of February each year, the Company belatedly filed returns for the years 2002-03 to 2007-08 (six years) and remitted ₹12.67 crore towards self assessed AIT only in February/March 2008 and October/November 2009. The details are as follows:

Sl. No.	Period (FY)	No of years	Self Assessed AIT liability (Admitted Tax) (₹)	Amount of Admitted tax paid (₹)	Interest adjusted by the Dept. for delay (₹)
1	1993-94 to 1997-98	5	Exempted	Nil	Nil
2	1998-99 to 2001-02	4	No profit from agricultural activity. Hence no AIT	Nil	Nil
3	2002-03 to 2003-04	2	Started making taxable income, but no AIT liability on account of set off of carry forward losses	Nil	Nil
4	2004-05 to 2007-08	4	126711438 (8715385+34866367+39357450+43772236) (paid in Feb/Mar 2008 and Oct/Nov 2009)	126711438	26412641

The Assistant Commissioner, Commercial Taxes Department finally assessed the AIT (August/October 2011) as ₹14.10 crore and an interest of ₹2.64 crore was charged.

The Company replied (July 2012) that the delay in payment of AIT occurred since the request for exemption was pending before Government in view of continued fund transfer to TRW. They also stated that the interest received from fixed deposits was ₹1.37 crore.

The reply is not acceptable since the Company was aware of the fact that the benefit of exemption (₹17.73 crore) available from payment of AIT up to 1997-98 was far in excess of the financial assistance (₹13.30 crore up to 2004-05) to TRW. The Company should have adhered to the provisions of AIT and filed the returns timely. This could have avoided the payment of interest of ₹2.64 crore on account of the AIT liability.

The matter was reported (July 2012) to Government; their reply was awaited (November 2012).

Statutory Corporation

4.8 Kerala State Road Transport Corporation

Avoidable expenditure

Failure to place orders for purchase of chassis within the validity period resulted in extra expenditure of ₹8.12 crore in subsequent purchase at higher rates.

In the Budget speech for the year 2008-09, the Finance Minister had announced that Kerala State Road Transport Corporation (Corporation) would commission

[32] Section 37 of the Kerala Agricultural Income Tax Act, 1991 provides that every person liable to furnish a return under Section 35 of the Act, shall pay tax for the previous year on or before the end of February of the previous year. Any person who fails to pay the tax shall pay simple interest at the rate of 12 *per cent* per annum for every month of delay or part thereof on the unpaid amount of tax (Section 37(4)).

1000 buses every year. As part of implementing this policy of introducing 1000 buses each year, the Corporation invited (November 2009) open tenders for purchase of 1000 bus chassis (280 numbers conforming to BS II and 716 nos conforming BS III and 4 nos fully built buses). Ashok Leyland and Tata Motors participated in the tender and quoted their rates (December 2009) for different variants, which was valid for one year from the date of offer ie. upto 08 December 2010.

The Board of Directors (BoD) of the Corporation decided (January 2010) to restrict the initial procurement of BS III variant to 20 (10 electronic and 10 mechanical each) on an experimental basis. The shortage in BS III chassis was proposed to be covered up by procurement of additional BS II chassis. During the period January 2010 to June 2010 out of the tendered quantity of 1000 chassis, the Corporation placed orders for 723[33] chassis.

We observed that the purchase of BS III chassis was done on experimental basis in order to evaluate the performance of its mechanical and electronic versions and also in accordance with the restrictions as per the date of implementation of BS III norms on 01 August 2010. Besides, there was delay in evaluating the performance of these chassis consequent to delayed delivery by the respective suppliers. The Technical Evaluation Committee, however, submitted their performance report on 30 November 2010. The Board considered to procure the balance 277 chassis on 10 December 2010 ie. after the validity period of offers. The suppliers turned down the request to supply at the earlier quoted rate of ₹7.27 lakh on grounds of expiry of validity period of the offer.

Hence, the Corporation invited fresh tenders for 500 BS III chassis (both mechanical and electronic) and orders were placed (September 2011) for supply of chassis (mechanical) with Ashok Leyland (300 numbers) and Tata Motors (200 numbers) @ ₹10.20 lakh. Thus, the failure to place purchase order within the validity period of offer led to subsequent purchase at higher rate involving extra expenditure of ₹8.12 crore [(₹1020000 – ₹726729) x 277)] on the balance 277 chassis.

The Government replied (September 2012) that though the Corporation indented for 1000 chassis in 2009-10, it required only 723 chassis to cater to its necessities. It was also added that since the purchases were arranged from loans availed, its repayment was an additional burden as there was no appreciable development in the revenue side.

The reply is not acceptable as the decision to procure 1000 chassis every year was part of package for renovation and restructuring of the Corporation with a view to improve its performance, expected improvement in mileage and consequent significant reduction in the annual expenditure. The Board, however, did not decide to procure the balance 277 BS III chassis within the validity period.

[33] **700 BS II, 20 BS III, 3 fully built.**

General

Follow-up action on Audit Reports

Explanatory notes[34] outstanding

4.9 The Audit Reports of the CAG represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in various Government companies and Statutory corporations. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance department, Government of Kerala issued (April 2005) instructions to all administrative departments to submit explanatory notes indicating a corrective/ remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports within two months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (CoPU).

The Audit Reports for the years up to 2010-11 had been presented to the State Legislature but eight departments did not furnish explanatory notes on 29 out of 172 paragraphs / performance audits relating to the Audit Reports for the year 2004-05 to 2010-11 as of September 2012.

Compliance to Reports of Committee on Public Undertakings outstanding

4.10 As per the Handbook of Instructions for Speedy Settlement of Audit Objections issued by the State Government the replies to paragraphs are required to be furnished within two months from the presentation of the Reports by CoPU to the State Legislature. Action Taken Notes (ATNs) to 258 paragraphs pertaining to 60 Reports of the CoPU presented to the State Legislature between July 2000 and July 2011 had not been received as of September 2012 as shown below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where ATNs not received
1998-2000	2	16
2001	1	4
2001-2004	5	22
2004-2006	12	37
2006-2008	16	69
2008-2011	24	112
Total	**60**	**258**

Response to Inspection Reports, Draft Paragraphs and Performance Audit Reports

4.11 Audit observations made during audit and not settled on the spot are communicated to the heads of the PSUs and the Departments of the State Government concerned through Inspection Reports (IRs).The heads of PSUs

[34] **Explanatory notes refer to the explanations furnished by Administrative Departments to the Legislature Secretariat, on performance audit / paragraphs contained in Audit Reports placed before the Legislature.**

were required to furnish replies to the IRs through the respective heads of Departments within a period of six weeks. IRs issued up to March 2012 pertaining to 86 PSUs disclosed that 2792 paragraphs relating to 525 IRs remained outstanding at the end of September 2012. Of these, 51 IRs containing 453 paragraphs had not been replied to for one to four years. Department-wise break up of IRs and paragraphs outstanding as on 30 September 2012 is given in ***Annexure 36.***

Similarly Draft Paragraphs and Reports on Performance Audit on the working of PSUs are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that 11 Draft Paragraphs and one Draft Performance Audit Report forwarded to various Departments during July-August 2012 as detailed in ***Annexure 37*** had not been replied to so far (November 2012).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who fail to send replies to IRs/Draft Paragraphs/ Performance Audit Reports and ATNs on recommendations of CoPU as per the prescribed time schedule, (b) action is taken to recover loss/outstanding advances/overpayment in a time bound schedule, and (c) the system of responding to audit observations is revamped.

Thiruvananthapuram **(Dr. BIJU JACOB)**
The **Accountant General**
(Economic & Revenue Sector Audit)
Kerala

Countersigned

New Delhi **(VINOD RAI)**
The **Comptroller and Auditor General of India**

ANNEXURES

Annexure 1

Statement showing particulars of up-to-date capital, loans outstanding and manpower as on 31 March 2012 in respect of Government companies and Statutory corporations

(Referred to in paragraph 1.12)

(Figures in columns 5(a) to 6(d) are ₹ in crore)

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
	A. Working Government Companies												
AGRICULTURE & ALLIED SECTOR													
1	Kerala Agro Machinery Corporation Limited	Agriculture	March 1973	1.61	...	...	1.61	...	...	...	...	...	666
2	Kerala Forest Development Corporation Limited	Forest	January 1975	8.27	0.93	...	9.20	1.25	...	...	1.25	0.14:1 (0.14:1)	119
3	Kerala Livestock Development Board Limited	Agriculture	November 1975	7.33	...	...	7.33	...	...	...	...	... (0.00:1)	169
4	Kerala State Horticultural Products Development Corporation Limited	Agriculture	March 1989	6.23	...	...	6.23	...	...	3.5	3.5	0.56:1 (0.57:1)	208
5	Kerala State Poultry Development Corporation Limited	Animal Husbandry	December 1989	1.97 (1.62)	...	...	1.97 (1.62)	...	...	...	...	...	23
6	Meat Products of India Limited	Animal Husbandry	March 1973	1.86	...	0.45	2.31	0.13	0.20	...	0.33	0.14:1 (0.14:1)	75
7	Oil Palm India Limited	Agriculture	November 1977	6.80	4.99	...	11.79	...	...	...	...	...	774
8	The Kerala Agro Industries Corporation Limited	Agriculture	March 1968	3.05	1.69	...	4.74	8.01	...	0.04	8.05	1.70:1	70
9	The Kerala State Cashew Development Corporation Limited	Industries	July 1969	200.64 (83.85)	...	...	200.64 (83.85)	211.62	...	...	211.62	1.05:1 (1.05:1)	16582
10	The Kerala State Coir Corporation Limited	Industries	July 1969	8.05	...	...	8.05	1.43	...	0.13	1.56	0.19:1 (0.18:1)	182

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
11	The Plantation Corporation of Kerala Limited	Agriculture	November 1962	5.57	...	...	5.57	...	...	...	...	....	2670
12	The Rehabilitation Plantations Limited	Labour and Rehabilitation	May 1976	2.06	1.33	...	3.39	...	...	...	...	...	1355
13	The State Farming Corporation of Kerala Limited	Agriculture	April 1972	8.43	...	0.61	9.04	0.22	...	...	0.22	0.02:1	1012
14	Aralam Farming Corporation (Kerala) Limited	SC and ST Development	June 2010	0.01	...	...	0.01	...	...	...	...	...	363
	Sector-wise total			**261.88 (85.47)**	**8.94**	**1.06**	**271.88 (85.47)**	**222.66**	**0.20**	**3.67**	**226.53**	**0.83:1 (0.81:1)**	**24268**
FINANCE SECTOR													
15	Handicrafts Development Corporation of Kerala Limited	Industries	November 1968	2.16	0.61	...	2.77	2.17	...	...	2.17	0.78:1 (0.78:1)	125
16	Kerala Artisans' Development Corporation Limited	Industries	October 1981	3.87 (1.92)	...	...	3.87 (1.92)	0.52	...	0.83	1.35	0.35:1 (0.36:1)	26
17	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	General Education	August 1984	0.50	...	...	0.50	...	...	0.31	0.31	0.62:1 (0.62:1)	5
18	Kerala Small Industries Development Corporation Limited	Industries	November 1975	23.67 (0.58)	...	4.00	27.67 (0.58)	4.05	...	1.13	5.18	0.19:1 (0.19:1)	237
19	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	SC and ST Development	December 1980	37.19	...	...	37.19	...	...	...	...	...	23
20	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	SC and ST Development	December 1972	66.73	50.55	...	117.28	...	...	11.41	11.41	0.10:1 (0.11:1)	149

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
21	Kerala State Film Development Corporation Limited	Cultural Affairs	July 1975	24.87 (3.59)	...	...	24.87 (3.59)	5.07	...	2.54	7.61	0.31:1 (0.31:1)	195
22	Kerala State Handicapped Persons' Welfare Corporation Limited	Social Welfare	September 1979	3.60 (1.60)	...	...	3.60 (1.60)	2.63	...	...	2.63	0.73:1 (0.73:1)	59
23	Kerala State Handloom Development Corporation Limited	Industries	June 1968	24.95	...	0.05	25.00	14.54	...	...	14.54	0.58:1 (0.65:1)	300
24	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	Industries	November 1985	0.87	...	...	0.87	0.73	...	...	0.73	0.84:1 (0.84:1)	28
25	Kerala State Women's Development Corporation Limited	Social Welfare	February 1988	6.58 (1.05)	0.49	...	7.07 (1.05)	0.05	...	43.27	43.32	6.13:1 (0.01:1)	29
26	Kerala Transport Development Finance Corporation Limited	Transport	February 1991	43.83	...	...	43.83	...	...	...	...	...	49
27	Kerala Urban & Rural Development Finance Corporation Limited	Local Self Government	January 1970	0.51	...	0.45	0.96	3.74	...	...	3.74	3.90:1 (3.96:1)	19
28	The Kerala State Backward Classes Development Corporation Limited	SC and ST Development	February 1995	82.96	...	...	82.96	...	...	295.7	295.7	3.56:1 (3.35:1)	156
29	The Kerala State Financial Enterprises Limited	Taxes	November 1969	20.00	...	...	20.00	...	...	...	...	...	5186
	Sector-wise total			**342.29 (8.74)**	**51.65**	**4.50**	**398.44 (8.74)**	**33.50**	**...**	**355.19**	**388.69**	**0.98:1 (0.82:1)**	**6586**
INFRASTRUCTURE SECTOR													
30	Kerala Police Housing and Construction Corporation Limited	Home	July 1990	0.27	...	...	0.27	61.07	...	...	61.07	226.19:1	109

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
31	Kerala State Construction Corporation Limited	Public Works	March 1975	0.88	...	...	0.88	2.05	...	...	2.05	2.33:1 (2.33:1)	157
32	Kerala State Industrial Development Corporation Limited	Industries	July 1961	325.00 (23.76)	...	...	325.00 (23.76)	26.00	...	1.50	27.5	0.08:1 (0.08:1)	83
33	Roads and Bridges Development Corporation of Kerala Limited	Public Works	September 1999	62.43 (13.00)	...	...	62.43 (13.00)	56.00	...	68.32	124.32	1.99:1 (2.08:1)	36
34	The Kerala Land Development Corporation Limited	Agriculture	December 1972	6.79	0.34	...	7.13	1.85	...	...	1.85	0.26:1 (0.26:1)	105
35	Kerala State Information Technology Infrastructure Limited	Information Technology	January 2008	139.87 (109.87)	...	...	139.87 (109.87)	...	...	...	...	...	9
36	Kinfra Export Promotion Industrial Parks Limited	Industries	October 1994	...	...	0.25	0.25	...	...	10.56	10.56	42.24:1 (37.56:1)	8
37	Kinfra Film and Video Park Limited	Industries	June 2000	...	...	1.50	1.50	...	...	...	...	...	2
38	Kinfra International Apparel Parks Limited	Industries	August 1995	...	...	0.25	0.25	...	...	...	...	...	5
39	Marine Products Infrastructure Development Corporation Limited	Fisheries	March 1999	2.50	2.50	...	5.00	...	...	...	...	...	2
40	Kannur International Airport Limited	Transport	December 2009	8.03 (0.02)	...	10.14	18.17 (0.02)	...	...	...	...	...	9
41	Road Infrastructure Company Kerala Limited	Public Works	March 2012	0.03	...	0.02	0.05	...	...	...	...	...	20
	Sector-wise total			**545.80 (146.65)**	**2.84**	**12.16**	**560.80 (146.65)**	**146.97**	**...**	**80.38**	**227.35**	**0.41:1 (0.31:1)**	**545**
MANUFACTURING SECTOR													
42	Autokast Limited	Industries	May1984	19.97 (1.00)	...	...	19.97 (1.00)	65.10	...	0.15	65.25	3.27:1 (3.14:1)	451

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
43	Foam Mattings (India) Limited	Industries	December 1978	5.15	...	...	5.15	...	...	...	...	...	137
44	Forest Industries (Travancore) Limited	Industries	August 1946	0.29	...	0.09	0.38	2.75	...	0.19	2.94	7.74:1 (2.47:1)	91
45	Kanjikode Electronics and Electricals Limited	Industries	March 1996	0.10	...	...	0.10	...	...	...	...	...	8
46	Keltron Component Complex Limited	Industries	October 1974	7.30	...	23.05	30.35	...	...	5.00	5.00	0.16:1	518
47	Keltron Electro Ceramics Limited	Industries	April 1974	...	...	3.18	3.18	...	...	1.35	1.35	0.42:1 (0.42:1)	94
48	Kerala Automobiles Limited	Industries	March 1978	10.23	...	...	10.23	9.53	...	1.95	11.48	1.12:1 (0.84:1)	243
49	Kerala Clays and Ceramic Products Limited	Industries	June 1984	1.32	...	...	1.32	...	...	...	...	...	310
50	Kerala Electrical and Allied Engineering Company Limited	Industries	June 1964	87.15	...	...	87.15	18.61	...	0.29	18.90	0.22:1 (0.22:1)	681
51	Kerala Feeds Limited	Animal Husbandry	October 1995	21.09	...	6.32	27.41	...	...	...	...	...	191
52	Kerala State Bamboo Corporation Limited	Industries	March 1971	9.09 (2.40)	...	...	9.09 (2.40)	17.1	...	5.38	22.48	2.47:1 (1.54:1)	186
53	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	Taxes	February 1984	1.03	...	...	1.03	...	...		...	...	3300
54	Kerala State Drugs and Pharmaceuticals Limited	Industries	December 1971	9.08	...	...	9.08	54.48	...	1.74	56.22	6.19:1 (6.00:1)	222
55	Kerala State Electronics Development Corporation Limited	Industries	September 1972	199.53 (100.17)	...	4.00	203.53 (100.17)	82.80	...	...	82.80	0.41:1 (1.40:1)	1862
56	Kerala State Mineral Development Corporation Limited	Industries	June 1992	1.76	...	...	1.76	...	...	...	...	...	7

