Preface

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

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

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

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

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

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 2010-11 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 2010-11 have also been included, wherever necessary.

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

Overview

1. Overview of Government companies and Statutory corporations

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of Government companies are audited by Statutory Auditors appointed by 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 2011, the State of Kerala had 96 working PSUs (91 companies and 5 Statutory corporations) and 24 non-working PSUs (all companies), which employed 1.21 lakh employees. The working PSUs registered a Turnover of ₹14579.38 crore for 2010-11, as per their latest finalised accounts. This Turnover was equal to 5.49 per cent of State GDP indicating the important role played by State PSUs in the economy. The PSUs had Accumulated Losses of ₹369.96 crore as per their latest finalised accounts.

Investments in PSUs

As on 31 March 2011, the Investment (Capital and Long Term Loans) in 120 PSUs was ₹8222.80 crore. Power sector accounted for nearly 32.19 per cent of total Investment in 2010-11. The Government contributed ₹1046.22 crore towards Equity, Loans and Grants / Subsidies during 2010-11.

Performance of PSUs

As per the latest finalised accounts, out of 96 working PSUs, 52 PSUs earned Profit of ₹788.89 crore and 38 PSUs incurred Loss of ₹249.60 crore. The major contributors to profit were Kerala State Electricity Board (₹240.72 crore), Kerala State Beverages (Manufacturing & Marketing) Corporation Limited (₹171.52 crore), The Plantation Corporation of Kerala Limited (₹52.73 crore), Kerala Financial Corporation (₹50.59 crore), Kerala State Financial Enterprises Limited (₹38.11crore). Heavy losses were incurred by Kerala State Road Transport Corporation (₹117.12 crore), The Kerala State Cashew Development Corporation Limited (₹52.56 crore), Kerala State Electronics Development Corporation Limited (₹22.85 crore), Steel Complex Limited (₹8.38 crore), Kerala State Drugs and Pharmaceuticals Limited (₹6.52 crore).

Quality of accounts

The quality of accounts of PSUs needs improvement. During the year, out of 81 Accounts of companies finalised, the Statutory Auditors had given Unqualified Certificates for 13 Accounts, Qualified Certificates for 64 Accounts, Adverse Certificates (which means that accounts do not reflect a true and fair position) for three Accounts and disclaimer (meaning the Auditors are unable to form an opinion on Accounts) for one Account. Additionally, CAG gave comments on 23 Accounts during the supplementary audit. The compliance of companies with the Accounting Standards remained poor as there were 106 instances of non-compliance in 47 Accounts during the year.

Arrears in accounts and winding up

76 working PSUs had arrears of 209 accounts as of 30 September 2011. The extent of arrears was one to thirteen years. There were twenty four non-working PSUs including six under liquidation.

2. Performance audit relating to Government companies

Performance audit relating to ***Working of KTDC Hotels & Resorts Limited.*** Executive summary of audit findings is given below:

KTDC Hotels & Resorts Limited was incorporated in the year 1965 as Kerala Tourist and Handicrafts Corporation Private Ltd. The company is engaged in providing hotel and restaurant services, boating operations, need based travel assistance, support services etc.

Financial position and working results

The Company showed operating Profits during 2006-07 to 2010-11. The Accumulated Loss could not be wiped out and as on 31 March 2011 stood at ₹21.54 crore.

Operational performance

Most of the properties of the Company were located in prime tourist locations in the State. During 2006-07 to 2009-10 the State witnessed spurt in tourist inflow but the Company failed to capitalise on the flow indicating poor marketing strategy.
Out of the 70 business units 35 units made losses during the audit period.
Out of eight budget hotels three were running on continuous Losses. The re-branding and modernisation of Yatri Nivases as Tamarind Easy Hotels did not improve their performance.

Star classification

Obtaining Star Classification improves brand value by ensuring that the standards are maintained and helps in attracting more high spending tourists. Though the Company was operating nine premium and eight budget properties none of its units, except Hotel Aranya Nivas Thekkady, had Star Classification.

Poor Occupancy

Average occupancy of Company's hotels ranged from 27 per cent to 42 per cent as against the State average of 59.85 per cent to 68.90 per cent. The business potential through channels other than Segment I operators was not being fully tapped.

Performance of boat operations

Company failed to fully exploit the revenue earning potential from boating operations at Thanneermukkom, Kochi and Kumarakom.

Conclusions and Recommendations

We observed (1) steadily falling occupancy in Company's properties despite the State witnessing an upswing in tourists traffic (2) Company failed to obtain star classification for the properties barring one (3) they failed to control food cost within the prescribed norms and (4) boat operations which had high revenue generation potential were not tapped. The Performance audit report contains six recommendations to improve the working and revenue generating potential of the Company.

3. Performance audit relating to Statutory corporation

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

Introduction

A performance audit covering the period 2006-2011 was conducted to assess network planning and execution, implementation of Centrally Sponsored Schemes, sub-transmission and distribution losses, billing and revenue collection efficiency, financial management, tariff fixation and consumer satisfaction and redressal of grievances in Kerala State Electricity Board (KSEB).

KSEB performed well in areas of attainment of objectives of - 100 per cent metering, curtailment of failure of DTRs within norms and lower AT&C Losses. At the same time, there were shortfalls in achievement of ideal HT/LT ratio, implementation of Centrally Sponsored Schemes etc.

Distribution network planning

Against the planned addition of 166 sub-stations during 2006-2011, only 94 sub-stations were actually added. There was no plan to implement a LT less system.

Implementation of Centrally Sponsored Schemes

Implementation of Centrally Sponsored Schemes by KSEB suffered from delays, consequently resulting in loss of Grants of ₹58.08 crore.

Purchase of power

Absence of adequate in-house power generating capacity resulted in purchase of power at expensive rates from outside parties.

Sub-transmission and distribution losses

The AT&C Losses decreased from 21.47 per cent in 2006-07 to 16.09 per cent in 2010-11.The AT&C Losses were more than the target of 15 per cent and 15.31 per cent set by MoP and Kerala State Electricity Regulatory Commission (KSERC) respectively.

Billing and revenue collection efficiency

The percentage of energy billed to energy available for sale ranged between 99.94 per cent to 99.98 per cent during 2006-2011. Instances of under collection of revenue due to incorrect application of tariff, non-levy of penalty, etc, were noticed during test check of Electrical Divisions. Non-collection of additional security deposit of ₹66.65 crore from consumers leading to increased borrowings for Working Capital needs were noticed.

Dues outstanding had increased from ₹1778.76 crore in 2006-07 to ₹1943.45 crore in 2010-11 of which dues outstanding for more than three years were ₹550.81 crore (2009-10).

Financial management

The Long Term Borrowings of KSEB had come down during 2006-2010. KSEB was able to repay the Loans as its Capacity Addition plans were getting postponed.

Subsidy

As per National Tariff Policy, tariff difference between categories of consumers is governed by a norm of plus or minus 20 per cent of average cost of supply. Neither the tariff proposal submitted by KSEB nor the tariff approved by KSERC conformed to this requirement.

Tariff fixation

KSEB had an amount of ₹3393.86 crore outstanding as Regulatory Asset as on 31 March 2011. As per provisions it has to be recouped within three years through Tariff or written off thereafter which was not complied with.

Consumer satisfaction & redressal of grievances

KSEB has standardised and simplified procedures for effecting service connections besides notification of 75 model sections aimed at improving consumer satisfaction. KSERC has also promulgated Standard of Performance with stipulation for payment of compensation on non-adherence.

Recommendations

The Performance Audit Report contains five recommendations, viz, Capacity addition plans to be prepared in a realistic manner to avoid mismatch and under achievement; Centrally Sponsored Schemes to be implemented effectively to obviate Loss of Grants; KSEB should tie up for purchase of power on long term basis to obviate the need for purchasing expensive short term power; billing and revenue collection mechanism to be further streamlined; and the Tariff adopted to be brought to the norm of +/- 20 per cent of Average Cost of Supply for various categories of consumers.

4. Transaction audit observations

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

Lack of fairness/ transparency/ financial propriety in three cases.

(Paragraphs 4.1, 4.3 and 4. 10)

Loss of ₹ 74.22. crore in three cases due to non-compliance with rules, directives, procedures, terms and conditions of contracts.

(Paragraphs 4.6, 4.11 and 4.12)

Loss / extra expenditure of ₹ 36.63 crore in four cases due to non-safeguarding of the financial interests of organisation.

(Paragraphs 4.4, 4.9,4.14 and 4.18)

Loss/ extra/ improper expenditure of ₹ 10.43 crore in five cases due to defective / deficient planning.

(Paragraphs 4.5, 4.7, 4.8, 4.16 and 4.17)

Loss/ extra expenditure of ₹ 10.30 crore in two cases due to inadequate/ deficient monitoring.

(Paragraphs 4.2 and 4. 15)

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

Lack of fairness and transparency in selection of the advertising agency by **Kerala State Electronics Development Corporation Limited** and deficiencies in contract with the agency led to loss of revenue of ₹ 8.02 crore.

(Paragraph 4.1)

Roads and Bridges Development Corporation of Kerala Limited deployed unutilised funds in speculative investments through brokers in violation of existing Government guidelines.

(Paragraph 4.3)

Incorrect firming up of quantity for centralised procurement by **Kerala Medical Services Corporation Limited** led to balance quantity being procured at higher rate resulting in extra expenditure of ₹ 2.09 crore.

(Paragraph 4.5)

An expenditure of ₹ 3.68 crore was incurred by **Kerala State Electricity Board** and **21 other State PSUs** during 2008-09 to 2010-11 on advertisements which violated canons of financial propriety

(Paragraph 4.10)

Deficiencies in procurement of power by **Kerala State Electricity Board** resulted in extra expenditure of ₹ 15.95 crore and undue favour to traders.

(Paragraph 4.14)

Adoption of defective methodology by **Kerala State Road Transport Corporation** in procurement of tyres, tubes etc. resulted in extra expenditure of ₹ 6.67 crore to the Corporation.

(Paragraph 4.16)

Chapter I

1. Overview of State Public Sector Undertakings

Introduction

1.1 The State Public Sector Undertakings (PSUs) consist of State Government companies and Statutory corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Kerala the State PSUs occupy an important place in the State economy. The State working PSUs registered a Turnover of ₹14579.38 crore for 2010-11 as per their latest finalised accounts as of September 2011. This Turnover was equal to 5.49 *per cent* of State Gross Domestic Product (GDP) for 2010-11. The State PSUs registered a Profit of ₹ 521.47 crore in the aggregate for 2010-11 as per their latest finalised accounts. They had 1.21 lakh[1] employees as of 31 March 2011. The State PSUs do not include three Departmental Undertakings (DUs)[2], which carry out commercial operations but are a part of Government departments. Audit findings on these DUs are incorporated in the Audit Report (Civil) for the State.

1.2 As on 31 March 2011, there were 120 PSUs as per the details given below. Of these, three companies[3] were listed on the stock exchange(s).

Type of PSUs	Working PSUs	Non-working PSUs[4]	Total
Government companies[5]	91[6]	24	115
Statutory corporations	05	…	05
Total	**96**	**24**	**120**

1.3 During the year 2010-11, two PSUs[7] were established, two PSUs[8] were closed and three PSUs[9] were merged with another Company.

Audit Mandate

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

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[1] **As per the details provided by 92 PSUs.**
[2] **State Water Transport Department, Kerala State Insurance Department and Text Book Office.**
[3] **Keltron Component Complex Limited, The Travancore Cements Limited and The Travancore Sugars and Chemicals Limited**
[4] **Non-working PSUs are those which have ceased to carry on their operations.**
[5] **Includes 619-B companies.**
[6] **Kerala State Electricity Board Limited, a new Company formed during the year to take over the Assets and Liabilities of the erstwhile Kerala State Electricity Board has been shown as Statutory corporation as the vesting of Assets and Liabilities has not yet been done. Trivandrum Spinning Mills Limited, a non-working PSU resumed commercial operations during the year and has been included under working PSU.**
[7] **Aralam Farming Corporation (Kerala) Limited and Kannur International Airport Limited.**
[8] **The Metropolitan Engineering Company Limited and Kerala State Industrial Products Trading Corporation Limited .**
[9] **Keltron Crystals Limited, Keltron Magnetics Limited and Keltron Resistors Limited have been merged with Keltron Component Complex Limited.**

Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

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

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

Investment in State PSUs

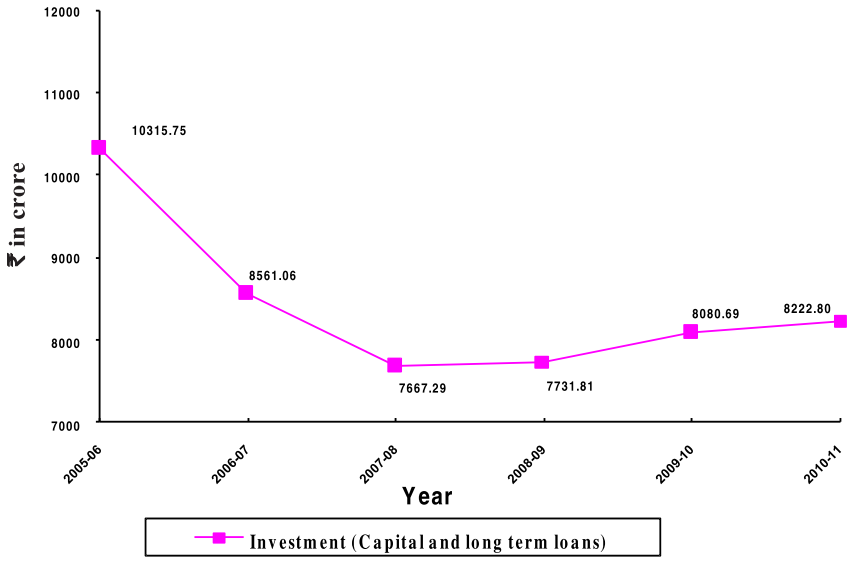
1.7 As on 31 March 2011, the Investment (Capital and Long Term Loans) in 120 PSUs (including 619-B companies) was ₹8222.80 crore as per details given below.

(₹ in crore)

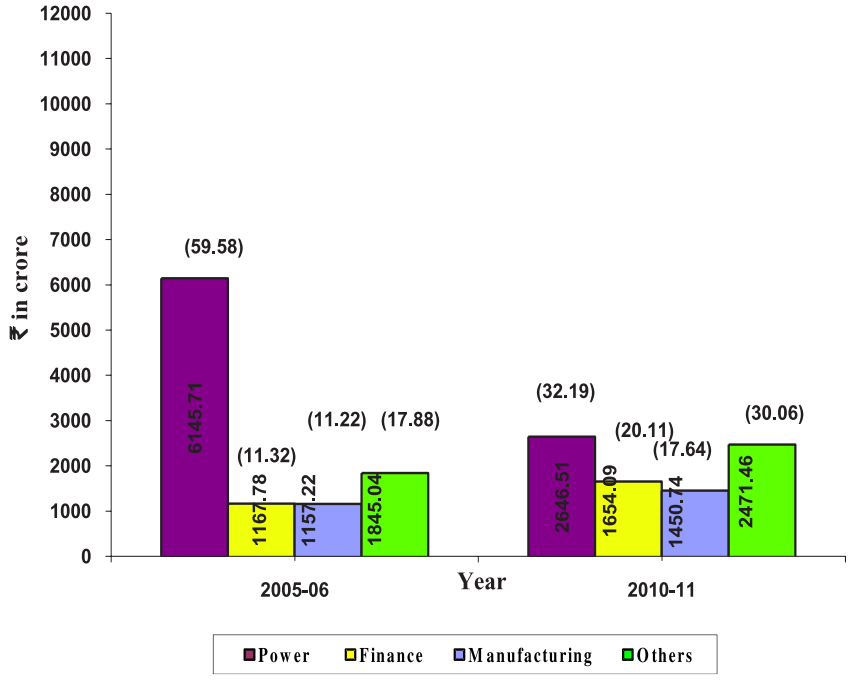
Type of PSUs	Government companies			Statutory corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working	2256.10	1266.16	3522.26	2263.75	2267.20	4530.95	8053.21
Non-working	64.29	105.30	169.59	…	…	…	169.59
Total	**2320.39**	**1371.46**	**3691.85**	**2263.75**	**2267.20**	**4530.95**	**8222.80**

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

1.8 As on 31 March 2011, of the total Investment in State PSUs, 97.94 *per cent* was in working PSUs and the remaining 2.06 *per cent* in non-working PSUs. This total Investment consisted of 55.75 *per cent* towards Capital and 44.25 *per cent* in Long Term Loans. The Investment had declined by 20.29 *per cent* from ₹10315.75 crore in 2005-06 to ₹8222.80 crore in 2010-11 as shown in the graph below.



1.9 The Investment in various important sectors and percentage thereof at the end of 31 March 2006 and 31 March 2011 are indicated below in the bar chart. The major chunk of PSU Investment was in power sector but the sector saw its percentage share decline from 59.58 *per cent* in 2005-06 to 32.19 *per cent* in 2010-11.



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

The Capital Investment increased by ₹1118.72 crore during 2006-2011 but Long Term Loans reduced by ₹3211.67 crore. There was overall net reduction in Investment by ₹2092.95 crore during the period.

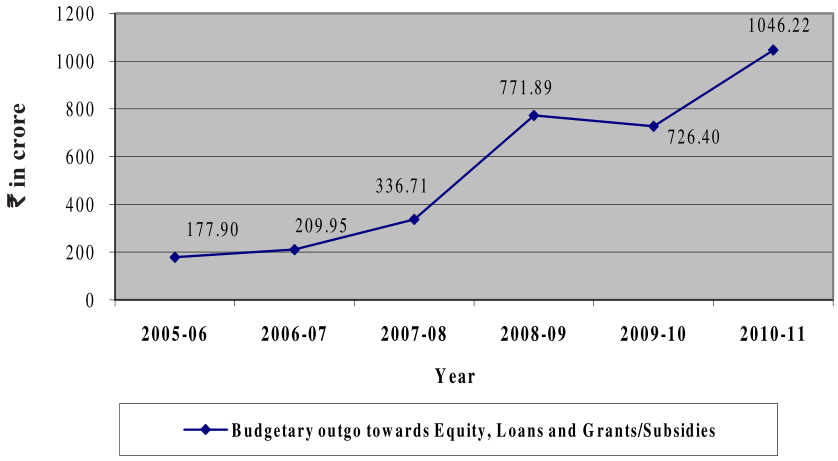
Budgetary outgo, grants/subsidies, guarantees and loans

1.10 The details regarding budgetary outgo towards Equity, Loans, Grants/ Subsidies, Guarantees issued, Loans written off, Loans converted into Equity and Interest Waived in respect of State PSUs are given in ***Annexure 3***. The summarised details are given below for three years ended 2010-11.

(Amount ₹in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	21	279.18	25	114.95	27	257.95
2.	Loans given from budget	13	148.11	16	322.73	16	322.56
3.	Grants / Subsidy received	29	344.60	24	288.72	28	465.71
4.	Total outgo (1+2+3)		771.89		726.40		1046.22
5.	Loans converted into Equity	1	22.22	1	12.38	4	66.87
6.	Loans written off	2	16.21	3	41.24	4	38.67
7.	Interest/Penal Interest written off	3	18.56	5	572.33	4	34.65
8.	Total Waiver (6+7)		34.77		613.57		73.32
9.	Guarantees issued	11	2,593.10	11	2,673.59	9	3357.91
10.	Guarantee Commitment	26	3,998.65	20	3,728.63	17	2872.77

1.11 The details regarding budgetary outgo towards Equity, Loans and Grants/ Subsidies for the six years ending 2010-11 are given in a graph below.



The above chart indicates that the budgetary assistance in the form of Equity, Loan and Grant/ Subsidy by the State Government to PSUs showed an increasing trend and had increased from ₹177.90 crore in 2005-06 to ₹1046.22 crore in 2010-11. During 2010-11, the State Government had waived Loans and Interest / Penal Interest of ₹73.32 crore due from four PSUs as against ₹613.57 crore waived during the previous year.

During the year 2010-11, the Government had guaranteed Loans aggregating ₹3357.91 crore obtained by eight working Government companies (₹3107.91 crore) and one Statutory corporation (₹250.00 crore). At the end of the year, Guarantees of ₹2872.77 crore against 13 working Government companies (₹2579.37 crore) and three Statutory corporations (₹293.40 crore) were outstanding. As per the provisions of the Kerala Ceiling on Government Guarantee Act 2003, the Government shall guarantee only Loans taken by PSUs. The Guarantee Commission payable shall not be less than 0.75 *per cent* and payable on the actual balance, outstanding Interest/ Penal Interest etc., as on 31 March of previous year. The amount due shall be paid in two equal installments on 1 April and October of every financial year. The Guarantee Commission paid/ payable to the Government by Government companies (₹44.36 crore) and Statutory corporations (₹3.39 crore) during 2010-11 was ₹47.75 crore out of which ₹11.19 crore had been paid and a balance of ₹36.56 crore was outstanding as on 31 March 2011. The PSUs which had major arrears were - The Kerala State Financial Enterprises Limited (₹16.31 crore), Kerala State Electronics Development Corporation Limited (₹5.86 crore), The Kerala State Cashew Development Corporation Limited (₹3.92 crore), Kerala State Power and Infrastructure Finance Corporation Limited (₹1.94 crore) and Kerala State Road Transport Corporation (₹1.67 crore).

Reconciliation with Finance Accounts

1.12 The figures in respect of Equity, Loans and Guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2011 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	2785.23	4347.25	1562.02
Loans	4280.91	1235.39	3045.52
Guarantees	4213.43	2872.77	1340.66

1.13 We observed that the differences occurred in respect of 96 PSUs. The Principal Accountant General (PAG) had addressed (September 2011) the Chief Secretary and Principal Secretary (Finance) to the Government of Kerala and individual PSUs bringing to their attention the issue of difference in Investment

figures as appearing in the Finance Accounts and those furnished by the PSUs and the need for reconciliation of differences in a time-bound manner.

Performance of PSUs

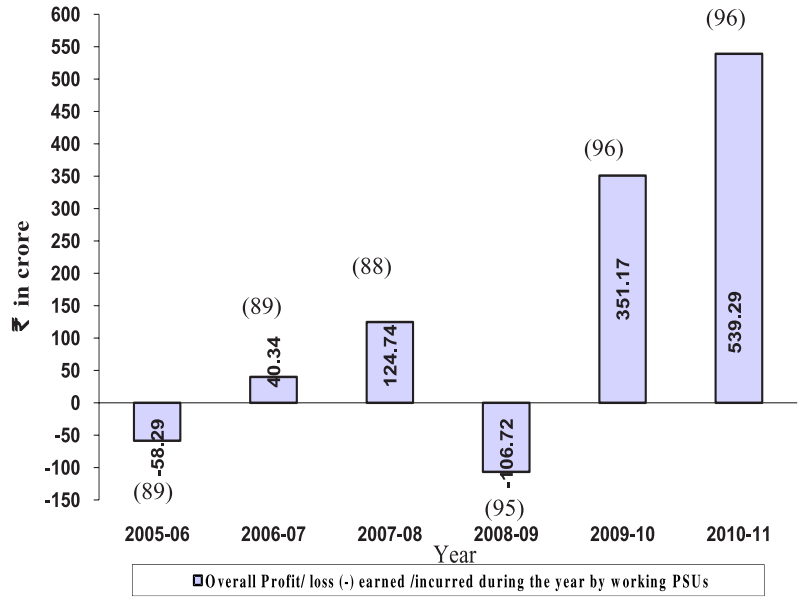
1.14 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in ***Annexures 2, 5*** and ***6*** respectively. The ratio of PSUs' Turnover to State GDP shows the extent of PSU activities in the State Economy. The table below provides the details of working PSUs' Turnover and State GDP for the period 2005-06 to 2010-11.

(₹ in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover[10]	8222.23	8846.01	10082.22	10877.80	12349.97	14579.38
State GDP[11]	136841.76	153784.88	175141.08	201019.75	230315.55	265322.00
Percentage of Turnover to State GDP	6.01	5.75	5.76	5.41	5.36	5.49

The percentage of Turnover of PSUs to the State GDP which had been declining steadily showed a slight improvement during 2010-11.

1.15 Profits earned/ Losses incurred by State working PSUs during 2005-06 to 2010-11 are given below in a bar chart.



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

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

[11] **Gross State Domestic Product at current prices from 2005-06 to 2007-08 , 2008-09 (provisional), 2009-10 (quick), 2010-11(figure from Budget in brief, Government of Kerala 2011-12)**

As evident from the above chart, Profit earned by working PSUs showed an increasing trend in 2010-11 over the year 2009-10.

During the year 2010-11, out of 96 working PSUs, 52 PSUs earned Profit of ₹788.89 crore and 38 PSUs incurred Loss of ₹249.60 crore as per their latest finalised accounts, while two[12] PSUs had negligible Profit/ Loss. Remaining four[13] PSUs had not either commenced commercial activities or prepared their first accounts. The major contributors to Profit were Kerala State Electricity Board (₹240.72 crore), Kerala State Beverages (Manufacturing & Marketing) Corporation Limited (₹171.52 crore), The Plantation Corporation of Kerala Limited (₹52.73 crore), Kerala Financial Corporation (₹50.59 crore), Kerala State Financial Enterprises Limited (₹38.11crore). Heavy losses were incurred by Kerala State Road Transport Corporation (₹ 117.12 crore), The Kerala State Cashew Development Corporation Limited (₹ 52.56 crore), Kerala State Electronics Development Corporation Limited (₹22.85 crore), Steel Complex Limited (₹8.38 crore), Kerala State Drugs and Pharmaceuticals Limited (₹6.52 crore).

1.16 The Losses of PSUs are mainly attributable to deficiencies in their financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹1049.33 crore and infructuous investment of ₹117.09 crore which were controllable with better management. Year-wise details from Audit Reports are stated below:

(₹in crore)

Particulars	2008-09	2009-10	2010-11	Total
Net Profit (Loss)	(129.89)	331.78	521.47	723.36
Controllable Losses as per CAG's Audit Report	263.58	300.86	484.89	1049.33
Infructuous Investment	2.30	65.92	48.87	117.09

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

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

(₹in crore)

Particulars	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
Return on Capital Employed (*Per cent*)	7.73	9.84	7.87	4.89	8.95	8.27
Debt	6850.33	5052.48	4085.37	3925.13	3900.95	3638.66
Turnover[14]	8222.23	8846.01	10082.22	10877.80	12349.97	14579.38
Debt / Turnover Ratio	0.83:1	0.57:1	0.41:1	0.36:1	0.32:1	0.25:1
Interest Payments	472.03	460.86	407.33	733.76	767.41	744.17
Accumulated Losses	2445.52	2447.73	2026.74	2055.58	1212.70	369.96

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

[12] **Serial Nos A31 and A75 in Annexure 2.**
[13] **Serial Nos A14,42,57 and 81 in Annexure 2.**
[14] **Turnover of working PSUs as per the latest finalised accounts as of 30 September.**

1.19 Return on Capital Employed was showing a varying trend. It was 7.73 *per cent* in 2005-06, 9.84 *per cent* in 2006-07, 7.87 *per cent* in 2007-08, 4.89 *per cent* in 2008-09, 8.95 *per cent* in 2009-10 and reduced marginally to 8.27 *per cent* in 2010-11. At the same time Accumulated Losses of PSUs decreased from ₹2445.52 crore in 2005-06 to ₹369.96 crore in 2010-11. The Debt/ Turnover ratio also steadily declined from 0.83:1 in 2005-06 to 0.25:1 in 2010-11.

1.20 The State Government had formulated (December 1998) a Dividend Policy under which all PSUs are required to pay a minimum return of twenty *per cent* on the Paid Up Share Capital contributed by the State Government. As per their latest finalised accounts, 52 working PSUs earned an aggregate profit of ₹788.89 crore and 14 PSUs declared a Dividend of ₹48.34 crore. The State Government Policy on Dividend payment was, however, complied with by only six[15] companies.

Arrears in finalisation of accounts

1.21 The Accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory corporations, their Accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2011.

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Number of Working PSUs	89	88	95	96	96
2.	Number of Accounts finalised during the year	84	74	99	93[16]	86[17]
3.	Number of Accounts in arrears	191	203[18]	198[19]	197[20]	209[21]
4.	Average arrears per PSU (3/1)	2.15	2.31	2.08	2.05	2.18
5.	Number of Working PSUs with arrears in Accounts	70	71	71	73	76
6.	Extent of arrears (in years)	1 to 13	1 to 13	1 to 13	1 to 12	1 to 13

[15] **Rehabilitation Plantations Limited, The Kerala Minerals and Metals Limited, Kerala State Beverages (Manufacturing & Marketing) Corporation Limited, Oil Palm India Limited, Kerala State Financial Enterprises Limited and Kerala State Industrial Enterprises Limited.**

[16] **Kerala State Information Technology Infrastructure Limited has prepared accounts from 31 January 2008 to 31 March 2008 and from 1 April 2008 to 31 March 2009 as one single account.**

[17] **Kerala State Coastal Area Development Corporation has prepared accounts for 22 December 2008 to 31 March 2010 as one single account.**

[18] **Excluding two accounts of Kerala Hi-Tech Industries Limited which was handed over to BrahMos Aerospace Thiruvananthapuram Limited.**

[19] **Including eight arrear accounts of 619-B companies which were added to the list of companies but excluding nine arrear accounts of two companies which have become non-working during the year.**

[20] **Excluding four arrear accounts of Kerala Irrigation Infrastructure Limited which has become non-working during the year but inclusive of two accounts of Kerala State Coastal Area Development Corporation Limited.**

[21] **Six arrear accounts of three companies which have been merged with Keltron Component Complex Limited excluded. One arrear account of Kannur International Airport Limited and seven arrear accounts of Trivandrum Spinning Mills Limited which has become a working company during the year included.**

1.22 The performance of finalisation of Accounts during the year 2010-11 was on the lower side compared to previous year. Average arrears per PSU increased from 2.05 during 2009-10 to 2.18 during 2010-11. During 2010-11, thirty[22] working PSUs did not finalise even a single Account which contributed to the accumulation of arrears in Accounts.