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
57	Kerala State Textile Corporation Limited	Industries	March 1972	64.27 (77.89)	...	32.25	96.52 (77.89)	67.97	...	32.00	99.97	1.04:1 (1.21:1)	787
58	Malabar Cements Limited	Industries	April 1978	26.01	...	...	26.01	...	...	...	...	... (0.77:1)	878
59	Sitaram Textiles Limited	Industries	February 1975	42.46 (36.52)	...	...	42.46 (36.52)	5.19	...	0.03	5.22	0.12:1 (0.03:1)	257
60	Steel and Industrial Forgings Limited	Industries	June 1983	15.93	...	...	15.93	3.00	...	5.75	8.75	0.55:1 (0.36:1)	299
61	Steel Complex Limited	Industries	December 1969	3.54	...	3.46	7.00	5.90	...	8.00	13.90	1.99:1 (1.13:1)	121
62	Steel Industrials Kerala Limited	Industries	January 1975	36.56	...	...	36.56	2.78	...	0.95	3.72	0.10:1 (0.03:1)	204
63	The Kerala Ceramics Limited	Industries	November 1963	11.21 (9.30)	...	...	11.21 (9.30)	14.50	...	0.70	15.20	1.36:1 (1.36:1)	148
64	The Kerala Minerals and Metals Limited	Industries	February 1972	30.93	...	...	30.93	...	...	...	...	...	1549
65	The Metal Industries Limited	Industries	March 1928	1.87	...	0.07	1.94	4.37	...	...	4.37	2.25:1 (0.80:1)	63
66	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	Health	September 1975	20.67 (4.00)	...	...	20.67 (4.00)	...	...	...	...	...	493
67	The Travancore Cements Limited	Industries	October 1946	2.47	...	0.24	2.71	2.50	...	...	2.50	0.92:1 (0.92:1)	454
68	The Travancore Sugars and Chemicals Limited	Taxes	June1937	1.01	...	0.31	1.32	0.10	...	...	0.10	0.08:1 (0.08:1)	82
69	The Travancore-Cochin Chemicals Limited	Industries	November 1951	16.91	...	4.40	21.31	3.72	...	32.97	36.69	1.72:1 (1.94:1)	696
70	Traco Cable Company Limited	Industries	February 1960	35.87 (27.06)	...	4.20	40.07 (27.06)	10.64	...	4.00	14.64	0.37:1 (0.31:1)	553
71	Transformers and Electricals Kerala Limited	Industries	December 1963	23.44	19.17	0.36	42.97	...	...	...	...	...	729
72	Travancore Titanium Products Limited	Industries	December 1946	13.43 (12.00)	...	0.34	13.77 (12.00)	...	....	36.13	36.13	2.62:1 (3.94:1)	833

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
73	United Electrical Industries Limited	Industries	October 1950	3.88 (1.00)	...	1.11	4.99 (1.00)	15.72	...	0.03	15.75	3.16:1 (3.48:1)	105
74	Malabar Distilleries Limited	Taxes	June 2009	2.46 (2.45)	...	...	2.46 (2.45)	...	...	0.01	0.01	...	92
75	Trivandrum Spinning Mills Limited	Industries	November 1963	9.84 (5.20)	...	...	9.84 (5.20)	10.94	...	6.89	17.83	1.81:1 (1.46:1)	44
	Sector-wise total			**735.85 (278.99)**	**19.17**	**83.38**	**838.40 (278.99)**	**397.70**	**...**	**143.51**	**541.21**	**0.65:1 (1.46:1)**	**16688**
POWER SECTOR													
76	Kerala State Power and Infrastructure Finance Corporation Limited	Power	March 1998	15.83	...	10.82	26.65	...	...	...	...	...	9
77	KINESCO Power and Utilities Private Limited	Industries	September 2008	...	...	0.36 (0.10)	0.36 (0.10)	...	...	...	...	...	2
78	Kerala State Electricity Board Limited	Power	January 2011	0.05	...	...	0.05	...	...	3.25	3.25	65:1	...
	Sector-wise total			**15.88**	**...**	**11.18 (0.10)**	**27.06 (0.10)**	**...**	**...**	**3.25**	**3.25**	**0.12:1**	**11**
SERVICES SECTOR													
79	Bekal Resorts Development Corporation Limited	Tourism	July 1995	48.23 (1.00)	...	...	48.23 (1.00)	...	...	...	...	...	13
80	Indian Institute of Information Technology and Management - Kerala	Information Technology	September 2000	11.65 (11.65)	...	...	11.65 (11.65)	...	...	...	...	...	17
81	Kerala Medical Services Corporation Limited	Health and Family Welfare	December 2007	0.01	...	...	0.01	...	...	...	...	...	265
82	Kerala Shipping and Inland Navigation Corporation Limited	Coastal Shipping & Inland Navigation	December 1975	27.21 (6.00)	...	0.03	27.24 (6.00)	...	...	...	...	...	191

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
83	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	General Admn	December 2001	0.50 (0.50)	...	...	0.50 (0.50)	...	...	...	...	...	14
84	Kerala State Industrial Enterprises Limited	Industries	January 1973	1.20	...	2.50 (2.50)	3.70 (2.50)	1.10		2.50	3.60	0.97:1 (0.08:1)	64
85	Kerala State Maritime Development Corporation Limited	Port	December 1994	9.95	...	...	9.95	...	...	...	...	...	20
86	KTDC Hotels & Resorts Limited	Tourism	December 1965	77.70	...	...	77.70	1.92	...	...	1.92	0.02:1 (0.02:1)	542
87	Overseas Development and Employment Promotion Consultants Limited	Labour and Rehabilitation	October 1977	0.66	...	...	0.66	...	...	...	...	...	14
88	The Kerala State Civil Supplies Corporation Limited	Food and Civil Supplies	June 1974	8.56	...	...	8.56	...	...	...	...	...	2463
89	Tourist Resorts (Kerala) Limited	Tourism	August 1989	...	...	30.22 (1.00)	30.22 (1.00)	...	...	...	...	...	10
90	Vizhinjam International Seaport Limited	Ports	December 2004	12.00	...	...	12.00	...	...	...	...	...	21
91	Kerala State Coastal Area Development Corporation Limited	Fisheries	December 2008	2.81 (1.00)	...	...	2.81 (1.00)	...	...	...	...	...	29
92	Kochi Metro Rail Limited	Transport	August 2011	2.50	...	...	2.50	...	...	...	...	...	39
93	Norka Roots	NORKA	December 2002	0.84 (0.06)	...	0.74	1.58 (0.06)	...	...	...	...	...	46
94	Kerala High Speed Rail Corporation Limited	Industries	September 2011	0.05	...	...	0.05	...	...	...	...	...	2
	Sector-wise total			**203.87 (19.21)**	**...**	**33.49 (3.50)**	**237.36 (22.71)**	**3.02**	**...**	**2.50**	**5.52**	**0.02:1 (0.01:1)**	**3750**
	Total A (All sector-wise working Government Companies)			**2105.57 (539.06)**	**82.60**	**145.77 (3.60)**	**2333.94 (542.66)**	**803.85**	**0.20**	**588.50**	**1392.55**	**0.60:1 (0.56:1)**	**51848**

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
	B. Working Statutory Corporations												
AGRICULTURE & ALLIED SECTOR													
1	Kerala State Warehousing Corporation	Agriculture	February 1959	5.75	...	5.75	11.50	0.50	....	....	0.50	0.04:1 (0.05:1)	397
	Sector-wise total			**5.75**	**...**	**5.75**	**11.50**	**0.50**	**...**	**....**	**0.50**	**0.04:1 (0.05:1)**	**397**
FINANCE SECTOR													
2	Kerala Financial Corporation	Finance	December 1953	205.74	...	6.23	211.97	...	...	946.37	946.37	4.46:1 (3.63:1)	228
	Sector-wise total			**205.74**	**...**	**6.23**	**211.97**	**...**	**...**	**946.37**	**946.37**	**4.46:1 (3.63:1)**	**228**
INFRASTRUCTURE SECTOR													
3	Kerala Industrial Infrastructure Development Corporation	Industries	February 1993	...	...	...	...	119.79	...	...	119.79	...	43
	Sector-wise total			**...**	**...**	**...**	**...**	**119.79**	**...**	**...**	**119.79**	**...**	**43**
POWER SECTOR													
4	Kerala State Electricity Board	Power	April 1957	1553.00	...	...	1553.00	...	...	1356.34	1356.34	0.87:1 (0.69:1)	31113
	Sector-wise total			**1553.00**	**...**	**...**	**1553.00**	**...**	**...**	**1356.34**	**1356.34**	**0.87:1 (0.69:1)**	**31113**
SERVICES SECTOR													
5	Kerala State Road Transport Corporation	Transport	March 1965	552.79	23.21	...	576.00	490.50	...	...	490.50	0.85:1 (0.72:1)	41831
	Sector-wise total			**552.79**	**23.21**	**...**	**576**	**490.50**	**...**	**...**	**490.50**	**0.93:1 (0.72:1)**	**41831**
	Total B (All sector-wise working Statutory Corporations)			**2317.28**	**23.21**	**11.98**	**2352.47**	**610.79**	**...**	**2302.71**	**2913.50**	**1.24:1 (0.85:1)**	**73612**
	Grand Total (A+B)			**4422.85 (539.06)**	**105.81**	**157.75 (3.60)**	**4686.41 (542.66)**	**1414.64**	**0.20**	**2891.21**	**4306.05**	**0.92:1 (0.70:1)**	**125460**

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
	C. Non-working Government Companies												
AGRICULTURE & ALLIED SECTOR													
1	Kerala State Coconut Development Corporation Limited	Agriculture	October 1975	2.85	...	...	2.85	...	...	...	...	...	1
	Sector-wise total			**2.85**	**...**	**...**	**2.85**	**...**	**...**	**...**	**...**	**...**	**1**
INFRASTRUCTURE SECTOR													
2	Kerala Irrigation Infrastructure Development Corporation Limited	Irrigation	August 2000	0.21	...	...	0.21	...	...	...	...	...	...
	Sector-wise total			**0.21**	**...**	**...**	**0.21**	**...**	**...**	**...**	**...**	**...**	**...**
MANUFACTURING SECTOR													
3	The Kerala Premo Pipe Factory Limited	Local Admn	September 1961	1.31	...	...	1.31	...	...	0.25	0.25	0.19:1 (0.19:1)	...
4	Kerala Garments Limited	Industries	July 1974	...	...	0.48	0.48	1.68	...	0.20	1.88	3.92:1 (3.92:1)	...
5	Kerala Special Refractories Limited	Industries	November 1985	2.91	...	...	2.91	1.07	...	...	1.07	0.37:1 (0.37:1)	3
6	The Kerala Asbestos Cement Pipe Factory Limited	Local Admn.	March 1984	0.06	...	...	0.06	...	...	...	...	...	...
7	SIDECO Mohan Kerala Limited	Industries	August 1980	...	...	0.17	0.17	...	...	0.82	0.82	4.82:1 (3.44:1)	2
8	Keltron Counters Limited	Industries	July 1964	4.97	...	4.90	9.87	5.05	...	...	5.05	0.51:1 (0.51:1)	...
9	Keltron Power Devices Limited	Industries	January 1976	...	...	15.38	15.38	...	...	6.38	6.38	0.41:1 (0.41:1)	...
10	SIDKEL Televisions Limited	Industries	March 1984	...	...	0.44	0.44	0.02	...	1.29	1.31	2.98:1 (2.98:1)	...
11	Astral Watches Limited	Industries	February 1978	...	...	0.95	0.95	...	...	2.84	2.84	2.99:1 (1.68:1)	...

Sl. No.	Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorporation	Paid-up capital*				Loans** outstanding at the close of 2011-12				Debt equity ratio for 2011-12 (Previous year)	Manpower (No. of employees) (as on 31.3.2012)
				State Govern - ment	Central Govern- ment	Others	Total	State Govern ment	Central Govern ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
12	Keltron Rectifiers Limited	Industries	March 1976	...	...	6.63	6.63	1.65	...	7.02	8.67	1.31:1 (1.31:1)	...
13	Trivandrum Rubber Works Limited	Agriculture	November 1963	1.76 (0.21)	...	0.59	2.35 (0.21)	7.22	...	2.42	9.64	4.10:1 (4.10:1)	1
14	Kerala State Wood Industries Limited	Industries	September 1981	1.70	...	...	1.70	...	...	...	...	....	...
15	Kerala State Detergents and Chemicals Limited	Industries	June 1976	1.55	...	...	1.55	8.96	...	10.72	19.68	12.70:1 (12.70:1)	...
16	Kunnathara Textiles Limited		September 1975	0.22	...	0.48	0.70	...	...	...	...	...	...
17	Vanchinad Leathers Limited				0.19	0.18	0.37	...	...	...	...	...	...
	Sector-wise total			**14.48 (0.21)**	**0.19**	**30.20**	**44.87 (0.21)**	**25.65**	**...**	**31.94**	**57.59**	**1.281:1 (2.03:1)**	**6**
	Total C (All sector wise non working Government Companies)			**17.54 (0.21)**	**0.19**	**30.20**	**47.93 (0.21)**	**25.65**	**...**	**31.94**	**57.59**	**1.20:1 (1.92:1)**	**7**
	D. Non-working Statutory Corporations												
	Grand Total (A+B+C+D)			**4440.39 (539.27)**	**106.00**	**187.95 (3.60)**	**4734.34 (542.87)**	**1440.29**	**0.20**	**2923.15**	**4363.64**	**0.92:1 (0.63:1)**	**125467**

Above includes Section 619 B companies at Sl. No A-36, 37, 38, 39, 40, 61 and 77; C- 16 and 17.
In respect of companies at SI NoA-15, 39, 65 and 72 figures for 2010-11 have been taken since current year figures not furnished.
***Paid up capital includes share application money which is shown in brackets in column 5 (a) to 5 (d).**
**** Loans outstanding at the close of 2011-12 represent long terms loans only.**

Annexure 2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in paragraph 1.40)

(Figures in column 5(a) to (6) and (8) to (10) are ₹in crore)

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A. Working Government Companies														
AGRICULTURE & ALLIED SECTOR														
1	Kerala Agro Machinery Corporation Limited	2010-11	2011-12	8.65	…	0.9	7.75	159.16	…	1.61	96.51	87.08	7.75	8.90
2	Kerala Forest Development Corporation Limited	2011-12	2012-13	6.87	0.14	0.88	5.85	18.66	0.98	9.2	8.59	51.55	5.99	11.62
3	Kerala Livestock Development Board Limited	2006-07	2011-12	2.2	....	1.30	0.90	8.80	…	7.33	4.19	31.1	0.90	2.89
4	Kerala State Horticultural Products Development Corporation Limited	2010-11	2012-13	0.26	…	0.17	0.09	18	-0.02	6.13	-5.17	5.00	0.09	1.80
5	Kerala State Poultry Development Corporation Limited	2006-07	2011-12	-0.38	0.01	0.23	-0.62	2.66	-0.57	1.97	-5.48	1.36	-0.61	-44.85
6	Meat Products of India Limited	2007-08	2011-12	-0.38	0.05	0.22	-0.65	4.18	…	1.81	-9.08	0.67	-0.61	-91.04
7	Oil Palm India Limited	2011-12	2012-13	10.56	…	1.38	9.18	41.74	…	11.79	34.18	77.29	9.18	11.88
8	The Kerala Agro Industries Corporation Limited	2006-07	2012-13	0.84	0.72	0.05	0.07	63.81	…	4.74	-16.97	0.66	0.79	120
9	The Kerala State Cashew Development Corporation Limited	2007-08	2012-13	-24.71	43.13	0.66	-68.5	61.98	-1.11	200.64	-735.18	-91.63	-25.36	…
10	The Kerala State Coir Corporation Limited	2009-10	2011-12	0.95	0.23	0.04	0.68	50.59	-0.35	8.05	-12.25	2.72	0.91	32.45
11	The Plantation Corporation of Kerala Limited	2011-12	2012-13	18.95	…	1.82	17.13	130.5	-60.27	5.57	147.22	195.74	17.13	8.75

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
12	The Rehabilitation Plantations Limited	2011-12	2012-13	22.66	…	0.73	21. 93	27.19	…	3.39	128.07	91.64	21.93	23.93
13	The State Farming Corporation of Kerala Limited	2011-12	2012-13	15.61	0.04	0.71	14.86	39.99	0.25	9.04	58.89	85.66	14.9	17.39
14	Aralam Farming Corporation (Kerala) Limited		Accounts not finalised											
	Sector-wise total			**62.08**	**44.32**	**9.09**	**8.67**	**627.26**	**-61.09**	**271.27**	**-306.48**	**538.84**	**52.99**	**9.83**
FINANCING SECTOR														
15	Handicrafts Development Corporation of Kerala Limited	2006-07	2012-13	0.30	0.55	0.12	-0.37	4.17	-2.36	2.77	-10.59	1.11	0.18	16.22
16	Kerala Artisans' Development Corporation Limited	2004-05	2011-12	-0.29	0.14	0.01	-0.44	3.34	…	2.33	-2.25	1.27	-0.30	-23.62
17	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	2007-08	2011-12	0.06	…	…	0.06	0.13	-0.16	0.50	-0.61	…	0.06	…
18	Kerala Small Industries Development Corporation Limited	2008-09	2012-13	1.22	0.73	0.17	0.32	89.02	…	23.07	-43.67	-16.37	1.05	-6.41
19	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	2002-03	2011-12	-1.73	0.28	0.01	-2.02	0.45	…	10.95	-4.73	10.82	-1.74	-16.08
20	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2008-09	2010-11	8.63	0.29	0.08	8.26	26.59	…	82.75	-23.18	87.89	8.55	9.73
21	Kerala State Film Development Corporation Limited	2004-05	2010-11	0.36	0.51	0.79	-0.94	4.96	-3.47	18.32	-23.29	3.95	-0.43	-10.89

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
22	Kerala State Handicapped Persons' Welfare Corporation Limited	1999-2000	2012-13	-0.07	…	0.04	-0.11	0.67	…	1.87	-0.34	3.46	-0.11	-3.18
23	Kerala State Handloom Development Corporation Limited	2009-10	2011-12	1.00	2.00	0.22	-1.22	17.16	-9.19	18.08	-42.19	-9.99	0.78	-7.81
24	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2008-09	2012-13	0.15	0.02	0.05	0.08	0.06	-0.10	0.87	-0.52	0.76	0.10	13.16
25	Kerala State Women's Development Corporation Limited	1997-98	2010-11	0.52	0.25	0.03	0.24	0.85	…	3.88	0.50	10.80	0.49	4.54
26	Kerala Transport Development Finance Corporation Limited	2009-10	2012-13	55.25	53.79	1.32	0.14	63.03	…	43.83	18.04	604.96	53.93	8.91
27	Kerala Urban & Rural Development Finance Corporation Limited	2010-11	2012-13	9.79	7.49	0.07	2.23	13.28	-1.20	0.96	5.49	38.07	10.08	26.48
28	The Kerala State Backward Classes Development Corporation Limited	2010-11[1]	2012-13	18.66	7.85	0.33	10.48	25.28	-0.13	75.96	79.77	411.85	18.33	4.45
29	The Kerala State Financial Enterprises Limited	2010-11	2012-13	278.03	245.03	5.06	27.94	678.53	-0.91	20	171.13	3174.34	272.97	8.60
	Sector-wise total			**371.88**	**318.93**	**8.30**	**44.65**	**927.52**	**-17.52**	**306.14**	**123.56**	**4322.92**	**363.94**	**8.42**
INFRASTRUCTURE SECTOR														
30	Kerala Police Housing and Construction Corporation Limited	2008-09	2012-13	-0.17	0.70	0.06	-0.93	29.54	-1.18	0.27	-1.26	34.87	-0.22	-0.63

[1] **The Company has finalised accounts for the year 2010-11 based on an enabling G.O by keeping the accounts for the year 2008-09 and 2009-10 in arrears.**

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
31	Kerala State Construction Corporation Limited	2010-11	2012-13	2.39	0.17	0.06	2.16	2.07	-0.95	0.88	-21	-16.98	2.33	-13.72
32	Kerala State Industrial Development Corporation Limited	2011-12	2012-13	29.61	3.15	0.31	26.15	46.71	…	325.00	118.27	502.69	29.30	5.83
33	Roads and Bridges Development Corporation of Kerala Limited	2010-11	2012-13	2.02	1.80	0.07	0.15	8.33	-3.15	62.43	-35.04	295.07	1.95	0.66
34	The Kerala Land Development Corporation Limited	2007-08	2012-13	-0.97	…	0.07	-1.04	1.10	0.65	7.05	-17.77	8.31	-1.04	-12.52
35	Kerala State Information Technology Infrastructure Limited	2008-09	2010-11	0.02	....	....	0.02	0.01	0.15	30.10	0.02	40.12	0.02	0.05
36	Kinfra Export Promotion Industrial Parks Limited	2010-11	2011-12	1.08	…	0.77	0.31	1.05	0.53	0.25	11.85	45.19	0.31	0.69
37	Kinfra Film and Video Park	2010-11	2011-12	0.25	…	0.35	-0.10	0.62	…	1.50	-1.06	29.41	-0.10	-0.34
38	Kinfra International Apparel Parks Limited	2011-12	2012-13	1.05	…	1.88	-0.83	1.61	…	0.25	-1.47	53.41	-0.83	-1.55
39	Marine Products Infrastructure Development Corporation Limited	2010-11	2011-12	0.97	....	....	0.97	…	1.00	5.00	3.21	6.34	0.97	15.30
40	Kannur International Airport Limited	2011-12	2012-13	Commercial activities not commenced						18.17	…	...	…	0.00
41	Road Infrastructure Company Kerala Limited	new company												
	Sector-wise total			**36.25**	**5.82**	**3.57**	**26.86**	**91.04**	**-2.95**	**450.90**	**55.75**	**998.43**	**32.69**	**3.27**
MANUFACTURING SECTOR														
42	Autokast Limited	2010-11	2011-12	-1.11	0.48	0.31	-1.90	18.68	…	19.97	-102.15	-17.13	-1.42	…
43	Foam Mattings (India) Limited	2007-08	2011-12	0.49	0.01	0.29	0.19	6.96	-0.08	5.15	3.84	9.83	0.19	1.93
44	Forest Industries (Travancore) Limited	2008-09	2012-13	0.52	0.45	0.03	0.05	6.41	-1.00	0.38	0.92	4.17	0.50	11.99

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
45	Kanjikode Electronics and Electricals Limited	2009-10	2011-12	-0.02	…	0.02	-0.05	0.31	…	0.10	0.03	0.57	-0.05	-8.77
46	Keltron Component Complex Limited	2011-12	2012-13	1.46	2.27	0.16	-0.97	52.85	-2.52	30.35	-35.82	8.92	1.30	14.57
47	Keltron Electro Ceramics Limited	2010-11	2011-12	1.36	0.26	0.08	1.03	11.51	…	3.18	-4.03	4.08	1.29	31.62
48	Kerala Automobiles Limited	2008-09	2010-11	-3.02	0.69	0.14	-3.85	13.25	…	10.23	-12.54	7.48	-3.16	-42.25
49	Kerala Clays and Ceramic Products Limited	2011-12	2012-13	1.83	…	0.31	1.52	7.85	…	1.32	0.90	10.52	1.52	14.45
50	Kerala Electrical and Allied Engineering Company Limited	2010-11	2012-13	5.32	6.10	0.73	-1.51	99.07	-5.45	87.15	-96.92	40.41	4.59	11.36
51	Kerala Feeds Limited	2010-11	2011-12	-0.11	…	2.10	-2.21	219.78	…	27.41	4.67	58.02	-2.21	-3.81
52	Kerala State Bamboo Corporation Limited	2007-08	2011-12	-1.23	0.22	0.14	-1.60	12.52	…	7.34	-13.71	-0.03	-1.38	…
53	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2009-10	2010-11	172.08	....	0.56	171.52	2071.6	…	1.03	330.89	413.14	171.52	41.52
54	Kerala State Drugs and Pharmaceuticals Limited	2010-11	2012-13	7.25	4.38	0.15	2.72	28.90	-1.35	9.08	-93.76	-31.74	7.10	-22.37
55	Kerala State Electronics Development Corporation Limited	2010-11	2012-13	15.71	5.06	1.56	9.08	247.42	-23.64	203.53	-220.84	91.76	14.14	15.41
56	Kerala State Mineral Development Corporation Limited	2009-10	2012-13	-0.37	…	0.01	-0.38	3.46	-0.02	1.76	-0.38	5.74	-0.37	-6.45
57	Kerala State Textile Corporation Limited	2009-10	2011-12	2.74	0.91	1.35	0.48	41.24	-0.35	58.47	-54.72	36.93	1.39	3.76
58	Malabar Cements Limited	2010-11	2011-12	38.51	1.61	6.09	30.81	277.70	-6.82	26.01	161.35	208.39	32.42	15.56
59	Sitaram Textiles Limited	2010-11	2011-12	1.20	0.25	0.13	0.81	12.62	-0.15	42.46	-43.88	1.78	1.06	59.55

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
60	Steel and Industrial Forgings Limited	2011-12	2012-13	4.65	0.86	1.03	2.76	58.27	…	15.93	25.14	53.98	3.62	6.71
61	Steel Complex Limited	2011-12	2012-13	-4.00	0.54	0.17	-4.71	37.93	…	7.00	-18.06	5.13	-4.17	-81.29
62	Steel Industrials Kerala Limited	2010-11	2011-12	1.36	0.03	0.13	1.20	29.74	-1.05	36.56	-30.06	11.30	1.23	10.88
63	The Kerala Ceramics Limited	2007-08	2011-12	0.79	1.22	0.04	-0.48	10.70	-0.26	11.21	-39.26	-13.87	0.74	5.34
64	The Kerala Minerals and Metals Limited	2011-12	2012-13	136.09	0.42	20.22	115.45	573.03	-28.13	30.93	550.35	572.24	115.87	20.25
65	The Metal Industries Limited	2009-10	2010-11	0.21	0.05	0.05	0.11	2.31	-0.83	1.94	-1.53	5.08	0.16	3.15
66	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2010-11	2011-12	7.75	…	1.06	6.69	45.30	-0.08	16.67	17.85	34.79	6.69	19.23
67	The Travancore Cements Limited	2008-09	2009-10	-0.09	0.58	0.10	-0.77	32.76	-3.51	0.50	-3.23	1.70	-0.19	-11.18
68	The Travancore Sugars and Chemicals Limited	2010-11	2011-12	0.08	....	0.06	0.02	22.89	-4.54	1.32	-0.49	2.32	0.02	0.86
69	The Travancore Cochin Chemicals Limited	2011-12	2012-13	17.97	5.88	9.71	2.39	153.74	…	21.31	-15.48	74.06	8.27	11.17
70	Traco Cable Company Limited	2010-11	2012-13	4.67	3.71	0.46	0.5	72.56	-0.48	40.07	-34.14	33.78	4.21	12.46
71	Transformers and Electricals Kerala Limited	2011-12	2012-13	16.87	1.90	1.76	13.21	196.86	…	42.97	56.84	115.66	15.11	13.06
72	Travancore Titanium Products Limited	2006-07	2010-11	-1.62	0.36	1.47	-3.45	100.96	-0.59	1.77	38.50	49.33	-3.09	-6.26
73	United Electrical Industries Limited	2010-11	2011-12	-5.50	1.13	0.15	-6.77	7.13	-2.13	4.99	-10.64	10.48	-5.65	-53.91
74	Malabar Distilleries Limited	2010-11	2012-13	-0.17	…	…	-0.17	0.10	…	2.46	-0.17	3.42	-0.17	-4.97
75	Trivandrum Spinning Mills Limited	2002-03	2003-04	-0.44	....	....	-0.44	....	…	7.73	-17.28	0.06	-0.44	-733.33
	Sector-wise total			**421.23**	**39.37**	**50.57**	**331.28**	**4476.41**	**-82.98**	**778.28**	**342.19**	**1812.30**	**370.64**	**20.45**

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
POWER SECTOR														
76	Kerala State Power and Infrastructure Finance Corporation Limited	2010-11	2011-12	20.44	17.49	0.17	2.78	20.30	-0.50	26.65	9.72	203.93	20.27	9.94
77	KINESCO Power and Utilities Private Limited	2011-12	2012-13	2.22	0.17	0.56	1.49	22.33	…	0.36	1.55	4.65	1.66	35.70
78	Kerala State Electricity Board Limited	2011-12	2012-13	Commercial activities not commenced					…	0.05	…	…	…	…
	Sector-wise total			**22.66**	**17.66**	**0.73**	**4.27**	**42.63**	**-0.50**	**27.06**	**11.27**	**208.58**	**21.93**	**10.51**
SERVICE SECTOR														
79	Bekal Resorts Development Corporation Limited	2010-11	2011-12	2.08	....	1.18	0.9	2.46	…	47.23	-0.96	48.46	0.90	1.86
80	Indian Institute of Information Technology and Management - Kerala	2010-11	2011-12	-0.18	…	…	-0.18	1.53	…	8.15	-6.01	10.16	-0.18	-1.77
81	Kerala Medical Services Corporation Limited		First Accounts not finalised											
82	Kerala Shipping and Inland Navigation Corporation Limited	2008-09	2012-13	0.17	0.16	0.47	-0.47	6.07	-1.15	21.24	-4.50	17.64	-0.31	-1.76
83	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	2010-11	2011-12	0.66	....	0.01	0.65	1.05	…	0.50	2.06	2.56	0.65	25.39
84	Kerala State Industrial Enterprises Limited	2010-11	2012-13	4.50	0.13	1.55	2.82	27.75	…	3.70	25.08	35.00	2.95	8.43
85	Kerala State Maritime Development Corporation Limited	2009-10	2011-12	0.64	…	0.07	0.58	3.70	…	9.60	-7.37	2.23	0.58	26.01

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
86	KTDC Hotels & Resorts Limited	2011-12	2012-13	4.00	0.17	4.53	-0.70	86.62	-0.25	77.70	-22.24	70.78	-0.53	-0.75
87	Overseas Development and Employment Promotion Consultants Limited	2010-11	2011-12	0.43	0.01	0.02	0.40	5.35	…	0.66	1.21	2.35	0.40	17.02
88	The Kerala State Civil Supplies Corporation Limited	2009-10	2011-12	34.26	13.95	3.45	16.86	2322.09	532.84	8.56	-8.25	235.48	30.81	13.08
89	Tourist Resorts (Kerala) Limited	2010-11	2011-12	1.02	....	0.07	0.95	0.61	0.37	29.22	4.16	16.76	0.95	5.67
90	Vizhinjam International Seaport Limited	2008-09	2012-13	-0.03	…	0.05	-0.08	…	…	12.00	-0.18	41.56	-0.08	-0.19
91	Kerala State Coastal Area Development Corporation Limited	2010-11	2012-13	0.78	…	0.02	0.76	0.08	-1.39	1.06	0.73	40.77	0.76	1.86
92	Kochi Metro Rail Limited	2011-12	2012-13	Commercial activities not commenced						2.50	…	...	…	…
93	Norka Roots	2010-11	2012-13	0.34	0.00	0.09	0.25	2.34	…	1.58	3.59	8.43	0.25	2.97
94	Kerala High Speed Rail Corporation Limited	New company												
	Sector-wise total			**48.67**	**14.42**	**11.51**	**22.74**	**2459.65**	**530.42**	**223.70**	**-12.68**	**532.18**	**37.15**	**6.98**
	Total A (All sector wise working Government Companies)			**962.77**	**440.52**	**83.77**	**438.47**	**8624.51**	**365.38**	**2057.35**	**213.61**	**8413.25**	**879.34**	**10.45**
	B. Working Statutory Corporations													
AGRICULTURE & ALLIED SECTOR														
1	Kerala State Warehousing Corporation	2010-11	2012-13	-1.69	…	0.29	-1.98	9.94	…	10.75	-16.79	0.77	-1.98	-257.14
	Sector-wise total			**-1.69**	**…**	**0.29**	**-1.98**	**9.94**	**…**	**10.75**	**-16.79**	**0.77**	**-1.98**	**-257.14**
FINANCING SECTOR														
2	Kerala Financial Corporation	2011-12	2012-13	133.13	82.09	0.58	50.46	198.09	…	211.97	49.30	1169.64	129.97	11.11
	Sector-wise total			**133.13**	**82.09**	**0.58**	**50.46**	**198.09**	**…**	**211.97**	**49.30**	**1169.64**	**129.97**	**11.11**

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
INFRASTRUCTURE SECTOR														
3	Kerala Industrial Infrastructure Development Corporation	2010-11	2011-12	20.49	7.28	3.88	9.33	2.28	…	…	100.84	708.60	16.61	2.34
	Sector-wise total			**20.49**	**7.28**	**3.88**	**9.33**	**2.28**	**…**	**…**	**100.84**	**708.60**	**16.61**	**2.34**
POWER SECTOR														
4	Kerala State Electricity Board	2011-12	2012-13	1016.72	310.01	466.00	240.71	6043.88	…	1553	1967.61	9886.80	550.72	5.57
	Sector-wise total			**1016.72**	**310.01**	**466.00**	**240.71**	**6043.88**	**…**	**1553**	**1967.61**	**9886.80**	**550.72**	**5.57**
SERVICE SECTOR														
5	Kerala State Road Transport Corporation	2010-11	2012-13	-217.19	145.99	13.71	-376.89	1292.61	…	576	-2100.27	-269.84	-230.96	...
	Sector-wise total			**-217.19**	**145.99**	**13.71**	**-376.89**	**1292.61**	**…**	**576**	**-2100.27**	**-269.84**	**-230.96**	**...**
	Total B (All Sector wise working Statutory Corporations)			**951.46**	**545.37**	**484.46**	**-78.37**	**7546.80**	…	**2351.72**	**0.69**	**11495.97**	**464.36**	**4.04**
	Grand Total (A+B)			**1914.23**	**985.89**	**568.23**	**360.10**	**16171.31**	**365.38**	**4409.07**	**214.30**	**19909.22**	**1343.70**	**6.75**
	C. Non-working Government Companies													
AGRICULTURE & ALLIED SECTOR														
1	Kerala State Coconut Development Corporation Limited	1995-96	2009-10	-0.56	…	0.05	-0.61	…	…	2.85	-12.36	-2.27	-0.61	…
	Sector-wise total			**-0.56**	…	**0.05**	**-0.61**	…	…	**2.85**	**-12.36**	**-2.27**	**-0.61**	---
INFRASTRUCTURE SECTOR														
2	Kerala Irrigation Infrastructure Development Corporation Limited	2004-05	2005-06	Commercial activities not commenced						**0.21**	**...**	**...**	**...**	....
	Sector-wise total			…	…	…		…	…	**0.21**	…	…	…	**…**

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING SECTOR														
3	The Kerala Premo Pipe Factory Limited	1985-86	1999-2000	-0.35	...	...	-0.35	...	...	0.35	-0.19	1.00	-0.35	-35.00
4	Kerala Garments Limited	2008-09	2009-10	0.36	0.60	0.01	-0.25	0.03	-0.30	0.48	-10.23	-7.87	0.35	4.45
5	Kerala Special Refractories Limited	2009-10	2011-12	-0.03	...	...	-0.03	…	-0.02	2.91	…	1.74	-0.03	-1.72
6	The Kerala Asbestos Cement Pipe Factory Limited	1984-85	1986-87	...	...	...	...	...	...	0.06	...	...	...	...
7	SIDECO Mohan Kerala Limited	2007-08	2012-13	…	1.16	…	-1.16	…	...	0.17	-6.13	-5.52	…	…
8	Keltron Counters Limited	2003-04	2006-07	-3.67	...	...	-3.67	1.52	…	9.87	-31.74	-10.62	-3.67	…
9	Keltron Power Devices Limited	2002-03	2005-06	-0.01	0.55	0.01	-0.57	...	-0.05	15.38	-27.69	-5.58	-0.02	…
10	SIDKEL Televisions Limited	1999-2000	2004-05	-0.48	...	...	-0.48	...	...	0.44	-4.14	-2.03	-0.48	…
11	Astral Watches Limited	2010-11	2011-12	-0.03	0.29	…	-0.32	…	…	0.95	-5.92	0.62	-0.03	-4.84
12	Keltron Rectifiers Limited	1999-2000	2005-06	-1.10	…	...	-1.10	1.11	…	6.63	-17.33	-0.48	-1.10	…
13	Trivandrum Rubber Works Limited	2001-02	2010-11	-0.98	0.01	0.03	-1.02	1.52	...	2.35	-25.99	14.00	-1.01	-7.21
14	Kerala State Wood Industries Limited	1991-92	2007-08	-0.86	…	...	-0.86	2.22	...	1.70	-7.26	-1.25	-0.86	…
15	Kerala State Detergents and Chemicals Limited	2010-11	2011-12	-0.15	1.17	0.03	-1.35	…	…	1.55	-28.73	-6.50	-0.18	…

Sl. No.	Sector and name of the Company/ Corporation	Period of Accounts	Year in which finalised	Net Profit/ Loss (-)				Turnover	Impact of Accounts Comments#	Paid up Capital	Accumulated Profit/ Loss (-)	Capital employed@	Return on capital employed$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
16	Kunnathara Textiles Limited	Not available												
17	Vanchinad Leathers Limited	Not available												
	Sector-wise total			**-7.3**	**3.78**	**0.08**	**-11.16**	**6.4**	**-0.37**	**42.84**	**-165.35**	**-22.49**	**-7.38**	**32.81**
	Total C (All sector wise non working Government companies)			**-7.86**	**3.78**	**0.13**	**-11.77**	**6.4**	**-0.37**	**45.90**	**-177.71**	**-24.76**	**-7.99**	**32.27**
	D. Non-working Statutory Corporations													
	Grand Total (A+B+C+D)			**1906.37**	**989.67**	**568.36**	**348.33**	**16177.71**	**365.01**	**4454.97**	**36.59**	**19884.46**	**1335.71**	**6.72**

 # Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and indicates (+) increase in profit/decrease in loss or (-) in case of decrease in profit/increase in loss.

@ Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of finance companies /corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure 3

Statement showing grants and subsidy received/receivable, guarantee received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(Referred to in Paragraphs 1.16 & 1.19)

(Figures are ₹ in crore)

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
A. Working Government Companies													
AGRICULTURE & ALLIED SECTOR													
1	Kerala Agro Machinery Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
2	Kerala Forest Development Corporation Limited	…	…	0.91			0.91	…	…	…	…	…	…
3	Kerala Livestock Development Board Limited	…	…	…	…	…	…	…	…	…	…	…	…
4	Kerala State Horticultural Products Development Corporation Limited	0.10	…	…	…	…	…	…	…	…	…	…	…
5	Kerala State Poultry Development Corporation Limited	…	…	13.55	6.52	…	20.07	…	…	…	…	…	…
6	Meat Products of India Limited	…	0.75	1.13	…	0.75	1.88	…	0.56	…	…	…	…
7	Oil Palm India Limited	…	…	0.02	0.08	…	0.10	…	…	…	…	…	…
8	The Kerala Agro Industries Corporation Limited	…	...	13.27	…	…	13.27	…	0.13	…	…	…	…
9	The Kerala State Cashew Development Corporation Limited	…	…	23.75	…	0.03	23.78	…	…	…	…	…	…
10	The Kerala State Coir Corporation Limited	…	…	1.79	13.03	…	14.82	…	…	…	…	…	…
11	The Plantation Corporation of Kerala Limited	…	…	0.42	0.21	…	0.63	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
12	The Rehabilitation Plantations Limited	…	…	…	…	0.02	0.02	…	…	…	…	…	…
13	The State Farming Corporation of Kerala Limited	…	…	…	…	…	…	…	…	…	…	…	…
14	Aralam Farming Corporation (Kerala) Limited	…	…	…	0.57	…	0.57	…	…	…	…	…	…
	Sector-wise total	**0.10**	**0.75**	**54.84**	**20.41**	**0.80**	**76.05**	…	**0.69**	…	…	…	…
FINANCE SECTOR													
15	Handicrafts Development Corporation of Kerala Limited	…	…	…	…	…	…	…	…	…	…	…	…
16	Kerala Artisans' Development Corporation Limited	0.25	…	0.20	…	…	0.20	…	…	…	…	…	…
17	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	…	…	…	…	…	…	0.31	0.33	…	…	…	…
18	Kerala Small Industries Development Corporation Limited	0.20	…	…	…	…	…	1.50	1.50	…	…	…	…
19	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	3.50	…	…	…	…	…	…	…	0.08	…	0.07	0.15
20	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	6.63	…	1.88	…	…	1.88	19	12.29	…	…	…	…
21	Kerala State Film Development Corporation Limited	2.46		1.17	…	…	1.17	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
22	Kerala State Handicapped Persons' Welfare Corporation Limited	…	…	1.50	…	…	1.5	…	…	…	…	…	…
23	Kerala State Handloom Development Corporation Limited	2.92	0.20	0.60	0.09	…	0.69	…	…	…	…	…	…
24	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	…	…	0.30	…	…	0.3	2.00	0.86	…	…	…	…
25	Kerala State Women's Development Corporation Limited	…	…	5.65	…	…	5.65	45.00	43.27	…	…	…	…
26	Kerala Transport Development Finance Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
27	Kerala Urban & Rural Development Finance Corporation Limited	…	0.50	…	…	…	…	…	4.96	…	…	…	…
28	The Kerala State Backward Classes Development Corporation Limited	7.00	…	…	…	…	…	…	…	…	…	…	…
29	The Kerala State Financial Enterprises Limited	…	…	…	…	…	…	3000.00	2636.23	…	…	…	…
	Sector-wise total	**22.96**	**0.70**	**11.30**	**0.09**	…	**11.39**	**3067.81**	**2699.44**	**0.08**	…	**0.07**	**0.15**
INFRASTRUCTURE SECTOR													
30	Kerala Police Housing and Construction Corporation Limited	…	9.63	…	…	…	…	…	…	…	…	…	…
31	Kerala State Construction Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
32	Kerala State Industrial Development Corporation Limited	…	…	…	…	…	…	1.50	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	**2**	**3(a)**	**3(b)**	**4(a)**	**4(b)**	**4 (c)**	**4(d)**	**5(a)**	**5(b)**	**6(a)**	**6(b)**	**6 (c)**	**6(d)**
33	Roads and Bridges Development Corporation of Kerala Limited	…	…	…	…	…	…	…	14.70	…	…	1.97	1.97
34	The Kerala Land Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
35	Kerala State Information Technology Infrastructure Limited	24.00	…	…	…	…	…	…	…	…	…	…	…
36	Kinfra Export Promotion Industrial Parks Limited	…	…	0.03	…	…	0.03	…	…	…	…	…	…
37	Kinfra Film and Video Park Limited	…	…	3.00	…	…	3.00	…	…	…	…	…	…
38	Kinfra International Apparel Parks Limited	…	…	…	…	…	…	…	…	…	…	…	…
39	Marine Products Infrastructure Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
40	Kannur International Airport Limited	8.02	…	…	…	…	…	…	…	…	…	…	…
41	Road Infrastructure Company Kerala Limited	0.03	…	…	…	…	…	…	…	…	…	…	…
	Sector-wise total	**32.05**	**9.63**	**3.03**	…	…	**3.03**	**1.50**	**14.70**	…	…	**1.97**	**1.97**
MANUFACTURING SECTOR													
42	Autokast Limited	…	2.55	…	…	…	…	…	…	…	…	0.02	0.02
43	Foam Mattings (India) Limited	…	…	…	…	…	…	…	…	…	…	…	…
44	Forest Industries (Travancore) Limited	…	2.00	…	…	…	…	…	…	…	…	…	…
45	Kanjikode Electronics and Electricals Limited	…	…	0.14	…	…	0.14	…	…	…	…	…	…
46	Keltron Component Complex Limited	…	…	…	…	…	…	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
47	Keltron Electro Ceramics Limited	…	…	…	…	…	…	…	…	…	…	…	…
48	Kerala Automobiles Limited	…	2.88	…	…	…	…	4.93	…	…	0.75	…	0.75
49	Kerala Clays and Ceramic Products Limited	…	…	…	…	…	…	…	…	…	…	…	…
50	Kerala Electrical and Allied Engineering Company Limited	…	…	…	…	…	…	76.65	21.22	…	…	…	…
51	Kerala Feeds Limited	…	…	7.92	15.38	…	23.3	…	…	…	…	…	…
52	Kerala State Bamboo Corporation Limited	0.6	4.00	…	…	…	…	…	…	…	…	…	…
53	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
54	Kerala State Drugs and Pharmaceuticals Limited	…	1.75	…	…	…	…	…	…	…	…	…	…
55	Kerala State Electronics Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
56	Kerala State Mineral Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
57	Kerala State Textile Corporation Limited	...	…	…	…	…	…	12.02	8.2	…	1.50	…	1.5
58	Malabar Cements Limited	…	…	…	…	…	…	…	…	…	…	…	…
59	Sitaram Textiles Limited	…	3.75	…	…	…	…	…	…	…	…	…	…
60	Steel and Industrial Forgings Limited	…	…	…	…	…	…	…	…	…	…	…	…
61	Steel Complex Limited	…	3.00	…	…	…	…	…	…	…	…	…	…
62	Steel Industrials Kerala Limited	…	2.48	…	…	…	…	…	…	…	…	…	…
63	The Kerala Ceramics Limited	…	…	…	…	…	…	…	…	…	…	…	…
64	The Kerala Minerals and Metals Limited	…	…	…	…	…	…	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
65	The Metal Industries Limited	…	…	…	…	…	…	…	…	…	…	…	…
66	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	4.00	…	…	0.04	…	0.04	…	…	…	…	…	…
67	The Travancore Cements Limited	…	…	…	…	…	…	…	…	…	…	…	…
68	The Travancore Sugars and Chemicals Limited	…	…	…	…	…	…	…	…	…	…	…	…
69	The Travancore-Cochin Chemicals Limited	…	…	…	…	…	…	…	…	…	…	…	…
70	Traco Cable Company Limited	…	2.17	…	…	…	…	…	…	…	…	…	…
71	Transformers and Electricals Kerala Limited	…	…	…	…	…	…	…	…	…	…	…	…
72	Travancore Titanium Products Limited	…	…	…	…	…	…	…	…	…	…	…	…
73	United Electrical Industries Limited	…	2.85	…	…	…	…	…	…	…	…	…	…
74	Malabar Distilleries Limited	…	…	…	…	…	…	…	…	…	…	…	…
75	Trivandrum Spinning Mills Limited	…	…	…	…	…	…	…	…	…	…	…	…
	Sector-wise total	**4.60**	**27.43**	**8.06**	**15.42**	…	**23.48**	**93.60**	**29.42**	…	**2.25**	**0.02**	**2.27**
POWER SECTOR													
76	Kerala State Power and Infrastructure Finance Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
77	KINESCO Power and Utilities Private Limited	…	…	…	…	…	…	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
78	Kerala State Electricity Board Limited	…	…	…	…	…	…	…	…	…	…	…	…
	Sector-wise total	…	…	…	…	…	…	…	…	…	…	…	…
SERVICES SECTOR													
79	Bekal Resorts Development Corporation Limited	1.00	…	…	…	…	…	…	…	…	…	…	…
80	Indian Institute of Information Technology and Management - Kerala	3.50	…	…	…	…	…	…	…	…	…	…	…
81	Kerala Medical Services Corporation Limited	…	…	174.00	25.00	…	199.00	…	…	…	…	…	…
82	Kerala Shipping and Inland Navigation Corporation Limited	...	…	…	…	…	…	…	…	…	…	…	…
83	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
84	Kerala State Industrial Enterprises Limited	…	1.00	…	5.58	…	5.58	…	…	…	…	…	…
85	Kerala State Maritime Development Corporation Limited	0.15	…	…	…	…	…	…	…	…	…	…	…
86	KTDC Hotels & Resorts Limited	…	…	0.48	3.15	…	3.63	…	…	…	…	…	…
87	Overseas Development and Employment Promotion Consultants Limited	…	…	…	…	…	…	…	…	…	…	…	…
88	The Kerala State Civil Supplies Corporation Limited	…	…	107.65	398.44	115.57	621.66	…	…	…	…	…	…
89	Tourist Resorts (Kerala) Limited	...	…	…	…	…	…	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
90	Vizhinjam International Seaport Limited	…	…	195.00	…	…	195.00	…	…	…	…	…	…
91	Kerala State Coastal Area Development Corporation Limited	1.75	…	…	…	…	…	…	…	…	…	…	…
92	Kochi Metro Rail Limited	2.50	39.51	…	…	…	…	…	…	…	…	…	…
93	Norka Roots	…	…	1.53	…	…	1.53	…	…	…	…	…	…
94	Kerala High Speed Rail Corporation Limited	0.05	…	50.00	…	…	50.00	…	…	…	…	…	…
	Sector-wise total	**8.95**	**40.51**	**528.66**	**432.17**	**115.57**	**1076.40**	…	…	…	…	…	…
	Total A (All sector-wise working Government Companies)	**68.66**	**79.02**	**605.89**	**468.09**	**116.37**	**1190.35**	**3162.91**	**2744.25**	**0.08**	**2.25**	**2.06**	**4.39**
	B. Working Statutory Corporations												
AGRICULTURE & ALLIED SECTOR													
1	Kerala State Warehousing Corporation	…	…	…	…	...	...	…	1.59	…	…	…	…
	Sector-wise total	…	…	…	…	**...**	**...**	…	**1.59**	…	…	…	…
FINANCE SECTOR													
2	Kerala Financial Corporation	…	…	19.89	…	…	19.89	200.00	224.53	…	…	…	…
	Sector-wise total	…	…	**19.89**	…	…	**19.89**	**200.00**	**224.53**	…	…	…	…
INFRASTRUCTURE SECTOR													
3	Kerala Industrial Infrastructure Development Corporation	…	39.79	37.21	2.94	…	40.15	250	225.05	…	…	…	…
	Sector-wise total	…	**39.79**	**37.21**	**2.94**	…	**40.15**	**250.00**	**225.05**	…	…	…	…
POWER SECTOR													
4	Kerala State Electricity Board	…	…	…	…	…	…	…	119.95	…	…	…	…
	Sector-wise total	…	…	…	…	…	…	…	**119.95**	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
SERVICES SECTOR													
5	Kerala State Road Transport Corporation	...	140.00	32.00	…	…	32.00	…	…	…	…	…	…
	Sector-wise total	**...**	**140.00**	**32.00**	…	…	**32.00**	…	…	…	…	…	…
	Total B (All sector-wise working Statutory Corporations)	**...**	**179.79**	**89.10**	**2.94**	**...**	**92.04**	**450.00**	**571.12**	…	…	…	…
	Grand Total (A+B)	**68.66**	**258.81**	**694.99**	**471.03**	**116.37**	**1282.39**	**3612.91**	**3315.37**	**0.08**	**2.25**	**2.06**	**4.39**
	C. Non-working Government Companies												
AGRICULTURE & ALLIED SECTOR													
1	Kerala State Coconut Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
	Sector-wise total	…	…	…	…	…	…	…	…	…	…	…	…
INFRASTRUCTURE SECTOR													
2	Kerala Irrigation Infrastructure Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
	Sector-wise total	…	…	…	…	…	…	…	…	…	…	…	…
MANUFACTURING SECTOR													
3	The Kerala Premo Pipe Factory Limited	…	…	…	…	…	…	…	…	…	…	…	…
4	The Chalakudy Refractories Limited	…	…	…	…	…	…	…	…	…	…	…	…
5	Kerala Garments Limited	…	…	…	…	…	…	…	…	…	…	…	…
6	Kerala Special Refractories Limited	…	…	…	…	…	…	…	…	…	…	…	…
7	The Kerala Asbestos Cement Pipe Factory Limited	…	…	…	…	…	…	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
8	Kerala Construction Components Limited	…	…	…	…	…	…	…	…	…	…	…	…
9	Scooters Kerala Limited	…	…	…	…	…	…	…	…	…	…	…	…
10	Kerala State Engineering Works Limited	…	…	…	…	…	…	…	…	…	…	…	…
11	SIDECO Mohan Kerala Limited	…	…	…	…	…	…	…	…	…	…	…	…
12	Keltron Counters Limited	…	…	…	…	…	…	…	…	…	…	…	…
13	Keltron Power Devices Limited	…	…	…	…	…	…	…	…	…	…	…	…
14	SIDKEL Televisions Limited	…	…	…	…	…	…	…	…	…	…	…	…
15	Astral Watches Limited	…	…	…	…	…	…	…	…	…	…	…	…
16	Keltron Rectifiers Limited	…	…	…	…	…	…	…	…	…	…	…	…
17	Travancore Plywood Industries Limited	…	…	…	…	…	…	…	…	…	…	…	…
18	Trivandrum Rubber Works Limited	…	…	…	…	…	…	…	…	…	…	…	…
19	Kerala State Wood Industries Limited	…	…	…	…	…	…	…	…	…	…	…	…
20	Kerala Soaps and Oils Limited	…	…	…	…	…	…	…	…	…	…	…	…
21	Kerala State Detergents and Chemicals Limited	…	…		…	…	…	…	…	…	…	…	…

Sl. No.	Sector and name of the Company/ Corporation	Equity/loans received out of Budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year@		Waiver of dues during the year			
		Equity	Loans	State Gover-nment	Central Gover-nment	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (c)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
22	Kerala State Salicylates and Chemicals Limited)	…	…	…	…	…	…	…	…	…	…	…	…
23	Kunnathara Textiles Limited	…	…	…	…	…	…	…	…	…	…	…	…
24	Vanchinad Leathers Limited	…	…	…	…	…	…	…	…	…	…	…	…
	Sector-wise total	…	…	…	…	…	…	…	…	…	…	…	…
	Total C (All sector-wise non-working Government Companies)	…	…	…	…	…	…	…	…	…	…	…	…
	D. Non-working Statutory Corporations												
	Grand Total (A+B+C+D)	**68.66**	**258.81**	**694.99**	**471.03**	**116.37**	**1282.39**	**3612.91**	**3315.37**	**0.08**	**2.25**	**2.06**	**4.39**

@ Figures indicate total guarantees outstanding at the end of the year.