1.23 In addition to above, there were also arrears in finalisation of Accounts by non-working PSUs. Out of 24 non-working PSUs, except one non-working PSU[23] which had finalised its Accounts upto 2010-11, the remaining 23 non-working PSUs had arrears of Accounts for one to 26 years**.**

1.24 The State Government had invested ₹1462.79 crore (Equity: ₹302.52 crore, Loans: ₹461.85 crore, and Grants: ₹698.42 crore) in 48 PSUs during the years for which Accounts have not been finalised as detailed in ***Annexure 4***. In the absence of Accounts and their subsequent audit, 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. Further, delay in finalisation of Accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

1.25 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. The Principal Accountant General (PAG) brought the position of arrears of Accounts to the notice of the administrative departments concerned. No remedial measures were, however, taken. As a result of this the Net Worth of these PSUs could not be assessed in audit. The PAG also addressed (October 2011) the issue to the Managements of the PSUs whose Accounts were in arrears for more than three years. Principal Secretary to Government of Kerala (Department of Industries and Bureau of Public Enterprises) had earlier instructed in October 2008 to include finalisation of Accounts as an agenda in Board meetings, specified the dead line for clearance of arrears of Accounts by December 2010 and to engage external agencies for preparing the Accounts wherever necessary.

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[22] **Kerala Agro Machinery Corporation Limited, Kerala State Poultry Development Corporation Limited, The Kerala State Coir Corporation Limited, Aralam Farming Corporation (Kerala) Limited, Kerala Artisans' Development Corporation Limited, Kerala State Film Development Corporation Limited, Kerala State Handicapped Persons' Welfare Corporation Limited, Kerala State Women's Development Corporation Limited, Kerala Urban & Rural Development Finance Corporation Limited, Kerala Venture Capital Fund Private Limited, Kerala Venture Capital Trustee Private Limited, Kerala Police Housing and Construction Corporation Limited, Roads and Bridges Development Corporation of Kerala Limited, Kerala State Information Technology Infrastructure Limited, Kinfra Film and Video Park, Kanjikode Electronics and Electricals Limited, Keltron Electro Ceramics Limited, Kerala Clays and Ceramic Products Limited, Kerala Electrical and Allied Engineering Company Limited, Kerala Feeds Limited, Malabar Cements Limited, The Kerala Ceramics Limited, The Travancore Cements Limited, Travancore Titanium Products Limited, Malabar Distilleries Limited, Trivandrum Spinning Mills Limited, Kerala State Power and Infrastructure Finance Corporation Limited, Kerala Medical Services Corporation Limited, Vizhinjam International Seaport Limited, Kerala State Mineral Development Corporation Limited.**

[23] **Kerala State Detergents and Chemicals Limited**

1.26 In view of above state of arrears, 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.

Winding up of non-working PSUs

1.27 There were 24 non-working PSUs (all companies) as on 31 March 2011. Liquidation process had commenced in five PSUs. The number of non-working companies at the end of each year during past five years is given below:

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
No. of non-working companies	25	25	28	27	24

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

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

Sl. No.	Particulars	Companies	Statutory corporations	Total
1.	Total No. of non-working PSUs	24	…	24
2. (a)	Of (1) above, the No. under: Liquidation by Court/ Voluntary winding up (Liquidator appointed)	06[24]	… …	06
(b)	Closure, i.e. closing orders / instructions issued but liquidation process not yet started.	10	…	10
(c)	Others[25]	8	…	8

1.29 During the year 2010-11, two[26] 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 nine 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 to expedite closing down its non-working companies.

Accounts Comments and Internal Audit

1.30 Sixty one working companies forwarded their 81 audited Accounts to PAG up to September 2011. Of these, 54 Accounts of 43 companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by CAG

[24] **Keltron Power Devices Limited, Keltron Counters Limited, Keltron Rectifiers Limited , Kunnathara Textiles Limited, Kerala State Detergents and Chemicals Limited and SIDECO Mohan Kerala Limited.**
[25] **Out of the eight companies, the names of seven companies were struck off from the Register maintained by Registrar of Companies during 2011-12.**
[26] **The Metropolitan Engineering Company Limited and Kerala State Industrial Products Trading Corporation Limited .**

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	2008-09		2009-10		2010-11	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1.	Decrease in profit	14	33.88	21	102.96	24	29.05
2.	Increase in loss	31	28.72	23	175.85	20	21.15
3.	Non-disclosure of material facts	8	11.33	7	405.12	11	82.33
4.	Errors of classification	…	…	4	7.92	5	7.09

1.31 During the year 2010-11, the Statutory Auditors had given Unqualified Certificates for 13 Accounts, Qualified Certificates for 64 Accounts, Adverse Certificates (which means that Accounts do not reflect a true and fair position) for three Accounts and disclaimer (meaning the Auditors are unable to form an opinion on Accounts) for one Account. Additionally, CAG gave comments on 23 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 47 Accounts during the year.

1.32 Some of the important comments in respect of Accounts of companies are stated below.

Tourist Resorts (Kerala) Limited (2010-11)

- Liabilities (₹7.58 crore) stood understated by ₹0.37 crore due to non-provision of lease rent payable to Government of Kerala in violation of the Assignment of Land within Municipal and Corporation Areas (Amendment) Rules 2004. Correspondingly, the Profit before Tax (₹0.48 crore) also was overstated by an equal amount.

Kinfra Export Promotion Industrial Parks Limited (2009-10)

- Profit for the year, ₹2.47 crore, was understated by ₹0.67 crore due to non-accounting of matching income equivalent to Depreciation on Assets created and capitalised out of Grants received from Government of India as required under AS12.

Kerala State Electronics Development Corporation Limited (2009-10)

- Net loss for the year, ₹22.68 crore, was arrived at without accounting interest on Guarantee Commission outstanding, in line with the Government order, resulting in understatement of Loss for the year by ₹0.51 crore.

Kerala State Textile Corporation Limited (2009-10)

- Net Profit for the year, ₹0.49 crore, was overstated by ₹0.53 crore due to short provision of Gratuity liability and non provision of 'Interest Accrued but not due' on margin money Loan.

Kerala State Backward Classes Development Corporation Limited (2006-07)

- Profit for the year, ₹10.51 crore, was overstated by ₹0.43 crore due to non-provision for Pay Revision Arrears and Service Tax Liability.

1.33 Similarly, the five working Statutory corporations had forwarded their five Accounts to PAG upto 30 September 2011**.** Of these, three Accounts[27] pertained to corporations where CAG was the sole auditor which were completed and Separate Audit Reports (SARs) issued. The remaining two Accounts[28] were selected for supplementary audit and SARs issued. The audit reports of Statutory Auditors and the sole/ supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of Comments of Statutory Auditors and CAG are given below.

(Amount: ₹in crore)

Sl. No.	Particulars	2008-09		2009-10		2010-11	
		No. of Accounts	Amount	No. of Accounts	Amount	No. of Accounts	Amount
1	Decrease in profit	…	…	2	1,555.79	2	2580.81
2	Increase in loss	2	6.73	1	0.22	1	3.98
3	Non-disclosure of material facts	2	18.41	1	0.07	3	251.45
4	Errors of classification	2	21.91	1	1.18	1	126.37

1.34 During the year 2010-11, the five Statutory corporations furnished their five accounts. Four[29] of them were issued qualified certificates while one[30] certificate was issued without qualification.

1.35 Some of the important comments in respect of Accounts of Statutory corporations are stated below.

Kerala State Electricity Board (2009-10)

- 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 2008-09 amounting to ₹1929.88 crore was not provided for during the year resulting in overstatement of profits.

Kerala State Road Transport Corporation (2008-09)

- Loss for the year, ₹ 117.12 crore, was understated by ₹ 2.27 crore due to non-provision for the Pay Revision Arrear for the month of March 2009 (paid in May 2009).

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[27] **Kerala Industrial Infrastructure Development Corporation (2009-10), Kerala State Electricity Board (2009-10) and Kerala State Road Transport Corporation (2008-09).**
[28] **Kerala State Warehousing Corporation (2007-08) and Kerala Financial Corporation (2010-11).**
[29] **Kerala Financial Corporation (2010-11), Kerala Industrial Infrastructure Development Corporation (2009-10), Kerala State Electricity Board (2009-10) and Kerala State Road Transport Corporation (2008-09).**
[30] **Kerala State Warehousing Corporation (2007-08).**

Kerala Financial Corporation (2010-11)

- Non-provision of non-performing Loan Assets of ₹9.49 crore resulted in overstatement of Operating Profit of ₹61.70 crore by a like amount.

1.36 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including Internal Control / Internal Audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3) (a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the Internal Audit / Internal Control system in respect of 54 companies for the year 2009-10 and 41 companies[31] for the year 2010-11 are given below:

Sl. No.	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made		Reference to serial number of the companies as *per* Annexure 2	
		2009-10	2010-11	2009-10	2010-11
1.	Non-fixation of minimum/ maximum limits of stores and spares	2	2	A-10, 66	A-34,65
2.	Absence of internal audit system commensurate with the nature and size of business of the company	22	29	A-2,5,8,14,15, 20,22,23,26, 28,34,35,45,36, 52,55,62,64,74, 82: C-20,23	A-2,3,4,13, 15, 19 ,20,24, 26,28,33,36,4 7,.53,54,56, 63,65,66,67, 69, 71,74,82, 85,86, 88, C- 21,22
3.	Non-maintenance of cost records	5	5	A-7,61,66: C-20,23	A-24,47,58, 62, C-21
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	18	23	A-2,7, 8,12,15, 20,25,28,55,56, 58, 61, 64, 65,66, ,74, 80 B-1,	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
5	Lack of internal control over sale of power	7	8	A-2,5,20,25, 40,75; C-5	A-2,4,13,19, 47,82,85,C-13

Recoveries at the instance of audit

1.37 During the course of propriety audit in 2010-11, recoveries to be made amounting to ₹ 26.94 crore were pointed out to the Managements of various PSUs, of which an amount of ₹ 6.64 crore was admitted by PSUs. An amount of ₹ 6.63 crore was recovered during the year 2010-11.

[31] **A-2,3,4,8,13,15,17,19,20,23,24,26,28,33,34,36,44,47,53,54,55,56,58,62,63,65,66,67,69,71,74,79, 82,85,86,88; C-6,9,13,21,22.**

Status of placement of Separate Audit Reports

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

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Kerala State Electricity Board	2009-10	2010-11	Accounts not finalised	
2.	Kerala State Road Transport Corporation	2006-07	2007-08 2008-09	11.03.2011 04.11.2011	Yet to be placed in the Legislature
			2009-10 2010-11	Accounts not finalised	
3	Kerala Financial Corporation	2009-10	2010-11	26.09.2011	Yet to be placed in the Legislature
4	Kerala State Warehousing Corporation	2007-08	2008-09 2009-10 2010-11	Accounts not finalised	
5	Kerala Industrial Infrastructure Development Corporation	2009-10	2010-11	Accounts not finalised	

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

Disinvestment, Privatisation and Restructuring of PSUs

1.39 The Government restructured Kerala State Electricity Board into Kerala State Electricity Board Limited. The Company was incorporated on 14 January 2011. It is yet (September 2011) to take over all the assets, rights and obligation of erstwhile Kerala State Electricity Board.

Reforms in Power Sector

1.40 The State has Kerala State Electricity Regulatory Commission (KSERC) formed (November 2002) under Section 17 (1) of the Electricity Regulatory Commissions Act, 1998[32], 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.

1.41 Memorandum of Understanding (MoU) was signed (August 2001) between the Union Ministry of Power and the State Government as a joint commitment for

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

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 March 2011
I	**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 16.09 *per cent* in March 2011.
	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.
	Implementation of tariff orders issued by SERC during the year		KSERC has approved (December 2010) revision of bulk supply tariff applicable to licensees and bulk consumers, which has been implemented by the latter with effect from 01 December 2010.
	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 nos as on 31.03.07)	LT Billing Computerisation completed in all 641 sections of KSEB.

Chapter II

Performance audit relating to Government company

2. Working of KTDC Hotels & Resorts Limited

Executive Summary

KTDC Hotels & Resorts Limited was incorporated in the year 1965 as Kerala Tourist and Handicrafts Corporation Private Ltd. The company is engaged in providing hotel and restaurant services, boating operations, need based travel assistance, support services etc.

Financial position and working results

The Company showed operating Profits during 2006-07 to 2010-11. The Accumulated Loss could not be wiped out and as on 31 March 2011 stood at ₹21.54 crore.

Operational performance

Most of the properties of the Company were located in prime tourist locations in the State. During 2006-07 to 2009-10 the State witnessed spurt in tourist inflow but the Company failed to capitalise on the flow indicating poor marketing strategy.

Out of the 70 business units 35 units made losses during the audit period.

Out of eight budget hotels three were running on continuous Losses. The re-branding and modernisation of Yatri Nivases as Tamarind Easy Hotels did not improve their performance.

Star classification

Obtaining Star Classification improves brand value by ensuring that the standards are maintained and helps in attracting more high spending tourists. Though the Company was operating nine premium and eight budget properties none of its units, except Hotel Aranya Nivas Thekkady, had Star Classification.

Poor Occupancy

Average occupancy of Company's hotels ranged from 27 per cent to 42 per cent as against the State average of 59.85 per cent to 68.90 per cent. The business potential through channels other than Segment I operators was not being fully tapped.

Performance of boat operations

Company failed to fully exploit the revenue earning potential from boating operations at Thanneermukkom, Kochi and Kumarakom.

Conclusions and Recommendations

We observed (1) steadily falling occupancy in Company's properties despite the State witnessing an upswing in tourists traffic (2) Company failed to obtain star classification for the properties barring one (3) they failed to control food cost within the prescribed norms and (4) boat operations which had high revenue generation potential were not tapped. The Performance audit report contains six recommendations to improve the working and revenue generating potential of the Company.

Introduction

2.1 The Kerala Tourism Development Corporation Limited (Company) under the administrative control of the Department of Tourism (DoT), Government of Kerala (GoK) was originally incorporated in December 1965 as Kerala Tourist and Handicrafts Corporation Private Ltd., with headquarters at Thiruvananthapuram. The Company started commercial operations in March 1966. The name of the

Company was changed to Kerala Tourism Development Corporation Limited in July 1970.

The main objectives of the Company are starting, operating and promoting establishments, hotels, resorts, undertakings and enterprises, which are likely to accelerate the development of tourism in the State. To reflect this core activity, name of the Company was changed to KTDC Hotels & Resorts Ltd. in October 2010. In addition to the above, Company was also engaged in boating, tour operations and providing need based travel assistance and support services to tourists.

The Company operated a total number of 70 properties, catering to luxury segment travellers (Premium properties - 9), upmarket segments and budget travellers (Budget Hotels and Tamarind Easy Hotels - 21) and travelling public (Motels and Restaurants). In addition, the Company was also engaged in running beer parlours spread across the State. Company had two units outside the State, Anantha Restaurant, New Delhi and Hotel Project at Chennai. While many properties of the Company are leased properties from DoT, none was leased out to other parties.

Organisational set up

2.2 The management of the Company was vested in a Board of Directors consisting of 15 members (Official – 6 & Non Official – 9). The Managing Director was the only functional Director of the Company who was assisted by the Secretary & Finance Controller, Commercial Manager, Marketing Manager and Chief Corporation Engineer in carrying out the functional activities of the Company. There were separate unit managers to look after the day-to-day operations of each unit.

The Company was having three Regional Offices headed by Regional Managers to monitor the activities of the centralised units in the respective regions- South, Central and North of the State. They were given the responsibility of management and administration of units under them.

Scope of Audit

2.3 The working of the Company was last audited and included in the Report of the Comptroller and Auditor General of India (Commercial), Government of Kerala for the year ended 31 March 1996. The Report was considered by the Committee on Public Undertakings (COPU) and their recommendations were included in its 63rd Report (1998-2000) which was presented to the House on 18 December 2000. The implementation status of COPU recommendations was included in the present performance audit report wherever necessary. The present audit covers activities of the Company for the five years period 2006-07 to 2010-11. In conducting this performance audit, we examined records maintained at the Head Office and at 38 out of 70 units of the Company, the selection of which was based on stratified random sampling method.

Audit Objectives

2.4 The audit objectives of the performance audit were to ascertain whether the available resources were utilised economically, efficiently and effectively to achieve the objectives of the Company by analysing whether:

- the infrastructure available was utilised effectively to achieve maximum efficiency in operations;
- the marketing system was geared to the business needs;
- the Human Resource management was efficient;
- the project management and contract management were efficient and economical; and
- the Management Information System/ Internal Control/ Internal Audit system/ Corporate Governance practices were effective.

Audit Criteria

2.5 The following criteria were adopted for the performance audit:

- tourism policy, plan documents of Government and the Company;
- unit-wise targets fixed by the Company in respect of Turnover, Profitability etc;
- norms fixed in respect of occupancy, food cost and reduction of the cost of operation;
- human resource policies of the Company;
- capital budgets and estimates for renovation/ capital works;
- policies and guidelines prescribed for Management Information System/ Internal Control/ Internal Audit/ Corporate Governance.

Audit Methodology

2.6 The following mix of methodologies were adopted for attaining audit objectives:

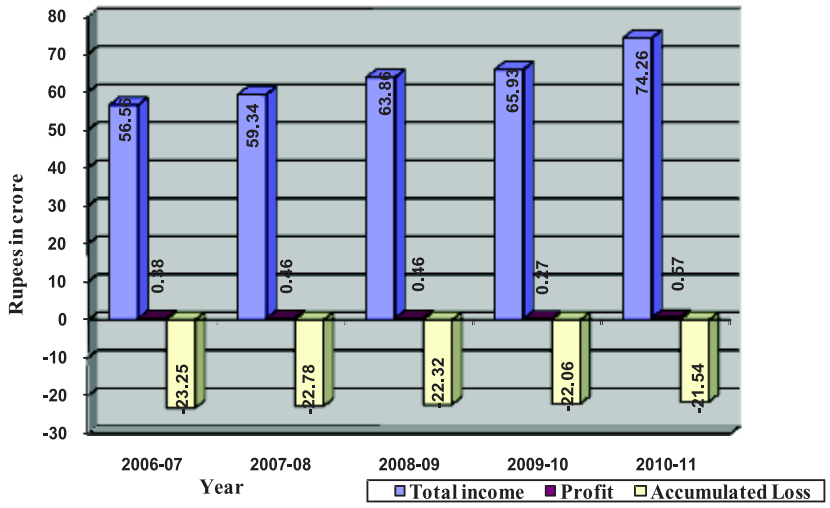
- review of Board minutes, Agenda Notes and minutes of other committee meetings;
- scrutiny of targets and achievements of the units;
- analysis of financial statements;
- scrutiny of project work files;
- examination of records in respect of estimation, mobilisation and utilisation of funds/grants;
- review of Minutes of Performance Review Meetings, MIS reports, Project Reports, Internal Audit Reports;
- interaction with the officials of various units/departments.

Audit Findings

2.7 The audit objectives, audit criteria and scope of the performance audit were explained to the Management in an Entry Conference (February 2011). Audit findings were reported to the Government/ Management (July 2011) and discussed in an Exit Conference (August 2011) which was attended by Secretary, Tourism Department, GoK and Managing Director of the Company. The Company replied (August 2011) to the performance audit report but the Government had not furnished their reply. Views of the Management have been considered while finalising the report.

Financial Position and Working Results

2.8 The Company is a wholly owned Government Public Sector Undertaking. Its Authorised Share Capital as on 31 March 2011 was ₹85 crore against which the Paid up Capital stood at ₹77.70 crore. The Company had been running continuously on very low margins during 2006-07 to 2010-11 and the Accumulated Loss of the Company as on 31 March 2011 was ₹21.54 crore. The position of Total Income and Profits of the Company during the five years ended 2010-11 was as placed below:



Though the Company had been maintaining its Sales, its margins being low were not enough to wipe out its Accumulated Losses.

Return on Capital Employed

2.9 The Return on Capital Employed during the audit period was as follows:

(₹in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Paid up Capital	48.60	59.45	70.70	71.70	77.70
Capital Employed	41.00	43.12	47.00	51.93	69.06
Net Profit/ Loss after Tax and before Interest	2.08	1.96	1.41	0.73	1.00
Return on Capital Employed (per cent)	**5.07**	**4.55**	**3.00**	**1.41**	**1.45**

Though, the Company showed a positive Return on Capital Employed during 2006-07 to 2010-11, it showed a declining trend from 5.07 *per cent* (2006-07) to 1.45 *per cent* (2010-11). This was as against the average cost of funds ranging from 7.3 *per cent* to 8.4 *per cent* of GoK during the same period. The low Return on Capital Employed arose out of poor cash flows. Low occupancy and operational inefficiencies contributed to it. Due to poor returns, the Accumulated Losses could not be wiped out. The Company did not declare any Dividend during the period.

Tourism Growth in Kerala and Company's share

2.10 During the period 2006-07 to 2009-10, the State saw increase in tourist traffic (both domestic and foreign) but the Company was unable to capitalise on the growing tourist arrivals in the State as tabulated below:

Foreign guests

Year	Visited Kerala		Stayed in KTDC hotels	
	No of tourists	% of increase as compared to 2006-07	No of tourists	% of increase as compared to 2006-07
2006-07	468658	--	16785	--
2007-08	554913	18.40	20166	+20.14
2008-09	570953	21.83	16172	(-) 3.65
2009-10	586667	25.18	11703	(-) 30.27

Domestic guests

Year	Visited Kerala		Stayed in KTDC hotels	
	No of tourists	% of increase as compared to 2006-07	No of tourists	% of increase as compared to 2006-07
2006-07	6387724	--	130677	--
2007-08	6879884	7.70	122630	(-) 06.16
2008-09	7712250	20.74	117487	(-) 10.09
2009-10	8803917	37.83	122887	(-) 05.96

(Source: Economic Survey, GoK)

The falling tourist traffic in Company's properties was reflective of poor infrastructure facilities, maintenance, etc. combined with poor marketing and needs urgent management initiatives.

Management stated (August 2011) that due to global economic slowdown after 2008-09**;** foreign tourists had curtailed duration of their stay, thus adversely affecting the occupancy of its properties. The higher percentage of increase in tourist arrival in the State was mainly in districts where the Company's properties (budget & premium) were practically nil.

The reply was not reflective of the actual position. The statistics of tourist arrivals indicated that tourism had remained unaffected by global economic slowdown and even showed an increasing trend. The districts of Thiruvananthapuram, Ernakulam and Thrissur recorded the highest tourist arrival during the period but the Company's premium and budget properties at these locations failed to capitalise on this.

The major audit findings are discussed in succeeding paragraphs.

Operational Performance of Hotels and Resorts

2.11 The Company could make gainful returns only when each unit was run competitively and was able to cover its Cost of Operations and generate Surplus. We observed that during the audit period, out of the 70 units of the Company, 35 units made Cumulative Profits and the other 35 units recorded Cumulative Losses**.** The Loss making units were found in all categories of properties.

Category of Unit	Total Units	No of Profit making units	Total Profit made during the period 2005-06 to 2010-11[1] (₹ in crore)	No of Loss making units	Total Loss made during the period 2005-06 to 2010-11[1] (₹ in crore)
Premium	9	5	**27.52**	4	**4.42**
Budget	8	3	**1.23**	5	**2.88**
Tamarind	13	1	**0.27**	12	**4.58**
Motels	11	6	**3.17**	5	**0.93**
Restaurants and Beer Parlours	21	17	**4.70**	4	**0.48**
Others	8	3	**2.46**	5	**1.87**
Total	**70**	**35**	**39.35**	**35**	**15.16**

In the Report included in the Report of The Comptroller & Auditor General of India for the year ended 31 March 1996 it was observed that the Working Results of units were arrived at without allocating Head Office Overheads. COPU of State Legislature had also recommended for allocation of Head Office Overheads to units for the purpose of performance evaluation. The Company continued partial allocation of Head Office Overheads until 2009-10. Based on observations made during the performance audit, Company allocated its Head Office Overheads fully to all the functional units (on the basis of Turnover) while finalising Accounts for the year 2010-11. Consequently, number of Loss making units which otherwise would have been 29 increased to 35 during the year.

Management, in accepting (August 2011) the audit observation, stated that steps were being taken to reduce the number of Loss making units and improve the overall performance. We observed that the Company had introduced a system of Memorandum of Understanding (MoU) between Company and the units where separate targets were fixed for each unit in terms of Occupancy, Gross Income and Operating Profit. Management also stated that by virtue of certain inherent limitations like poor location, small room inventory etc, it was difficult to turn certain units into Profit making.

Star Rating

2.12 The Department of Tourism, Government of India classifies hotels into different categories (1 – star to 5- star deluxe, heritage etc) based on the facilities and services offered. Hotels have to apply to the Hotels and Restaurants Approval and Classification Committee (HRACC) under the Department of Tourism, Government of India to get them rated. The star classification has an inherent

[1] **Profit/Loss arrived at after allocating advertisement expenditure, deprecation and gratuity provision pertaining to staff deployed in the units.**

business advantage. However, at present (November 2011) only one property of the Company (Hotel Aranya Nivas in the premium segment) had star classification.

Management assured (August 2011) to take necessary steps for obtaining star rating in a phased manner. It further added that all the criteria required for star rating could not be met by the Company due to the financial implications involved.

Management, however, had not made any proper analysis on how many of its properties were meeting the parameters required for star classification. No property-wise analysis had been made for the additional infrastructure facilities, if any, required and the financial commitment involved. We felt that even if additional facilities were required in its high end properties the financial commitment thereon would be more than offset by enhanced profitability and improved brand perception. The Company should urgently make short term and long term plan in this regard.

2.13 The Company was also losing financial concessions associated with star classification offered by GoK. For instance, Classified Hotels (1 to 5 star, 5 star Deluxe , Heritage etc) approved by DoT, GoK were eligible for the subsidy in their electricity tariff for a period of five years from the date of approval by DoT. The concession in electricity tariff was reimbursable from DoT from the year 1998-99 onwards. Two of Company's premium properties (Tea County, Munnar and Waterscapes, Kumarakom) though commenced operation after the year 2000, could not avail this concession as they did not go for Star Classification Rating and Approval Certificate from DoT, GoK before April 2006. The loss of such concession in electricity tariff for the audit period from 2006-07 to 2010-11 for these two units worked out to ₹0.26 crore **(*Annexure 7*)**.

Absence of star rating resulted in loss of concession in electricity charges amounting to ₹0.26 crore.

Marketing

2.14 Marketing was one of the key managerial functions having an important bearing on the performance of the Company. We observed that:

- The expenditure towards advertisement and publicity was negligible, at an average of 0.68 *per cent* of Turnover during the last three years. Further, out of the total amount earmarked for advertising and publicity, 57 to 65 *per cent* of the funds on an average was spent in the non-impact sector i.e., publications with limited circulation and not related to tourism sector.
- The Company did not have an exclusive Marketing Department though it operated in a highly competitive environment. Even though Government had accorded sanction for the formation of Marketing Department (February 2011), no efforts had gone into making it operational (September 2011) which hampered campaigning and business canvassing. The Company was losing season after season share of tourist traffic. We noticed lack of planning and initiative in the marketing efforts of the Company to take advantage of the tourist traffic.
- The Management direction to the units to place hoardings and sign board within 6 kilometres radius of its properties was not complied with in many of

its Tamarind and Budget category properties, thus leading to inadequacy of publicising these units at the regional/ local levels.

- Even though the Board of Directors suggested (June 2009) for the exclusive promotional campaign for Thekkady and Thirunelly units, in view of their unique position, the Management failed to devise any specific strategy for exploiting the full potential of those units.
- The Company participated in 12 international and 69 domestic Travel and Tourism fairs and Road shows incurring an amount of ₹0.79 crore during the period 2006-07 to 2010-11. The Company did not have any feed back mechanism for the impact assessment of these promotional campaigns. In fact, the measures taken by the Company had not yielded any positive result as was evident from the fall in tourist traffic at the Company's properties.
- The potential of pilgrim tourism/ wellness tourism in the State was not explored or utilised by the Company resulting in decline in occupancy of properties like Nandanam Guruvayoor, Ayurvedic Lake Resort Thanneermukkom etc.

Management replied (August 2011) that adequate steps would be initiated to enhance the Company's presence in the web world and efforts were underway to market its properties through all channels.

Occupancy

2.15 The occupancy in properties of the Company ranged from 17 *per cent* to 53 *per cent* during the audit period 2006-07 to 2010-11 as detailed below:

(in percentage)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
Premium Hotels	53	50	43	40	36
Budget Hotels	36	36	34	28	30
Tamarind Easy Hotels	38	25	19	17	17
Average	**42**	**37**	**32**	**28**	**27**
State Average	68.9	70.15	62.65	59.85	Not available
All India Average	66.9	69.4	63.1	59.9	Not available

(Source : HVS FH & RA Indian Hotel Industry Survey)

Average occupancy ranged from 27 *per cent* to 42 *per cent* as against the State average of 59.85 *per cent* to 68.90 *per cent.*

As seen from the table, occupancy during 2006-07 to 2010-11 was showing declining trend in all categories of properties of the Company and the year 2010-11 witnessed the lowest occupancy except for budget hotels which showed slight improvement. The Company's average occupancy performance of 42 *per cent* to 27 *per cent* compared very poorly with the average occupancy of 68.90 *per cent* (2006-07) to 59.85 *per cent* (2009-10) recorded by hotel industry in the State.