Annexure 4

Statement showing financial assistance by State Government to companies whose accounts are in arrear

(Referred to in paragraph 1.28)

(Figures in columns 4 and 6 to 8 are ₹ in crore)

Sl. No.	Name of the company/ corporation	Year up to which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Working Government companies							
1.	Kerala State Horticultural Products Development Corporation Limited	2010-11	6.13	2011-12	0.10	…	…
2.	The Kerala Agro Industries Corporation Limited	2006-07	4.74	2008-09	…	…	4.67
				2009-10		0.90	2.78
				2011-12	…	…	13.27
3.	The Kerala State Coir Corporation Limited	2009-10	8.05	2010-11	…	…	7.98
				2011-12	…	…	1.79
4.	The Kerala State Cashew Development Corporation Limited	2007-08	200.64	2008-09	…	5.13	15.97
				2009-10	…	8.13	24.00
				2010-11	…	41.61	30.40
				2011-12	…	…	23.75
5.	Kerala State Poultry Development Corporation Limited	2006-07	1.97	2007-08	…	…	5.38
				2008-09	…	…	6.80
				2009-10	…	…	5.85
				2010-11	…	…	13.90
				2011-12	…	…	13.55
6.	Kerala Small Industries Development Corporation Limited	2008-09	23.07	2009-10	0.20	…	…
				2010-11	0.20	…	…
				2011-12	0.20	…	…
7.	Kerala State Film Development Corporation Limited	2004-05	18.32	2005-06	0.55	…	1.00
				2006-07	0.50	…	…
				2007-08	…	…	1.00
				2008-09	0.65	…	1.50
				2009-10	0.65	…	…
				2010-11	1.59	…	1.01
				2011-12	2.46	…	1.17
8.	Kerala State Handloom Development Corporation Limited	2009-10	18.08	2010-11	4.00	0.25	0.32
				2011-12	2.92	0.20	0.60
9.	Handicrafts Development Corporation of Kerala Limited	2006-07	2.77	2007-08	…	…	0.28
				2008-09	…	…	1.28
				2009-10	…	0.97	3.22
10.	Kerala State Bamboo Corporation Limited	2007-08	7.34	2008-09	0.15	0.36	7.00
				2009-10	0.50	2.94	…
				2010-11	0.50	8.10	…
				2011-12	0.60	4.00	…
11.	Kerala Police Housing and Construction Corporation Limited	2008-09	0.27	2009-10	…	…	6.86
				2010-11	…	…	7.94
				2011-12	…	9.63	…

Sl. No.	Name of the company/ corporation	Year up to which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
12.	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	2008-09	82.75	2009-10	4.68	…	1.00
				2010-11	5.74	…	3.22
				2011-12	6.63	…	1.88
13.	The Kerala State Backward Classes Development Corporation Limited	2010-11$^{\perp}$	75.96	2008-09	7.00	…	0.07
				2009-10	7.00	…	0.92
				2011-12	7.00	…	…
14.	Kerala State Handicapped Persons' Welfare Corporation Limited	1999-2000	1.87	2000-01	0.08	0.15	0.45
				2001-02	0.03	0.05	0.41
				2002-03	0.04	0.10	0.35
				2003-04	0.04	0.09	0.47
				2004-05	…	…	0.68
				2005-06	0.05	0.65	0.10
				2006-07	0.05	0.10	0.30
				2007-08	0.04	0.08	0.40
				2008-09	…	…	1.32
				2009-10	…	…	1.40
				2010-11	1.40	…	…
				2011-12	…	…	1.50
15.	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	2002-03	10.95	2006-07	3.50	…	…
				2007-08	3.40	…	…
				2008-09	3.50	…	…
				2009-10	3.00	…	…
				2010-11	0.50	…	…
				2011-12	3.50	…	…
16.	Kerala Artisans' Development Corporation Limited	2004-05	2.33	2006-07	…	…	0.23
				2007-08	0.05	…	0.05
				2008-09	1.00	…	0.29
				2009-10	0.78	…	…
				2010-11	0.25	…	0.20
				2011-12	0.25	…	…
17.	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2008-09	0.87	2009-10	…	0.48	0.16
				2010-11	…	…	0.06
				2011-12			0.30
18.	The Kerala State Civil Supplies Corporation Limited	2009-10	8.56	2010-11	…	…	22.00
				2011-12	…	….	107.65
19.	Kerala State Drugs and Pharmaceuticals Limited	2010-11	9.08	2011-12	…	1.75	…
20.	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2010-11	16.67	2011-12	4.00	…	…
21.	Kerala Urban & Rural Development Finance Corporation Limited	2010-11	0.96	2011-12	…	0.50	…
22.	Traco Cable Company Limited	2010-11	40.07	2011-12	…	2.17	…
23.	Bekal Resorts Development Corporation Limited	2010-11	47.23	2011-12	1.00	…	…

$^{\perp}$ **2008-09 and 2009-10 Accounts not finalised**

Sl. No.	Name of the company/ corporation	Year up to which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
24.	Kerala Shipping and Inland Navigation Corporation Limited	2008-09	21.24	2009-10	6.00	…	…
				2010-11	…	…	0.15
25.	Indian Institute of Information Technology and Management - Kerala	2010-11	8.15	2011-12	3.50	…	…
26.	Kerala State Industrial Enterprises Limited	2010-11	3.70	2011-12	…	1.00	…
27.	Vizhinjam International Seaport Limited	2008-09	12.00	2009-10	…	…	25.00
				2010-11	…	…	140.86
				2011-12			195.00
28.	Kerala Automobiles Limited	2008-09	10.23	2009-10	…	1.59	…
				2010-11	…	2.00	…
				2011-12	…	2.88	…
29.	Meat Products of India Limited	2007-08	1.81	2008-09	…	…	1.08
				2009-10	…	…	0.75
				2010-11	…	0.38	1.41
				2011-12	…	0.75	1.13
30.	Steel Industrials Kerala Limited	2010-11	36.56	2011-12	…	2.48	…
31.	Kerala Medial Services Corporation Limited	First Accounts not finalised		2008-09	…	…	95.03
				2010-11	…	…	145.00
				2011-12	…	…	174.00
32.	Kerala State Maritime Development Corporation Limited	2009-10	9.60	2010-11	0.20	…	…
				2011-12	0.15		
33.	Autokast Limited	2010-11	19.97	2011-12	…	2.55	…
34.	Travancore Titanium Products Limited	2006-07	1.77	2009-10	8.00	…	…
				2010-11	4.00	…	…
35.	Kerala State Information Technology Infrastructure Limited	2008-09	30.10	2009-10	10.00	…	…
				2010-11	20.00	…	…
				2011-12	24.00	…	…
36.	Kinfra Export Promotion Industrial Parks Limited	2010-11	0.25	2011-12	…	…	0.03
37.	Kinfra Film and Video Park Limited	2010-11	1.50	2011-12	…	…	3.00
38.	Kerala State Women's Development Corporation Limited	1997-98	3.88	2009-10	…	…	1.51
				2010-11	…	…	3.25
				2011-12			5.65
39.	Kerala State Textile Corporation Limited	2009-10	58.47	2010-11	4.55	…	…
40.	Sitaram Textiles Limited	2010-11	42.46	2011-12	…	3.75	…
41.	United Electrical industries Limited	2010-11	4.99	2011-12	…	2.85	…
42.	Kanjikode Electronics and Electricals Limited	2009-10	0.10	2010-11	…	…	0.15

Sl. No.	Name of the company/ corporation	Year up to which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
43.	Kerala Ceramics Limited	2007-08	11.21	2009-10	…	0.93	…
				2010-11	…	3.00	…
44.	Forest Industries (Travancore) Limited	2008-09	0.38	2011-12	…	2.00	…
45.	Kerala Feeds Ltd	2010-11	27.41	2011-12	…	…	7.92
46.	Aralam Farming Corporation (Kerala) Limited	First Accounts not finalised		2010-11	0.01	…	…
47.	Kerala State Coastal Area Development Corporation Limited	2010-11	1.06	2011-12	1.75	…	…
48.	Norka Roots	2010-11	1.58	2010-11	0.84	…	…
				2011-12	…	…	1.53
	Total A (Companies)				**163.28**	**114.50**	**1151.13**
B. Working Statutory corporations							
1	Kerala State Road Transport Corporation	2010-11	576.00	2011-12	…	140.00	32.00
2	Kerala Industrial Infrastructure Development Corporation	2010-11	…	2011-12	…	39.79	37.21
	Total B (Statutory Corporations)				**…**	**179.79**	**69.21**
	Grand Total (A)+(B)				**163.28**	**294.29**	**1220.34**
C. Non-working Government Companies							
	Total C (Non-working Government Companies)				**…**	**…**	**…**
	Grand Total (A+B+C)				**163.28**	**294.29**	**1220.34**
	Aggregate						**1677.91**

Annexure 5
Statement showing financial position of Statutory corporations
(Referred to in paragraph 1.40)

(₹in crore)

1. Kerala State Electricity Board			
Particulars	**2009-10**	**2010-11**	**2011-12***
A. Liabilities			
Equity Capital	1553.00	1553.00	1553.00
Loans from Government	…	…	…
Other long-term loans (including bonds)	1409.49	1066.50	1356.34
Reserves and Surplus (Funds)	5427.19	6184.63	7050.92
Current liabilities and provisions	4925.12	6100.35	7396.38
Total – A	**13314.80**	**14904.48**	**17356.64**
B. Assets			
Gross fixed assets	10192.17	11210.90	12073.79
Less : Depreciation	4375.33	4848.75	5314.75
Net fixed assets	5816.84	6362.15	6759.04
Capital works-in-progress	1017.86	974.10	1088.64
Current assets	5257.33	6343.18	8287.16
Investments	19.50	19.50	19.50
Miscellaneous expenditure	1203.27	1205.55	1202.30
Deficits	…	…	…
Total – B	**13314.80**	**14904.48**	**17356.64**
C. Capital employed[1]	7124.91	8733.02	9886.80

** Provisional, subject to audit.*

[1] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital (excluding deferred costs and assets not in use).**

(₹ in crore)

2. Kerala State Road Transport Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11***
		(including JnNURM)	
A. Liabilities			
Capital (Including capital loan & equity capital)	431.03	462.75	576.00
Borrowings (Government)	85.50	190.50	350.50
(Others)	565.98	701.36	895.42
Funds[2]	37.24	23.39	19.04
Trade dues and other current liabilities (including provisions)	722.61	737.60	772.74
Total - A	**1842.36**	**2115.60**	**2613.70**
B. Assets			
Gross block	635.07	708.58	881.71
Less: Depreciation	401.11	430.87	501.09
Net fixed assets	233.96	277.71	380.62
Capital works-in-progress (including cost of chassis)	5.22	2.51	5.25
Investments	0.03	0.03	0.03
Current assets, loans and advances	119.84	114.10	127.53
Accumulated loss	1483.31	1721.25	2100.27
Total - B	**1842.36**	**2115.60**	**2613.70**
C. Capital employed [3]	**(-)363.59**	**(-)343.28**	**(-)269.84**

* *Provisional, subject to audit.*

[2] **Excluding depreciation funds.**
[3] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

(₹ in crore)

3. Kerala Financial Corporation			
Particulars[4]	**2009-10**	**2010-11**	**2011-12**
A. Liabilities			
Paid-up capital	204.06	204.06	211.97
Share application money	…	7.91	…
Reserve fund and other reserves and surplus	65.89	85.39	113.88
Borrowings:			
(i) Bonds and debentures	97.49	61.08	224.53
(ii) Fixed Deposits	…	…	…
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	479.03	473.62	438.71
(iv) Reserve Bank of India	…	…	…
(v) Loan towards share capital:			
(a) State Government	…	…	…
(b) Industrial Development Bank of India	…	…	…
(vi) Others (including State Government)			
(a) Loans	…	235.00	283.12
(b) subventions	…	…	…
Other liabilities and provisions	95.39	128.23	101.84
Total – A	**941.86**	**1195.29**	**1374.05**
B. Assets			
Cash and Bank balances	10.42	7.68	33.67
Investments	1.99	1.85	46.35
Loans and Advances	888.69	1124.82	1239.84
Net fixed assets	2.46	2.76	2.75
Other assets	38.30	58.18	51.46
Miscellaneous expenditure	…	…	…
Total – B	**941.86**	**1195.29**	**1374.07**
C. Capital employed[5]	805.96	956.77	1169.64

[4] **Previous years' figures regrouped wherever necessary to be in consonance with the accounts of the Corporation.**

[5] **Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).**

(₹ *in crore*)

4. Kerala State Warehousing Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liabilities			
Paid-up capital	9.50	10.00	10.75
Reserves and surplus	1.56	1.82	1.63
Borrowings : (Government) (Others)	0.50 0.51	0.50 0.24	0.50 …
Trade dues and current liabilities (including provisions)	27.90	29.84	31.75
Total – A	**39.97**	**42.40**	**44.63**
B. Assets			
Gross block	19.70	20.08	20.21
Less: Depreciation	6.50	6.86	7.21
Net fixed assets	13.20	13.22	13.00
Capital works-in-progress	0.15	0.07	0.39
Current assets, loans and advances	12.80	14.30	14.45
Profit and loss account	13.82	14.81	16.79
Total – B	**39.97**	**42.40**	**44.63**
C. Capital employed [6]	2.13	1.47	0.77

[6] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

(₹ in crore)

5. Kerala Industrial Infrastructure Development Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liabilities			
Grants	148.88	138.57	138.56
Loans	131.53	275.72	462.52
Trade dues and current liabilities(including provisions)	126.62	164.14	86.10
Reserves and surplus	64.98	98.89	131.70
Total – A	**472.01**	**677.32**	**818.88**
B. Assets			
Gross block	49.17	56.90	89.66
Less: Depreciation	11.10	15.33	19.11
Net fixed assets	38.07	41.57	70.55
Investment	22.58	22.63	24.18
Current assets, loans and advances	411.36	613.12	724.15
Accumulated loss	…	…	…
Total – B	**472.01**	**677.32**	**818.88**
C. Capital employed [7]	322.81	490.55	708.60

[7] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

Annexure 6
Statement showing working results of Statutory corporations
(Referred to in paragraph 1.40)

(₹ in crore)

1.	**Kerala State Electricity Board**			
Sl. No.	**Particulars**	**2009-10**	**2010-11**	**2011-12***
1.	(a) Revenue receipts (b) Subsidy/subvention from Government (c) Revenue gap/ regulatory asset T o t a l	5183.87 … 1227.51 6411.38	5641.27 54.16 1229.63 6925.06	6043.87 0.04 1934.13 7978.04
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	5527.13	6027.52	6899.38
3.	Gross surplus(+)/deficit(-) for the year (1-2)	(+)884.25	(+)897.54	(+)1078.66
4.	Adjustments relating to previous years	(+)48.81	(+)73.56	(-)61.95
5.	Final gross surplus(+)/deficit(-) for the year (3+4)	(+)933.06	(+)971.10	(+)1016.71
6.	Appropriations:			
	(a) Depreciation (less capitalised)	451.22	473.43	466.00
	(b) Interest on Government loans	…	….	….
	(c) Interest on others, bonds, advance, etc., and finance charges	263.57	280.91	340.52
	(d) Total interest on loans and finance charges (b+c)	263.57	280.91	340.52
	(e) Less: Interest capitalised	22.45	23.96	30.51
	(f) Net interest charged to revenue (d-e)	241.12	256.95	310.00
	(g) Total appropriations (a+f)	692.34	730.38	776.00
7.	Surplus(+)/deficit(-) before accounting for subsidy from state Government [5-6(g)-1(b)]	(+)240.72	(+)186.56	(+)240.67
8.	Net surplus (+)/deficit(-) {5-6(g)}	(+)240.72	(+)240.72	(+)240.71
9.	Total return on capital employed[8]	481.84	497.67	550.72
10.	Percentage of return on capital employed	6.76	5.70	5.57

* *Provisional, subject to audit.*

[8] **Total return on capital employed represents net surplus/ deficit plus total interest charged to profit and loss account (less interest capitalised).**

(₹ in crore)

2. Kerala State Road Transport Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11***
		(including JnNURM)	
Operating :			
(a) Revenue	1047.69	1144.18	1276.12
(b) JnNURM	…	1.53	16.49
(c) Expenditure	877.78	1022.98	1216.94
(d) JnNURM	…	2.35	21.36
(e) Surplus(+)/Deficit(-)	169.91	121.20	59.19
(f) JnNURM	...	(-)0.83	(-) 4.88
Non-operating :			
(a) Revenue	15.37	17.52	17.97
(b) JnNURM	…	0.99	7.89
(c) Expenditure	302.40	371.80	456.48
(d) JnNURM	…	…	0.58
(e) Surplus(+)/Deficit(-)	(-) 287.03	(-) 354.27	(-) 438.51
(f) JnNURM	...	0.99	7.31
Total :			
(a) Revenue	1063.06	1161.70	1294.09
(b) JnNURM	…	2.52	24.38
(c) Expenditure	1180.18	1394.77	1673.42
(d) JnNURM	…	2.35	21.94
(e) Surplus(+)/Deficit(-)	(-) 117.12	(-) 233.07	(-) 379.33
(f) JnNURM	...	0.17	2.44
Interest on capital and loans	71.86	101.72	145.93
Total return on capital employed [9]	(-)45.26	(-)334.63	(-)527.55

* *Provisional, subject to audit.*

[9] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

(₹ in crore)

3. Kerala Financial Corporation			
Particulars[10]	**2009-10**	**2010-11**	**2011-12**
1. Income :			
(a) Interest on loans	91.96	111.14	143.52
(b) Other income	70.40	54.84	70.73
Total – 1	**162.36**	**165.98**	**214.25**
2. Expenses :			
(a) Interest on long-term loans	47.39	58.30	82.09
(b) Bad debts writtenoff	37.72	4.95	30.78
(c) Other expenses	30.60	41.03	38.75
Total – 2	**115.71**	**104.28**	**151.62**
Profit before tax(1-2)	46.65	61.70	62.63
Provision for tax	13.43	12.80	14.75
Other appropriations	11.27	26.49	16.03
Amount available for dividend [11]	21.95	22.41	31.85
Dividend	8.16	10.20	15.90
Total return on capital employed [12]	80.61	107.20	129.97
Percentage of return on capital employed	10.00	11.18	11.11

[10] **Previous years' figures regrouped wherever necessary to be in consonance with the accounts of the Corporation.**
[11] **Represents profit of current year available for dividend after considering the specific reserves and provision for taxation.**
[12] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

(₹ in crore)

4. Kerala State Warehousing Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
1. Income :			
(a) Warehousing charges (b) Other income	9.35 4.76	10.02 4.66	9.94 4.78
Total – 1	**14.11**	**14.68**	**14.72**
2. Expenses :			
(a) Establishment charges (b) Other expenses	10.21 5.29	10.57 5.09	11.82 4.88
Total – 2	**15.50**	**15.66**	**16.70**
3. Profit(+)/Loss(-) before tax	(-)1.39	(-)0.98	(-)1.98
4. Other appropriations[13]	…	…	…
5. Amount available for dividend	…	…	…
6. Dividend for the year	…	…	…
7. Total return on capital employed[14]	(-) 1.39	(-)0.98	(-)1.98
8. Percentage of return on capital employed	(-)65.26	(-)66.67	(-)257.14

[13] This does not include prior period adjustments.
[14] Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).