The Company was operating 21 hotels as at the end of 2006-07. The DoT, GoK handed over nine other properties to the Company for operation during 2006-07 to 2010-11.

Analysis of occupancy statistics showed that while number of units having occupancy upto 20 *per cent* increased from two to eleven, those having occupancy of more than 50 *per cent* decreased from five to two during the audit period.

Year	2006-07	2007-08	2008-09	2009-10	2010-11
No. of units operated	21	26	26	30	30
Room nights available	227030	237600	250347	269513	275687
No of units having occupancy upto 20 *per cent*	2	6	10	13	11
No of units having occupancy ranging from 21 to 50 *per cent*	14	14	15	16	17
No of units having occupancy above 50 *per cent*	5	6	1	1	2

Management while accepting the audit findings, pointed out that performance based on city-wise averages would give a more realistic picture for comparison.

The fact, however, remained that properties of the Company fared poorly even when city-wise averages were adopted as was evident from performance of Bolgatty Palace Hotel, Kochi (paragraph 2.21) and Mascot Hotel, Thiruvananthapuram.

Tariff

2.16 The Company had a differential tariff policy for its properties based on seasonal classification as 'Peak season', 'Season' and 'Off season'. The sale of rooms in the Company's properties was mainly carried out through direct booking from guests, bookings from tour operators/ agents, corporate bookings etc. The tour operators were broadly classified into three categories – Segment I, II and III in addition to 'Other Agents' based on the quantum of room nights canvassed by them. Special rates were offered to the tour operators with maximum discounts extended to the Segment I agents. The details of bookings through various modes in the major premium properties of the Company during the period from 2007-08 to 2010-11 were as given in ***Annexure 8***. The percentage share of direct bookings exhibited a decreasing trend whereas the percentage share of bookings through travel agents increased substantially. The volume of bookings through operators of Segment II and III was negligible when compared to that of Segment I.

The special rates to agents offered for deluxe category rooms in respect of five properties during the season period of 2010-11 were as shown below:

(Amount in ₹)

Property	Published Tariff	Realisation of Tariff from Agents			Remarks
		Segment I	Segment II	Segment III	
Tea County, Munnar	4800	2877	3177	3227	Revenue less realised is ₹350 when transaction is routed through Segment I Agent instead of Segment III Agent
Waterscapes, Kumarakom	5100	2777	3077	3127	
Hotel Samudra, Kovalam	3800	1988	2288	2338	
Mascot Hotel, Thiruvananthapuram	3950	1938	2238	2288	
Aranya Nivas, Thekkady	3900	2266	2566	2616	

We are of the opinion that as maximum discounts were extended to Segment I agents, other tour operators were not motivated enough to generate business for the Company. There was also the chance of other tour operators diverting their bookings through Segment I agents. We further observed that property-wise targets of room nights were not fixed for categorisation of the agents. This had adverse revenue implications to the Company as significant revenue was lost on bookings routed through Segment I operators.

Analysis of the sales of the top two Segment I agents (Intersight Tours & Travels and Jaimaruthy Holidays) in the major premium properties ***(Annexure 9)*** revealed that bulk of the business were generated at properties at Munnar, Kumarakom and Kovalam. These being otherwise highly attractive tourist destinations in Kerala, business could very well be generated on its own through enhanced marketing efforts by the Company. We observed that in the bookings from the above top two Segment I agents in seven premium properties during the period from 2007-08 to 2010-11, the Company had to forego income to the extent of ₹3.23 crore ***(Annexure 9)*** while the total revenue contribution because of these agents was only ₹7.40 crore. The discount policy in vogue failed to ensure growth of business in all the premium properties of the Company.

The Government and the Company, during the Exit Conference (August 2011), agreed to devise measures to increase bookings through Segment II and Segment III operators and direct/ online route in its properties.

Food cost

2.17 In the Action Taken Note (ATN) to the COPU Report (2000), the Company had assured to maintain the food cost levels at 25 *per cent* of catering income for premium properties and 40 *per cent* for other units. In order to maintain the food costs at the prescribed level, the Company fixed (July 2008) benchmarks for catering expenditure for various categories of hotels. Maximum permissible food cost fixed for Premium Hotels, Business/ Budget Hotels/Tamarind Easy Hotels and Motels/Restaurants were 25 *per cent*, 30 *per cent* and 35 *per cent* respectively.

We observed:

- Majority of the units failed to achieve the targets fixed despite the operational freedom given to Unit Managers.
- More than half of the extra expenditure on food cost was borne by premium properties pointing out to the need for higher internal control over purchase of provisions and vegetables, food production and sales in this segment because of the materiality involved.
- Inbuilt capability of the software HOTSOFT (installed in all premium properties) to analyse food costs on a daily basis was not being utilised pointing to lack of firm control over food cost.
- Even though units in Thiruvananthapuram (Mascot, Chaithram and Samudra) and also Tea County, Munnar had resorted to procurement of provisions from State run PSUs like SUPPLYCO, HORTICORP, KEPCO etc., at lower rates, the system had not been uniformly adopted by other units.

The expenditure over norms fixed on account of excess food cost during 2008-09 to 2010-11 worked out to ₹3.75 crore as detailed below:

(₹in crore)

Sl No	Sector	No. of units	2008-09	2009-10	2010-11	Total
1	Premium	9	0.68	0.62	0.90	2.20
2	Budget	8	0.17	0.15	0.13	0.45
3	Tamarind Easy Hotels	13	0.18	0.15	0.15	0.48
4	Motel Aaram	14	0.15	0.08	0.10	0.33
5	Restaurant and BP	22	0.09	0.05	0.05	0.19
6	Others	4	0.07	0.00	0.03	0.10
Total		**70**[2]	**1.34**	**1.05**	**1.36**	**3.75**

Food cost in excess of norms worked out to ₹3.75 crore during 2008-09 to 2010-11.

The Company failed to control food costs within its prescribed norms. Management stated that food cost percentage was fixed as a line of control but was not a rigid one. The objective was to try to come near to the line of control as it would be difficult for many units to achieve the norm due to low volume as food costs come down when scale of business is high. But the point remained that the food cost incurred by the units exceeded norms by wide margin indicating need for remedial steps.

Energy costs

2.18 Utility costs formed a major item of operating expenditure of the Company of which energy costs constituted the main component. Properties of the Company consumed energy mainly in the form of electricity (lighting and air conditioning), fuel for generators (standby power) and fuel for boilers (for heating running water). Figures pertaining to energy costs over the five years period 2006-07 to 2010-11 along with their comparison with industry average were as given below:

Year	Total Energy cost (₹ in crore)	Revenue from lodging & catering (₹ in crore)	Percentage of energy cost to revenue generated from lodging & catering	Industry average in percentage#
1	2	3	4	5
2006-07	3.89	48.94	7.95	6.65
2007-08	4.47	52.93	8.44	6.32
2008-09	4.52	55.18	8.19	7.34
2009-10	4.12	58.72	7.02	7.60
2010-11	4.56	66.60	6.85	NA

#(Source: HVS FH & RA Indian Hotel Industry Survey)

For the years 2006-07 to 2008-09, as seen from column (4) and (5), the energy consumption was high when compared with industry average. The improvement in 2009-10 and 2010-11 was due to lower occupancy and higher tariff.

We observed that even though hotel industry across the world had been incorporating energy efficient systems Company had not conducted any energy audit in its properties except Hotel Mascot to explore efficient possibilities. None of the properties of the Company had any non-conventional/ alternative energy

[2] **This does not include four other units for which norms have not been fixed. Of the70 units, 3 Motel Aarams and 1 RBP were closed during 2009-10.**

source like solar power despite cost savings brought out by ways suggested in energy audit of Hotel Mascot[3].

- Wide variations were noticed in parameters of efficiency of Diesel Generator sets indicating that internal control over consumption of fuel (HSD[4]) for generation of captive power in various properties was weak and the consumption/ generation data was not being closely monitored.
- Company issued 38 purchase orders for 358 air conditioners valued at ₹0.81 crore as part of renovation/creating additional facilities in various properties, without insisting on star rating of the products which was indicative of energy efficiency norms issued by Bureau of Energy Efficiency-Government of India.

Management, while admitting (August 2011) that energy audits had not been conducted, pointed out that energy costs of the Company were comparable with industry standards and that steps were being taken to improve the internal control over fuel consumption. They also assured to take steps to bring down the energy cost to the extent possible.

Segment wise performance of hotels and resorts

The performance of each of the segments of the properties of the Company was as discussed below:

Premium Hotels

2.19 A review of the performance of the premium hotels showed that four out of nine units in this category made an Aggregate Loss of ₹4.42 crore while the remaining five earned a total Profit of ₹27.52 crore during the period 2006-07 to 2010-11.

Though Company's properties enjoyed unique locational advantages they recorded poor operational results mainly due to poor marketing and maintenance.

2.20 Hotel Samudra, Kovalam could achieve an average yearly occupancy of 50 *per cent* on only two occasions during the audit period. The Expenditure Turnover Ratio of the unit increased from 72.35 *per cent* in 2006-07 to 126.70 *per cent* in 2010-11, further adversely affecting its profitability. The below par operational performance was mainly due to poor room facilities, poor food quality and maintenance as observed in the Individual Property Audit report (December 2008) prepared by an external agency. The Company decided to renovate the property only in August 2009 but the renovation work was taken up belatedly (June 2010) on piecemeal basis through 69 different agencies. Though, the property was shut down for a period of five months from June 2010 to September 2010, the work was not completed (May 2011). The Profit of the unit declined from ₹1.59 crore in 2007-08 to (-)₹0.59 crore in 2010-11.

[3] **As per the energy audit report, installation of solar panels would result in an annual savings of Rs.15 lakh.**
[4] **High Speed Diesel oil.**

2.21 The performance of Bolgatty Palace/ Island Resorts had been declining since 2006-07 and was below par when compared with the overall industry performance in the locality. The unit registered occupancy of only 57.7, 51.6, 41.8 and 41.1 *per cent* when compared with the industry average of 75.4, 75.2, 67.4 and 64.4 *per cent* respectively during the years 2006-07 to 2009-10. In a property audit conducted by an independent agency during the years 2008-09 and 2009-10 the unit managed only a *fair* ranking in parameters of experience of check-in, restaurant services, food quality and maintenance of premises. The Average Room Revenue (ARR) of the property during the year 2009-10 was only ₹2243 as against industry achievement of ₹2610. The Revenue Per Available Room (Rev Par) during the same period was only ₹963 indicating poor utilisation of room inventory. The unit had not taken any effective action to increase its occupancy by brand positioning, aggressive marketing etc.

2.22 The occupancy of Ayurvedic Lake Resort, Thanneermukkom unit declined from 17 *per cent* in 2006-07 to an abysmally low of nine *per cent* in 2010-11. We observed:

- The Resort was designed with a connected load of 100 KVA; the Company was allowed to avail only a maximum of 33.33 KVA load at a time by KSEB and as a result it was left unmarketable.
- The Establishment Expenditure recorded a quantum jump due to Fixed Charges and the increase in the number of permanent employees during the period 2006-07 to 2009-10 further added to Operational Losses.

Management stated (August 2011) that the property was constructed by the DoT without considering the operational convenience and was taken over by the Company as per Government direction. The Company was in the process of promoting the resort as an Ayurvedic resort after necessary upgradation.

The reply was, however, silent as to the increase in strength of employees and Establishment Expenditure. Being a commercial entity, the Company should make special efforts to make the property viable.

Budget Hotels

2.23 Out of eight Budget Hotels operated by the Company during the audit period, five sustained an Aggregate Loss of ₹2.88 crore and the remaining three hotels made a total Profit of ₹1.23 crore.

A further analysis of the performance revealed that three out of five loss making hotels were continuously making Losses during the audit period. The performance of Hotel Chaithram showed a marked improvement during 2009-10. In case of Malabar Mansion, Kozhikode, the profitability was due to operation of beer parlour.

The Management stated (August 2011) that all the loss making properties of the Company were showing improved performance and this would increase significantly once online reservation system was extended to this category also.

Tamarind Easy Hotels (TEH)

Rebranding of Yatri Nivas Hotels as Tamarind Easy Hotels was not successful despite an investment of ₹5.00 crore in upgradation.

2.24 The Yatri Nivas Hotels (a budget category accommodation) constructed and handed over to the Company by DoT, GoK using funds from Central Government wore a negative brand image on account of lack of ambience, poor maintenance and up-keep and lack of modern amenities. The Company re-branded (2007-08) the existing Yatri Nivas hotels and new units handed over by DoT as 'Tamarind Easy Hotels' and spent ₹5.00 crore ***(Annexure 10)*** for the upgradation/ modification works (undertaken during 2007-08 to 2010-11) by providing additional amenities (mainly installing air conditioners and water heaters). However, the performance of all the units (6 existing and converted and 7 new units) continued to be discouraging and all the units except TEH Parassinikkadavu recorded Losses. Cumulative Loss recorded by the Tamarind units during the period from 2005-06 to 2010-11 amounted to ₹4.58 crore.

We observed that TEHs differed in facilities offered and were not amenable to be clubbed under a single category/brand. Uniform tariff structure for the tamarind brand was adopted without considering the differences in the individual hotels and the Company had to drastically reduce (May 2011) tariff.

Motel Aarams

2.25 Motel Aarams (wayside amenities providing boarding and lodging to traveling public) were constructed by DoT, GoK and handed over to the Company for operation. Out of 11 Motel Aarams, four were making continuous Losses and we observed that some of these units were taken over without conducting proper viability study. Though, these units were making Losses continuously during the period, the Company had not taken any effective steps to make these units viable. The Loss made by five Motel Aarams during the period under audit worked out to ₹0.93 crore.

Despite the Board decision (January 2005) to close down the Loss making units, the Company continued operation of the motels at Athirappally and Adoor which resulted in further Loss of ₹0.36 crore (Athirappally ₹0.19 crore, Adoor ₹0.17 crore).

Restaurants & Beer Parlours

2.26 During the period under audit, the Company started seven new Restaurants & Beer Parlours (RBP) and closed ten units. As on 31 March 2011, the Company had 21 RBPs. The total loss made by the four continuously Loss making RBPs as on 31 March 2011 was ₹0.48 crore and 17 units together made a Profit of ₹4.70 crore.

We observed that the Company continued operation of RBP Haripad despite the Board decision (January 2005) to close it down which resulted in further Loss**.** The Company meanwhile closed three Profit making RBPs citing failure to find suitable alternative premises to carry out the business on expiry of the lease period of these premises. Total Profit made by these three units for five years period prior to closure was ₹1.14 crore as detailed below:

(₹ in crore)

Name of unit	2003-04	2004-05	2005-06	2006-07	2007-08	Total Profit
Aluva	0.04	0.01	0.04	0.09	0.07	0.25
Valancherry	0.11	0.16	0.11	0.17	-0.02 [5]	0.53
Olavakode	0.07	0.09	0.11	0.10	-0.01[6]	0.36
Total						**1.14**

Management replied that closure of the above units was due to reasons beyond their control like non-availability of suitable premises. The contention was not acceptable as closure of these profitable units had only benefited the private parties operating in the area.

Performance of Boat operations

2.27 The Company undertook boat operations in five centres, namely Thekkady, Veli, Kochi, Kumarakom and Malampuzha. The revenue generated from boat operations in each of the unit and the contribution of each unit to the total boating revenue (expressed as percentage) of the Company was as given in ***Annexure 11.*** As was evident from the data, Turnover from boating operations declined after 2008-09. Boat operations at Thekkady contributed the major chunk of boating Revenue due to partial monopoly enjoyed by the Company in Periyar Lake; the only other agency involved being the Forest Department. We observed:

Underutilisation of potential for boat operations

Potential for boat operation was under exploited.

2.28 Even though some of the properties of the Company (ALR Thanneermukkom, Waterscapes, Kumarakom and Bolgatty Palace Hotel, Kochi) had very good potential for boat operations, the same was under utilised despite the decision taken in the Managers' meeting (August 2007) to concentrate on this segment to increase overall revenue. While there was no boating activity at Thanneermukkom and Bolgatty, share of revenue from boat operations at Kumarakom declined from 5.63 *per cent* in 2006-07 to 2.86 *per cent* in 2010-11.

Boat operations at Thekkady

2.29 The Forest Department controls boating activities at Thekkady and the Company operates four safari boats in the lake. The boats operated were all handed over to the Company by DoT and were of varying capacity ranging from 20 seats to 126 seats. We observed that the Company was not deriving the full potential for revenue from its operations at Thekkady due to operation of lower capacity boats. Analysis based on operational performance of boats showed that in terms of number of trips per month, JALARAJA (boat having largest capacity) had a break even point six times lower than the smaller capacity boat JALAMOHINI showing higher Revenue earning potential of larger boats. Operation of higher capacity boats was preferable also in the context of passenger safety since the smaller boats were of vintage type of upto 45 years.

[5] **No sales activity during the period.**
[6] **Loss during this period was due to adjusting Administrative Expenditure of ₹4.14 lakh against ₹1.79 lakh charged in 2006-07.**

Management replied (August 2011) that capacity enhancement at the destination required permission from the Forest Department. We, however, observed that there was failure to obtain the required clearance from the Department.

Manpower Management

2.30 Manpower management is essential in hospitality sector in which the Company is functioning. Taking this into view the HVS FH & RA Indian Hotel Industry Survey had placed the average manpower per room for industry at 1.7 to 2.0. We observed while going through the manpower needs of the Company that it had an average strength of 2.17 to 2.74 per room.

The percentage of employee cost in comparison with total earnings of the Company rose from 25.27 *per cent* (2006-07) to 32.04 *per cent* (2010-11) as detailed in the following table.

(₹ in crore)

	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**
Total Earnings	56.56	59.34	63.86	65.93	74.26
Salaries Wages and Other benefits	14.29	18.54	18.76	19.84	23.79
Percentage of employee cost	25.27	31.24	29.38	30.09	32.04

Besides it employed the services of 629 to 907 contractual staff adding weight to the work force and affecting the finances adversely. We also observed violations in established method of determining staff strength, staff promotions and postings. Promotions were effected without ensuring the required experience in the lower post, no benchmarks were fixed for administrative overheads in the individual properties resulting in deployment of excess staff.

Construction and renovation works

2.31 Properties of the Company are being upgraded and renovated periodically to keep them in good condition and to provide better amenities to attract more customers.

We observed:

- The work for the construction of three Star Hotel at Chennai was awarded (July 2007) at ₹10.46 crore through KITCO Ltd. (Project Management Consultant [PMC]) with a stipulated period of completion of 10 months. Deficient pre-award formalities and monitoring of the work by KITCO and stoppage of work (May 2008 to June 2009) by the contractor demanding price escalation affected the progress of work. GoK while sanctioning the price escalation of ₹1.54 crore directed to recover penalty for further delay beyond 10 months. The work has not been completed so far (November 2011) and no penalty has been recovered. Due to substantial delay in completion of the project, the Company lost the anticipated Profit amounting to ₹2.12 crore for two years. KITCO had recovered mobilisation advance along with interest amounting to ₹0.93 crore from the contractor during the period December 2007 to November 2010 which had not been passed on to the Company. Interest loss on this account amounted

to ₹0.15 crore. Management in their reply (August 2011) giving the reasons for various lapses did not contest the audit observation.

- The work for the construction of Marina House at Bolgatty was awarded (February 2008) at ₹3.64 crore after the expiry of the validity period (November 2007) of offer. The contractor refused (April 2008) to execute the work. The failure of the Company to issue work order within validity period led to re-tendering to a new contractor at ₹4.46 crore resulting in additional expenditure of ₹0.82 crore.

  Management replied (August 2011) that the delay in award of work was due to delayed Government sanction.
- Though the Company was having an Engineering Wing, the major civil works for the new properties/ major renovation works for existing properties were being executed through KITCO as consultant for the entire project activities. A review of records revealed that the Company had paid consultancy fee of ₹1.37 crore in respect of seven projects entrusted to KITCO. The Company had not made any cost benefit analysis for executing the major civil works through KITCO despite having a dedicated engineering wing. None of the works entrusted to KITCO was completed within the time schedule. KITCO was executing agreements on behalf of the Company with the contractors even though it was only a PMC. As per the agreement executed with KITCO by the Company, there was no provision to recover penalty for the delay in completion of works. The agreements executed by KITCO with the contractor contained the penalisation clause which enabled them to recover liquidated damages at the rate of one *per cent* of the contract value per week subject to maximum of 10 *per cent* for delay in completion. In the absence of penalisation clause in the agreement with KITCO, the Company could not enforce recovery of ₹1.50 crore (being 10 *per cent* of the contract value) for the delay in completion of three projects ((i) Road work to Bolgatty from Goshri - ₹0.10 crore, (ii) Three Star Hotel Project at Chennai - ₹1.05 crore and (iii) Marina House - ₹0.35 crore). Retention money recovered from the contractors was being retained by KITCO and was not passed on to the Company. Interest loss on this account worked out to ₹0.12 crore. The Company was undertaking works on behalf of the DoT while entrusting its own works to KITCO.

Company stated (August 2011) that the permanent technical staff available in the engineering wing was insufficient to undertake the large number of works spread across the State. Though no cost benefit analysis was done, execution of major works through KITCO was beneficial since it enabled the engineering wing to renovate Tamarind Easy Hotels in time. While admitting delay in completion of works executed, it was stated that this was not entirely due to KITCO. Reply was, however, silent on defective agreement clauses as to recovery of liquidated damages/ retention money.

We observed that renovation of Tamarind Hotels did not improve their profitability. The causes of delays in most of the projects were due to non fulfillment of pre-project formalities (getting clearance from local authorities, survey of site, preliminary design etc.) for which KITCO was directly responsible.

Other Audit Observations

Uneconomic operation of Oak Field Resorts, Munnar

Operation of a private resort entrusted by the Government resulted in a loss of ₹0.32 crore.

2.32 The GoK took possession of Oak Field Resort at Bison Valley Village in Udumbanchola Taluk and as per Orders of Hon'ble High Court of Kerala (January 2009) entrusted the same to the Company for running for a period of three to four months. Subsequently, the Government extended (March 2009) the period till the final judgment of suit pending before the Hon'ble High Court. The average occupancy of the unit was less than 11 *per cent* and the unit incurred a Loss of ₹0.32 crore during its 26 months of operation from February 2009 to March 2011. The Company was yet to take effective action for getting the Loss reimbursed from the Government.

Management replied (August 2011) that the matter had been brought to the attention of the Government and a final decision was awaited.

Engagement of manpower for cleaning contracts

2.33 The Company had been outsourcing manpower for cleaning activities in its various properties at a mutually agreed rate based on the area cleaned from the year 1999-2000 onwards.

Scrutiny of the five cleaning contracts awarded during 2006-07 to 2010-11 revealed:

Man power recruited for cleaning activities were deployed in other functional areas

- Wide variations between actual area of the properties and area sanctioned for cleaning. The area to be cleaned was worked out based on the staff requirements in the Company's properties rather than actual area to be cleaned.
- The contract workers recruited for cleaning activity were deployed in other operational areas like office administration, accounts, cooking, front office management, dish maintenance.
- Proper registers were not maintained by the units for recording the area cleaned by the workers though payments were envisaged on the basis of area actually to be cleaned, indicating poor control over the outsourced service.

Management accepted (August 2011) that some of the units were engaging employees recruited through cleaning contracts in other operational areas to overcome acute shortage of manpower. It was also submitted that this arrangement had cut down establishment and salary cost.

Role of Board of Directors

2.34 The Board of Directors of the Company comprised six official members and nine non-official members. As all important matters affecting the Company are to be deliberated in Board meetings, the presence of members and their effective participation in the deliberations play an important role in the functioning of the Company. During the period from 2006-07 to 2010-11, 21 Board meetings were

conducted. The attendance of the official and non-official members in these meetings in the audit period was as detailed below:

Year	No. of Board Meetings	Total no. of Board Members[7]	No. of Official Members	No. of Official Members attended	No. of Non-Official Members	No. of Non-Official Members attended
2006-07	4	32	28	20	4	3
2007-08	4	60	28	7	36	27
2008-09	4	60	24	9	36	34
2009-10	4	60	24	14	36	26
2010-11	5	75	30	14	45	31

The participation of the official directors in the decision making process was inadequate and was only 47 *per cent* in 2010-11. Further, the Board did not comprise members having professional qualification and industry knowledge.

Very rarely in the Board meetings were there any specific unit wise monitoring of the performance and proposals for improvement. Given the low occupancy of the properties it would be appropriate if unit wise detailed review of performance was taken up as an agenda in each meeting which would facilitate close monitoring to bring about improvement in occupancy level and profitability of the operation.

Management stated (August 2011) that participation of official directors in the Board meetings was improving. It was also stated that the matter of appointment of Directors having professional qualification and industry knowledge would be brought to the notice of Government. With regard to review of performance of units it was assured that performance review of units now done at head quarters level would be reported to the Board.

Internal Audit & Internal Control

2.35 The Internal Audit of the Company was entrusted to external firms of Chartered Accountants. The general guidelines for Internal Audit, scope and areas to be covered which were outlined in the appointment letter of internal auditors were only general in nature. As the Company had not formulated an Internal Audit Manual, the points to be reviewed under different areas of operation during an audit were not specified in detail.

We observed that transactions of the Company were reviewed in Internal Audit but system deficiencies had not been brought out for corrective action. For instance, although Internal Audit was bound to appraise the economy and efficiency with which resources of the Company were utilised, the comparative inefficiencies in energy consumption, food production etc., across the units were not brought out.

An overall review of the Internal Control system revealed the following:

[7] **Total no. of members in a year is the product of no. of members in the Board and the no. of meetings held in the year (8 members in 2006-07 and thereafter 15 members).**

➢ **Financial Internal Control** - As per the approved procedure of the Company, credit period permissible to travel agents was limited to 21 days to be further supported by Bank Guarantees for the credit limit. Maximum credit period permissible for other category of customers was only 30 days. We observed that:

Credit was extended without safeguards

- There was no stipulation of credit limit based on risk analysis. No bank guarantees were being collected to regulate the amount of credit that could be given. This lapse facilitated various travel agents to default/ delay in remitting dues.
- Major portion (87 *per cent*) of sundry debtors related to premium properties. Maximum amounts were due in Mascot Hotel, Thiruvananthapuram where debtors included Government Departments, celebrities and bureaucrats.
- There was no system of fixing responsibility on Managers for recovery of dues which was sanctioned by them despite the Board decision in this regard.
- Management Information System on debtors was inadequate. Due to non matching of receipts against bills (Bill matching) when payments were made by the parties, the accounting software was incapable of generating reliable age-wise data on debtors.

➢ **Monitoring system** - In order to improve the performance of the Company's properties, Management introduced the system (August 2008) of entering into Memorandum of Understanding (MoUs) with unit level managers. Under the system targets with regard to Occupancy, Income and Profitability were fixed on quarterly basis. Performance of units against the targets was analysed in the quarterly MoU meetings chaired by the Managing Director. Review of the system since its inception showed that:

- Number of units which could achieve the target for occupancy was only three in 2009-10 and seven in 2010-11 out of a total number of 31 units for which occupancy targets were applicable. In case of target for income, only 24 and 30 units out of 70 units could achieve the target in 2009-10 and 2010-11 respectively.
- Concrete steps for improvement of performance were rarely seen suggested in the review meetings. Diagnosis of the problems and guidance was lacking.
- Standardised format was being applied across the board for performance evaluation. Hence, parameters applicable for hotels were also adopted for restaurants and boat operations. It was also noted that targets were not being set for fuel cost, administrative cost etc.
- Even though two and a half years had elapsed since introduction of the MoU system, system of accountability and reward had not been integrated into the target and monitoring system without which we feel the intended benefits could not be fully realised.

- The post of Vigilance Officer was vacant for the last 18 months. Surprise inspections by the vigilance wing were not being carried out at present.

➢ **Non-maintenance of Control Registers** - The Control Registers for various functional activities such as Purchases, Works etc were not being maintained by the Company. The Company did not maintain a separate register for grants showing the details of funds received, amount utilised and physical achievement etc., of each individual project. As such, information pertaining to the year-wise and scheme-wise utilisation of grants was not compiled and analysed.

Conclusions

- **The overall check-in of tourists to properties of the Company showed a declining trend. The Company failed to exploit the business potential although most of the properties of the Company were located in prime tourist locations in the State and despite there being an upswing in tourist inflow into the State during 2006-07 to 2010-11.**
- **Due to failure to obtain star classification in majority of its units, the related benefits of enhanced brand image and improved occupancy could not be tapped by the Company.**
- **The business potential through channels other than Segment-I operators was not being fully tapped and tariff to the customer through these routes was substantially higher.**
- **The Company failed to control food costs within its prescribed norms.**
- **The re-branding and renovation of Yatri Nivas Hotels, after its entrustment by State Government, as Tamarind Easy Hotels, incurring heavy capital investment had not resulted in any improvement in performance of these units.**
- **Boat operation had high potential for revenue generation as the Company had many locational advantages. The Company did not tap this opportunity fully.**

Recommendations

- **There is need to improve the occupancy rate by improving the amenities at the Company's properties and through proper marketing strategy.**
- **The Company should make efforts to get its properties star rated to exploit the market potential.**
- **There is a need to incentivise bookings through all segments and through attractive tariff.**
- **Food costs should be brought within the norms fixed.**

- **The Government may also consider the viability of the properties before entrusting them to the Company.**
- **The potential of boat operations should be exploited by tapping locational advantages and employing new and higher capacity boats.**

Chapter III

Performance audit relating to Statutory corporation

Kerala State Electricity Board

3. Power distribution activities of Kerala State Electricity Board

Executive Summary

Introduction

A performance audit covering the period 2006-2011 was conducted to assess network planning and execution, implementation of Centrally Sponsored Schemes, sub-transmission and distribution losses, billing and revenue collection efficiency, financial management, tariff fixation and consumer satisfaction and redressal of grievances in Kerala State Electricity Board (KSEB).

KSEB performed well in areas of attainment of objectives of - 100 per cent metering, curtailment of failure of DTRs within norms and lower AT&C Losses. At the same time, there were shortfalls in achievement of ideal HT/LT ratio, implementation of Centrally Sponsored Schemes etc.

Distribution network planning

Against the planned addition of 166 sub-stations during 2006-2011, only 94 sub-stations were actually added. There was no plan to implement a LT less system.

Implementation of Centrally Sponsored Schemes

Implementation of Centrally Sponsored Schemes by KSEB suffered from delays, consequently resulting in loss of Grants of ₹58.08 crore.

Purchase of power

Absence of adequate in-house power generating capacity resulted in purchase of power at expensive rates from outside parties.

Sub-transmission and distribution losses

The AT&C Losses decreased from 21.47 per cent in 2006-07 to 16.09 per cent in 2010-11. The AT&C Losses were more than the target of 15 per cent and 15.31 per cent set by Ministry of Power and Kerala State Electricity Regulatory Commission (KSERC) respectively.

Billing and revenue collection efficiency

The percentage of energy billed to energy available for sale ranged between 99.94 per cent to 99.98 per cent during 2006-2011. Instances of under collection of revenue due to incorrect application of tariff, non-levy of penalty, etc, were noticed during test check of Electrical Divisions. Non-collection of additional security deposit of ₹66.65 crore from consumers leading to increased borrowings for Working Capital needs were noticed.

Dues outstanding had increased from ₹1778.76 crore in 2006-07 to ₹1943.45 crore in 2010-11 of which dues outstanding for more than three years were ₹550.81 crore (2009-10).

Financial management

The Long Term Borrowings of KSEB had come down during 2006-2010. KSEB was able to repay the Loans as its Capacity Addition plans were getting postponed.

Subsidy

As per National Tariff Policy, tariff difference between categories of consumers is governed by a norm of plus or minus 20 per cent of average cost of supply. Neither the tariff proposal submitted by KSEB nor the tariff approved by KSERC conformed to this requirement.

Tariff fixation

KSEB had an amount of ₹3393.86 crore outstanding as Regulatory Asset as on 31 March 2011. As per provisions it has to

be recouped within three years through tariff or written off thereafter which was not complied with.

Consumer satisfaction & redressal of grievances

KSEB has standardised and simplified procedures for effecting service connections besides notification of 75 model sections aimed at improving consumer satisfaction. KSERC has also promulgated Standard of Performance with stipulation for payment of compensation on non-adherence.

Recommendations

The Performance Audit Report contains five recommendations, viz., Capacity addition plans to be prepared in a realistic manner to avoid mismatch and under achievement; Centrally Sponsored Schemes to be implemented effectively to obviate Loss of Grants; KSEB should tie up for purchase of power on long term basis to obviate the need for purchasing expensive short term power; billing and revenue collection mechanism to be further streamlined; and the Tariff adopted to be brought to the norm of +/- 20 per cent of Average Cost of Supply for various categories of consumers.

Introduction

3.1 The distribution system of the power sector constitutes the final link between the power sector and the consumer. The efficiency of the power sector is judged by the consumers on the basis of performance of this segment. It constitutes the weakest part of the sector, which is incurring large Losses. In view of the above, the real challenge of reforms in the power sector lies in efficient management of the distribution system. The National Electricity Policy in this regard *inter alia* emphasises on the adequate transition from financing support to aid restructuring of distribution utilities, efficiency improvements and recovery of cost of services provided to consumers to make power sector sustainable at reasonable and affordable prices besides others.

3.2 Kerala State Electricity Board (KSEB) was a Statutory body constituted under Section 5 of the Electricity Supply Act, 1948. In accordance with the State Power Policy, KSEB was functionally organised (May 2002) into three profit centres, namely Generation, Transmission and Distribution with a Corporate Office for co-ordination. After the enactment of Electricity Act, 2003 KSEB has been functioning as the State Transmission Utility and a Distribution Licensee with effect from 10 December 2004 under section 172 (a) of the Act, *ibid*.

3.3 The Central Government approved the continuation of KSEB as a State Transmission Utility and Licensee. In exercise of powers conferred under Sections 131 and 133 of the Act *ibid*, Government of Kerala (GoK) issued (September 2008) notification vesting functions, properties, interests, rights, obligations and liabilities of KSEB in the State Government, in turn to be re-vested in a corporate entity formed under the provisions of the Companies Act, 1956. A new company by name Kerala State Electricity Board Limited was accordingly incorporated on 14 January 2011.

3.4 The management of KSEB was vested in a Board of Members consisting of the Chairman / Special Officer and seven members (four full time members, two ex-officio members representing the State Government and one non-official member nominated by the State Government). They were Members (Finance),

(Generation), (Transmission), (Distribution) and Secretary to Government (Power Department) and Principal Secretary to Government (Finance Department). The Board of Members was replaced by a Managing Committee headed by a Special Officer since 25 September 2008.

3.5 Energy sales within the state increased from 11331 MU in 2006-07 to 14547.90 MU in 2010-11 i.e., an increase of 28.38 *per cent*. During the corresponding period energy sales outside the State ranged from 76.66 MU (2009-10) to 1346.76 MU (2007-08). As on 31 March 2011, KSEB had distribution network of 303407 CKM[1], 361 sub-stations and 58528 transformers of various categories. KSEB had 1.01 crore customers as on 31 March 2011 and had a Turnover of ₹5695.42 crore (including other income) in 2010-11, which was equal to 39.06 *per cent* and 2.15 *per cent* of the Turnover of State PSUs and State Gross Domestic Product, respectively. Its employee strength was 29885 as on 31 March 2011.

3.6 National Electricity Policy (NEP) aims to bring out reforms in the Power Distribution sector with focus on system upgradation, controlling and reduction of Transmission and Distribution (T & D) Losses and power thefts and making the sector commercially viable besides financing strategy to generate adequate resources. It further aims to bring out conservation strategy to optimise utilisation of electricity with focus on demand side management and load management. In view of the above, a performance audit was conducted on the Power Distribution activities of KSEB to ascertain whether they were able to adhere to the aims and objectives stated in the NEP and National Electricity Plan and how far the distribution reforms have been achieved.

3.7 A performance audit on generation of electricity activity of KSEB was included in the Report of the Comptroller and Auditor General of India-No.4 (Commercial), Government of Kerala for the year ended 31 March 2010.

Scope and Methodology of Audit

3.8 The present performance audit conducted during January 2011 to June 2011 covers the performance of KSEB's distribution activity during the period from 2006-07 to 2010-11. The performance audit mainly deals with network planning and execution, implementation of Centrally Sponsored Schemes, operational efficiency, billing and collection efficiency, financial management, consumer satisfaction, energy conservation and monitoring. The audit examination involved scrutiny of records at the Head Office and 18[2] out of 65 electrical divisions, all the three Offices of Chief Engineers, two[3] out of three

[1] **Circuit kilometer (CKM) is the route kilometers determined by measuring the length in terms of kilometers of the actual path followed by the transmission utility.**

[2] **Adoor, Alathur, Balussery, Chengannur, Cherthala, Chittoor, Kalpetta, Kannur, Kodungalloor, Kollam, Kunnamkulam, Mananthavadi, Nilambur, Pala, Pallom, Pathanamthitta, Payyannur and Vaikom.**

[3] **Kundara and Kallai.**

regional stores, and four[4] out of five Transformer Maintenance Repair Divisions, all selected based on random sampling[5].

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

Audit Objectives

3.10 The objectives of the performance audit were to assess:

- whether aims and objectives of the National Electricity Policy/Plan were adhered to and distribution reforms achieved;
- adequacy and effectiveness of network planning and its execution;
- efficiency and effectiveness in implementation of Centrally Sponsored Schemes such as Restructured Accelerated Power Development and Reforms Programme (R-APDRP) and Rajiv Gandhi Grameen Vidyuthikaran Yojana (RGGVY);
- operational efficiency in meeting the power demand of the consumers in the State;
- efficiency of billing and collection of revenue from consumers;
- whether financial management was effective and surplus funds, if any, were judiciously invested;
- whether a system was in place to assess consumer satisfaction and redressal of grievances;
- that energy conservation measures were undertaken; and
- that a monitoring system was in place and the same was utilised in review of overall working of KSEB.

Audit Criteria

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

- provisions of Electricity Act 2003;

[4] **Thirumala, Shoranur, Pallom and Angamaly.**
[5] **Probability proportional to size without replacement.**

- National Electricity Plan, Annual Investment Plans and norms concerning distribution network of KSEB and planning criteria fixed by Kerala State Electricity Regulatory Commission (KSERC);
- terms and conditions contained in the documents relating to Centrally Sponsored Schemes;
- standard procedures for award of contract with reference to principles of economy, efficiency and effectiveness;
- norms prescribed by various agencies with regard to operational activities;
- norms of technical and non-technical Losses; and
- guidelines/ instructions/ directions of State Government / KSERC

Financial Position and Working Results

3.12 The financial position of KSEB for the five years ending 2010-11 was as given below:

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11*
Paid up Capital	1553.00	1553.00	1553.00	1553.00	1553.00
Reserves & Surplus (including Capital Grants and Committed Reserves but excluding Depreciation Reserve)	3536.12	4055.28	4683.58	5427.19	6184.63
Secured loans	72.92	59.06	237.39	160.46	317.64
Unsecured loans	2498.52	1856.72	1100.37	1409.48	1066.50
Current Liabilities & provisions	3349.90	3753.29	4235.22	4764.66	5782.71
Total	**11010.46**	**11277.35**	**11809.56**	**13314.79**	**14904.48**
Gross Block	8216.85	8684.56	9249.12	10192.17	11210.90
Less: Depreciation	3070.27	3489.36	3924.10	4375.33	4848.75
Net Fixed Assets	5146.58	5195.20	5325.02	5816.84	6362.15
Capital works-in- progress	1184.48	1090.49	1171.12	1017.86	974.10
Investments	16.49	16.49	25.80	19.50	19.50
Current Assets, Loans and Advances	2871.71	3501.52	3065.50	3005.12	2900.94
Regulatory Asset[6]	142.23	233.52	982.69	2210.20	3393.86
Deferred costs and intangible assets	46.67	37.83	37.13	42.97	51.63
Net subsidy to be written off	1602.30	1202.30	1202.30	1202.30	1202.30
Total	**11010.46**	**11277.35**	**11809.56**	**13314.79**	**14904.48**
Debt : Equity	**0.78:1**	**0.46:1**	**0.33:1**	**0.45:1**	**0.45:1**
Net Worth#	**3297.92**	**4134.63**	**4014.46**	**3524.72**	**3089.84**

** Figures for 2010-11 are provisional.*

Net worth represents equity plus reserves minus (Deferred costs & intangible assets plus Net subsidy to be written off plus Regulatory Asset).

[6] **The expenditure over income after accounting for prescribed rate of return on equity as notified by Central Electricity Regulatory Commission is treated as Regulatory Asset.**

3.13 It could be seen from the above table that the Regulatory Asset of KSEB had increased over the years and the Debt-Equity ratio showed fluctuating trend and stood at 0.45:1 in 2010-11 compared to 0.78:1 in 2006-07. The Net Worth of KSEB increased in 2007-08 in comparison to 2006-07 but decreased from 2008-09 onwards. The decline was due to increase in Regulatory Asset. Failure to utilise Regulatory Asset at the time of Tariff Fixation and to timely revise of tariff led to deterioration in financial position.

3.14 The particulars of cost of electricity *vis-à-vis* revenue realisation per unit therefrom were as indicated below:

(₹in crore)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
1	**Income**					
(i)	Revenue from Sale of Power	4286.13	4934.05	5097.49	4950.60	5403.76
(ii)	Revenue subsidy & grants	…	…	…	…	54.16
(ii)	Other income	130.03	201.79	252.33	233.26	237.50
	Total Income	**4416.16**	**5135.84**	**5349.82**	**5183.86**	**5695.42**
2	**Distribution (in MUs)**					
(i)	Total power sold	15844.95	16722.31	16069.43	17389.47	17869.75
	Less: Sub-transmission Losses outside State	370.10	310.40	312.57	357.53	401.73
	Power available for Sale	15474.85	16411.91	15756.86	17031.94	17468.02
(ii)	Less: Transmission & Distribution Losses	3096.96	3015.3	2879.21	3006.95	2789.88
	Net power sold	**12377.89**	**13396.61**	**12877.65**	**14024.99**	**14678.14**
3	**Expenditure on Distribution of Electricity**					
(a)	**Fixed Cost**					
(i)	Employees Cost	898.09	904.87	1255.19	1451.53	1712.80
(ii)	Administrative and General expenses	135.10	125.35	135.45	166.95	174.56
(iii)	Depreciation	409.98	419.09	434.74	451.22	473.43
(iv)	Interest and Finance charges	429.34	352.77	339.60	263.56	280.91
	Total fixed cost	**1872.51**	**1802.08**	**2164.98**	**2333.26**	**2641.70**
(b)	**Variable cost**					
(i)	Purchase of Power	1741.14	2297.04	3832.18	3748.87	3958.98
(ii)	Electricity Duty	198.40	215.72	227.69	258.26	290.12
(iii)	Repairs & Maintenance	110.99	116.26	138.79	173.16	231.85
	Total variable cost	**2050.53**	**2629.02**	**4198.66**	**4180.29**	**4480.95**
(c)	**Total cost 3(a) + (b)**	**3923.04**	**4431.10**	**6363.64**	**6513.55**	**7122.65**
4	Realisation (₹ per unit)	3.46	3.68	3.96	3.53	3.72[7]
5	Fixed cost (₹ per unit)	1.51	1.35	1.68	1.66	1.80
6	Variable cost (₹ per unit)	1.66	1.96	3.26	2.98	3.05
7	Total cost per unit (in ₹) (5+6)	3.17	3.31	4.94	4.64	4.85

[7] **Including revenue subsidy.**

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11
8	Contribution (4-6) (₹ per unit)	1.80	1.72	0.70	0.55	0.67
9	**Profit (+)/Loss(-) per unit (in ₹) (4-7)**	**0.29**	**0.37**	**-0.98**	**-1.11**	**-1.13**

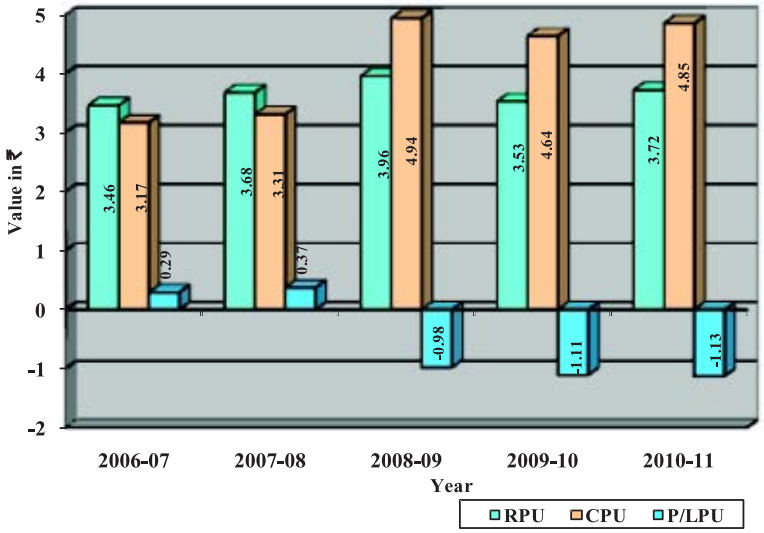
3.15 The realisation per unit saw a fluctuating trend and reached ₹3.72 in 2010-11 down from ₹3.96 of 2008-09 but improvement from ₹3.53 of 2009-10. The cost per unit of operation increased from ₹3.17 in 2006-07 to ₹4.94 in 2008-09 and decreased to ₹4.85 in 2010-11. The Contribution per unit had declined from ₹1.80 in 2006-07 to a low of ₹0.55 in 2009-10 but improved to ₹0.67 in 2010-11.

3.16 It was also evident from the above table that purchase of power and employee cost represented 55.58 and 24.05 *per cent* of the total cost in 2010-11. Revenue from sale of power represented 94.88 *per cent* of the total revenue in 2010-11.

3.17 We observed that revenue from sale of power had increased gradually from ₹4286.13 crore in 2006-07 to ₹5403.76 crore in 2010-11 except for a marginal slide in 2009-10. This was due to withdrawal, in 2009-10, of special tariff for excess consumption above the quota fixed for each consumer and withdrawal of thermal surcharge permitted (2008-09), by Kerala State Electricity Regulatory Commission (KSERC). During 2008-09 there was a huge increase of 43.61 *per cent* in the total cost as the employee cost jumped by 38.71 *per cent* following wage revision and the cost of purchase of power increased by 66.83 *per cent*.

Recovery of cost of operations

3.18 KSEB was not able to recover its cost of operations from the years 2008-09 onwards. Realisation Per Unit (RPU), Cost Per Unit (CPU) and Profit/ Loss Per Unit (P/LPU) earned by KSEB during the last five years ending 2010-11 were as shown in the graph below:



3.19 It could be seen from the table relating to financial position that there remained a Regulatory Asset of ₹142.23 crore in 2006-07 which increased to ₹3393.86 crore in 2010-11 (even after including revenue Subsidies & Grants). The steep increase in Regulatory Asset needs immediate attention of the State Government for necessary remedial action. Our analysis revealed that the main reason for deficit was purchase of power at increasingly higher price and there being no increase in sale price of power.

Audit Findings

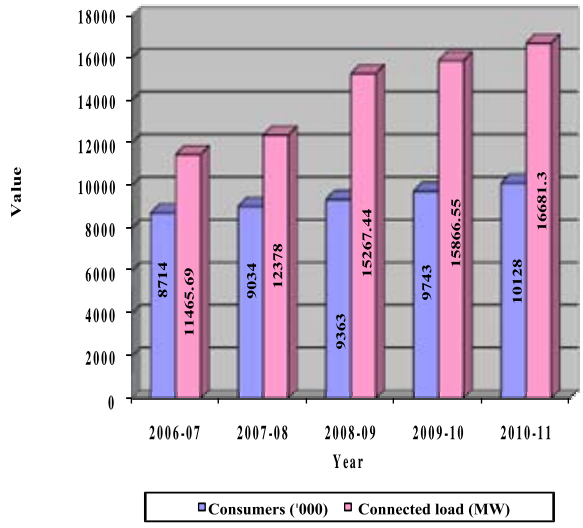
3.20 We explained the audit objectives, criteria and scope of performance audit to the Management of KSEB during an Entry Conference (March 2011). Audit findings were reported to the Management and the State Government (July 2011) and were discussed in an Exit Conference (September 2011). The Exit Conference was attended by Member (Finance) and Member (Distribution) of KSEB and the Additional Secretary, Power Department. While KSEB replied to audit findings (September 2011), Government replies were awaited (November 2011). The views expressed by the management have been considered while finalising this Performance Audit Report. The audit findings are discussed in subsequent paragraphs.

Distribution Network Planning

3.21 KSEB is required to prepare long term/ annual plan for creation of infrastructural facilities for efficient distribution of electricity so as to cover maximum population in the State. Besides the upkeep of the existing network,

additions in distribution network are planned keeping in view the demand/ connected load, anticipated new connections and growth in demand based on Electric Power Survey conducted by Central Electricity Authority. Considering physical parameters, capital investment plans are submitted to the State Government/KSERC. The major components of the outlay include normal development and system improvement besides rural electrification and strengthening of IT enabled systems.

3.22 The number of consumers and connected load during audit period were as given below in bar chart.



3.23 While the system improvement and rural electrification schemes have been dealt with separately under subsequent paragraphs, the particulars of distribution network planned *vis-a-vis* achievement there against in the State as a whole are depicted in ***Annexure 12***.

HT / LT ratio

3.24 High voltage distribution system is an effective method of reduction of technical losses, prevention of theft, improved voltage profile and better consumer service. The Government of India (GoI) had also stressed (February 2001) the need to adopt LT less system of distribution through replacement of existing LT lines by HT lines to reduce the distribution Losses. The KSERC had also accepted the proposal to make the system LT Less and bring it to the ideal ratio of 1:1. Though the HT / LT ratio of KSEB improved from 1:6.29 in 2006-07 to 1:5.38 in 2010-11 as shown in ***Annexure 12***, the same was way behind the ideal ratio of 1:1. KSEB had not formulated any action plan to achieve the ideal ratio. The increase in LT lines was 38007 kms while the increase in HT lines was 12905 kms during audit period.

HT/ LT ratio was 1:5.38 against ideal level of 1:1.

Management admitted (September 2011) that there was scope for improvement in the ratio even though the ideal ratio of 1:1 would not be achievable in the State due to high density of population.

Inadequate Transformation Capacity

3.25 The ideal ratio of transformation capacity to connected load is considered as 1:1. The table below gives the details of transformation capacity at 110/66/33/11 KV sub-stations and connected load of the consumers in the State during the period 2006-07 to 2010-11.

(in MVA)

Year	Transformation Capacity	Connected Load
2006-07	4853.30	12739.65
2007-08	5017.17	13753.33
2008-09	5239.70	16963.82
2009-10	5661.20	17629.50
2010-11	5763.70	18534.78

It could be seen that there was gap in transformation capacity but KSEB replied (September 2011) that as per its assessment, the existing transformation capacity was sufficient given that domestic consumers constituted 80 *per cent* of the total consumers and the all time maximum demand recorded in the State was 3119 MW only against the present total connected load of 16681.30 MW (18534.78 MVA).

Sub-station

3.26 Sub-station (SS) is a part of an electrical generation, transmission and distribution system. Sub-stations transform voltage from high to low and *vice versa* or perform any of several other important functions. A distribution sub-station transfers power from the transmission system to the distribution system of an area. The distribution sub-station reduces voltage to a value suitable for local distribution. Increase in connected load can be catered to by construction of new SS or enhancement of existing SS.

The planned and actual additions in sub-stations during five years from 2006-07 to 2010-11 were as given in ***Annexure 12.*** The percentage of achievement was 20.55, 26.03, 21.43, 36.25 and 15.29 for the years 2006-07 to 2010-11 reflecting unrealistic planning by KSEB.

Addition of sub-stations was only 94 as against 166 planned.

It could be seen that as against the planned addition of 166 SS during 2006-07 to 2010-11, only 94 SS were actually added. The connected load of 11465.69 MW in 2006-07 increased to 16681.30 MW in 2010-11. The transformer capacity increased from 5033.35[8] MVA to 7158.51 MVA during the same period.

Management replied (September 2011) that over targeting in network and sub-station planning was deliberately resorted to counter extraneous causes of slippage like court interventions and public interest. The reply was not acceptable

[8] **At the beginning of 2006-07**.

and we felt that absence of proper survey and defective Detailed Project Reports (DPR) coupled with poor execution of projects had led to the non-achievement of targets.

Implementation of Centrally Sponsored Schemes

Rural Electrification

3.27 The National Electricity Policy states that the key objective of development of the power sector is to supply electricity to all areas including rural areas for which the GoI and the State Governments would jointly endeavour to achieve this objective. Accordingly, the Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) was launched in April 2005, which aimed at providing access to electricity for all households in five years for which the GoI provides 90 *per cent* capital subsidy.

3.28 Besides, the GoI notified the Rural Electrification Policy (REP) in August 2006. The REP *inter-alia* aimed at providing access to electricity to all households by 2009 and Minimum Lifeline Consumption of one unit per household per day as a merit good by the year 2012. The other rural electrification schemes viz., Accelerated Electrification of one lakh villages and one crore households, Minimum Needs Programme were merged into RGGVY. The features of the erstwhile 'Kutir Jyoti Programme' were also suitably integrated into this scheme.

3.29 As on 31 March 2006, all the 1467 villages in the State (as per 2001 Census) were electrified (100 *per cent*) as per the definition[9] of Ministry of Power (MoP).

RGGVY launched (April 2005) by GoI envisaged electricity supply to all rural households in a five year period. The Scheme contemplated creation of necessary infrastructure through:

- Rural Electricity Distribution Backbone (REDB) – provision of at least one 33/11 KV or 66/11 KV sub-station of adequate capacity in each block;
- Village Electrification Infrastructure (VEI) – electrification of every village with a distribution transformer in each habitation;
- Decentralised Distributed Generation (DDG) and supply- DDG system in villages where the grid connectivity is not feasible or cost effective; and
- Below Poverty Line Households to get electricity connection free of charge and revenue sustainability of electricity supply to be ensured through franchisees who could be Non-Governmental Organisations, Users' Associations, Co-operatives or Individual Entrepreneurs with association of Panchayati Raj Institutions.

[9] **If the number of households electrified were at least 10 *per cent* of the total number of households in the village, the village would be declared as electrified.**

Rural Electrification Corporation Limited (REC) was the nodal agency for the implementation of the programme in the State. The programme was to be implemented in the State in two phases covering seven districts each. The following deficiencies were noticed in the preparation of Project Report:

- As per 2001 census, the number of un-electrified rural households in the 14 districts of the State was 17.04 lakh. KSEB submitted (May 2005) proposal for electrification of 4.68 lakh[10] rural households only (including 2.09 lakh Below Poverty Line (BPL) households) through construction of seven Nos 66/11 KV sub-stations and 18 Nos 33/11 KV sub-stations at a cost of ₹438.36 crore.
- The number of un-electrified BPL households in the seven districts under first phase[11] was 2.04 lakh. Out of these, only 1.22 lakh BPL households were included in the Scheme, indicating absence of proper planning and action plan which resulted in exclusion of 0.82 lakh BPL households in the Scheme.

KSEB was sanctioned (June 2005) an amount of ₹221.75 crore by REC for the first phase covering seven districts. A tripartite agreement was executed (July 2005) between KSEB, GoK and REC and turnkey tenders were invited (January 2006) for implementation of the Scheme. The tender found no bidders and district-wise turnkey tenders were invited. The lowest rates received ranged from 76 *per cent* to 88 *per cent* above Probable Amount of Contract (PAC). KSEB therefore requested GoI / REC to permit them to execute the works on local contract basis after providing the materials departmentally, except for the district of Idukki.

A quadripartite agreement was signed (February 2007) between KSEB, GoK, REC and NTPC Electricity Supply Company Ltd (NESCL) by which NESCL agreed to provide consultancy for implementation of projects in remaining six districts covered under first phase of the project. REC sanctioned (March 2010) ₹114.57 crore on the basis of the DPR prepared by NESCL. Sanction for DPR by REC was delayed due to:

- Information furnished (in respect of 66/11 KV substation, 66 KV DC line, extension of 11 KV feeder etc) by KSEB which was necessary to prepare DPRs being not in conformity with RGGVY guidelines;
- The schedule of completion of activities (PERT chart) being not provided in the submitted DPRs;

KSEB awarded (January 2007) the work of Idukki district to ICSA India Ltd., Hyderabad on turnkey basis for ₹17.65 crore (i.e., 19.45 *per cent* above PAC of ₹14.78 crore). Letter of Award (LoA) was issued (January 2007) and the entire work was to be completed by 18 months from the date of LoA. The scheme for Idukki district was completed in June 2010. The total expenditure incurred

[10] **Thiruvananthapuram-34727, Kollam-27569, Pathanamthitta-53131, Alappuzha-54348, Kottaym-10946, Idukki-23799, Ernakulam-23005, Thrissur-32202, Palakkad-35881, Malappuram-38167, Kozhikode-50674, Kannur-18831, Wayanad-38404, Kasargode-26162.**

[11] **Idukki, Kannur, Kasargod, Kozhikode, Malappuram, Palakkad and Wayanad.**

(2007-2011) by KSEB in respect of Idukki district was reimbursed (March 2007 to January 2010) by REC.

We noticed in respect of execution of work of Idukki district that:

KSEB after awarding the work (January 2007) prepared a revised DPR by increasing the quantities of work (approved by REC in January 2009) with estimated cost of ₹19.95 crore. The actual quantity executed with respect to quantity as per work order and DPR and quantity eligible for rate revision as at June 2010 were as shown below:

Sl. No	Details	Unit	Quantity				
			As per work order	As per revised DPR	Actual execution	Excess executed	Eligible for rate revision
1	No. of Villages	No.	38	39	37	--	-
2	No. of Karas	No.	81	100	83	2	-
3	Erection of 11KV lines	Km.	504.44	350.90	249.94	--	Nil
4	Erection of 25 KVA transformer	No.	351	308	275	--	Nil
5	Erection of Three Phase LT line	Km.	34.28	62.14	63.51	29.23	12.08
6	Erection of DTR meters	No.	351	308	275	--	Nil
7	Erection of Single Phase LT line	Km.	126.97	258.35	368.68	241.71	178.225
8	BPL service connection effected	No.	17834	16097	17238	---	-

As per clause 9.1 of the Special Conditions of Contract (SCC) read with Clause 24.1 of the General Conditions of Contract (GCC) of KSEB, variation in quantities were to be limited to 50 *per cent* for individual items and total variation in all items under the contract shall be limited to 20 *per cent* of contract price. For quantity variation of individual items beyond 50 *per cent,* the matter shall be referred to competent authority of implementing agency.

KSEB allowed rate revision in respect of the following works resulting in excess payments amounting to ₹83.30 lakh in contravention of Clause 24.1 of GCC and 9.1 of SCC, as shown below:

Sl. No	Details of work	Quantity			Old rate	RR	Excess rate	Excess paid
		Paid at revised rate (RR)	Eligible for RR	Excess paid	(₹ in lakh)			
1	TP LT line (km)	29.23	12.08	17.15	1.70933	2.5886	0.87927	15.07
2	SP LT line (km)	241.71	178.22	63.49	1.21719	1.82515	0.60796	38.60
3	25 KVA Transformer (No)	55	-	55	0.82779	1.36396	0.53617	29.49
4	DTR meters (No.)	55	-	55	0.08719	0.08979	0.0026	0.14
Total								**83.30**

The works were awarded (August 2010 to January 2011) on turnkey basis in respect of six districts (total PAC ₹98.35 crore). The first installment received (October 2010) was ₹20.84 crore which included loan portion of ₹2.12 crore.