(₹ in crore)

5. Kerala Industrial Infrastructure Development Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
1.Income			
(a) Sale of land on long lease	64.86	26.38	2.28
(b) Miscellaneous income	17.22	20.99	23.42
Total -1	**82.08**	**47.37**	**25.70**
2. Expenses			
(a) Establishment charges	2.74	5.05	2.84
(b) Other expenses	15.55	13.21	13.60
Total-2	**18.29**	**18.26**	**16.44**
Net profit (+)/Loss (-)	(+)63.79	(+)29.11	(+)9.33
Total return on capital employed[15]	(+)65.12	(+)31.78	(+)16.61
Percentage of return on capital employed	20.17	6.48	2.34

[15] **Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised).**

Annexure 7

Statement showing Transmission Network of Kerala State Electricity Board and its growth

(*Referred to in paragraph 2.1.10*)

	Description	2007-08	2008-09	2009-10	2010-11	2011-12	Total
A. Number of Sub-stations (Numbers)							
1	At the beginning of the year	270	285	302	330	340	270
2	Additions planned-spill from previous	0	23	62	76	101	-
3	Additions planned for the year	38	56	42	35	54	225
4	Actual addition during the year	15	17	28	10	10	80[16]
5	At the end of the year **(1+4)**	285	302	330	340	350	350
6	Shortfall in additions **(2+3-4)**	23	62	76	101	145	135[17]
B. Transformers capacity (MVA)							
1	At the beginning of the year	13576.3	14357	14680.7	15826.1	16105	13576.3
2	Additions planned-spill from previous	-	-287.2	1046.4	1234.4	1943	
3	Additions planned for the year	493.5	1657.3	1333.4	987.5	2516.5	6988.20
4	Actual addition during the year	780.7	323.7	1145.4	278.9	220.5	2749.2
5	At the end of the year **(1+4)**	14357	14680.7	15826.1	16105	16325.5	16325.5
6	Shortfall in additions **(2+3-4)**	(287.2)	1046.4	1234.4	1943	4239	4239
C Transmission lines (CKM)							
1	At the beginning of the year	9652.21	9826.17	10013.24	10279.03	10376.85	9652.21
2	Additions planned-spill from previous	-	227.84	1158.65	1492.7	2079.88	-
3	Additions planned for the year	401.80	1117.88	599.84	685	1095.52	3900.04
4	Actual addition during the year	173.96	187.07	265.79	97.82	81.76	806.4
5	At the end of the year **(1+4)**	9826.17	10013.24	10279.03	10376.85	10458.61	10458.61
6	Shortfall in additions **(2+3-4)**	227.84	1158.65	1492.7	2079.88	3093.64	3093.64

[16] **Excludes 10 SSs which were upgraded during the review period**

[17] **225-(80+10SSs)**

Annexure 8

Statement showing transformer failures in Kerala State Electricity Board
(*Referred to in paragraph 2.1.24*)

Year	No. of transformers at the end of the year (For all SS)	No. of transformers failed (127 SS)	No. of transformers failed within guarantee period (127 SS)	No. of transformers failed within normal working life (127 SS)	Expenditure on repair and maintenance (₹ *in crore*) (127 SS)
2007-08	721	3	1	2	0.03
2008-09	764	5	2	3	0.04
2009-10	798	6	1	5	0.59
2010-11	858	2	1	1	NA
2011-12	886	6	1	5	2.62

Annexure 9

Details of expenditure and cost per unit of transmission wing in Kerala State Electricity Board
(*Referred to in paragraph 2.1.34*)

(₹ in lakh)

Sl No	Description	2007-08	2008-09	2009-10	2010-11	2011-12
1	**Expenditure**					
	Fixed cost					
(i)	Employees cost	7233.58	8535.39	9636.63	13300.89	15902.15
(ii)	Administrative and General Expenses	1617.74	1443.51	1341.42	1779.99	1791.15
(iii)	Depreciation	11231.47	12245.90	13640.92	14591.92	15071.42
(iv)	Interest and Finance charges	5.15	9.67	1.34	0.75	0.75
	Total fixed cost	20087.94	22234.47	24620.31	29673.56	32765.47
	Less Expenditure capitalised	1473.87	1972.08	2493.37	2936.08	3515.84
(a)	**Net Fixed Cost**	18614.07	20262.39	22126.94	26737.48	29249.63
(b)	**Variable cost - Repairs & Maintenance**	2746.20	3394.77	4218.40	4918.66	5308.56
(c)	**Total cost (a) + (b)**	21360.27	23657.16	26345.34	31656.14	34558.19
	Power transmitted (MU)	15523.93	15451.35	17094.76	17469.02	19086.93
2	Fixed cost (₹ per unit)	0.12	0.13	0.13	0.15	0.15
3	Variable cost (₹ per unit)	0.02	0.02	0.03	0.03	0.03
4	Total cost (₹ per unit)	0.14	0.15	0.16	0.18	0.18

Annexure 10
Statement showing additional transportation cost incurred due to diversion of poles from other circles by Kerala State Electricity Board
(*Referred to in paragraph 2.2.1*)

Period		7 m poles diverted	8 m poles diverted	9 m poles diverted	Name of the Circle from which poles diverted	Name of the supplier who was asked to divert the poles	Name of the Circle to which poles diverted	Supplier of the circle to which poles diverted	Additional Transportation charges paid (₹)	Details of supply in the circle to which diversion was made				
From	To									Actual quantity ordered (as per P.O.)	Revised ordered quantity	Actual supply against revised quantity	Short supply against revised quantity	Remarks
Feb. 2009	Dec. 2010	5279	2190	13611	Pathanamthitta	Vellackamattathil Industries	Alappuzha	Venad Structurals	1249382	174000	171450	125042	46408	Ordered Quantity of 7 m was reduced from 90000 nos. to 85350 nos.
Oct. 2009	Sep. 2010	560	...	520	Pathanamthitta	do	Kottayam	Pooja Industries	91340	111000	94350	30541	63809	The ordered quantity for the period from 09/2005 to 05/2006 was condoned due to the failure of the contractor to prepare casting yard before the scheduled date of commencement of supply. Further the monthly supply target of 9 m in respect of Kottayam EC was reduced from 600 nos/month to 130 nos/month w.e.f. 9.6.2008 and the monthly target of Pala EC was reduced from 420 nos/month to 300 nos/month w.e.f. 9.6.2008 due to limited production capacity of supplier.
Dec. 2008	Mar. 2010	300	...	5277	Pathanamthitta	do	Pala	Pooja Industries	856966	104000	88340	65148	23192	
Sep. 2009	Feb. 2011	...	...	2860	Pathanamthitta	do	Thodupuzha	Pooja Industries	1563576	90000	78000	23220	54780	Due to non-issue of allocation and non-preparation of the pole casting yard within the lead time, the ordered quantity for the period from 5/2006 to 12/2006 was condoned.
Mar. 2010	Dec. 2010	300	380	1500	Pathanamthitta	do	Trivandrum (Urban)	Imperial Trading Company	357405	110000	108750	98810	9940	
Dec. 2008	Mar. 2010	...	...	1840	Kottayam	Pooja Industries	Alappuzha	Venad Structurals	366281	174000	171450	125042	46408	Detailed above
Total extra expenditure									**4484950**					

Annexure 11

Statement showing additional transportation charges paid to the same contractor for diversion of poles from one EC to another by Kerala State Electricity Board

(*Referred to in paragraph 2.2.1*)

Period		7 M poles diverted	8 M poles diverted	9 M poles diverted	Name of the Circle from which poles diverted	Name of the supplier who was asked to divert the poles	Name of the Circle to which poles diverted	Name of the contractor who took the contract for both the circles	Amount paid	Actual quantity ordered (as per P.O.) for the circle to which poles were diverted	Revised ordered quantity	Actual supply against the revised quantity	Short supply against revised quantity	Remarks
From	To													
Jun-2010	Aug-2010	...	...	1750	Kottayam	Pooja Industries	Pala	Pooja Industries	239434	104000	88340	65148	23192	Diversion by same supplier
Total extra expenditure									**239434**					

Annexure 12

Statement showing short recovery of risk and cost amount due to reduction in security deposit by Kerala State Electricity Board
(*Referred to in paragraph 2.2.1*)

(Amount in ₹)

Name of the Contractor	Name of the Circle	Assessed liability	Amount recovered		Total amount recovered (D + E)	Total amount that could have been recovered if 5 *per cent* of contract amount was kept as security deposit			Short recovery (I- F)
			Recovery made at Circle office (ie. retention, penalty)	Recovery made through invoking bank guarantee and amount collected as bank guarantee from bills		Security deposit as per original agreement (5 *per cent* of contract value)	Recoveries made at Circle office (as detailed in column no D)	Total (H+I)	
A	**B**	**C**	**D**	**E**	**F**	**G**	**H**	**I**	**J**
Suman Concrete Products	Kannur	15951681	6579246	1216225	7795471	6081125	6579246	12660371	4864900
West Coast Concrete Products	Ernakulam & Perumbavoor	8708332	400682	880000	1280682	4395600	400682	4796282	3515600
Roopa Construction Company	Kozhikode	10365064	2713730	1053225	3766955	5266125	2713730	7979855	4212900
Total Short recovery									**12593400**

Annexure 13

Statement showing payment of ineligible price escalation by Kerala State Electricity Board
(*Referred to in paragraph 2.2.1*)

(Amount in ₹)

Name of the Circle	Name of the Contractor	Price escalation to be given	Actual Price escalation given	Excess Price escalation
Thiruvananthapuram (Rural)	Imperial Trading Company	5440956	23105790	17664834
Pathanamthitta	Vellackamattathil Industries	184833	57365298	57180465
Alappuzha	Venad Structurals	809	12380746	12379937
Kottayam	Venad Structurals	370208	12231942	11861734
Kottayam	Pooja Industries	96752	5990523	5893771
Thodupuzha	Pooja Industries	0	6493718	6493718
Thodupuzha	Vallikkat Constructions	210143	1138206	928063
Perumbavoor	Kothamangalam Aggregates	4806936	11247268	6440331
Thrissur	Raphael & Company	1848976	23397325	21548349
Thirur	Varuna Engineering Works	941048	3245334	2304286
Kozhikode	Mecon Prefabs	346806	720756	373950
Kozhikode	Roopa Construction Company	55506	106898	51392
Vadakara	Pinarayi Industrial Co-operative Society	1366953	4897549	3530596
Kannur	Pinarayi Industrial Co-operative Society	273770	13561407	13287637
Kannur	Suman Concrete Products	0	3984326.4	3984326
Kasaragod	Suma Concrete Products	0	5016592	5016592
Total		**15943697**	**184883677**	**168939980**

Annexure 14

Statement showing break-up details of pending cases and appeals as on 31 March 2012 in Kerala State Electricity Board

(Referred to in paragraph 2.2.2)

Category of cases	No. of cases
Original suits	4195
Electricity (Original Petitions)	6653
Consumers' Dispute Redressal Forums (CDRFs)	3741
Motor Accident Claim Tribunal (MACT)	307
Consumers' Grievance Redressal Forums(CGRFs)	112
Lokayukta , Thiruvananthapuram	440
Permanent Lok Adalath, Thiruvananthapuram	47
Land Acquisition Reference (LAR)	1279
Family Court	41
Human Rights Commission	262
Tax Tribunal	94
Workmen’s Compensation Case	12
High Court (Original)	5558
Total	**22741**
Details of appeals pending	
Name of Court	**Number**
High Court	634
Supreme Court	424
Kerala State Consumer Dispute Redressal Commission (KSCDRC)	204
National Commission	10
Tax Tribunal	37
Ombudsman	17
Total	**1326**

Annexure 15

Statement showing financial position and liquidity ratios in respect of Kerala Financial Corporation from 2007-08 to 2011-12
(Referred to in paragraph 3.7)

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Sources of fund					
Share Capital	159.06	74.06	204.06	204.06	211.97
Share Capital advance	…	130.00	…	7.91	…
Reserves and Surplus	33.56	33.56	44.76	52.05	64.58
Secured loans	308.94	406.34	479.02	708.62	721.84
Bonds	123.18	107.26	97.49	61.08	224.53
Deferred tax liability	…	…	…	5.00	3.69
Other liabilities	31.87	12.16	13.35	20.65	38.48
Provisions	5.17	0.07	21.65	102.57	59.67
P&L account	…	11.70	21.14	33.34	49.30
TOTAL	**661.78**	**775.15**	**881.47**	**1195.28**	**1374.06**
Application of funds					
Cash & Bank	23.32	141.31	10.42	7.68	33.67
Loans and advances	508.27	589.81	828.30	1124.81	1239.84
Investments	1.89	1.68	1.99	1.85	46.35
Fixed assets	2.86	2.58	2.46	2.76	2.75
Other assets	20.44	39.77	38.30	58.18	51.45
P&L account	105.00	…	…	…	…
TOTAL	**661.78**	**775.15**	**881.47**	**1195.28**	**1374.06**
Liquidity ratios					
Capital to Risk (weighted) Asset Ratio (%)	15.95	36.35	27.88	22.20	20.51
Current ratio	1:1	18:1	0.54:1	0.53:1	0.87:1
Debt- Equity ratio	4.93:1	2.06:1	2.14:1	2.59:1	2.90:1

Annexure 16

Statement showing working results and profitability ratios in respect of Kerala Financial Corporation from 2007-08 to 2011-12

(Referred to in paragraph 3.8)

(₹ in lakh)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
INCOME					
Income from operation	82.93	101.92	141.32	164.59	198.09
Other income	5.40	7.34	21.04	1.39	16.16
Total	**88.33**	**109.26**	**162.36**	**165.98**	**214.25**
EXPENDITURE					
Operating expenses	37.83	40.47	49.13	60.44	84.53
Employees cost	23.62	24.08	19.78	24.64	17.92
Administrative cost	1.20	1.20	4.31	4.10	4.02
Interest rebate on loans	...	...	4.41	9.51	13.78
Depreciation	0.38	0.33	0.36	0.64	0.59
Bad debts	32.91	117.58	37.72	4.95	30.78
Others	2.68	1.90	...	...	...
Total	**98.62**	**185.56**	**115.71**	**104.28**	**151.62**
Operating profit/loss(-)	(-) 10.29	(-) 76.30	46.65	61.70	62.63
Less Provisions	17.86	0.06	12.92	25.30	16.98
Net profit / loss (-) for the year	**(-) 28.15**	**(-) 76.36**	**33.73**	**36.40**	**45.65**
Profitability ratios					**(*in percentage*)**
Interest income to Average Working Funds	13.76	15.10	11.72	12.69	15.44
Non-Interest income to Average Working Funds	0.46	0.78	8.32	4.66	5.40
Operating profit/Loss to Average Working Funds	-1.66	-11.09	5.92	6.45	6.09
Return on Average assets	-1.75	-11.51	5.69	5.83	4.92

Annexure 17

Statement showing summarised position of cash flow in respect of Kerala Financial Corporation for the five years up to 2011-12

(Referred to in paragraph 3.23)