RGGVY scheme (2005) could not be implemented in seven districts.

Revised DPRs for implementation of RGGVY in the seven districts under the second phase were submitted only in September 2010 to REC and sanction was awaited (November 2011).

We observed that:

- Even though five years had elapsed since the commencement of the Scheme, the sanction for the works in seven districts to be covered in phase II had not been obtained.
- Development of franchisee system was precondition (MoP, GoI order March 2005) for release of second installment of fund by REC. The matter of implementation of franchisee system in KSEB required major policy decision at higher level. No decision had been taken on the issue so far (November 2011) which would result in further delay of the already sanctioned projects and non-attainment of the objectives of the Scheme.

Thus, ineffective project implementation defeated the very objective of the Scheme of providing electricity connection to 4.51 lakh[12] targeted rural households including 1.92 lakh[13] BPL households in the 14 districts.

Management while accepting (September 2011) the observations in respect of works of Idukki district explained that the failure in conducting accurate survey to ascertain the actual requirement led to initial underassessment of quantity of work to be executed. The Management did not reply to the observations regarding the delay in implementation of the Scheme in other districts.

Restructured Accelerated Power Development and Reforms Programme

3.30 GoI introduced (February 2000) the Accelerated Power Development Reforms Programme (APDRP) scheme through State Governments for strengthening the distribution and sub-transmission network in the country so as to reduce the AT&C Losses and impart better service to the consumers. The Scheme had two components; incentive component and investment component.

3.31 The incentive component of the Scheme was meant for incentivising up to 50 *per cent* of the actual cash loss reduction that would be achieved by SEBs / Utilities for the 10th Five Year Plan period.

Investment component of the Scheme involves replacement of mechanical meters with static meters, installation of feeder meters, LT capacitors, sub-station repairs and maintenance, DTR repairs and maintenance, billing centre, data logging, call

[12] **4.68 lakh rural households in 14 districts targeted for providing electricity connection under the Scheme, as reduced by 0.17 lakh BPL households in Idukki district who were provided electricity connection under the Scheme so far.**

[13] **2.09 lakh BPL households targeted minus 0.17 lakh BPL households actually electrified.**

centre, boarder meter, re-conductoring of LT 11 KV and LT lines, installation of new DTRs. Under investment component, 25 *per cent* project cost would be grant and the balance was to be arranged by SEBs. As per the guidelines, the Scheme was to be completed between two to three years from the date of sanction.

A total of 52 schemes was sanctioned by MOP for the State during the period 2002 to 2005 for a total project cost of ₹858.50 crore.

- KSEB could complete only 38 schemes within the timeframe of 36 months when the Scheme was closed by MOP on 31 March 2009. In respect of remaining 14 schemes (three city and 11 town schemes sanctioned for ₹438.88 crore), works to the extent of ₹232.32 crore remained incomplete.

Due to time overrun works to the extent of ₹232.32 crore could not be executed under APDRP with consequential loss of grant of ₹58.08 crore

Thus, the opportunity to get grant of ₹58.08 crore (25 *per cent* of incomplete project cost of ₹232.32 crore) was lost and had to execute the balance work with own funds treating it as normal development work.

In respect of the three incomplete city schemes, KSEB had anticipated substantial line loss reduction due to automation and strengthening of distribution system. Due to the schemes remaining incomplete the envisaged annual benefit to the extent of 29.43 MUs of power worth ₹7.36 crore could not be achieved.

Management replied (September 2011) that the delay in execution of work was attributable to:

- delay in commencement of work by contractor;
- non-submission of work schedule within the time frame;
- delay in survey of work; and
- delay in getting sanctions/permissions from the local authorities.

It was further stated that though there was fund loss, the objective of the Scheme was achieved as all physical parameters were achieved and the delay was due to various hurdles faced during execution of the Scheme.

The contentions of KSEB for delay in execution were inherent in such schemes and were controllable. Thus, despite the Scheme parameters being achieved KSEB had to forego not only grants of ₹58.08 crore but also the envisaged annual benefit to the extent of ₹7.36 crore by way of reduction in line losses due to non-commissioning of the three city schemes.

Laying of 11 KV XLPE[14] Underground cable

3.32 With a view to providing quality power with minimum losses, project for laying of 11 KV XLPE underground (UG) cable within the town limits of Kasaragode and Kanhangad under APDRP Circle scheme was taken up. In order to get approval from Power-Telecom Co-ordination Committee (PTCC) which was mandatory for energisation of the UG cables, KSEB was to adhere to PTCC standard of minimum vertical and horizontal clearance of 0.60 meters between telecom and power cables. KSEB could not adhere to this requirement due to

[14] **Cross Linked Polyethylene Insulated Power Cable.**

UG cables laid at a cost of ₹1.73 crore were not energized.

supervisory lapses in execution of the contract work. PTCC denied (December 2007) permission for energisation of UG cables laid (July 2006) in these towns at a cost of ₹1.73[15] crore. The objective of the works remained unachieved since July 2006 and we are of the opinion that the investment had gone waste.

Restructured APDRP Scheme

3.33 In order to carry on the reforms further, the GOI launched (July 2008) the Restructured APDRP (R-APDRP) as a Central Sector Scheme for XI Plan. The R-APDRP scheme comprises Part A and B. Part A aimed to establish IT enabled system for achieving reliable and verifiable baseline data system in all towns besides installation of SCADA[16]/ Distribution Management System. For this, 100 *per cent* loan was provided which was convertible into grant on completion and verification of the same by Third Party independent evaluating agencies. Part B of the scheme dealt with strengthening of regular sub-transmission & distribution system and upgradation projects.

Delay in implementation of R-APDRP Scheme

Execution of works under Restructured APDRP was lagging behind schedule.

3.34 Part A of the project was to be completed within three years of sanction. GOI approved DPRs (worth ₹214.39 crore) of Part A for 43 town schemes and sanctioned (November 2009) 100 *per cent* Loan of ₹214.39 crore. GOI released (January 2010) fund of ₹64.31 crore for Part A of the project. Out of this, only ₹1.24 crore and ₹4.19 crore were utilised during 2009-10 and 2010-11 respectively leaving an unspent balance of ₹58.88 crore.

For Part A of the Scheme, a work order for ₹189.94 crore to KDN Korea for supplying an IT enabled system was issued (September 2010). GOK directed (December 2010) cancellation of the process expressing reservation over the tender process and is under litigation.

KSEB submitted (March 2010) DPRs of Part B for 40 town schemes to the Nodal agency - Power Finance Corporation Ltd for sanction and the same was approved (11 schemes in June 2010, 21 in August 2010 and eight in December 2010). DPRs for the balance three schemes were submitted in October 2010 of which two schemes were sanctioned in February 2011 and one is pending sanction. The project cost approved for Part B was ₹872.17 crore. GoI in sanctioning Loan of ₹218.04 crore (25 *per cent*) released (January 2010) ₹75.51 crore and ₹55.32 crore in 2011-12. The balance was yet to be received. The implementation of Part B of the Scheme was in initial stages and KSEB could spend only ₹18 crore.

Strengthening of sub-transmission and distribution system

3.35 The focus in this part was on reduction of Aggregate Technical & Commercial (AT&C) Losses on sustainable basis. Twenty five per *cent* of this Scheme Cost was to be provided as Loan and up to 50 *per cent* of the Loan was

[15] **Kasargode ₹79.31 lakh and Kanhangad ₹93.99 lakh.**
[16] **Supervisory Control And Data Acquisition – It generally refers to industrial control systems: computer systems that monitor and control industrial infrastructure, or facility-based processes.**

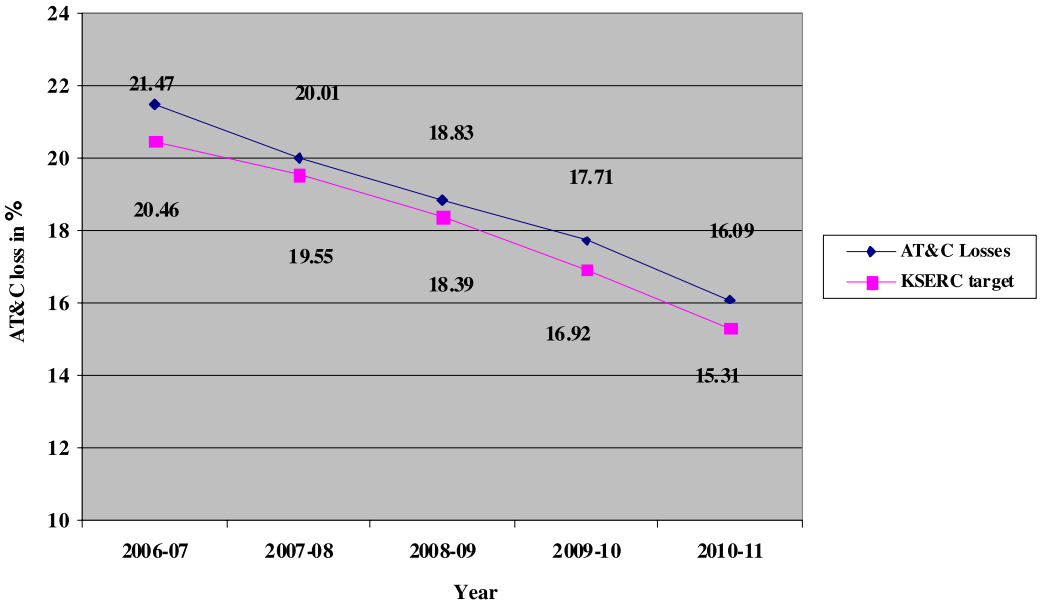
convertible to Grant depending on the utility maintaining AT&C Loss level at 15 *per cent* for five years.

Aggregate Technical & Commercial Losses

There was progressive reduction in AT&C losses.

3.36 One of the prime objectives of R-APDRP scheme was to strengthen the distribution system with the focus on reduction of AT & C Losses on sustainable basis.

The graph below depicts the AT & C Losses of KSEB during 2006-07 to 2010-11.



Though there had been a steady improvement in AT&C Loss reduction, the percentage of actual energy loss was high when compared to the KSERC target. KSEB should strive to achieve the target fixed by KSERC.

Consumer metering

3.37 Cent *per cent* metering had been achieved prior to 2006-07 itself.

Operational Efficiency

3.38 The operational performance of an electrical utility is judged on the basis of availability of adequate power at reasonable rates for distribution, adequacy and reliability of distribution network, minimising line losses, detection of theft of electricity, etc. These aspects have been discussed below.

Purchase of Power

3.39 The demand for energy has been increasing year after year in the State due to economic development. Assessment of future demand and requirement of

power is calculated on the basis of past consumption trends, present requirement, load growth trends and AT & C Losses and its trend.

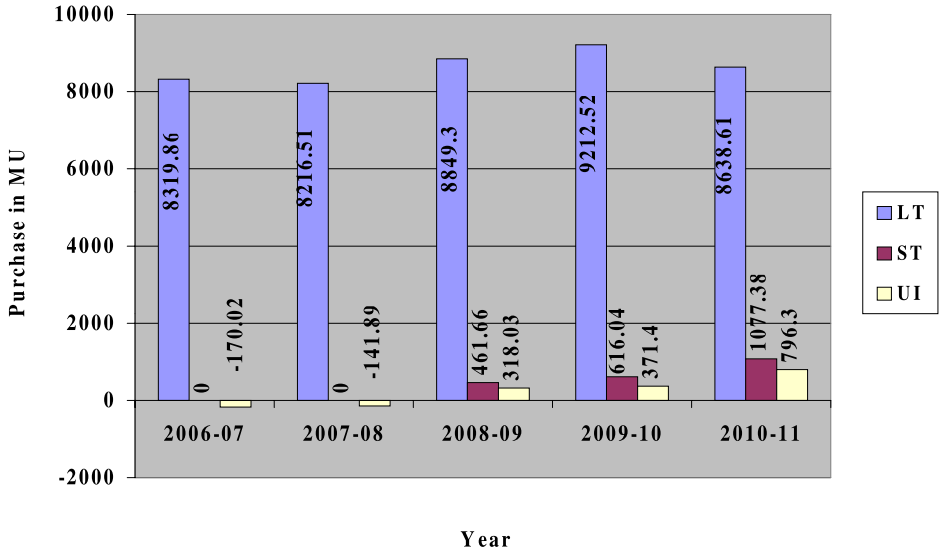
The details of demand of power assessed for the State based on the 17th Electric Power Survey (EPS), demand for power approved by KSERC and power purchased during the period 2006-07 to 2010-11 in respect of the State as a whole were as under:

(in Million Units)

Year	Demand assessed in EPS	Demand approved by KSERC	Power generation and purchase	Surplus/ (Deficit)	Surplus/ (Deficit) against KSERC's approval
(1)	**(2)**	**(3)**	**(4)**	**(5) = (4 – 2)**	**(6) = (4 – 3)**
2006-07	13786	13652	14428	642	776
2007-08	15315	15315	15065	(250)	(250)
2008-09	16266	16156	15293	(973)	(863)
2009-10	16913	16665	16978	65	313
2010-11	17821	17461	17337	(484)	(124)

It may be seen from the above table that the power requirement was in excess of the assessment as approved by KSERC during 2006-07 and 2009-10. There was shortfall in the years 2007-08, 2008-09 and 2010-11.

For the above purchases, KSEB entered into long term (LT) and short term (ST) power purchase agreements with various agencies, viz., State Generation Units, Central PSUs, IPPs, etc., besides unscheduled interchange (UI) purchases on need basis. The break up of the total power purchased into LT, ST and UI was as follows:-



It could be seen from the above that there was no short term purchase during 2006-07 and 2007-08. Thereafter the short term purchase increased every year (33.44 *per cent* during 2009-10 and 74.89 *per cent* during 2010-11 compared to previous years) whereas there was drop in long term purchase in the years 2007-08 and 2010-11.

The source-wise purchase of power during audit period was as given in ***Annexure 13.***

3.40 KSEB was not able to meet the power requirements of the consumers in the State from its own generating units. It made purchases from Central pool - NTPC - a GoI PSU and private sources.

Cost per unit of power both under short term and long term purchase was increasing from 2009-10 onwards. While cost of short term purchase increased from ₹4.50 in 2009-10 to ₹4.66 in 2010-11, increase in cost of long term purchase was from ₹3.12 in 2009-10 to ₹3.34 in 2010-11.

The purchase of power from outside parties had to be seen in view of the fact that its own Capacity Expansion plans during the period 2006-2011 were not fructifying as separately discussed in Para 3.52 below.

This indicated the need for capacity addition/ augmentation of own generation or the need to enter into LT purchase contract to avoid expensive ST purchases.

Sub-transmission & Distribution Losses

3.41 The distribution system is an important and essential link between the power generation source and the ultimate consumer of electricity. Efficient functioning of the system requires that there are minimum losses in sub-transmission and distribution of power. While energy is carried from the generation source to the consumer, some energy is lost in the network. The losses at 33KV stage are termed as sub-transmission losses while those at 11 KV and below are termed as distribution losses. These are based on the difference between energy received (paid for) by the distribution utility and energy billed to consumers. The percentage of losses to available power indicates the effectiveness of distribution system. The losses occur mainly on two counts, *i.e.*, technical and commercial. Technical losses occur due to inherent character of equipment used for transmitting and distributing power and resistance in conductors through which the energy is carried from one place to another. On the other hand, commercial losses occur due to theft of energy, defective meters and drawal of unmetered supply, etc.

The table below indicated the energy losses of KSEB for the five years up to 2010-11:

(In Million Units)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Generation and purchase	14427.97	15065.11	15293.51	16978.04	17337.78
2.	Sale within State [17]	11331	12049.85	12414.32	13971.09	14547.90
3.	Energy losses (1 – 2)	3096.97	3015.26	2879.19	3006.95	2789.88
4.	Percentage of energy losses (*per cent*) {(3 / 1) x 100}	21.47	20.01	18.83	17.71[18]	16.09
5.	Percentage of losses allowed by KSERC (*per cent*)	20.46	19.55	18.39	16.92	15.31
6.	Excess losses (in MUs)	145.69	69.30	67.29	134.13	135.23
7.	Average realisation rate per unit (in ₹)	3.46	3.68	3.96	3.53	3.72[19]
8.	Value of excess losses (₹ in crore) (6 x 7)	50.41	25.50	26.65	47.35	50.31

AT&C Losses during 2006-2010 exceeded the norm fixed by KSERC with financial impact of ₹200.22 crore.

It would be seen from the above table that losses had come down progressively and ranged between 21.47 *per cent* and 16.09 *per cent* during the five years ending 31 March 2011 but was more than the targets of 15 *per cent* and 15.31 *per cent* set by MoP and KSERC respectively for achievement by 2010-11.

The importance of reducing losses could be gauged from the fact that every *per cent* decrease in energy loss would add an additional revenue of ₹64.50 crore to KSEB at current average realisation rates.

[17] **This represents the energy available for sale within the state after deducting all the losses and sale outside the state.**
[18] **Truing up is pending before Kerala State Electricity Regulatory Commission.**
[19] **including revenue subsidy**

Management replied (September 2011) that the target fixed for reduction of AT&C Loss by 2011-12 in KSEB was 15.89 *per cent*. The reply is not correct as the target set for AT&C Losses by MOP was 15 *per cent* by the year 2010-11.

Performance of Distribution Transformers

3.42 KSERC had fixed the norm of failure of Distribution Transformers (DTRs) (five *per cent* for urban and 12 *per cent* for rural areas) in its Tariff Orders. The details of norms fixed, actual DTRs failed and the expenditure incurred on their repairs were as shown below:

DTR failure was within the norms fixed by KSERC.

Sl.No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Existing DTRs at the close of the year(in Number)	39848	42924	47036	52724	58528
2.	DTR failures (in Number)	1728	1634	1310	1429	1207
3.	Percentage of failures	4.34	3.81	2.79	2.71	2.06
4.	Norm allowed by SERC (in percentage) (Urban/Rural)	5 /12	5 /12	5 /12	5 /12	5 /12
5.	Excess failure percentage over norms	Nil	Nil	Nil	Nil	Nil
6.	Expenditure on repair of failed DTRs (₹ in crore)	1.72	1.24	1.28	1.17	1.31

It could be seen from the above table that the percentage of failure was within the norms and showed a decreasing trend. Cause-wise analysis of failure of DTRs revealed that failure due to over loading ranged between 9.10 *per cent* to 18.70 *per cent* during the period under audit.

Detailed analysis of four[20] selected Transformer Maintenance and Repair divisions revealed that failure on account of LT line short, poor oil condition, loose connection, less Insulation Resistance (IR) value, lightning, internal short circuit and less oil level contributed between 81.30 *per cent* to 90.90 *per cent* of the total failures (other than manufacturing defects) during the audit period, which were controllable.

Procurement of conventional Distribution Transformers.

3.43 Government of India made (July 2009) purchase of energy efficient star rated DTRs mandatory with effect from January 2010. The minimum recommended star rating was three. Use of three star rated DTRs, compared to the conventional type DTR, envisaged an annual energy saving of 1808.06 units for a 100 KVA DTR and 3347.196 units for a 160 KVA DTR.

Procurement of conventional DTRs in place of star rated DTRs would result in loss of energy of 76.5 MUs having revenue impact of ₹28.46 crore.

We noticed that KSEB purchased 1600 conventional 100 KVA DTRs and 50 numbers 160 KVA DTRs between May and July 2010 which translated into aggregate annual loss of 3.06 MUs of Power. Reckoning the average life of

[20] **Thirumala, Pallam, Angamaly, Shornur**

star rated DTRs as 25 years, the potential loss of energy would be as much as 76.5 MUs worth ₹28.46 crore[21].

Management stated (September 2011) that purchase of conventional transformers was resorted to for effecting timely service connections and for carrying out the targeted works as per annual plan which otherwise would have been delayed. They further stated that the loss worked out in Audit was based on assumptions and not on actual system loss measurement. The reply was not tenable as notification making use of star rated transformers, by Bureau of Energy Efficiency was mandatory with effect from January 2010 and the purchase orders for procurement of star rated DTRs were issued only in July 2010. The loss was worked out on the basis of envisaged savings in energy if star rated transformers were installed.

Capacitor Banks

3.44 As at the beginning of 2006-07 the KSEB had an installed capacity of capacitor banks to the extent of 1405 MVAR. During audit period, 2006-07 to 2010-11, no new capacitor banks were added which could have improved the voltage profile and reduced dissipation of energy to a great extent. Thus, the opportunity of reducing loss of energy was lost.

Incidence of theft

3.45 Commercial losses are caused due to theft of energy by tampering of meters by the consumers and unauthorised tapping /hooking by the non-consumers. As per section 135 of Electricity Act 2003, theft of energy is an offence punishable under the Act. As per Section 126 (5) of the Electricity Act 2003 the penalty to be levied for unauthorised use of electricity is to be determined for the entire period for which theft is established or twelve months prior to the date of detection of theft, if the actual period could not be ascertained. This would require checking of electrical installations at consumers premises at least once in a year.

Performance of Raid Team

3.46 In order to minimise the cases of pilferage/loss of energy and to save KSEB from sustaining heavy financial losses on this account, Section 163 of Electricity Act 2003, provides that the licensee may enter the premises of a consumer for inspection and testing the apparatus. There were 13 Anti-Power Theft Squads (APTS) as at the end of March 2011 in KSEB. This Vigilance team headed by an Officer of the rank of Inspector General of Police at its headquarters was entrusted with the task of conducting raids/ checking the premises of the consumers with the assistance of Assistant Engineers and other departmental officers of KSEB. Executive Engineers of the divisions concerned were required to prepare work plan to conduct raids by identifying such consumers/areas where

[21] **At the rate of ₹3.72 per unit, having a net present value of ₹1.23 crore (discounted at 12 *per cent* per annum) and adjusted for the excess expenditure in purchase of star rated DTRs.**

large scale theft was suspected. Following was the position of raids conducted during audit period:

Sl No	Year	Consumers as on 31 March	Target	Consumers checked	Theft Cases	Assessed amount	Realised amount	Unrealised amount
		Number				(₹ in crore)		
1	2006-07	8713870	9600	16221	1895	12.73	11.04	1.69
2	2007-08	9033756	13200	18606	1144	16.93	10.49	6.44
3	2008-09	9363461	13200	15792	504	29.57	18.96	10.61
4	2009-10	9743476	15600	17936	369	30.63	20.47	10.16
5	2010-11	10127946	15600	21413	355	13.83	10.94	2.89

As per Section 126 of the Electricity Act, 2003, in the event of detection of unauthorised connected load, consumers shall be penalised at twice the normal tariff for twelve months prior to the date of detection. For theft, the penalty fixed varied between three to six times the financial gain on account of such theft of electricity.

We noticed that:

- Each team had a target of 100 raids per month. The percentage of checking of consumers was on an average 0.20. The percentage of checking in terms of number of consumers had decreased from 3.52 in 2008-09 to 2.17 in 2010-11 in respect of EHT/HT consumers. In respect of industrial, commercial, agricultural and domestic category of consumers the percentage of checking was 5.31, 0.57, 0.16 and 0.09 respectively as at the end of 2010-11.
- Given the low frequency of checking, the time gap between one check and subsequent check could be more than one year. The penalty system as thus formulated did not act as a deterrent due to low frequency of checking.
- Out of unrealised amount of ₹31.79 crore, 113 cases involving ₹3.75 crore were in litigation as at the end of March 2011.

Management replied (September 2011) that apart from the APTS inspection, consumers' premises were also inspected by Section squads and by sub-engineers and meter readers. Management reply was however silent on the follow up action taken by KSEB in respect of the cases detected.

Billing Efficiency

3.47 The broad categories of consumers of KSEB included low tension[22], high tension and extra high tension, railway traction and bulk supply. While the low

[22] **Low tension are further segregated into domestic, industrial, commercial and agriculture.**

tension consumers were billed bi-monthly by electrical sections, other consumers were billed monthly by Special Officer, Revenue of KSEB.

The efficiency in billing of energy depended on whether:

- all the consumers who were to be charged had been billed; and
- the billing was correctly done.

Performance of KSEB in this regard was as below:

(in MUs)

Sl. No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1.	Energy available for sale	12377.89	13396.61	12877.65	14024.99	14678.14
2.	Free Supply[23]	7.18	7.73	6.04	4.30	2.91
3.	Energy billed	12370.71	13388.88	12871.61	14020.69	14675.23
4	Assessed sale as percentage of inside the state sales	NA	NA	NA	NA	NA

3.48 It would be seen from the above that energy billed during the audit period ranged between 99.94 *per cent* to 99.98 *per cent* of the total energy available for sale while free supply was in the range of 0.06 *per cent* to 0.02 *per cent*. Electricity supplied (28.16 MU) to non-paying group resulted in expenditure of ₹11.23 crore (calculated at Average Cost of Supply (ACOS)) during the audit period. However, no proposal was made by KSEB for claiming this amount as subsidy from State Government. The number of beneficiaries who availed free supply of power decreased from 45510 in 2006-07 to 29033 in 2010-11. We noticed the following deficiencies in billing in the audit period:

Instances of short billing of revenue to the extent of ₹5.56 crore due to incorrect application of tariff, non-levy of penalty etc. were noticed during test check.

- In respect of 235 consumers under 15 electrical divisions, during meter faulty period, billing was done reckoning incorrect average consumption resulting in short billing of ₹28.87 lakh.
- Short collection of fixed charge of ₹5.64 lakh from Low Tension consumers in 12 Electrical Divisions.
- Non-collection of penalty (20 *per cent* of fixed and energy charges), having a revenue impact of ₹37.86 lakh, for non-installation of specified capacitors in respect of 109 consumers under 12 Electrical Divisions.
- In respect of 122 consumers under 17 electrical divisions, erroneous application of tariff resulted in under realisation of revenue to the extent of ₹1.83 crore. Further, in respect of 58 consumers, single phase tariff was levied instead of three phase tariff, resulting in short collection of revenue of ₹11.67 lakh.

  In respect of 252 cases of unauthorised load detected under 15 divisions by APTS wing of KSEB, non-collection of penalty was to the extent of ₹1.65 crore.

[23] **Domestic consumers, having connected load upto 500 watts and monthly consumption upto 20 units.**

- As per the CEA norm, power factor for granting incentive/charging penalty has been fixed at 0.95. In violation of this, KSEB was granting incentive / charging penalty reckoning power factor at 0.90.
- As per section 152 of Electricity Act, 2003, criminal proceedings for theft of electricity can be avoided by paying penalty. It was noticed that ₹11.37 lakh was short collected on this account from 19 consumers. Criminal proceedings were not initiated in any case so as to serve as a deterrent to others.
- Three consumers having connected load more than 100 KVA were billed under LT category instead of HT category resulting in revenue short collection of ₹25.05 lakh.
- Penalty (50 *per cent* of tariff) of ₹1.27 lakh for non-segregation of light load from power load was not collected from 16 LT industrial consumers.
- Short collection of ₹2.89 lakh as meter rent in respect of 161 consumers under seven Divisions.
- Non-collection of minimum guaranteed amount of ₹9.51 lakh from 15 LT industrial consumers.
- Unauthorised extension of electricity connection was wrongly classified as unauthorised additional load resulting in short recovery of penalty of ₹52.28 lakh from 28 consumers in four Electrical Divisions.
- Failure to bill consumption and additional street light points resulted in revenue short collection of ₹19.79 lakh.
- Non-billing of electricity duty and consequent short collection of ₹1.99 lakh was noticed in respect of 28 consumers under two Divisions.

Management assured (September 2011) that remedial action will be taken.

Under-charging/ non levy of Initial/ Additional Security Deposits

3.49 As per Regulation 13 of Kerala Electricity Supply Code 2005, KSEB was empowered to collect security deposit equivalent to two/ three months' electricity bill from consumers having monthly/ bi-monthly billing cycle. Security deposit remitted at the time of power connection was to be reviewed every year and additional deposit collected if the security deposit fell short of the required amount. The additional security deposit was to be paid by the consumer within 30 days of the notice. In case, the consumer failed to deposit the additional security, the supply of the defaulting consumers was to be disconnected.

There was failure to have an implementation mechanism to review the increase in load consumption and indicate the additional deposit payable in the consumers' bills.

There was shortfall in collection of security deposit to the tune of ₹66.65 crore.

A test check of records of 18 Electrical Divisions revealed that KSEB had not collected additional security deposit of ₹66.65 crore from 1598 consumers as of March 2010 in compliance with the above provisions.

Management admitted (September 2011) delay in collection of additional security deposit.

Revenue collection Efficiency

3.50 Revenue from sale of energy was the main source of income of KSEB. Therefore, prompt collection of revenue assumes significance. The salient features of the collection mechanism being followed were as follows:

- Payments of energy bills by cash, cheques or by demand draft.
- Revenue billed in respect of HT services is collected by Special Officer (Revenue).
- In respect of LT services, electricity bills are generally collected by the cashiers except in some areas where collection work is entrusted to certain private collection agencies.
- HT consumers are required to pay current charges within 15 days and LT consumers within seven days from the date of the bills, failing which the consumers are liable for payment of additional charges of 18 *per cent* per annum on the amount of the bill for the period of delay.

The table below indicates the balance outstanding at the beginning of the year, revenue assessed during the year, revenue collected and the balance outstanding at the end of the year for the last five years ending 2010-11.

(₹ in crore)

Sl No.	Particulars	2006-07	2007-08	2008-09	2009-10	2010-11
1	Balance outstanding at the beginning of the year	1605.93	1778.76	1964.46	1728.97	1806.02
2	Revenue assessed/billed during the year	4286.13	4934.05	5097.48	4950.60	5403.76
3	Total amount due for realisation (1+2)	5892.06	6712.81	7061.94	6679.57	7209.78
4	Amount realised during the year	4107.51	4743.09	5285.8 9	4864.81	5230.24
5	Amount written off during the year	5.79	5.26	47.08	8.74	36.09
6	Balance outstanding at the end of the year	1778.76	1964.46	1728.97	1806.02	1943.45
7	Percentage of amount realised to total dues (4/3)	69.71	70.66	74.85	72.83	72.54
8	Arrears in terms of No. of months assessment (Sl.no 6/ Sl. no.2 X 12 months)	4.98	4.78	4.07	4.38	4.32

We observed that:

- The balance outstanding had increased to ₹1943.45 crore in 2010-11. The arrears in terms of number of months' assessment which was 4.98 in 2006-07 though had decreased to 4.32 in 2010-11. Age-wise analysis of the above outstanding dues as on 31 March 2010 as shown in the Demand

Collection and Balances (DCB) for the quarter ending 31 March 2010 further indicated that:

Dues outstanding for more than three years was ₹550.81 crore.

- Dues of ₹52.99 lakh pertained to the period upto 1990-91.
- Dues outstanding for more than three years amounted to ₹550.81 crore (2009-10) (30.58 *per cent* of the total dues) consisting of dues from LT and HT categories (₹100.40 crore).

- As per provisions of Kerala Electricity Supply Code 2005, in case electricity dues are not deposited by consumers within due date, supply shall be disconnected temporarily. Electricity supply to 91 consumers, having arrears (December 1984 to May 2011) of more than rupees one lakh each, was not disconnected as per the above provision. Failure to enforce the deterrent provisions precipitated default in payment resulting in accumulation of arrears of ₹95.41 crore (July 2011).

Management stated (September 2011) that since 2006-07 the ratio of sundry debtors for sale of power to total sales had reduced from 41.50 *per cent* to 25.71 *per cent* (excluding receivables from Government) during 2009-10 by improving collection mechanism and added that remedial measures would be taken in remaining observations.

Financial Management

3.51 Efficient fund management serves as a tool for decision making, for optimum realisation of available resources and borrowings at favourable terms at appropriate time. The fund management activity includes revenue collection, billing, borrowings, grants, transfer of funds, interest recovery/payments, restructuring of loans, security deposits, bank reconciliations and other related transactions. While the revenue and billing have been dealt in the preceding paragraphs, other areas are discussed below.

Cash inflow and outflow

3.52 The following table depicts the details of cash inflow and outflow for the three years ending 31 March 2010.

(₹ in crore)

Sl. No.	Particulars	2007-08	2008-09	2009-10
	Cash Inflow			
1	Net Profit/(Loss)	217.42	217.42	240.71
2	Add: adjustments	636.51	-1063.60	-2536.86
3	Operating activities	948.78	1452.23	2327.08
4	Investing activities	186.47	422.56	449.77
5	Financing activities	…	…	309.13
	Total	**1989.18**	**1028.61**	**789.83**

Sl. No.	Particulars	2007-08	2008-09	2009-10
	Cash Outflow			
6	Operating activities	123.51	22.81	178.12
7	Investing activities	364.88	653.81	789.33
8	Financing activities	641.8	756.36	0.00
	Total	**1130.19**	**1432.98**	**967.45**
	Net increase/decrease in cash and cash equivalent	**858.99**	**-404.37**	**-177.62**
	Add: Opening cash balance	724.19	1583.18	1178.81
	Closing cash balance	1583.18	1178.81	1001.19

It could be observed from the cash flow statement that there was negative growth in cash and cash equivalent as at the end of 2009-10. The repayment of long term loans of ₹2235.57 crore and capital expenditure of ₹1798.71 crore incurred for generation projects, transmission lines, sub stations and creation of village electrification infrastructure were the main reasons for such negative changes in cash flow.

We noticed the following important cases which had a bearing on the finances:

- The long term borrowings of KSEB decreased from ₹3335.93[24] crore in 2006-07 to ₹1409.48 crore in 2009-10 as a result of repayment of borrowings of ₹2235.58 crore. The repayment was possible not because KSEB generated sufficient cash surplus on its own but on the contrary through inability to incur capital expenditure of ₹1678.43 crore during 2006-2010 in the generation and distribution sectors. Curtailment of capital expenditure had its effect on shortfall in capacity addition, high LT/HT ratio, non-installation of vital capital equipments, insufficient transmission capacity etc., as discussed in preceding paragraphs. Most of the generation projects were postponed due to poor planning, the renovation and modernisation were also delayed, which had been discussed in Paragraph 3.25 of Audit Report (Commercial) No.4-Government of Kerala for the year ended 31 March 2010.

  This shortfall in capacity addition had its fallout in the form of purchase of power from outside parties as already discussed in Paragraph 3.40.

  Management stated (September 2011) that repayment of loans was ensured through surplus cash generated and utilisation of non-cash flow expenditure. KSEB had incurred capital expenditure of ₹514.47 crore, ₹364.37 crore, ₹644.50 crore and ₹875.54 crore during 2006-07, 2007-08, 2008-09 and 2009-10 respectively. They further added that capital expenditure during 2008-09 was higher than previous year. The reply was not acceptable since audit observation was on actual shortfall in capital expenditure *vis-a-vis* planned expenditure. Actual capital expenditure as a

[24] **At the beginning of 2006-07.**

percentage of planned expenditure during 2006-07 to 2008-09 was only 69, 32 and 52 respectively which was due to non-implementation of the planned schemes.

- They procured 3.34 lakh three phase LT meters during the period November 2008 to May 2011 at a cost of ₹77 crore in 8 tranches for replacement of existing faulty meters and for giving new connections. But instead of purchasing the basic meters, added the specifications of the meter being able to give the 'time of the day' (ToD) consumption readings facility also based on the recommendations of their Technical Core Group.

  We noticed (September 2009) during an examination of the proposal and purchases that the differential ToD tariff was not contemplated for the LT consumers[25] of KSEB either in 2008 or now (November 2011). Thus, the purchase of equipment (from November 2008) which was beyond the needs, cost KSEB an extra expenditure of ₹41.03[26] crore.

  We also noticed that KSEB, to arrive at the quantity to be purchased, did not have a procedure to ascertain the stock in hand of meters at various Divisions/Sections. The requirement was assessed based on stock at Transformers Maintenance and Repair (TMR) divisions only which was a case of poor planning. We apprehend that much of this purchase was unnecessary besides being beyond the needs of KSEB.

  Management stated (February 2010) that decision of KSEB to procure three phase LCD meters with ToD facility was a practical approach for introducing technologically advanced meters suitable for implementing ToD tariff required in future. The reply was not tenable as no approved tariff applicable to all LT consumers existed and KSEB had not even studied the revenue implication of ToD tariff. Advance procurement did not have advantage; on the contrary there was a risk of technological obsolescence and not getting the benefit of declining price trend of electronic metering equipments.

- For the implementation of Bachat Lamp Yojana[27] (BLY) in the State, KSEB sanctioned (2010) a loan of ₹51.50 crore to Energy Management Centre[28] (EMC). The loan was to be repaid with 13.50 *per cent* interest. Repayment of loan was critically dependent on the capacity of EMC to earn carbon credit under Clean Development Mechanism (CDM) and sell the same.

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[25] Except for LT IV Industrial, LT VII (A) and (C) commercial consumers with connected load of 20 KW andaboveand ToD tariff for LT Industrial consumers having contract demand of 27 KW and above.

[26] Comparison made in Audit with meters having LCD display, tamper proof features and downloading facilities through Common Meter Reading Instrument. DGS&D Basic price-₹830 (September 2008), ₹775 (November 2009) and ₹774 (October 2010). 165000 meters @ ₹1280 (2110-830)= ₹21.12 crore & 169000 meters @ ₹1178 (1953-775)= ₹19.91 crore.

[27] A scheme introduced by the Bureau of Energy Efficiency under the Ministry of Power aimed at selling CFLs at subsidised rates to domestic consumers in order to reduce peak hour power consumption in the country. The difference in prices was to be met from carbon credit under the Clean Development Mechanism.

[28] As Distribution utilities were not allowed to propose projects under BLY, KSEB implemented the scheme through Energy Management Centre (EMC), an autonomous body of Government of Kerala.

For any agency to be eligible for carbon credits, registration with UNFCCC[29] was mandatory. Though the BLY scheme was closed in August 2010, the same was registered by EMC with UNFCCC only in May 2011.

Management replied (September 2011) that repayment of loan was dependent on sale of carbon credit by EMC. The EMC could not recover any amount so far (November 2011) through sale of carbon credit rendering the recovery of loan advanced to EMC doubtful.

- As discussed in Paragraph 3.49, KSEB did not collect additional security deposit amounting to ₹66.65 crore from the consumers. Meanwhile, their working capital borrowing had increased from ₹72.91 crore in 2006-07 to ₹160.45 crore in 2009-10. Collection of the additional security deposit would have lessened this external borrowing to a considerable extent with annual interest savings of ₹1.33 crore.

  They granted favour to EHT consumers and HT[30] consumers also by allowing them to remit 50 *per cent* of additional security deposit by way of bank guarantee instead of cash. This itself deprived KSEB of working capital to the tune of ₹83.56 crore with potential interest savings of ₹1.67[31] crore.

  Management replied (September 2011) that mode of collection of security deposit was in accordance with the provisions of Kerala Electricity Supply Code, 2005, approved by KSERC. The reply was not acceptable since the provisions as proposed to KSERC by KSEB were not framed to safeguard its own financial interest.

- As discussed in Paragraph 3.31, the incentive component of the APDRP scheme was meant for incentivising up to 50 *per cent* of the actual cash loss reduction that would be achieved by SEBs / Utilities for the 10th Five Year Plan period. We noticed that KSEB claimed ₹3082.08 crore as incentive for the period 2001-02 to 2008-09. The claim received was ₹64.94 crore (against the claim of ₹168.03 crore) for the years 2001-2003 and ₹82.99 crore (against the claim of ₹467.14 crore) for the year 2004-05. Decision in the matter was awaited (November 2011).

Subsidy Support and Cross Subsidisation

Subsidy Support

3.53 During the performance audit period against the subsidy claim (2009-2011) of ₹670.55 crore, only ₹99.97 crore was actually paid by the State Government.

[29] **United Nations Framework Convention on Carbon Credit.**
[30] **In case of HT consumers 50 *per cent* of additional security deposits exceeding ₹5 lakh.**
[31] **Based on the borrowing rate of 8 *per cent* less 6 *per cent* interest payable on security deposit.**

Cross subsidisation

3.54 Section 61 of Electricity Act 2003 stipulates that the tariff should progressively reflect the average cost of supply (ACOS) of electricity and also reduce cross subsidy in a phased manner as specified by the Commission. National Tariff Policy envisaged that the tariff of all categories of consumers should range within plus or minus 20 *per cent* of the ACOS by the year 2010-11. The tariff proposals submitted by KSEB did not adhere to this.

The position as regards cross subsidies in various major sectors was as depicted in the table below:

Particulars	**2006-07**		**2007-08**		**2008-09**		**2009-10**		**2010-11**	
Average cost of supply (ACOS) in paise	317.00		331.00		494.00		464.00		485.00	
Average Revenue from										
	Paise per unit	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**	**Paise per unit**	**Percentage of ACOS**
Domestic	166.96	52.67	172.1	51.99	191.71	38.81	191.46	41.26	198.32	40.89
Commercial	660.68	208.42	668.2	201.87	743.65	150.54	702.39	151.38	722.86	149.04
Industrial	414.73	130.83	414.75	125.30	459.81	93.08	426.41	91.90	437.17	90.14
Agricultural	102.32	32.28	105.45	31.86	135.35	27.40	109.9	23.69	115.11	23.73
Public Lighting	187.16	59.04	190.15	57.45	200.31	40.55	191.64	41.30	211.82	43.67
HT & EHT	394.14	124.33	401.24	121.22	479.77	97.12	414.47	89.33	424.58	87.54
Railway Traction	334.73	105.59	359.04	108.47	475.84	96.32	397.87	85.75	412.16	84.98
Bulk supply	276.35	87.18	286.65	86.60	455.72	92.25	347.05	74.80	364.77	75.21

Average realisation as a percentage of average cost of supply did not conform to the norm of plus or minus 20 per cent.

3.55 As seen from the table the tariff fixed for various categories of consumers was not restricted to the band of plus or minus 20 *per cent* of the ACOS.

- As per section 65 of Electricity Act 2003, the State Government is obliged to pay subsidy if it desires to grant subsidy to any consumer/ classes of consumers in the tariff determined by State Commission. Had tariff been fixed in accordance with the above requirement, restricting the variation in tariff to the band of plus or minus 20 *per cent* of the ACOS, subsidy payable by the Government as worked out by us would have been ₹5130.98 crore in respect of domestic, agricultural consumers and public lighting.
- The subsidy claimed from State Government was only ₹670.55 crore. The shortfall in recovery of subsidy from State Government was partly cross subsidised by industrial and commercial consumers to the extent of

₹1590.01 crore. There still existed a shortfall to the extent of ₹2870.42 crore (***Annexure 14***) over the audit period.

- Average realisation based on approved tariff was far below the ACOS in respect of domestic, agricultural consumers and public lighting whereas the average realisation in respect of commercial was far in excess of ACOS.
- As per the National Tariff Policy, KSERC was to lay out a road map for phasing out the cross subsidisation. However, no regulation on reduction of cross subsidy has been promulgated by the Commission so far.

Management did not offer their comments with regard to the above observations.

Tariff Fixation

3.56 The Central Electricity Regulatory Commission (CERC) has stipulated that the Tariff should be fixed so as to recover Return on Equity on Pre-Tax basis at the base rate of 15.50 *per cent*. The shortfall in revenue that would have fetched 15.50 *per cent* return is referred to as Regulatory Asset. The facility of Regulatory Asset is to be utilised only as an exception and subject to the following conditions:

- the circumstances should be clearly defined through regulations and should only include natural causes or *force majeure* conditions. Under usual business conditions, the opening balances of uncovered gap must be covered through transition financing arrangement or capital restructuring;
- carrying cost of Regulatory Asset should be allowed to the utilities;
- recovery of Regulatory Asset should be time bound and within a period not exceeding three years at the most and preferably within control period;
- the use of the facility of Regulatory Asset should not be repetitive;
- in cases where Regulatory Asset is proposed to be adopted, it should be ensured that the Return on Equity should not become unreasonably low in any year so that the capability of the licensee to borrow is not adversely affected.

KSEB had an amount of ₹3393.86 crore[32] outstanding as Regulatory Asset as on 31 March 2011. As per the National Tariff Policy, Regulatory Asset was to be recovered within three years through Tariff revision or written off thereafter. We observed failure to comply with this provision during the audit period.

Filing of ARR & ERC petition

3.57 In accordance with KSERC Tariff Regulations 2003, KSEB has to file before the Commission its Aggregate Revenue Requirement (ARR) and the Expected Revenue from Charges (ERC) four months before the commencement of each financial year. KSEB was to state the manner of bridging the revenue gap between ARR and ERC. Tariff revision is permitted if the revenue gap could not be met otherwise and in such cases Tariff Revision Petition was to be filed along

[32] **Increased from ₹142.23 crore in 2006-07.**

with ARR& ERC petition. The Commission is to provisionally admit the revenue gap subject to final rectification at the time of truing up petition to be submitted along with next year's ARR & ERC petition.

In accordance with the mandatory provision, KSEB filed ARR & ERC petition for all the years up to 2010-11. Against the aggregate revenue shortfall of ₹1487.58 crore proposed by KSEB in the ARR for the three years up to 2008-09[33], the Commission had approved a revenue surplus of ₹1945.16 crore. The actual revenue gap for these years as per finalised Accounts upto 2008-09 amounted to ₹982.69 crore. The KSERC disallowed major expenditure under Purchase Cost, which was controllable factor and Depreciation, due to non-adherence to the directions of the Commission.

We noticed that there was delay in filing of ARR & ERC for periods ranging from 12 to 24 days. However, there was no tariff revision.

Management did not offer their comments to these issues.

Energy Audit

3.58 A mechanism for comprehensive Energy Audit was to be put in place with the objective of identifying the areas of energy losses and taking steps to reduce the same through system improvements besides accurately accounting for the units purchased/ sold and losses at each level. The main objectives of energy audit were as follows:

- better and more accurate monitoring of the consumption of electricity by consumers;
- elimination of wastages;
- reduction of downtime of equipment;
- massive savings in operational costs and increase in revenue, etc.

Energy audit helps to identify the areas of energy losses from a particular DTR. With a view to identify DTR-wise distribution losses installation of meters of DTRs is imperative.

Scrutiny of records revealed that:

- KSEB had not identified areas of energy losses so far.
- There were 52724 DTRs in operation (March 2010) of which 36781 DTRs were not metered.
- Energy Audit Reports were not generated in respect of even the metered DTRs resulting in non-achievement of the objective of identifying energy losses.
- Compared to the AT&C Losses allowed by KSERC, the excess loss worked to 551.64 MUs having financial implication of ₹200.22 crore.

[33] **Truing up orders for 2009-10 and 2010-11were pending.**

- Management replied (September 2011) that the loss for the three years 2006-2009 as per the truing up orders of KSERC was 359 MU valued at ₹80.38 crore. The fact, however, remains that KSEB could not achieve the target initially fixed by the Regulator.
- KSERC issued directions to KSEB (April 2009) that plan of energy audit shall be filed within two months from the date of order. This had not been complied with (November 2011).

Energy Conservation

Energy Conservation

3.59 Government of India enacted the Energy Conservation Act, 2001 which provided the legal framework, institutional arrangement and a regulatory mechanism at the Central and State level to embark upon energy efficiency drive in the Country.

Initiatives of KSEB in this regard were as summarised below:

- In tune with the Central Act, KSEB organised campaigns for popularising energy conservation measures through visual and print media. A leading Malayalam daily in association with Energy Management Centre (EMC is the State level designated agency for implementing the Act) had conducted an intensive energy saving campaign by inserting advertisement with celebrity endorsements and tips to save electricity.
- Under the Bachat Lamp Yojana, KSEB through EMC purchased 1.44 crore energy efficient compact fluorescent lamps (CFL) for distribution to 75 lakh houses after replacing the same number of incandescent lamps. Distribution of CFL lamps aimed at an annual energy saving of 410 MW of power in Kerala. Inappropriate staggered delivery resulted in a huge stock of 16.02 lakh CFLs remaining undistributed (September 2011).

Management stated (September 2011) that the delivery schedule was fixed with a view to distribute all the CFLs within a span of three to four months. The reply was not tenable as the purchase was done during February to June 2010. KSEB should have staggered quantity to be delivered to each Circle over a number of lots with the quantity in each lot to be supplied subsequently depending on the consumption of quantities in the lots already supplied.

Consumer Satisfaction

3.60 One of the key elements of the Power Sector Reforms was to protect the interest of the consumers and to ensure better quality of service to them. The consumers can face problems relating to supply of power such as non-availability of the distribution system for the release of new connections or extension of connected load, frequent tripping on the lines and/ or transformers and improper metering and billing.

3.61 KSEB was required to introduce consumer friendly actions like introduction of computerised billing, online bill payment, establishment of customer care centres, etc. to enhance the satisfaction of consumer.

KSEB had initiated a slew of measures to improve consumer satisfaction. They included:

- Standardisation and simplification of procedures for effecting service connection, ownership change, provision of multiple connections to same premises and fixing of time frame (48 hours) for giving service connections.
- Complete computerisation of billing and revenue collection of LT, HT and EHT consumers.
- Notification of 75 Section Offices as model sections with effect from 1 June 2009. The model sections have 100 *per cent* static meters, zero faulty meters, installation of border/ DTR meters at section boundaries and DTRs, display of citizen charters, opening of counters with facilities for registration of applications and complaints.

Redressal of grievances

3.62 In accordance with the provisions of Section 57 of Electricity Act 2003, KSERC issued (May 2006) Standards of Performance (SoP) for power distribution utilities. The SoP prescribed the time limit for rendering services to the consumers and compensation payable for not adhering to the same. The nature of services mentioned in the SoP *inter alia* included line breakdowns, distribution transformer failures, period of load shedding/ scheduled outages, voltage variations, meter complaints, installation of new meters/ connections or shifting thereof, etc. SoP was operational from 1 April 2009 in respect of KSEB. KSERC permitted KSEB to treat the first year of implementation of the Regulations (April 2009 to March 2010) as trial period and exempted from payment of compensation for any deviation during the trial period.

KSERC also formulated KSERC (Consumer Grievance Redressal Forum and Electricity Ombudsman) Regulations 2011 in pursuance of the Act *ibid* specifying the mode and time frame for redressal of consumers' grievances.

KSEB replied that Executive Engineers were designated (September 2010) as Nodal officers for effective implementation of SoP regulations. Reports from these Officers were scrutinised at Head Office level and corrective measures taken.

Monitoring by top management

3.63 KSEB had evolved regular monitoring systems through which top management was informed of the operational and financial performances in broad parameters. Distribution activities of KSEB were reviewed in monthly meetings at

Circle level and Chief Engineers' level attended by KSEB's Technical Member for distribution. Strategy for each month was evolved in these meetings with reference to annual programme. Similar monitoring systems were also discussed upon at KSEB level and collective decisions were taken in consideration of recommendations of field offices.

Conclusions

- **KSEB could not achieve capacity addition plans including the recommended LT Less system in the distribution sector. As against the addition of 166 sub-stations planned over the audit period, only 94 sub-stations were actually added.**
- **Implementation of Centrally Sponsored Schemes viz. RGGVY and Restructured APDRP were not completed in time and cost terms. This resulted in non-provision of electricity to targeted rural households within the stipulated time period and also led to loss of grant of ₹58.08 crore.**
- **KSEB had inadequate in-house generating capacity which resulted in purchase of short term power at expensive rates from outside parties during the audit period.**
- **Billing efficiency was as high as 99 *per cent*. Instances of under realisation of revenue due to incorrect application of tariff, non-levy of penalty etc. were noticed.**
- **KSEB had not collected additional security deposit from consumers which would have lessened borrowings for working capital needs.**
- **Tariff adopted by KSEB did not conform to the norms of plus or minus 20 *per cent* of the average cost of supply.**

Recommendations

- **Network Capacity addition plans including implementing the LT Less system should be prepared in a realistic manner to avoid mismatch and under achievement.**
- **Centrally Sponsored Schemes should be implemented effectively in order to obviate Loss of Grants and denial of intended benefits to target groups.**
- **KSEB should enter into long term power purchase contracts to obviate the need for purchasing short term power at expensive rates.**

- **Billing and revenue collection mechanism should be further streamlined to avoid instances of short collection of revenue.**
- **The Tariff adopted should be brought to the norm of plus or minus 20 *per cent* of the Average Cost of Supply for various categories of consumers.**

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

Kerala State Electronics Development Corporation Limited

4.1 *Lack of fairness and transparency in fixing advertisement agency*

Lack of fairness and transparency in selection of the advertising agency and deficiencies in contract with the agency led to loss of revenue of ₹8.02 crore.

The Company secured licence (19 May 2008) for display of advertisement in Kerala State Road Transport Corporation (KSRTC) buses (4000 nos.) for 24 months from 1 July 2008 for a consideration of ₹4.54 crore. The Company in turn leased out (23 June 2008) the licence to, Century Direct Advertising and Marketing (Private) Limited, (CDAM), a private agency, identified by RP Infomedia (RPI), a consultant for ₹11.37[1] crore to be paid in 23 monthly installments.

We scrutinised (June 2010) the award/ execution of the contract. The analysis revealed the following deficiencies:

- When KSRTC issued a tender cum auction notice (April 2008) for advertisement rights, the Company participated at the behest of RPI. The participation in the tender cum auction arose not because the Company on its own perceived the benefits, but because of the proposal from RPI, an unsolicited offer.
- The selection of the advertising agency CDAM lacked fairness and transparency as the Company failed to call for bids and was decided on the basis of recommendation made by RPI, a party which itself was selected through an unsolicited offer.
- Agreement with KSRTC stipulated a schedule of payments as detailed in ***Annexure 15.*** In the same vein the agreement with the agency for the execution of the contract should have been so structured that the receipts from the agency could be used to service the Company's obligation to KSRTC. This requirement was very vital considering the poor financial position of the Company. A scrutiny of the agreement with the advertising agency revealed that this requirement was not met.

Sl. No.	Date	Cumulative amount payable to KSRTC (₹ in lakh)	Remarks
1	15.05.2008	14.08	First payment from the agency becomes due only on 19.06.2008.
2	02.06.2008	104.88	-do-
3	09.06.2008	247.13	-do-
4	01.07.2008	262.26	Only ₹ 25 lakh was receivable

[1] **Includes Service Tax of ₹ 1.25 crore.**

Thus, up to 1 July 2008, the amount receivable from the agency was grossly inadequate in comparison to payments to KSRTC and subsequently also.

- As per Clause 5 of the contract with the advertising agency, the permissible period of default was 90 days before which the contract could not be terminated. As a safeguard in the event of termination of the contract, the security deposit (SD) should have been more than the value of three installments as time would be required for fixation of new agency. The value of SD was only ₹25 lakh (by way of EMD) which was strangely even lower than the monthly installment of ₹38.10 lakh. This defective clause facilitated the agency to default in its obligation from making prompt payment. The contract was terminated in November 2008. At the time of fixation (January 2009) of the new agency, the amount realised from the original agency was ₹2.19 crore as against the realisable amount of ₹3.77 crore (inclusive of Service Tax).
- Company favoured the agency by non-encashing a cheque worth ₹75 lakh (dated 20 September 2008) on the due date and was ultimately dishonoured.
- While fixing the new agency, Ram Advertising (RAM) the original agency (CDAM) was absolved of all the liabilities. Two months time was taken to fix the new agency. There was further delay of four months in issue of formal authorisation letter. These delays basically would have facilitated the original agency to continue to earn income from advertisements and also resulted in forgoing of revenue of ₹85.12 lakh from the second agency.
- As per Clause 5 of the tri-party agreement, defaulted payments after thirty days were not allowed and the licensor (Company) had full power to cancel the licence after expiry of 30 days of defaulted payments without further intimation. The first instance of default by the second agency took place in August 2009. Instead of termination of the contract by September 2009 in accordance with the agreement, the contract was terminated at a belated stage in January 2010. Shortfall in recovery from the second agency was ₹43.48[2] lakh.

Management while admitting (July 2011) that the offer from RPI was unsolicited stated that the Company had made adequate enquiries about CDAM, the advertising agency before entering into contract with them. The offer of CDAM was also found lucrative with good margin. The Company had also realised ₹1.50 crore as advance from CDAM besides EMD of ₹25 lakh which together were more than the value of three equated monthly instalments (EMIs). It was only at the instance of RAM, the second advertising agency that CDAM, the first agency was absolved of all liabilities by entering into tripartite agreement.

The reply was not acceptable. There was lack of fairness and transparency in selection of advertisement agency. There were serious flaws in the agreement clauses and implementation which resulted in default by the first and second agencies. The non-presentation of cheques on due dates indicated collusion. The

[2] **₹21.27 lakh X 5 months as reduced by security deposit of ₹ 47.87 lakh – EMD (₹ 15.00 lakh).**

argument that the Company had collected advance of ₹1.50 crore (against ₹2.25 crore collectible) by August 2008 which was more than the value of three monthly instalments did not hold good as the amount payable to KSRTC by July 2008 itself was ₹2.62 crore. Further, the advance received needed to be viewed in the light of the fact that CDAM was to pay first EMI only in November 2008 although the agreement was inked in June 2008.

Thus, against ₹11.37 crore to be realised from the advertising agencies, the total amount realised from the first and second agencies together was ₹3.35 crore resulting in loss of revenue of ₹ 8.02 crore[3].

The matter was reported (June 2011) to Government; their reply was awaited (November 2011).

Kerala State Civil Supplies Corporation Limited

4.2 *Failure to procure subsidised green gram*

Failure to respond to STC's offer of supply of subsidised green gram and procurement from alternative expensive sources resulted in avoidable extra expenditure of ₹2.93 crore.

State Trading Corporation (STC), a Government of India PSU, sent (17 January 2009) a communication to the Company, through email, offering to supply 20000 Quintals of green gram under the scheme of stabilising prices of pulses and distribution through State Government at the rate of ₹19.77/kg plus freight ex-Mumbai Port (total ₹23014 per MT). The Company was asked to confirm the acceptance by 20 January 2009. Audit noticed (April 2011) that the Company failed to respond within the period prescribed and consequently the pulses were sold in the open market by STC. The Company, however, procured green gram from other sources which was more expensive than the rate which STC would have charged resulting in avoidable extra expenditure of ₹2.93 crore[4].

The Company stated (June 2011) that the consumers were not deprived of subsidised green gram and assured to enquire into the matter so as to take necessary action against the concerned. It was also stated (May 2011) that the communication from STC being through e-mail could not be acted upon as it was not received. The fact remained that the Company resorted to procurement from alternative open market and expensive sources. Moreover, the Company was very well aware of the scheme offered by Government of India. Had the Company acted in right earnest it would have procured at least 2000 MT of green gram less from the open market with its attached additional cost of ₹2.93 crore.

The matter was reported (May 2011) to Government; their reply was awaited (November 2011).

[3] **₹11.37 crore as reduced by amount recovered from first agency (₹2.19 crore) and second agency (₹1.16 crore).**
[4] **991.50MT (₹37782.20 - ₹23014.00) + 1008.50 MT (₹37548.60 - ₹23014.00).**

Roads and Bridges Development Corporation of Kerala Limited

4.3 *Irregular deployment of unutilised funds in speculative activities*

The Company deployed unutilised funds in speculative investments through brokers in violation of existing Government guidelines.