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
A. Opening Cash &Bank	33.62	23.32	141.30	10.42	7.68
B. Cash inflow					
(i) Share Capital	...	150.00	...	7.91	...
(ii) Borrowings from: SIDBI	75.95	160.00	209.88	160.00	79.00
Banks	...	...	...	261.00	115.00
Bonds	...	...	...	...	200.00
	75.95	310.00	209.88	428.91	394.00
(iii) Recovery : Principal	137.15	178.21	163.86	196.45	272.10
Interest	84.67	91.04	94.12	117.29	158.05
Sub total	221.82	269.25	257.98	313.74	430.15
(iv)Recovery from written off accounts	...	...	41.52	40.48	37.00
(v)Other receipts	9.63	8.66	8.76	14.42	29.01
Total (A+B (i) to (v))	**341.02**	**611.23**	**659.44**	**807.97**	**897.84**
C. Cash outflow					
(i) Loan disbursement	186.44	293.94	419.56	443.52	464.57
(ii) Repayment of borrowings	68.16	78.61	149.66	227.82	217.32
(iii) Revenue payment	61.34	66.97	73.96	95.23	135.55
(iv) Other payments (Including investment)	1.76	30.41	5.84	33.72	46.74
D. Closing Cash and Bank	23.32	141.30	10.42	7.68	33.66
Total (C (i) to (iv)+ D)	**341.02**	**611.23**	**659.44**	**807.97**	**897.84**

Annexure 18

Statement showing applications received and loans sanctioned in respect of Kerala Financial Corporation for the five years up to 2011-12
(Referred to in paragraph 3.31)

(₹ in crore)

Particulars	2007-08		2008-09		2009-10		2010-11		2011-12	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Loan application pending at the beginning	44	37.96	18	36.57	11	26.30	67	93.51	12	20.14
Add: Applications received	523	282.45	601	433.42	855	799.47	702	503.47	682	622.80
Less: Applications rejected or withdrawn	23	38.27	19	93.48	40	116.32	10	69.45	41	81.33
Net Balance	544	282.14	600	376.51	826	709.45	759	527.53	653	561.61
Loans Sanctioned	526	245.56	589	350.21	759	615.92	747	507.39	639	540.13
Loan applications pending at the end	18	36.57	11	26.30	67	93.51	12	20.14	14	21.48
Assistance requested(Net) per application		0.52		0.63		0.86		0.70		0.86
Assistance sanctioned per application		0.47		0.59		0.81		0.68		0.85

Annexure 19

Statement showing sector-wise disbursement of loans in Kerala Financial Corporation during the five years up to 2011-12
(Referred to in paragraph 3.32)

(in percentage)

Sector/ Industry	2007-08	2008-09	2009-10	2010-11	2011-12	Average	Exposure limit fixed
Loan Disbursed (₹ in crore)	186.65	293.94	419.56	443.53	464.58	361.65	
Hotel & Tourism	62.91	68.35	57.13	54.89	60.19	60.69	65
Hospital & Health Care	9.13	4.34	4.31	2.76	2.62	4.63	10
Rubber and Rubber based products	4.21	2.76	1.96	2.74	1.81	2.70	5
Wood brand industries	0.92	1.70	1.07	1.28	1.73	1.34	2
Food items and products	5.70	4.27	4.04	5.91	3.52	4.69	5
Non-Metallic products	6.18	7.59	5.42	6.95	6.83	6.59	7
Others	10.95	10.98	26.07	25.47	23.29	19.36	6
Total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**

Annexure 20

Statement showing operating losses of Kerala State Warehousing Corporation for the five years upto 2010-11
(Referred to in paragraph 4.1.1)

(₹ in crore)

Particulars	2006 -07	2007-08	2008-09	2009-10	2010-11	Average	Average percentage of expenses
Operating income	6.49	8.91	10.72	11.46	11.47	9.81	
Establishment charges	6.85	11.41	10.22	10.57	11.82	10.18	78
Administration expenses	1.69	1.47	1.78	1.70	1.86	1.70	13
Other expenses/ adjustments	1.01	2.26	0.99	0.87	0.68	1.16	9
Total expenditure	9.55	15.14	12.99	13.14	14.36	13.04	
Loss	3.06	6.23	2.27	1.68	2.89	3.23	

Annexure 21

Statement showing expenditure incurred for every rupee of revenue earned in respect of Kerala State Warehousing Corporation for the five years up to 2010-11
(Referred to in paragraph 4.1.1)

(Figures in ₹)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Average
Establishment charges (Employee cost)	1.06	1.28	0.95	0.92	1.03	1.05
Administration expenses	0.26	0.16	0.17	0.15	0.16	0.18
Other expenses/ adjustments	0.15	0.26	0.09	0.08	0.06	0.13
Total expenditure	1.47	1.70	1.21	1.15	1.25	1.36

Annexure 22

Statement showing actual revenue earned and staff cost in the warehouses of Kerala State Warehousing Corporation
(Referred to in paragraph 4.1.1)

(₹ in lkh)

Sl. No.	Name of Centre	Category	Capacity	No of Staff required as per norm	Staff cost per norm	No of Staff actually deployed	Avg. staff cost for actual no. of staff	Actual revenue collected	Perfor-mance	Status
1	Alangad	SR	770	4	16.53	1	4.13	0.00	-4.13	Loss
2	Alappuzha	SR	5394	11	45.46	4	16.53	17.25	0.72	Profit
3	Alathur	SR	2600	7	28.93	5	20.67	10.83	-9.84	Loss
4	Aluva	HR	6470	11	45.46	7	28.93	30.83	1.90	Profit
5	Attingal	SR	2400	6	24.80	5	20.67	8.47	-12.19	Loss
6	Chalakudy	SR	3950	7	28.93	5	20.67	20.33	-0.33	Loss
7	Changanacherry	SR	2371	6	24.80	3	12.40	5.98	-6.42	Loss
8	Cherthala	SR	2300	6	24.80	7	28.93	10.23	-18.70	Loss
9	Cheruvannur	SR	Un-utilised	4	16.53	5	20.67	0.00	-20.67	Loss
10	Eroor	SR	4400	7	28.93	5	20.67	19.79	-0.88	Loss
11	Ettumanoor	SR	2730	7	28.93	4	16.53	7.59	-8.94	Loss
12	Haripad	SR	5180	11	45.46	5	20.67	5.58	-15.09	Loss
13	Iritty	SR	3300	7	28.93	4	16.53	4.40	-12.14	Loss
14	Kalpetta	SR	6000	11	45.46	4	16.53	5.88	-10.65	Loss
15	Kanhangad	SR	3750	7	28.93	4	16.53	9.39	-7.14	Loss
16	Kannur	HR	4794	7	28.93	3	12.40	20.74	8.34	Profit
17	Karikode	SR	10718	11	45.46	8	33.06	53.15	20.09	Profit
18	Karunagapally	SR	3130	7	28.93	4	16.53	6.91	-9.62	Loss
19	Kasaragode	SR	2150	6	24.80	3	12.40	6.33	-6.07	Loss
20	Kattappana	SR	2800	7	28.93	4	16.53	8.81	-7.72	Loss
21	Kayamkulam	SR	1000	4	16.53	3	12.40	2.57	-9.83	Loss
22	Kollam	HR	3533	7	28.93	7	28.93	5.29	-23.64	Loss
23	Kottarakkara	SR	4125	7	28.93	4	16.53	19.85	3.31	Profit
24	Kottayam	HR	10379	11	45.46	10	41.33	55.03	13.70	Profit
25	Kozhinjampara	SR	1000	4	16.53	3	12.40	3.31	-9.09	Loss
26	Kunnamkulam	SR	2000	6	24.80	5	20.67	7.48	-13.19	Loss
27	Mananthavady	SR	1500	6	24.80	4	16.53	1.21	-15.32	Loss
28	Manjeri	SR	6100	11	45.46	5	20.67	25.50	4.84	Profit
29	Mavelikkara	SR	2000	6	24.80	3	12.40	2.36	-10.04	Loss
30	Muthalamada	SR	2500	6	24.80	4	16.53	7.61	-8.92	Loss

31	Nattika	SR	3000	7	28.93	4	16.53	13.10	-3.43	Loss
32	Nedumangad	SR	3416	7	28.93	5	20.67	26.19	5.52	Profit
33	Neyyattinkara	SR	2700	7	28.93	3	12.40	5.70	-6.70	Loss
34	Nilambur	SR	6500	11	45.46	7	28.93	32.74	3.81	Profit
35	Nileshwar	SR	1500	6	24.80	4	16.53	7.65	-8.88	Loss
36	North Paravur	SR	5350	11	45.46	3	12.40	16.30	3.90	Profit
37	Padannakkad	SR	2000	6	24.80	4	16.53	11.01	-5.53	Loss
38	Palai	SR	1700	6	24.80	2	8.27	4.92	-3.35	Loss
39	Palakkad	HR	9659	11	45.46	8	33.06	50.30	17.24	Profit
40	Pallichal	SR	2000	6	24.80	5	20.67	9.03	-11.63	Loss
41	Pallickathode	SR	198	4	16.53	1	4.13	0.79	-3.34	Loss
42	Parakode	SR	1200	6	24.80	3	12.40	4.86	-7.54	Loss
43	Pathanamthitta	SR	4270	7	28.93	4	16.53	24.97	8.44	Profit
44	Payyannur	SR	2750	7	28.93	5	20.67	0.58	-20.08	Loss
45	Perinthalmanna	SR	4000	7	28.93	4	16.53	19.16	2.63	Profit
46	Ponkunnam	SR	1906	6	24.80	3	12.40	8.80	-3.60	Loss
47	Punalur	SR	3000	7	28.93	5	20.67	10.68	-9.99	Loss
48	Sulthan Bathery	SR	1566	6	24.80	4	16.53	5.85	-10.68	Loss
49	Thakazhy	SR	1000	4	16.53	4	16.53	5.64	-10.89	Loss
50	Thalassery	SR	3270	7	28.93	6	24.80	4.02	-20.77	Loss
51	Thaliparamba	SR	3400	7	28.93	5	20.67	9.79	-10.88	Loss
52	Thiruvalla	SR	850	4	16.53	4	16.53	2.21	-14.32	Loss
53	Trivandrum	HR	2000	6	24.80	9	37.20	21.27	-15.92	Loss
54	Thodupuzha	SR	1016	6	24.80	3	12.40	0.88	-11.52	Loss
55	Thripunithura	HR	12966	11	45.46	24	99.19	30.66	-68.53	Loss
56	Tirur	SR	Un-utilised	4	16.53	3	12.40	0.00	-12.40	Loss
57	Vadakara	SR	1495	6	24.80	5	20.67	5.40	-15.26	Loss
58	Vandanmedu	SR	3820	7	28.93	5	20.67	26.12	5.46	Profit
59	Wadakkanchery	SR	2500	6	24.80	6	24.80	8.41	-16.39	Loss
Total				**414**		**286**	**1182.05**			
						No. of profit making warehouses				**14**

SR – Standard Rate
HR – Higher Rate

Annexure 23

Statement showing viability of warehouses in respect of Kerala State Warehousing Corporation
(Referred to in paragraph 4.1.1)

(₹ *in lakh*)

Sl. No.	Name of Centre	Category	Capacity	No. of Staff required as per norm	Staff cost per norm	Potential revenue at 90 *per cent* Capacity as per the existing tariff	Loss compared to Potential revenue as per existing tariff and Staff cost as per norm	Status
1	Alangad	SR	770	4	16.53	3.94	-12.59	
2	Alappuzha	SR	5394	11	45.46	27.61	-17.85	
3	Alathur	SR	2600	7	28.93	13.31	-15.62	
4	Aluva	HR	6470	11	45.46	40.67	-4.80	
5	Attingal	SR	2400	6	24.80	12.29	-12.51	
6	Chalakudy	SR	3950	7	28.93	20.22	-8.71	
7	Changanachery	SR	2371	6	24.80	12.14	-12.66	
8	Cherthala	SR	2300	6	24.80	11.77	-13.02	
9	Cheruvannur	SR	Unutilised	4	16.53	0.00	-16.53	
10	Eroor	SR	4400	7	28.93	22.52	-6.41	
11	Ettumanoor	SR	2730	7	28.93	13.98	-14.96	
12	Haripad	SR	5180	11	45.46	26.52	-18.95	
13	Iritty	SR	3300	7	28.93	16.89	-12.04	
14	Kalpetta	SR	6000	11	45.46	30.72	-14.75	
15	Kanhangad	SR	3750	7	28.93	19.20	-9.73	
16	Kannur	HR	4794	7	28.93	24.54	-4.39	
17	Karikode	SR	10718	11	45.46	54.87	9.40	Margin
18	Karunagapally	SR	3130	7	28.93	16.02	-12.91	
19	Kasaragode	SR	2150	6	24.80	11.01	-13.79	
20	Kattappana	SR	2800	7	28.93	14.33	-14.60	
21	Kayamkulam	SR	1000	4	16.53	5.12	-11.41	
22	Kollam	HR	3533	7	28.93	22.21	-6.72	
23	Kottarakkara	SR	4125	7	28.93	21.12	-7.81	
24	Kottayam	HR	10379	11	45.46	65.24	19.77	Margin
25	Kozhinjampara	SR	1000	4	16.53	5.12	-11.41	
26	Kunnamkulam	SR	2000	6	24.80	10.24	-14.56	
27	Mananthavady	SR	1500	6	24.80	7.68	-17.12	
28	Manjeri	SR	6100	11	45.46	31.23	-14.24	
29	Mavelikkara	SR	2000	6	24.80	10.24	-14.56	
30	Muthalamada	SR	2500	6	24.80	12.80	-12.00	
31	Nattika	SR	3000	7	28.93	15.36	-13.57	
32	Nedumangad	SR	3416	7	28.93	17.49	-11.44	
33	Neyyattinkara	SR	2700	7	28.93	13.82	-15.11	

34	Nilambur	SR	6500	11	45.46	33.27	-12.19	
35	Nileshwaram	SR	1500	6	24.80	7.68	-17.12	
36	North Paravur	SR	5350	11	45.46	27.39	-18.08	
37	Padanakkad	SR	2000	6	24.80	10.24	-14.56	
38	Palai	SR	1700	6	24.80	8.70	-16.10	
39	Palakkad	HR	9659	11	45.46	60.71	15.25	Margin
40	Pallichal	SR	2000	6	24.80	10.24	-14.56	
41	Pallickathode	SR	198	4	16.53	1.01	-15.52	
42	Parakode	SR	1200	6	24.80	6.14	-18.66	
43	Pathanamthitta	SR	4270	7	28.93	21.86	-7.07	
44	Payyannur	SR	2750	7	28.93	14.08	-14.85	
45	Perinthalmanna	SR	4000	7	28.93	20.48	-8.45	
46	Ponkunnam	SR	1906	6	24.80	9.76	-15.04	
47	Punalur	SR	3000	7	28.93	15.36	-13.57	
48	Sulthan Bathery	SR	1566	6	24.80	8.02	-16.78	
49	Thakazhy	SR	1000	4	16.53	5.12	-11.41	
50	Thalassery	SR	3270	7	28.93	16.74	-12.19	
51	Thaliparamba	SR	3400	7	28.93	17.41	-11.53	
52	Thiruvalla	SR	850	4	16.53	4.35	-12.18	
53	Trivandrum	HR	2000	6	24.80	12.57	-12.23	
54	Thodupuzha	SR	1016	6	24.80	5.20	-19.60	
55	Thripunithura	HR	12966	11	45.46	81.50	36.04	Margin
56	Tirur	SR	Unutilised	4	16.53	0.00	-16.53	
57	Vadakara	SR	1495	6	24.80	7.65	-17.15	
58	Vandanmedu	SR	3820	7	28.93	19.56	-9.38	
59	Wadakkanchery	SR	2500	6	24.80	12.80	-12.00	
				No. of unviable warehouses				**55**

Annexure 24

Statement showing performance of warehouses excluding income from bulk reservation in respect of Kerala State Warehousing Corporation

(Referred to in paragraph 4.1.1)

(₹ in lakh)

Sl. No.	Name of Centre	Capacity (MT)	Area under Bulk Reservation		Capacity under Bulk Reservation (MT)	Revenue from Bulk Reservation	Hire charge Collected	Hire Charge collected from area excluding bulk Reservation	Total Godown Expenditure Excluding provision	Performance of godown excluding bulk Reservation	Loss making units
			KSBC (Sq.ft)	KSCC (Sq.ft)							
1	Alangad	770				0.00	0.00	0.00	2.47	-2.47	Loss
2	Alappuzha	5394	15117		2520	15.83	17.25	1.43	11.66	-10.23	Loss
3	Alathur	2600			0	0.00	10.83	10.83	10.43	0.40	
4	Aluva	6470	22937		3823	24.02	30.83	6.82	17.9	-11.08	Loss
5	Attingal	2400		7950	1325	5.72	8.47	2.75	8.79	-6.04	Loss
6	Chalakudy	3950	19568		3261	20.49	20.33	-0.15	11.25	-11.40	Loss
7	Changanachery	2371			0	0.00	5.98	5.98	8.12	-2.14	Loss
8	Cherthala	2300			0	0.00	10.23	10.23	15.03	-4.80	Loss
9	Cheruvannur	Un-utilised			0	0.00	0.00	0.00	9.12	-9.12	Loss
10	Eroor	4400			0	0.00	19.79	19.79	9.38	10.41	
11	Ettumanoor	2730			0	0.00	7.59	7.59	8.34	-0.75	Loss
12	Haripad	5180			0	0.00	5.58	5.58	10.43	-4.85	Loss
13	Iritty	3300			0	0.00	4.40	4.40	7.04	-2.64	Loss
14	Kalpetta	6000		2574	429	1.85	5.88	4.03	9.55	-5.52	Loss
15	Kanhangad	3750		15770	2628	11.35	9.39	-1.97	12.41	-14.38	Loss
16	Kannur	4794	19171	5646	4136	24.14	20.74	-3.40	7.76	-11.16	Loss
17	Karikode	10718	32183		5364	33.70	53.15	19.46	18.24	1.22	
18	Karunagapally	3130			0	0.00	6.91	6.91	8.66	-1.75	Loss
19	Kasaragode	2150		8351	1392	6.01	6.33	0.32	8	-7.68	Loss
20	Kattappana	2800			0	0.00	8.81	8.81	8.34	0.47	
21	Kayamkulam	1000			0	0.00	2.57	2.57	6.16	-3.59	Loss
22	Kollam	3533			0	0.00	5.29	5.29	13.95	-8.66	Loss
23	Kottarakkara	4125	14380		2397	15.06	19.85	4.79	8.02	-3.23	Loss
24	Kottayam	10379	31793		5299	33.29	55.03	21.74	19.33	2.41	
25	Kozhinjampara	1000			0	0.00	3.31	3.31	6.08	-2.77	Loss
26	Kunnamkulam	2000			0	0.00	7.48	7.48	10.2	-2.72	Loss
27	Mananthavady	1500			0	0.00	1.21	1.21	6.95	-5.74	Loss
28	Manjeri	6100			0	0.00	25.50	25.50	9.85	15.65	
29	Mavelikkara	2000			0	0.00	2.36	2.36	6.81	-4.45	Loss
30	Muthalamada	2500			0	0.00	7.61	7.61	7.98	-0.37	Loss
31	Nattika	3000		9790	1632	7.05	13.10	6.05	9.09	-3.04	Loss
32	Nedumangad	3416	22153		3692	23.19	26.19		11.65	-11.65	Loss
33	Neyyattinkara	2700			0	0.00	5.70	5.70	6.49	-0.79	Loss