The Company incorporated (September 1999) under the administrative control of Public Works Department (PWD), Government of Kerala is engaged in the construction of highways, bridges, roads, bypasses, over-bridges, culverts, expressways etc. It meets its expenditure by funds raised through borrowings, loans and grants.

The guidelines on investment of surplus funds by Public Sector Enterprises issued by Department of Public Enterprises (DPE), Government of India stipulated that there should be no element of speculation on the yield in respect of investments made by PSUs and PSUs were not allowed to invest in public and private funds as they were equity based and risky. The Government of Kerala's directions (November 1997/August 2009) also bound, all State Public Sector Undertakings to deposit their surplus/ reserve funds with Government Treasuries.

The Company received (September 2006) an unsolicited offer from Trust Investment Services, Kochi, a partnership firm of brokers, to provide services in the field of investments in securities and mutual funds. The offer should have been rejected straight away as Public Sector Enterprises were bound to observe the principles concerning investments issued by DPE and Government.

The Company received (August 2007) ₹7.05 crore as loan from Kerala Road Fund Board (KRFB) and finding no immediate use of this amount, the Company decided, in contravention of the DPE and Government of Kerala guidelines on deployment/investment of surplus funds, to invest the same in mutual funds for short term with stop loss facility. We observed that this activity of investment of funds was beyond the scope and powers of the Company though the Board of Directors (BoD) authorised the Managing Director to undertake this prohibited activity in December 2007 based on the decision of BoD of the Company in September 2000.

We noticed (September 2008) this issue and subsequently also warned the Management about the nature of investments but the activity was continued. The speculative nature of investments was evident from the following table:

(₹in lakh)

Year	Amount of average investments	Dividend income	Profit on sale of investments	Loss on sale of investments
2006-07	155.13	Nil	2.01	Nil
2007-08	788.84	110.11	2.00	Nil
2008-09	1760.16	21.79	357.77	467.28
2009-10	1240.95	Nil	190.83	17.60

The Company suffered the largest loss of ₹4.67 crore in 2008-09. Unutilised funds including project specific Grants/Loans received from Government/Governmental agencies ranging from ₹1.10 crore to ₹47.25 crore were deployed during the period from October 2006 to January 2010 in speculative investments.

Government in endorsing (October 2011) the reply of Management (August 2011) stated that the investments in mutual funds were made considering the aspects of liquidity and better returns as compared to deposits in Treasury and nationalised banks. Further, the investments had the approval of Board of Directors and the overall transaction was profitable to the Company. The reply was not acceptable as the Company was prohibited to make these investments *ab initio*. In the year 2008-09, the loss on sale of investments was a massive ₹4.67 crore. It was only due to fortuitous circumstances the Company could make profits on investments in 2009-10.

Kerala State Textile Corporation Limited

4.4 *Deficiencies in procurement of equipments*

Non acceptance of lowest offer in the procurement of equipments in six cases resulted in avoidable extra expenditure of ₹5.23 crore.

Government of Kerala approved (April 2010) the project proposal of the Company for revival of two[5] spinning and weaving mills and formation of two[6] new spinning and weaving mills. The projects were due for completion by December 2010. For the implementation of the four projects, the Company issued (June/ July 2010) purchase orders for equipments worth ₹54.42 crore.

In examination of the procurement of equipments, we noticed that as per the Notice Inviting Tenders (NIT) a two-part bidding (Technical and Price bids) was envisaged. Established norms of fairness and transparency in evaluation of bids demanded that pre-qualification criteria, performance criteria and evaluation criteria are incorporated in the bid documents in clear and unambiguous manner. Price bids of only those tenderers who qualified technically were to be opened. In six cases it was observed that after opening the price bids, L1 parties were denied the supply order. Recorded reason for rejection of L1 offers was technical non-acceptance. This post tender rejection of bids of L1 parties was objectionable as price bids of those who were technically qualified were to be opened. The extra expenditure incurred by the Company due to non acceptance of the lowest offers was ₹5.23 crore ***(Annexure 16).***

Management replied (October 2011) that in all the cases the orders were placed giving more importance to quality and performance of the machines.

The reply was not tenable in view of the fact that the tender opening and evaluation process was vitiated when the price bids of all tenderers were opened instead of

[5] **Malabar Spinning and Weaving Mills, defunct from August 2003 and Komalapuram Hi-tech Spinning and Weaving Mills, a private sector unit closed down in March 2003 and taken over by the State Government in November 2009.**

[6] **Open end spinning Mill at Uduma and Hi-tech Weaving Project at Pinarayi.**

opening price bids of only those tenderers who were qualified technically on evaluation of technical bids.

The matter was reported (May 2011) to Government; their reply was awaited (November 2011).

Kerala Medical Services Corporation Limited

4.5 *Extra expenditure in procurement of medicines*

Incorrect firming up of quantity for centralised procurement led to balance quantity being procured at higher rate, resulting in extra expenditure of ₹2.09 crore.

The Company was incorporated (November 2007) for implementing a system for purchase and distribution of drugs, supplies and equipments in the Department of Health Services and Medical Education through a centralised procurement system to ensure savings by harnessing funds allotted through State budget and from other sources.

As per Para 5 of the Stores Purchase Manual, the quantities of items for purchases are to be decided on the basis of consumption of previous three to five years and taking into account probable budget estimate for the next year. Requirements were to be correctly estimated so that after inviting tenders the quantities were not changed.

We observed (August 2010):

- The Company decided to call for tenders for supply of items for a duration of one year from April 2008 to March 2009 vide tender no. 001/Drugs/ KMSCL/2008 dated 30 January 2008. Based on the indents of two user departments for medicines required during 2008-09, the Company tied up for quantities valued for mere ₹31.90 crore only citing that the indents were artificially jacked up.
- During the first quarter of 2008-09 itself, the Company procured (April-June 2008) drugs/medicines valuing ₹31.40 crore at the agreed rates i.e., exhausting the total purchase order. Due to incorrect firming up of quantities, it had to procure the balance quantities for the rest of the year at rates higher than the original agreed rates leading to extra expenditure of ₹2.09 crore (***Annexure 17***).

Management stated (June 2011) that the actual requirement of drugs could not be planned due to non-availability of adequate data. Further, the quantities were restricted to the budget provision of ₹95.30 crore. Due to wrong estimation of the quantity and price, the value of medical items tied up was lower (₹31.90 crore). As there was a provision in the tender to increase or decrease the quantity at the same rate, the initial quantities were restricted.

The contention of the Company was not acceptable as it did not assess the requirements of the indenting departments correctly and arbitrarily reduced their demands without even linking with the funds availability through State Budget and other schemes. The agreement with suppliers also did not prescribe the upper limit of variation in quantities for which the prices quoted would be firm. It was for this reason that the suppliers were not willing to supply at the agreement rates beyond the quantities initially firmed up.

Thus, the avowed aim of setting up of the Company to ensure economy of purchase was defeated due to poor planning and co-ordination. We recommend the Company to evolve procedures to estimate demands correctly.

The matter was reported (May 2011) to Government; their reply was awaited (November 2011).

The Kerala Minerals and Metals Limited

4.6 *Irregular Payment*

Irregular reimbursement of Service Tax resulted in passing of undue benefit of ₹0.52 crore to the contractor.

The Company released ₹4.27 crore to Bhavani Erectors (P) Ltd. (party) during April 2006 to March 2009 towards structural and painting jobs in its Ilmenite Beneficiation Plant and Pigment Production Plant. As per the accepted terms and conditions of Work Orders (Clause 1(b)), the rates agreed to by the party were inclusive of all taxes and duties. The Company amended the work orders and paid an amount of ₹51.87 lakh separately towards Service Tax. This payment of Service Tax by amending the work order was irregular and resulted in passing of undue benefit of ₹51.87 lakh to the contractor.

Management stated (June 2011) that the rate mentioned was inclusive of Taxes and Duties. However, it was presumed that Taxes to be deducted such as Income Tax, Contract Tax etc. and Service Tax was not envisaged. Later Service Tax was paid on production of necessary documents. The contention of the Company was not correct as the work order clearly stipulated that the rates were inclusive of all Taxes and Duties and did not provide for payment of Service Tax as an extra item of expenditure reimbursable on production of necessary documents. We are of the opinion that, the Company erred by passing off the Service Tax amount of ₹51.87 lakh to the party beyond the agreed rates of contract.

The matter was reported to Government (May 2011); their reply was awaited (November 2011).

4.7 *Inappropriate purchase*

Incorrect specification in procurement by the Company resulted in improper expenditure of ₹0.46 crore.

As per the Export Promotion Capital Goods Scheme (EPCG) 2004-2009 of Government of India, imports of capital equipments used in manufacture of goods

was permitted at concessional rates of Duty. To avail this, the importer was to submit an installation certificate of the imported machinery within six months from the date of such import and was also under obligation to export goods worth eight times the Duty saved within eight years. Non-fulfilment of the obligations was to result in repayment of Duty saved with interest at 15 *per cent* per annum from the date of import.

Scrutiny of records revealed (March 2011) that the Company refunded (July 2010) concessional import duty availed under EPCG Scheme (₹8.04 lakh) along with interest (₹5.94 lakh) to the Customs authorities on submersible type Hazleton pump imported in August 2005 proposed to be used in transfer of crude titanium tetrachloride in its factory.

The Company was using a vertical centrifugal pump for the job and as an alternative bought the submersible pump without evaluating the technical compatibility of the product to its needs. This led to non-utilisation of the pump resulting in its subsequent non-installation and refund of duty saved under EPCG along with interest. Thus, the investment of ₹32.38 lakh on the Hazleton pump was rendered ineffective as the pump could not be run till date though modifications were also carried out (November 2008).

Management stated (June 2011) that since the pump was of submersible type it could not be used for crude tickle pumping. But with some modification suggested by the supplier, the pump would be run on trial during the annual shut down of the plant. The reply was not acceptable as the equipment was unsuitable for the needs as acknowledged by the Company and already annual shutdown had happened since the pump was modified but it was yet (September 2011) to be put to use even on trial basis. This proved that the purchased pump could not be used as it was unsuitable.

The matter was reported to Government in May 2011; their reply was awaited (November 2011).

Kerala Automobiles Limited

4.8 *Wasteful expenditure*

344 CNG engines worth ₹0.65 crore were procured without adequate assessment of their suitability.

The Company, engaged in the manufacture of three wheelers powered with diesel engines has its main markets in the northern States of the Country. Following the ban (2004) on running of diesel powered public transport in National Capital Territory of Delhi, the Company decided to go in for compressed natural gas (CNG) powered vehicles, fitted with LGA 340 engine supplied by Lombardini India Pvt. Ltd. (LIPL). The Company procured three engines from LIPL on trial basis which were approved by Automobile Research Association of India (ARAI) in the development test conducted as Bharat Stage II (BS II) compliant. Consequently, orders were placed (May 2006-March 2007) on LIPL for supply of 344 numbers LGA 340 engines at a total cost of ₹64.64 lakh to be fitted on to three

wheelers sold in Delhi, after obtaining approval from the certifying body ARAI. The vehicles fitted with engines from first lot of purchases reported (September 2006) engine problems after their sale. The Company could sell only 89 vehicles of the total 230 produced. The balance engines and vehicles remained unsold.

We noticed (January 2011) the following lapses in procurement of the CNG engines:

- LIPL being a single source identified for CNG powered engines, the Company had procured 3 engines from LIPL on trial basis initially. The vehicles fitted with these engines though approved (December 2005) by ARAI on BS II emission norms, reported engine problems and were replaced by LIPL. Disregarding this, the Company decided (June 2006) to procure 110 engines in the initial phase itself without adequate assessment of their suitability. The Company further continued to place orders and procured (November 2006 - March 2007) additional 234 engines.
- To ensure proper application and good performance, LIPL was to provide warranty for engines for six months against manufacturing defects and support to the Company in the form of after sale service. However, no formal agreement was entered into with LIPL to guarantee performance of the engines which ultimately led to the Company bearing the additional expenditure for rectification of defects. This poor after sales service coupled with non-availability and high cost of spares further dampened the marketability of the vehicles. Consequently, 141 engines already fitted to three-wheelers and 114 others procured from LIPL remained unutilised as of March 2011. The Company could sell only 89 vehicles.
- Efforts of the Company to rectify the defects using upgradation kits procured from LIPL at a cost of ₹2.25 lakh also did not yield the desired results.

Thus, procurement of CNG (LGA 340) engines disregarding the poor performance of the initial lot led to production of 141 vehicles worth ₹1.07 crore[7] for which there were no sales in addition to idling of 114 engines worth ₹21.42[8] lakh.

Management stated (March 2011) that the CNG engines were procured with the intention of maintaining and boosting the sales of vehicles in areas where diesel engine powered public transport were banned. But certain defects such as engine overheating, HT coil failure and starting problems seriously affected the sales of these vehicles. Efforts of the Company to rectify these defects with upgradation kits were also not successful. The Management reply did not hold good as the initial procurement of 110 engines and additional quantity of 234 engines were made without considering the road performance of first lot of engines procured on trial basis. Moreover, sale of vehicles powered with these Bharat Stage (BS) II compliant engines became impossible since BS III emission norms had been made

[7] **Cost of production for 141 vehicles at the rate of ₹75831 per vehicle.**
[8] **(₹64.64 lakh/344 engines) 114 engines.**

mandatory from October 2010 whereas LGA 340 engines were only BS II compliant.

Thus, the Company was saddled with the unsold inventory worth ₹1.28 crore which it could not sell.

We suggest that the Company should enter a new business line only after a thorough market research about acceptability of its products.

The matter was reported to Government in April 2011; their reply was awaited (November 2011)

Financial Management in four selected areas

4.9 We selected twenty Companies[9] from six sectors based on risk analysis for assessing the effectiveness of performance in the following areas pertaining to the period 1 April 2006 to 31 March 2011:

- *Deployment of surplus funds*
- *Disbursement of loans*
- *Borrowing of funds and*
- *Payment of taxes and duties.*

We noticed deficiencies and were of the opinion that they required urgent attention of the Managements of respective Public Sector Undertakings (PSUs).

Deployment of Funds

Incorrect selection of financial institutions for deployment of funds, inappropriate duration of term deposits and avoidable deployment of funds in Current Accounts resulted in loss of interest of ₹6.57 crore, as discussed further.

Time Deposits

Selection of institution

Incorrect selection of the institution for deployment of surplus funds in time deposits by the following nine PSUs ignoring the rates offered by State Treasury which were better than what they carried resulted in foregoing of possible revenue of ₹3.30 crore in 399 cases as tabulated below:

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[9] **Agriculture Sector – Kerala Agro Machinery Corporation Ltd.(KAMCO), Kerala Livestock Development Board (KLDB).**
Finance Sector – Kerala Transport Development Finance Corporation Ltd.(KTDFC), Kerala State Financial Enterprises Ltd.(KSFE), Kerala State Film Development Corporation Ltd.(KSFDC), Kerala Urban and Rural Development Finance Corporation Ltd.(KURDFC).
Infrastructure sector - Roads and Bridges Development Corporation of Kerala Ltd.(RBDCK), Kinfra Export Promotion Industrial Park(KEPIP), Kerala State Industrial Development Corporation Ltd.(KSIDC).
Manufacturing Sector - Kerala State Beverages (M&M) Corporation Ltd.(KSBC), Transformers and Electricals Kerala Ltd.(TELK), Kerala Feeds Ltd.(KFL), Steel Industrials Kerala Ltd.(SILK), Steel and Industrial Forgings Ltd.(SIFL), Kerala Minerals and Metals Ltd.(KMML), United Electrical Industries Ltd.(UEIL), Kerala State Electronics Development Corporation Ltd.(KELTRON).
Power Sector - Kerala State Power and Infrastructure Finance Corporation Ltd.(KSPIFCL).
Service Sector – Kerala State Industrial Enterprises Ltd.(KSIE), Tourist Resorts Kerala Ltd.(TRKL).

Company	No of Fixed Deposits (FDs) Instances	Period involved	Range of FDs (₹ in lakh)	Range of Period of FDs (Days)	Rate of interest (ROI) received (%)	Alternative ROI available at State Treasury (%)	Interest forgone (₹ in lakh)
TELK	31	Jan2009 to Oct 2010	40 to 300	180 to 468	2.00 to 6.25	6.75 to 10.00	68.08
KSPIFCL	48	March 2009 to March 2011	25 to 500	365 to 730	7.00 to 8.80	7.50 to 10.00	64.35
KMML	40	Jan 2009 to March 2011	15 to 261.93	365	6.50 to 9.00	7.50 to 10.00	63.18
KSIDC	163	Nov 2007 to March 2011	1.00 to 380.14	180 to 365	6.00 to 8.00	6.75 to 10.00	55.72
TRKL	06	March 2009 to March 2011	9.50 to 556.31	365	5.00 to 8.00	7.50 to 10.00	29.50
KURDFC	49	April 2008 to March 2011	15.90 to 99.00	180 to 556	5.75 to 8.00	6.75 to 10.00	23.11
KSIE	17	Jan 2009 to Nov 2010	0.55 to 109.38	365	7.00 to 8.50	7.50 to 10.00	9.74
KELTRON	22	May 2006 to Feb 2011	5.00 to 116.55	181 to 897	4.05 to 7.70	6.50 to 10.00	8.48
KFL	23	May 2009 to Feb 2011	55.00 to 99.00	180	5.50 to 7.00	6.75 to 8.50	8.21
Total	**399**						**330.37**

Four Companies namely TELK (July 2011), KSPIFCL (August 2011), KSIDC (August 2011) and KMML (August 2011), stated that restrictions imposed by Government/ Treasury, operational convenience and facilities for Overdraft (OD)/Cash Credit (CC)/Letter of Credit (LC)/Working Capital Loan offered by scheduled commercial banks (SCBs) etc. were the major reasons for the preference given to SCBs while depositing the funds.

The replies were not acceptable as Government/ Treasury did not impose any restriction for withdrawal of Fixed Deposits (FDs) on maturity. Monetary ceiling for premature closure could be overcome by opening FDs of smaller denominations and also by adopting phased withdrawal. The State Treasury should have been preferred for investment over SCBs as it would have fetched better returns.

About TRKL, Government (October 2011) replied that they parked their deposits with banks for operational convenience. The Management stated (August 2011) that they could not monitor their deposits due to shortage of manpower. The reason did not justify the loss of potential interest income of ₹29.50 lakh.

KSIE stated (August 2011) that they had switched over to deployment of surplus funds in long term FDs with banks because of the OD facility offered to them while KFL replied (August 2011) that the Company could not estimate short term requirement of funds correctly and there were chances of premature closure**.** The Audit point that these Companies did not beneficially deploy their surplus funds stays, as the Treasury did not discourage premature withdrawals.

Optimal utilisation of increasing interest rates

Treasury periodically revised the rate of interest on Fixed Deposits. Regular monitoring coupled with comparative assessment of continued investment in

existing FDs or switching over to new FDs, will help maximisation of interest on investment. No penalty is imposed by the Treasury for premature renewal of term deposits.

- Delay in renewal of term deposits by KSFE on 66 occasions in line with upward revision in interest rates (October 2008) by Treasury resulted in loss of potential earnings of ₹13.47 lakh.

The Company replied (August 2011) that the delay in foreclosure of FDs was due to the delay in getting approval from Board of Directors which took all major decisions. Thus, quick decision making was absent, and to overcome this, operational freedom should have been given to functional managers within specific guidelines laid down by the Board of Directors.

- The Company also erred in selection of term deposits for foreclosure which resulted in interest loss of ₹10.55 lakh. The Company assured to evolve appropriate methodology for foreclosures.

- Non-closure of existing FDs to redeploy funds when the Treasury had raised rates of interest resulted in loss of potential interest of ₹69.09 lakh in KLDB during the period from April 2005 to October 2008.

The Company replied (September 2011) that prior approval of Government was required for opening new Fixed Deposit Account as well as renewal of existing Treasury FD account.

The reply was not tenable since given the benefits involved, operational freedom should have been sought from the Government subject to specific guidelines from the Government.

Inappropriate duration of deposits

Due to lack of planning, the following companies failed to deploy funds in FDs of longer durations instead of renewing and re-depositing in FDs of shorter durations resulting in foregoing of potential interest income of ₹1.31 crore:

(₹in lakh)

Name of the Company	Funds Deployed in	Period involved	Initial Investment	Actual duration of deposits	Alternative long term duration available	Rates of interest (actually earned in deposits (%)	Rates of Interest for longer duration (%)	Interest Received	Interest that could have been received	Interest Foregone
KAMCO	State Treasury	June 2005 to March 2011	2332.13	6 to 13 months	36 months	6 to 9	7.5 to 10	1278.70	1361.25	82.55
KSBC	SCB	Feb 2008 to March 2011	1985.85	12 Months	36 Months	6.25 to 10	8 to 11	252.24	295.84	43.60
SILK	SCB	Jan 2010 to March 2011	190.00	30 to 46 days	181 to 414 days	3 to 4	6.75 to 7.5	4.58	8.93	4.35
Total			**4507.98**					**1535.52**	**1666.02**	**130.50**

KAMCO replied (August 2011) that the Company was engaged in various diversification/expansion schemes and to ensure fund availability for the same at appropriate time short term FDs were resorted to.

The reply was not tenable since the facility of foreclosure of deposits in Treasury would have taken care of unanticipated cash outflows associated with diversification. As per the Government policy in vogue, there was no restriction/ban for withdrawal of FDs from Treasury.

SILK replied (August 2011) that absence of integrated information system contributed to the loss and it had plans of implementation of fund management techniques**.**

Current Account Deposits

Avoidable deployment of funds in Current Accounts

In nine companies viz. KFL, TELK, KAMCO, KEPIP, TRKL, KSIE, KMML, KSIDC and KLDB, heavy accumulation of balance in Current Accounts for long durations was noticed. Companies with unpredictable cash flows can resort to Flexi Fixed Deposits (FFDs) so as to avoid idling of fund in Current Accounts and also to earn interest for periods ranging from seven days onwards. FFDs offer the twin advantage of liquidity as well as operational flexibility of Current Accounts coupled with interest returns of Fixed Deposits. All the banking facilities attached to a Current Account like fund transfer methods viz. Real Time Gross Settlement (RTGS)/National Electronic Funds Transfer (NEFT) and Internet banking features are also available to the FFD account holders without involving any extra charge.

The total amount blocked up in Current Accounts of the nine companies for various periods ranging upto 1823 days was equivalent to the idling of ₹54.42 crore for one year (***Annexure 18***). The equated annual idling of funds ranged from ₹0.86 crore (KLDB) to ₹14.52 crore (KAMCO). This resulted in foregoing of interest income. In the light of the advantages of FFD account, there was a need for these companies to consider availing of this facility.

KAMCO and KSIDC replied (August 2011) that they had opened FFD accounts.

KFL (August 2011), KLDB and KEPIP appreciated (June 2011) the benefits of opening FFD Account and information relating to the progress thereon was awaited (November 2011). About KLDB, Government replied (September 2011) that the interest forgone was not considerable and about TRKL (October 2011), that efforts would be made to open FFDs in future.

KMML replied (August 2011) that they had requested the banks to provide FFD account facility.

KSIE (August 2011) replied that amounts accruing in Current Accounts of the Company at different locations were transferred to OD account and the balance in Current Account was minimised leading to need of additional funds.

The corrective actions taken by the Companies were appreciable.

- At KEPIP, four dormant Current Accounts in SCBs were observed during the period from April 2006 to February 2011 wherein balances ranging from

₹4.00 lakh to ₹18.00 lakh were persistently maintained which resulted in forgoing potential interest income of ₹7.51 lakh. The Company assured that short term surplus funds would be invested in interest bearing FDs in future (July 2011).

Maximisation of rate of interest

Daily sales collections in all the units of KSBC were transferred to its Current Accounts maintained with Canara Bank, Union Bank of India, Dhanlakshmi Bank Limited and Punjab National Bank in Thiruvananthapuram. After leaving a minimum daily balance of ₹2.50 lakh in the accounts, remaining funds were transferred to the Flexi Fixed Deposit Accounts maintained with the same bank. The agreements with the banks provided for re-deployment of funds to earn maximum revenue in the event of revision of rates of interest. The Company did not have a system to daily compare the rates of interest that existed across the banks and to redeploy funds whenever interest rate changes thereby forgoing interest of ₹95.50 lakh during 2006-07 to 2010-11.

KSBC replied (August 2011) that the loss was worked out by Audit without considering the period of seven days for generation of interest, number of transactions in a bank account and the higher interest earned by the Company by transferring fund from FFD account to Term Deposits with Treasury.

The period of seven days mentioned in the reply was not relevant to the audit observation. Our comment was restricted to initial deployment of cash collections. The reply with regard to transferring of funds from FFD account to Treasury was not relevant as the calculation done by us pertained to the period when the funds remained with the banks. We were of the opinion that KSBC was providing low cost funds to banks.

Loan Disbursement

Of the selected PSUs we observed inconsistency in lending activity as under:

Non-synchronisation of due dates of loan repayment and bond redemption (KSPIFCL) and non-revision of interest rate linked to increase in cost of funds (KTDFC) resulted in avoidable extra expenditure on interest/short realisation of interest income amounting to ₹56.24 lakh as discussed further:

- KSPIFCL issued (1 January 2003) redeemable 11.10 *per cent* bonds worth ₹200 crore for lending to Kerala State Electricity Board (KSEB) at the rate of 11.75 *per cent*. The bonds carried a put/call option exercisable on or after 01 January 2009. The loan given to KSEB had a repayment schedule of four half yearly installments starting from 30 June 2008. KSEB repaid the first installment of ₹50 crore on 30 June 2008. Though the Company offered to redeem bonds worth this amount immediately, only those holding bonds worth ₹1.57 crore accepted the Company's offer. Hence the Company could redeem the remaining bonds worth ₹48.43 crore (ie 50 crore - 1.57 crore) only on 01 January 2009. During the intervening period of 184 days (from 30 June 2008 to 31 December 2008) the Company had to park ₹48.43 crore

in FDs which earned interest at the rate of 9.85 *per cent* per annum. This resulted in interest loss of ₹30.52 lakh towards differential interest (11.10 *per cent* - 9.85 *per cent*) payable to bond holders. Had the initial date of repayment of loan by KSEB been synchronised with the call/put option date, the interest loss could have been avoided.

The Company replied (April 2011) that several attempts were made (October 2005 onwards) with KSEB to get the repayment schedule of loan revised but in vain and that the above loss was absorbed in the overall profitability in the bond transaction.

- KTDFC decided in the Board meeting (June 2007) to revise the interest rates of loans under *Aiswarya Griha Scheme* sanctioned thereafter, in tune with the increased cost of borrowings. Loan disbursed (March to May 2006) by KTDFC to three parties—SK Hospital, Credence Hospital and Paramount Photographers provided for revision of interest rates based on the changes in the borrowing cost of the Company. The interest rates of these loans were revised in the Board meeting (November 2008) with effect from June 2008 after a delay of 11 months (for the period from July 2007 to May 2008) resulting in loss of interest income of ₹25.72 lakh.

Government replied (August 2011) that the above three loans were housing loans and were sanctioned with fixed interest rates. The loanees objected to the decision to have floating rates and to avoid litigation, it was decided to refix the interest rate and later on bring them under floating interest rate.

The reply was not tenable because the loan agreements clearly indicated that they were sanctioned as floating loans with clear provisions for revision of interest rates.

Borrowings

Ineffective management of loans

Ineffective management of loans resulted in avoidable interest payout of ₹94.01 lakh as discussed further:

Three Companies (TELK, UEIL and SILK) did not utilise the available funds in their FDs / Current Accounts for extinguishing the loans/CC/OD availed though the available funds were fetching lesser rates of interest compared to the carrying cost of loans/CC/OD availed. We worked out that this resulted in avoidable interest payout amounting to ₹37.93 lakh (***Annexure 19)*** as detailed below:

- Despite having sufficient funds invested in FDs earning interest of 5 *per cent* to 5.25 *per cent* per annum, TELK availed LCs of 90 days duration carrying interest commitments of 12 *per cent* - 12.75 *per cent* during the period from November 2007 to August 2009 for purchases. This resulted in avoidable interest payout of ₹25.97 lakh.

TELK replied (August 2011) that the Company was forced to open usance LCs instead of sight LCs as the monopolistic suppliers insisted for the same. Further, the Company could persuade the suppliers to accept sight LCs from 2009 onwards

and that lately the Company was making advance payments through RTGS mode to avoid interest.

The corrective action taken by the Company was appreciable.

- UEIL and SILK failed to transfer surplus funds lying in Current Accounts to Cash Credit Accounts which would have helped in avoiding extra interest expenditure of ₹11.96 lakh during the period 2007-2011.

About UEIL, Government (October 2011) stated that the funds parked in Current Accounts were received from Public Sector Restructuring and Internal Audit Board (RIAB) against specific undertaking that the same would not be diverted.

CC account being a standing arrangement for Working Capital, utilisation of Working Capital assistance received from RIAB to mitigate interest burden on CC account did not amount to diversion.

SILK replied (August 2011) that their units were geographically and functionally scattered and that they could not integrate the fund position of its units with the fund requirements which attributed to the loss.

The reply was not tenable because the Company should have developed an integrated information system to ensure effective fund management.

Non- compliance with terms and conditions of borrowings

- CC arrangements opened by KTDFC with two SCBs stipulated that periodical financial statements and statement of debtors shall be furnished by the borrower to the lender, failing which penal interest, limited to two *per cent* over and above the rate of interest would be levied. On persistent default by the Company (from 2007-08 onwards) in preparation and submission of statements agreed upon, the relevant penal clauses were invoked by the lenders which cost the Company ₹36.64 lakh by way of avoidable penal interest.