34	Nilambur	6500			0	0.00	32.74	32.74	14.43	18.31	
35	Nileshwar	1500			0	0.00	7.65	7.65	10.58	-2.93	Loss
36	North Paravur	5350			0	0.00	16.30	16.30	8.56	7.74	
37	Padanakkad	2000			0	0.00	11.01	11.01	10.13	0.88	
38	Palai	1700		6560	1093	4.72	4.92	0.19	4.25	-4.06	Loss
39	Palakkad	9659	29125		4854	30.49	50.30	19.81	19.34	0.47	
40	Pallichal	2000			0	0.00	9.03	9.03	9.69	-0.66	Loss
41	Pallickathode	198			0	0.00	0.79	0.79	1.41	-0.62	Loss
42	Parakode	1200			0	0.00	4.86	4.86	8.2	-3.34	Loss
43	Pathanamthitta	4270	17824		2971	18.66	24.97	6.31	10.9	-4.59	Loss
44	Payyannur	2750			0	0.00	0.58	0.58	12.42	-11.84	Loss
45	Perinthalmanna	4000	17240		2873	18.05	19.16	1.11	7.41	-6.30	Loss
46	Ponkunnam	1906			0	0.00	8.80	8.80	5.06	3.74	
47	Punalur	3000		8830	1472	6.36	10.68	4.32	8.67	-4.35	Loss
48	Sulthan Bathery	1566		2276	379	1.64	5.85	4.21	7.44	-3.23	Loss
49	Thakazhy	1000			0	0.00	5.64	5.64	8.23	-2.59	Loss
50	Thalassery	3270			0	0.00	4.02	4.02	14.65	-10.63	Loss
51	Thaliparamba	3400		8960	1493	6.45	9.79	3.33	11.63	-8.30	Loss
52	Thiruvalla	850			0	0.00	2.21	2.21	8.8	-6.59	Loss
53	Trivandrum	2000			0	0.00	21.27	21.27	23.71	-2.44	Loss
54	Thodupuzha	1016			0	0.00	0.88	0.88	5.47	-4.59	Loss
55	Thripunithura	12966	21721		3620	22.74	30.66	7.92	19.7	-11.78	Loss
56	Tirur	Un-utilised			0	0.00	0.00	0.00	5.61	-5.61	Loss
57	Vadakara	1495			0	0.00	5.40	5.40	9.78	-4.38	Loss
58	Vandanmedu	3820			0	0.00	26.12	26.12	9.15	16.97	
59	Wadakkanchery	2500		9527	1588	6.86	8.41	1.55	11.66	-10.11	Loss
Total		**198376**	**263212**	**86234**	**58241**	**337.67**	**749.74**	**409.07**	**592.36**		
		Total number of loss making units					**47**				

Annexure 25

Statement showing operating loss in respect of Kerala State Handloom Development Corporation Limited for the five years up to 2010-11

(Referred to in paragraph 4.1.2)

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11 (Prov)	Average	Average percentage of expenses
Sales	14.94	13.44	13.82	17.17	13.76	14.62	
Material Consumed	8.43	6.07	5.50	8.14	3.86	6.40	31
Employee cost	4.87	4.29	5.08	6.65	6.21	5.42	26
Wages and PI paid to weavers	2.53	3.30	3.65	4.12	4.75	3.67	18
Other expenses (includes dyeing charges, power etc.)	4.52	5.04	4.97	5.65	5.55	5.15	25
Total Expenditure	20.35	18.70	19.20	24.56	20.37	20.64	100
Loss	**5.41**	**5.26**	**5.38**	**7.39**	**6.61**	**6.01**	

Annexure 26

Statement showing expenditure incurred on every rupee of sales revenue in respect of Kerala State Handloom Development Corporation Limited for the five years up to 2010-11
(Referred to in paragraph 4.1.2)

(Figures in ₹)

Particulars	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**Average**
Material Consumed	0.56	0.45	0.40	0.47	0.28	0.43
Employee cost	0.33	0.32	0.37	0.39	0.45	**0.37**
Wages and PI paid to weavers	0.17	0.25	0.26	0.24	0.35	**0.25**
Manufacturing Expenses (Dyeing, printing etc.)	0.05	0.11	0.09	0.10	0.11	0.10
Other expenses (Admn., selling, interest & depreciation)	0.25	0.26	0.27	0.23	0.29	0.26
Total Expenditure	1.36	1.39	1.39	1.43	1.48	1.41

Annexure 27

Statement showing mismatch in capacity in respect of Autokast Limited
(Referred to in paragraph 4.1.3)

(in MT)

Year	Gross production (Melting)	Fettling (in-house)	Maximum melting in a month	Maximum fettling in a month
2007-08	2695	1555	306	157
2008-09	2034	1239	201	129
2009-10	2467	1209	341	166
2010-11	3112	1888	304	201
2011-12	3579	2797	403	315

Annexure 28

Statement showing labour productivity in respect of Autokast Limited
(Referred to in paragraph 4.1.3)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Total
Production (MT)	2278.60	2333.74	1986.44	1914.20	2659.04	11172.02
Manpower required as per DPR norm	158	162	138	133	185	
Executives and staff	46	51	49	43	35	
Factory workers (Permanent)	280	257	246	229	207	
Factory workers (Temporary)	21	44	37	78	116	
Total manpower employed	347	352	332	350	358	
Excess manpower	189	190	194	217	173	
Actual labour productivity	0.55	0.55	0.50	0.45	0.62	
Total Employee cost (₹ in lakh)	419.17	493.52	559.55	544.81	662.49	2679.54
Avg. employee cost p.a. (₹ in lakh)	1.21	1.40	1.69	1.56	1.85	
Excess expenditure (₹ in lakh)	228.69	266.00	327.86	338.52	320.05	1481.12
Excess labour cost per KG (₹)	10.04	11.40	16.50	17.68	12.04	
Actual labour cost per KG (₹)	18.40	21.15	28.17	28.46	24.91	
Percentage of excess labour cost	54.56	53.90	58.59	62.14	48.31	
Standard employee cost	191.18	226.80	233.22	207.48	342.25	1200.93
Actual employee cost per MT	18395.94	21147.17	28168.48	28461.50	24914.63	23984.38
Standard employee cost per MT	8390.24	9718.31	11740.60	10838.99	12871.19	10749.44

Annexure 29

Statement showing power consumption in respect of Autokast Limited
(Referred to in paragraph 4.1.3)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Gross production (MT)	2278.60	2333.74	1986.44	1914.20	2659.04
Total units consumed	5278200	5524700	4370600	5318600	6186200
Units consumed per MT	2316	2367	2200	2779	2326
Excess consumption per MT	816	867	700	1279	826
Average rate per unit (₹)	4.64	4.6	5.32	4.52	4.32
Actual cost of power per KG	10.75	10.89	11.71	12.56	10.05
Excess cost of power per KG	3.79	3.99	3.73	5.78	3.57
Percentage of excess cost of Power	35.24	36.64	31.82	46.01	35.52
Total actual cost of consumption(₹)	24490848	25413620	23251592	24040072	26724384
Total excess cost of consumption (₹)	8631792	9310814	7399801	11061816	9493805
Weighted average cost of actual power consumption per MT(₹)					11092
Weighted average cost of excess consumption of power per MT (₹)					**4108**
Percentage of excess cost of consumption					**37.04**

Annexure 30

Statement showing value addition in respect of Autokast Limited
(Referred to in paragraph 4.1.3)

(₹ in lakh)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Net sales	1149.26	1271.63	1410.48	1315.02	1867.89
Cost of Raw material	537.44	629.44	620.5	619.77	932.49
Value addition	611.82	642.19	789.98	695.25	935.4
Sales quantity (MT)	2210.472	2283.645	1923.599	1871.715	2614.342
Value addition per MT(₹)	**27678**	**28121**	**41068**	**37145**	**35780**
Percentage of Value Addition	114	102	127	112	100
Manufacturing Expense	378.85	412.37	389.23	426.54	511.88
Labour cost	419.17	493.52	559.55	544.81	662.49
Percentage of Manufacturing & Labour cost on Raw Material	148	144	153	157	126
Manufacturing and Labour cost per MT	**36102**	**39669**	**49323**	**51896**	**44920**

Annexure 31

Statement showing details of loans disbursed by Kerala Transport Development Finance Corporation Limited during 2007-08 to 2011-12

(Referred to in paragraph 4.5)

(₹ in crore)

Year	Loans to KSRTC	Other Loans				
		Construction	Housing	Vehicle	Personal	Total
2007-08	153.00	8.25	1.14	1.76	0.20	**164.35**
2008-09	130.00	15.67	1.38	2.76	0.20	**150.01**
2009-10	309.00	34.07	0.13	0.32	0.03	**343.55**
2010-11	366.57	42.02	0.26	0.55	0	**409.40**
2011-12	291.00	18.70	0.12	0.49	0	**310.31**
TOTAL	1249.57	118.71	3.03	5.88	0.43	**1377.62**
Percentage of total disbursement	**90.70**	**8.62**	**0.22**	**0.43**	**0.03**	**---**

Annexure 32

Statement showing details of loans where eligibility criteria and margin money requirements were flouted in respect of Kerala Transport Development Finance Corporation Limited

(Referred to in paragraph 4.5)

Sl.No	Name of Loanee	Year of sanctioning loan	Sanctioned Amount (₹ in crore)	NRI status	Failure to ensure 30 *per cent* share in Construction (₹ in crore)				Outstanding amount
					Cost of Project	Margin (@10%)	30% of the Margin	1st installment released	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	Mathew Verghese	2006-07	4.31	Out of two applicants , one was NRI	-	-	-	-	43.82
2	MN Nazir	2007-08	2.00	Both applicants were NRIs	2.92	0.29	0.09	0.50	-
3	Asok TS	2007-08	5.00	-	43.2	4.32	1.29	1.00	-
4	Seetharukmini Builders	2008-09	1.20	Out of four applicants two were NRIs	1.98	0.20	0.06	0.30	40.46
5	Sowparnika Projects	2009-10	10.00	-	21.8	2.18	0.65	1.50	
6	Grandtech Builders	2010-11	10.00	-	28.6	2.86	0.86	2.00	315.27
7	Vaiga Gardens	2010-11	3.00	-	7.46	0.75	0.22	0.75	-
8	Dealworth Projects	2010-11	2.00		3.73	0.37	0.11	1.00	-

Annexure 33

Statement showing loss due to sanctioning of loans at interest rate below cost of funds by Kerala Transport Development Finance Corporation Limited

(Referred to in paragraph 4.5)

Sl No	Name of the Borrower	Amount disbursed (₹ in lakh)	Period of loan	Interest rate (*per cent*)	Cash loss w.r.t rate effected on 16.05.2006 (in ₹)
1	Pradeep P & Bindu Pradeep	60.00	20 years	7.75	907705
2	Ajith & Reshmi Ajith	30.35	20 years	7.75	371867
3	Gayatri Suhas & B.Govindan	70.27	10 years	7.25	220130
4	Geethakumari.P & Nandakumar K	10.09	15 years	7.50	79688
5	Gopi C.B & Bindu. C.J	8.67	13 years	7.50	115460
6	Salim V.F & Beena R.G	3.11	15 years	7.50	37957
7	Usha. G & Viswanathan .G	7.24	10 years	7.25	131012
8	Peter V & Rosy V. Antony	6.22	15 years	7.50	78148
9	Prameela Devi T & Suresh Kumar	9.10	19 years	7.75	147863
10	Pradeep Kumar V.S & Mekhala P.R	6.07	20 years	7.75	81947
Total					**2171777**
	Loan sanctioned after 16.05.06 at old rate				
1	V. Sreekumar & Smt. Renu T	5.54	13 years	7.50	68312
2	Dr. Anu Ninan & Dr. Arun T Korah	10.13	10 years	7.25	113294
3	Smt. Kanagadas A & Tainy M	7.15	18 years	7.75	67990
4	Santhosh.V.S & Dr. A.Vijaya Lekshmi.	15.18	20 years	7.75	204843
Total					**454439**

Annexure 34

Statement showing cases involving post disbursement lapses in Kerala Transport Development Finance Corporation Limited
(Referred to in paragraph 4.5)

Sl. No	Name of Loanee	Year	Sanctioned Amount (₹ in crore)	Delay in sending repayment schedule		Non-revision of interest			Release of NOC without collecting proportionate amount				Amount of default as on August 2012
				Due Date of first EMI	Date of Dispatch of repayment schedule	Rate of interest charged	Enhanced rate accepted by the borrower	Interest loss (₹ in lakh)	No. of NOC issued	Proportionate amount to be collected	Proportionate amount collected	Short/non collection	
						(per cent)				(₹ in lakh)			
1	Mathew Verghese	2006-07	4.31	05.07.08	20.01.11	10.75	14.25	23.99	-	-	-	-	43.82
2	Powerlink	2007-08	2.00	07.11.08	19.06.09	-	-	-	11	102.87	-	102.87	49.78
3	Grandtech Builders	2010-11	10.00	-	-	-	-	-	38	295.82	290.90	4.83	315.27
4	Nazimuddin & Shanavas	2007-08	250	-	-	10	11	4.44	-	-	-	-	-
5	Nazimuddin & Shanavas (top up)	2007-08	250	-	-	12	12.50	2.94	-	-	-	--	-

Annexure 35

Statement showing avoidable penal charges incurred by Kerala State Electronics Development Corporation Limited

(Referred to in paragraph 4.6)

(Figures in ₹)

Month	Fixed Charge	Energy Charge	Electricity Duty
Apr-2009	0	0	0
May-2009	0	75638	10486
Jun-2009	249480	788751	377822
Jul-2009	20790	111877	9292
Aug-2009	20790	94164	15618
Sep-2009	20790	88071	7315
Oct-2009	20790	86331	7170
-Do-	41580	190163	15793
Nov-2009	20790	124236	10318
Dec-2009	20790	87031	7228
Jan-2010	20790	88771	7373
Feb-2010	20790	107486	8927
Mar-2010	20790	101828	8457
Apr-2010	20790	104005	8638
May-2010	20790	110967	0
Jun-2010	20790	89863	0
Jul-2010	20790	102914	0
Aug-2010	20790	97043	0
Sep-2010	20790	95515	0
Oct-2010	20790	83550	0
Nov-2010	20790	88335	0
Dec-2010	20790	92471	0
Jan-2011	20790	97911	0
Feb-2011	20790	103350	0
Mar-2011	20790	77892	0
Apr-2011	20790	95303	0
May-2011	20790	102046	0
Jun-2011	20790	113357	0
Jul-2011	20790	107486	0
Aug-2011	20790	109445	0
Sep-2011	20790	85290	0
Oct-2011	20790	74198	0
Nov-2011	20790	101179	0
Dec-2011	20790	91606	0
Jan-2012	20790	104229	0
Feb-2012	20790	94654	0
Mar-2012	20790	99220	0
Apr-2012	20790	81379	0
Total	**997920**	**4347555**	**494437**

Avoidable Fixed Charges (₹997920 / 2) = ₹498960

Avoidable Energy Charges = ₹4347555

Avoidable Electricity Duty = ₹494437

Total = ₹5340952

Annexure 36

Statement showing department-wise outstanding Inspection Reports as on 30 September 2012
(Referred to in paragraph 4.11)

Sl. No	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1	Agriculture	8	18	96	2007-08
2	Animal Husbandry	4	7	27	2008-09
3	Forest & Wild Life	1	2	14	2008-09
4	Industries	42	75	369	2005-06
5	Labour & Rehabilitation	1	2	5	2007-08
6	Tourism	3	5	25	2008-09
7	Food and Civil Supplies	1	3	8	2007-08
8	Taxes	4	10	41	2006-07
9	Health	2	4	34	2008-09
10	SC/ST Development	1	2	10	2009-10
11	Ports	1	2	4	2007-08
12	Public Works	2	5	24	2008-09
13	General Administration	1	1	7	2008-09
14	Home Affairs	1	5	22	2006-07
15	Coastal Shipping & Inland Navigation	2	2	19	2008-09
16	Transport	3	123	718	2007-08
17	Power	1	239	1262	2007-08
18	Finance	2	4	27	2008-09
19	Fisheries	1	1	2	2008-09
20	General Education	2	10	45	2006-07
21	Information Technology	2	2	9	2010-11
22	Water Transport	1	3	24	2008-09
	Total	**86**	**525**	**2792**	

Annexure 37

Statement showing department-wise Draft Paragraphs and Performance Audit Reports replies to which are awaited

(Referred to in paragraph 4.11)

Sl.No.	Name of Department	No. of Draft Paragraphs	No. of Performance Audit Reports	Period of issue
1	Power	4	…	July 2012/August 2012
2	Industries	5	...	July 2012
3	Agriculture	2	…	July 2012
4	Finance	…	1	August 2012
	Total	11	1	