Government replied (August 2011) that the non-submission of financial statements to the banks was due to retrenchment of almost entire staff of the Company and also due to the delays associated with migration of data to new software. It was also stated that the cost of funds included penal interest charged by banks and the interest charged by the Company on loans were over and above the cost of funds.

Thus, the delay caused in submission of statement to banks resulted in the Company foregoing potential profit of ₹36.64 lakh**.**

Failure to minimise cost of borrowing

KTDFC had other issues of financial mismanagement also. It had CC arrangements with three banks but had no mechanism to ensure that CC limit of the bank offering lowest rate of interest was utilised first at any point of time. We worked out that the Company could have minimised their borrowing cost by ₹16.60 lakh by capitalising on the rate differentials, but failed to do so (***Annexure 20)***.

Similarly**,** surplus funds (credit balances) were maintained in CC accounts with certain banks while deficit (debit balance) existed in CC account with other banks

during the corresponding period. Non-settlement of these deficits resulted in avoidable interest payment of ₹2.84 lakh.

Government replied (August 2011), that absence of qualified staff in its finance wing coupled with shortage of staff affected the financial arrangements of the Company adversely. It was further added that the Company did not incur any loss as it gives loans at a rate higher than the rate charged by its banks.

The reply was not tenable as the lapses pointed out persisted up to 2010-11 and staffing issues were sorted out by the Company in 2007-08. Prudent financial management demanded minimisation of cost and not covering up the inefficiency by passing on the burden to the unsuspecting customers.

Payment of Taxes & Duties and Guarantee Commission

Payment of Advance Income Tax

As per Section 234 B and C of the Income Tax (IT) Act, 1961, a corporate assessee was to pay 90 *per cent* of the tax in advance when the amount of Tax payable exceeds ten thousand rupees per annum. The Advance Tax was payable in four quarterly installments between June and March of the corresponding financial year. Excess payment of Advance Tax earned an interest of 6.00 *per cent* per annum until refund was received. It was observed that refund of tax took one to two years to materialise. Similarly for failure to pay instalments of Advance Tax by specified dates, interest was chargeable at the rate of one *per cent* per month (Section 234 C of the Act *ibid)*. However, any shortfall in payment of Advance Tax in earlier instalments could be offset by making additional payment during last installment due on 15 March, by which time, Tax liability for the year would be certain. The duration of penalty could thus be restricted to a period not exceeding nine months.

We observed nine instances of overpayment ranging from ₹0.10 crore to ₹15.57 crore in six companies due to assessment of tax based on budgeted profit rather than working out approximate income based on income of previous 11.5 months, a methodology which had already been recommended by the Committee on Public Undertakings (CoPU). We worked out the associated interest loss at ₹3.25 crore (***Annexure 21***).

To estimate the profit accurately, Projected Profit and Loss Account was to be prepared on quarterly basis taking into account Purchase and Sales budgets duly revised, ratio of expenditure to total sales and sales trend during the corresponding months in the previous years, if any. Absence of proper functional budgets or periodical revisions or non- preparation of projected Profit & Loss account on quarterly basis led to wrong estimation of profit resulting in excess payment of Advance Tax.

It was observed in KSFE that the Tax Deducted at Source by banks for each quarter was not considered while ascertaining the tax payable for that quarter thereby resulting in over payment of Advance Income Tax.

KSFE replied (August 2011) that the criteria adopted for computing the Advance Tax Liability was based on the estimated profits as per budgets for the year,

profitability trend as well as the payment of Advance Tax for the previous years. However, absence of an integrated real time information system and non-synchronised operation of different wings of the Company hampered timely revision of estimates. Further, there was also demand from the Commissioner of Income Tax, Thrissur for remitting Tax at least equal to that which was remitted in the previous year (2006-07).

About UEIL, Government (August 2011) stated that owing to the change over to new accounting platform, Enterprise Resource Planning, the work of finalising accounts for the year was delayed and they could not come out with accurate figures.

KSIE admitted (August 2011) that there was some excess payment of Advance Tax and stated that they would review and revise budgets periodically to minimise the Advance Tax payments to be made before 15 of March every year.

KSBC replied (August 2011) that, a higher income was estimated at the beginning of the year to avoid the penal interest of 12 *per cent* charged by IT Department for incorrect assessment. It was also stated that the rate of interest on excess Advance Tax offered by IT Department was higher than the average interest earned by the Company from Flexi Fixed Deposit Accounts. The reply was not acceptable as the rate offered by IT Department (six *per cent*) should have been compared with the FD rates offered by Treasury/Banks. The reply with regard to penal interest did not hold good as discussed earlier.

About KTDFC, Government replied (August 2011) that due to heavy arrears in finalisation of accounts coupled with unreliability of the accounting package, the Company had been unable to make a reasonable estimation of the Advance Tax payments, but the Company admitted system lapses as the cause of excess payment of Advance Income Tax.

KMML while admitting (August 2011) the audit observation stated that the Company had changed to a daily profit monitoring system at present which reduces the chances of excess / short payments.

Payment of Income Tax

Income Tax Act does not admit all the expenses unless they comply with the provisions of the Act. Any payment of expense over and above ₹20,000 by way of cash rather than by bank would render those expenses inadmissible. The Act also provides for deduction of Tax at Source from expenses in case of consultancies, technical fee, etc., failing which the party liable to collect the Tax at source would have to bear Tax burden. The following companies did not exercise due diligence resulting in avoidable Tax burden to the tune of ₹44.69 lakh:

Name of Company	Particulars	Provisions of IT Act	Avoidable payment of Income Tax (₹ in lakh)
KSBC	Due to non-claiming of allowable expenses such as interest / commission / professional fee etc. paid by the Company for which TDS was deducted	Section 40 (i a)	15.26
KSBC	Due to payment of expenses above ₹ 20000 in cash	Section 40 A(3)	11.99
KTDFC	Due to recognition of fictitious interest income during 2006-07	NA	14.44
KAMCO	Due to non-deduction of Tax at source from interest / commission / professional fee etc. paid by the Company	Section 40 (i a)	2.21
KMML	Due to payment of expenses above ₹ 20000 in cash	Section 40 A(3)	0.79
	Total		**44.69**

KSBC, KAMCO and KMML admitted their lapses and assured to ensure avoidance of such lapses in future.

About KTDFC, Government replied (August 2011) that recognition of interest on the amount spent on BOT[10] project was in order and that the Company was entitled to operate the asset over a period of time to recoup the total expenditure incurred with return on investment through user charges namely rent.

The reply was not acceptable as there was no payment of interest by government. The Company could earn return on investment in the form of rent.

Payment of Service Tax/ Excise Duty

➢ Though the services rendered by KSIE (Airport services) were taxable as per the relevant Finance Act, the Company failed to collect/remit Service Tax from the customers resulting in a liability of ₹10.24 lakh.

The Company replied (August 2011) that the Service Tax on facilitation charges (₹1.05 lakh) was receivable from the airlines. The uncollected Service Tax on unaccompanied baggage (₹9.20 lakh) was borne by the Company.

➢ As per Rule 3 of the CENVAT Credit Rules 2004, a manufacturer could utilise CENVAT credit against the payment of excise duty. But KMML did not utilise the entire CENVAT available to its credit during the period from April 2006 to February 2011 resulting in an interest loss of ₹44.33 lakh.

KMML replied (August 2011) that it had a dispute regarding eligibility of certain input credit with Excise Department and hence the CENVAT credit had been kept unutilised deliberately so as to avoid interest liability in the event of losing the dispute. The reply was not tenable. As per rules, interest liability existed even if the wrongly availed credit had not been utilised.

[10] **Build Operate Transfer**

Payment of Guarantee Commission

KSPIFCL was liable to pay Guarantee Commission (GC) to the State Government at the rate of 0.75 *per cent* on the amount guaranteed by the State Government on loans raised by the Company. Any default in payment of GC would attract penalty at the rate of 12 *per cent* per annum on amount defaulted. The delayed discharge of liability ranging from ₹1.02 crore to ₹5.64 crore for periods extending up to 600 days by the Company despite having sufficient funds resulted in avoidable liability of ₹1.03 crore as penal interest. Considering the interest realised from investment in FD, which was lower than the GC payable by 4 *per cent* to 8 *per cent*, the Company suffered interest loss of ₹41.33 lakh.

The Company admitted the situation and replied (April 2011) that they had approached Government to get the GC payable converted into equity participation of Government in the Company but was rejected (March 2010). A further proposal by the Company for waiver of penal interest was pending with the Government (June 2011).

Reply of Government on Companies except UEIL, KSFDC, KFL, KURDFC, TRKL, KTDFC and KLDB was awaited (November 2011).

Canons of financial propriety-Advertisement

An expenditure of ₹3.68 crore was incurred by Kerala State Electricity Board and 21 other State PSUs during 2008-09 to 2010-11 on advertisements which violated canons of financial propriety.

4.10 Adopting the canons of financial propriety as the benchmark we undertook scrutiny of expenditure incurred by Kerala State Electricity Board (KSEB) and State PSUs on advertisements during 2008-09 to 2010-11. Canons of financial propriety required that public money should not be utilised for the benefit of a particular person or section of the community. The conclusion about compliance with this requirement can be arrived at only by looking at the contents of the advertisement. If the advertisement is publication of tender notices, Statutory notifications, etc., then this item of expenditure is in conformity with this requirement, but to the contrary if the advertisement is in the nature of extolling the achievements of the Government or of a section of society such surrogate advertisements are indirectly burdening the PSU and are violative of canons of financial propriety. We observed that expenditure of ₹3.68 crore on advertisements was violative as detailed below:

Kerala State Electricity Board

- A total of 29 display advertisements made (2008-09 to 2010-11) at a cost of ₹3.19 crore by the KSEB were in the nature of extolling the accomplishments of the Government. While the KSEB issued tender advertisements in maximum of three news papers, all the display advertisements were made in nine to eleven newspapers. Included in it were advertisements published in February and May 2009 in 11 news papers spending ₹90 lakh with no benefit to itself or to the consumers.

- Similarly, all the 18 display advertisements published at a cost of ₹1.95 crore running upto May 2011 related to publicising the achievements of the Government were surrogate in nature and also did not add to the benefits of the KSEB. In all the above cases no benefit directly or indirectly accrued to the KSEB or the consumers.

State PSUs

- Government also directed (April 2009/July 2010), 21 State PSUs to release an amount of ₹52.59 lakh to Public Sector Restructuring and Internal Audit Board (RIAB) in connection with advertisements. An amount of ₹48.85[11] lakh was paid by 17 PSUs to RIAB.

KSEB stated (August 2011) that messages pertaining to developmental activities had to reach public. Considering this, wide publicity was given to certain projects/programmes unlike tender advertisements focused on certain target groups. Further, the advertisements released (February – May 2009/2010-11) were not aimed for publicising the achievements of Government. Managements (eight companies) stated (October 2011) that the payments were made as per the directions of Government of Kerala.

Their replies were not acceptable. The advertisements were not issued in the context of advertising the product of the KSEB/PSUs to increase their market share. They were violative of canons of financial propriety.

We recommend Government to clearly lay down guidelines with regard to advertisements issuable by PSUs.

The matter was reported to Government (June/September 2011); their reply was awaited (November 2011).

Violation of Government orders by three State PSUs

Violation of Government orders on enhancement of cost of tender forms by three State PSUs resulted in loss of revenue of ₹73.10 lakh to the PSUs and Tax revenue worth ₹4.38 lakh to State Government.

4.11 Public Sector Undertakings (PSUs) in the State were adopting the rules and procedures laid down in Stores Purchase Manual (SPM) of the State Government following enforcement (February 1995) by a Government order (GO). Paragraph 21 (a) of the SPM as revised by GO (December 2008) prescribed the cost of tender forms to be collected from bidders for the works and supplies at the rate of 0.20 *per cent* of estimated cost of item tendered for tenders up to ₹10 lakh and thereafter at the rate of 0.15 *per cent* + Value Added Tax (VAT).

Scrutiny of records of PSUs (2010-11) revealed that three[12] PSUs in the State collected only ₹14.89 lakh as cost of tender forms in 29 cases of works and

[11] **₹17.10 lakh paid by 10 companies during May 2009-March 2010. ₹31.75 lakh paid by 17 companies during July 2010 to November 2010.**

[12] **The Kerala Minerals and Metals Limited (KMML), Kerala Medical Services Corporation Limited (KMSCL) and Kerala Industrial Infrastructure Development Corporation (KINFRA).**

supplies as against ₹87.99 lakh to be collected as per the revised rates resulting in loss of ₹73.10 lakh ***(Annexure 22)***. In the process the State Government also suffered loss of Tax revenue worth ₹4.38 lakh ***(Annexure 22)*** since as against ₹5.75 lakh collectible as VAT, the Company/Corporation had collected only ₹1.37 lakh.

Management of KMSCL accepted (June 2011) the contention and agreed to revise the tender rates in line with Government orders while KMML stated (May 2011) that they had collected cost of tender forms at rates fixed in accordance with the purchase procedure approved (2001) by its Board of Directors but expressed that adoption of revised Government rates may result in small and medium scale industries, refraining from participation in tender process. In respect of KINFRA, Government stated (June 2011) that no additional expenditure was incurred by the Company for tendering as it formed part of Architectural consultants' scope of work. The Company collected the cost of tender proportionate to the cost incurred for its preparation.

The replies of the Management of KMML and Government were not acceptable as the Government Orders were mandatory and the Government while issuing the orders had already considered the interests of all stake holders.

Violation of Employees Provident Fund and Miscellaneous Provisions Act, 1952

Contribution to Provident Fund disregarding the ceiling fixed for salary resulted in irregular payment of ₹72.93 crore.

4.12 As per Employees Provident Fund and Miscellaneous Provisions Act, 1952 (Act) and Employees Provident Fund Scheme of 1952, for establishments engaging 20 or more persons and engaged in notified industries, employer's contribution to Provident Fund was 12 *per cent* of salary (basic pay, DA, cash value of food concession and retaining allowance if any), limited to ₹6500 of salary per month. For any sick industrial company[13], the rate of contribution was 10 *per cent*.

A test check (2009-2011) of the employer's contribution to the Provident Fund in case of thirteen[14] companies revealed that these companies instead of restricting their share of contribution to monthly salary of ₹6500 had been contributing on the basis of full salary in respect of employees drawing salary more than ₹6500 per month.

The excess contributions to Provident Fund thus made resulted in irregular payment of ₹72.93 crore ***(Annexure 23)*** in respect of the thirteen companies during the period 2007-08 to 2010-11.

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[13] **Any sick industrial company as defined in clause (O) of subsection (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and which has been declared as such by the Board for Industrial and Financial Reconstruction.**

[14] **The Kerala State Financial Enterprises Ltd, Transformers and Electricals Kerala Ltd, The Travancore Cochin Chemicals Ltd, Keltron Component Complex Ltd, Keltron Crystals Ltd, Keltron Resistors Ltd, Keltron Magnetics Ltd, Kerala Automobiles Ltd, Travancore Titanium Products Ltd, Kerala State Beverages (Manufacturing and Marketing) Corporation Ltd, The Plantation Corporation of Kerala Ltd, Kerala State Electronics Development Corporation Ltd, The Kerala Minerals and Metals Ltd.**

Managements stated that the ceiling of ₹6500 under the Act was fixed years back and it remained without change whereas the wages and other benefits had increased considerably over the years. Accordingly even the lowest unskilled employee would draw in excess of ₹6500 per month. They also contended that it would not be possible to recruit and retain work force if employee benefits were reduced.

The point stays that all EPF contributions should have been in consonance with existing statutory provisions.

The matter was reported to Government (July 2011); their reply was awaited (November 2011).

Kerala State Wood Industries Limited

4.13 *Inadequate arrangements for safeguarding movable and immovable Assets*

Inadequate maintenance of Assets records and delay in disposal of idle Assets were noticed and physical verification of Assets was not carried out.

The Company was incorporated in September 1981 with the main objective of production of decorative veneers, plywood, furniture etc. The Company was put under lock out from June 1993. Though the Company reopened in May 2002, it could not perform on account of continuous/huge Accumulated Loss and ultimately became completely non-functional since 2006. The Accounts of the Company were finalised and audited up to the year 1991-92 which were adopted in the Annual General Meeting held on 18 November 2008. The Accounts of the Company were in arrears from the year 1992-93 onwards. Latest certified Accounts for the year ended 31 March 1992 depicted that the Company had total Assets of ₹388.83 lakh (including Fixed Assets: ₹276.35 lakh and Current Assets, Loans and Advances: ₹112.48 lakh).

Even though the Company was non- functional, it still had to ensure that accounts were maintained and the permanent Assets were safeguarded through periodical physical verification, arrangements for watch and ward of the Assets and adequate insurance cover. The deficiencies noticed (July 2011) in this regard were summarised as under:

Inadequate maintenance of Assets records

The Company had the necessity to maintain "Assets records" for each of the Asset with details of the Assets showing their location, original Cost, Accumulated Depreciation, technical and engineering specification of machinery, identification number, etc. We noticed that the Company did not maintain adequate and up to date records depicting this vital information. The original Asset Register was not made available to Audit. Even though the equipments and spares available in the Company were valued through an external agency, KITCO Limited, in 2005 to assess the market value, the loss of Assets, if any, could not be assessed in the absence of proper records.

Physical verification of Assets

The system of physical verification of Assets at regular time intervals was an essential tool of internal control as it helped in ensuring the availability of Assets in the possession of the Company at stated location. An effective system of periodic physical verification of Assets minimised the risks of loss/ theft of movable Assets and enabled the management to take remedial action against the detected cases of theft of Assets. As per the valuation report of KITCO Limited the total market value of Company's Assets was ₹6.84 crore (which included ₹95.85 lakh worth furniture and wood items). We noticed (June 2011) that the Company did not carry out the physical verification of Assets thereafter.

Inadequate security arrangements

Proper arrangement for security and watch and ward of the movable and immovable properties was very essential to protect the movable as well as immovable property. The factory and residential quarters of the Company were situated on forest land on lease. We noticed that, after the complete withdrawal (February 2009) of even the skeleton security staff deployed, no proper security was arranged for the protection of the machinery and Current Assets of the Company. Occurrence of fire (February 2009)/ theft of wooden inventory (December 2009), theft of machinery parts (November 2010) were reported; in the absence of proper records even the extent of loss could not be ascertained or quantified.

Disuse of Assets

The Company had an obligation to make adequate arrangements for proper maintenance and upkeep of the Assets (eg. plant and machinery etc.) not in use or not in use to their full capacity. As the Company was non-functional since 2006, periodical review of the position of these Assets taking into account the reports of the physical verification was essential so as to avoid the chances of the Assets becoming obsolete due to their disuse. The Assets not in use for long also needed to be considered for sale. We observed the following:

- Eighty eight staff quarters and one Guest house constructed by the Company on forest land became uninhabitable due to non maintenance and deterioration. Though Board of Directors of the Company had decided (September 1997) to lease out the vacant quarters to Forest Department no further action was taken in this regard.
- Efforts of the Company to dispose of inventory of logs and other semi-finished products worth ₹94 lakh in 2007, through auction did not materialise as this was stalled by Revenue Department citing pending Revenue Recovery action against the Company. Even though the matter was taken up with the Government, it has not yet been resolved (November 2011). No measures were also taken for safeguarding the inventory from further deterioration/theft.

Insurance Cover

Insurance for the properties was a cover that guards the Assets of the Company against probable losses due to natural calamities and other reasons such as floods, riots, theft etc. Regular and adequate coverage of insurance minimised the risks against these losses at a nominal cost of insurance premium. We noticed that the insurance policy taken by the Company with Kerala State Insurance Department extended only up to May 1994.

Delay in winding up

Even though a Government appointed Committee recommended (December 2005) for closure of the Company and orders were issued in this regard (January 2009) so as to avoid further financial commitment to Government, the Company could not avail the Easy Exit Scheme (EES) due to the unwillingness of the holding Company (Kerala Forest Development Corporation Limited) to take over the Assets and Liabilities of the Company. Further orders to wind up the Company under the normal procedure (October 2010) did not materialise so far (November 2011) due to pending Sales Tax recovery claim, EPF recovery claim and other issues.

Government replied (August 2011) that the Company had maintained a record of Assets and in the absence of regular staff, physical verification of Assets was not feasible. Regarding disuse of staff quarters and guest house, it was stated that there was no demand from Forest Department or any other agency. Efforts were being made to protect the materials and provide insurance coverage and to settle Sales Tax dues.

The reply of the Government reinforced the need for immediate winding up of the Company. We recommend that, the Management/Government should take necessary action to clear the arrears in accounts, settle the statutory dues and expedite the winding up of the Company.

Statutory corporations

Kerala State Electricity Board

4.14 *Power Purchase*

Deficiencies in procurement of power resulted in extra expenditure of ₹15.95 crore and undue favour to traders.

For short term purchase of power tender notice was issued to the traders through fax. The quotes from traders were called for through fax or email to the Office of Chief Engineer (Commercial & Tariff). During the period 2010-11, the Kerala State Electricity Board (KSEB) purchased 1077.37 MU of power at a total cost of ₹490.78 crore.

We observed (July 2011):

- KSEB invited tenders (31 December 2010) for purchase of power (quantum 150 MW and not less than 10 MW in any time block) for February to May

2011. The closing date of tender was 5 January 2011 (3 PM). JSW Power Trading Company Limited (JSWPTCL) offered (5 January 2011) to supply 100 MW during February 2011 (0.00 hours to 24.00 hours) at ₹3.86 per unit. Another bidder, GMR Energy Trading Limited (GMRETL) offered (5 January 2011) to supply 100 MW at ₹4.10 for the period from 1 February to 14 February 2011 (5.00 hours to 23.00 hours) and 75 MW at ₹4.80 for the period 15 February to 28 February 2011 (18.00 hours to 23.00 hours) to be accepted by 7 January 2011.

Given the KSEB's requirement of 150 MW and JSWPTCL was willing to supply only 100 MW there was compelling urgency to place order on GMRETL before expiry of validity period. KSEB placed Letter of Intent (LOI) on JSWPTCL and GMRETL only on 13 January 2011. GMRETL refused to supply. JSWPTCL offered (14 January 2011) to supply additional 50 MW, not at the original rate of ₹3.86 but at higher rate of ₹4.24 per unit. Non-placement of the LOI on GMRETL within its validity period led to KSEB incurring extra expenditure of ₹11.98 lakh.[15]

- KSEB invited (3 February 2011) another tender for purchase of 100 MW to 300 MW of power for the months of March to May 2011 (quantity not less than 10 MW in any time block). Bids were to be submitted by 2 PM on 4 February 2011.

  JSWPTCL quoted rate of ₹5.76 per unit on 3 February 2011 with validity of offer till 11 AM on 4 February 2011. Reliance Energy Trading Limited quoted a rate of ₹6.07 per unit on 3 February 2011. JSWPTCL on expiry of original offer again quoted (4 February 2011) at increased rate of ₹5.96 per unit but retained its L1[16] status. KSEB placed (10 February 2011) orders on JSWPTCL at ₹5.92 per unit as reduced from its second offer of ₹5.96 per unit. The difference in price paid to JSWPTCL on account of the 50 MW power purchased from first and second offer was ₹51.93 lakh at KSEB periphery.

- Hydel generation capacity of KSEB was adequate to meet off-peak hour requirements. Average generation cost from the hydel stations is very low compared to the average purchase cost from traders. Taking into account these factors it would have been appropriate for KSEB to restrict purchases from Independent Power Producers/traders to the peak hour periods only.

  KSEB had a policy of keeping minimum hydro reserve on the last day of water year (31 May) at 525 MU. There was failure to fully utilise the available water subject to the requirement mentioned above. It was observed that the hydro reserve carried forward on 31 May 2011 was 839.27 MU far higher than the limit of 525 MU resulting in short generation of an additional 314 MU. KSEB purchased 27.06 MU from Adani Enterprises Limited and 5.04 MU from JSWPTCL (under a separate contract than above) in February 2011. We are of the opinion that this

[15] **{17775000 kwh x (4.24-4.10)} – {(2304000 x (4.80-4.24)} = 1198260.**
[16] **L1- Party quoting the lowest rate.**

purchase was entirely avoidable if the existing hydel capacity was optimally utilised. Failure to do so resulted in additional expenditure of ₹13.88 crore on purchase of 32.10 MU of electricity.

- In a swap/bank arrangement, energy was supplied to a trader with the stipulation for receipt of the energy in a future period. KSEB decided (May 2010) to swap/bank surplus power available during monsoon period for getting receipt during the power deficient summer months. Based on offers received, KSEB entered into a tripartite agreement (12 August 2010) with GMRETL and North Delhi Power Limited (NDPL) for banking of 54.00 MU of power during 1 to 15 October 2010 (0.00 hours to 24.00 hours) for getting 105 *per cent* quantum in return during March 2011.

  We observed lacuna in the Agreement. As no money was received for the energy initially supplied, there was a risk that the trader may not fully discharge the obligation in future. The natural control for this risk was to have a bank guarantee (BG) for quick realisation of compensation equal to the value of power to be received computed at the settlement rate, the value of which would work out to ₹56.70 crore. As against this, KSEB did not collect any BG from the party. This lacuna was exploited by the trader who short supplied 1.43 MU during return period. KSEB thus instead of imposing damages on GMRETL of ₹1.43 crore, as per settlement rate, chose to accept supply during power surplus period and favoured the trader.

The matters were reported (July 2011) to Management/ Government; their replies were awaited (November 2011).

4.15 *Delay in repair of pumps*

Failure to carry out prompt repairs of pumps resulted in loss of power generation and consequent purchase from external sources at ₹7.37 crore.

Sabarigiri and Kakkad power stations generate additional power from water pumped into Pamba reservoir from Kochupampa weir. Every unit of generation had a revenue implication of ₹3.53 (2009-10) for KSEB**.** The pumping of water into Pamba reservoir was critically dependant on four 315 HP turbine pumps. It was, therefore, absolutely necessary to keep the down time of these pumps to minimum by carrying out repairs and maintenance in a timely manner as had been taken note of (November 2008) by Electrical Inspectorate (EI) of the Government.

The pumping scheme was designed for simultaneous operation of three pumps keeping one as standby and the pumping operations were to be carried out only during rainy season (June to December) with the aim to provide time to undertake the repairs and maintenance without affecting the operations.

We noticed (March 2011):

- Two pumps out of the four in the station were non-functional since January 2006. The Research and Dam Safety Division, Seethathode (RDSD), continued (May 2007) pumping operations with the other two pumps without undertaking repairs of the two defective pumps. As a result when the two

remaining pumps also broke down in October 2008, there were no pumps to put into operation.

- RDSD initiated steps for rectification of the pumps belatedly in May/ August 2009. While the estimate for repairing of pump at a cost of ₹7.98 lakh was sanctioned by the Chief Engineer in November 2009, the estimate of ₹15.15 lakh for rectification of defects pointed out by EI was sanctioned only in December 2010. Two pumps were repaired in February 2011 while the balance pumps were repaired in May 2011. Considering the fact that any shortfall in generation has to be met through costly purchase from external sources, the disruption in pumping operations during the years 2009 and 2010 resulted in negative financial impact of ₹7.37 crore[17] while the cost of repairs of the pumps was merely ₹23.13 lakh. The situation is indicative of lack of proper planning and monitoring by the Management. We recommend a close top level monitoring of the matters to overcome such operational problems.

The matter was reported (July 2011) to Management/ Government; their replies were awaited (November 2011).

Kerala State Road Transport Corporation

4.16 *Procurement of tyres, tubes and flaps*

Adoption of defective methodology in procurement of tyres, tubes etc. resulted in extra expenditure of ₹6.67 crore to the Corporation.

Scrutiny of procurement of tyres, tubes and flaps made by Kerala State Road Transport Corporation (Corporation) during the period 2006-11 was undertaken in audit. For the purpose of placement of orders, the price quoted by the bidder was adjusted for average past performance measured in terms of kilo meters per tyre (CPKM[18]). The details of purchase orders are tabulated below:

Sl. No.	PO No.	Name of supplier	Ordered quantity	No. of tyres purchased	Performance considered for placement of orders	Actual performance obtained	Shortfall in performance	CPKM (Paise)	Extra Expenditure (₹)
					(Km per Tyre)				
	1	2		3	4	5	6 = (4-5)	7	8=(3x6x7)/ 100
1	SRA 1\25160/06	Birla	15000	10499	31740	27873	3867	27.68	11237978
2	SRA 1/25160/06	JK	9000	6776	29732	27397	2335	28.38	4490272
		JK		2224	29732	27397	2335	29.51	1532466
3	SRA 1/34887/07	JK	15000	13745	30905	24951	5954	31.3	25615209
4	SRA 1/1181/09	BIRLA	20000	19873	27724	25109	2615	32.55	16915550
									59791475

[17] **Average annual hours of pumping (based on data for the years 2007 and 2008) was 2760, based on which the net generation potential for two years was 86,55,360 units (2760 hrs x 1568 unitsx2 yrs). Based on the purchase price per unit of ₹8.51 from Kasaragode Power Corporation Limited, cost of short generation worked out to ₹7.37 crore.**

[18] **Cost Per Kilo Meter.**

- As seen from the table above (serial no.3) the order on JK Tyres was placed reckoning performance expressed in terms of Kilometers per tyre as 30905 whereas the actual mileage obtained was only 24951 Kms. The monetary value of shortfall in performance worked out to ₹2.56 crore. Audit analysis revealed that there was lacuna in the agreement due to non-linking of payments to actual performance. The absence of such clause had adverse monetary implication of ₹5.98 crore to the Corporation in respect of the four orders mentioned above.

- In respect of purchase orders at serial nos. 3 and 4 above the Corporation had to incur extra expenditure of ₹69.21 lakh ***(Annexure 24)*** due to failure of the parties to supply the material in the required quantity/as per the time schedule necessitating purchase from other sources. The defaulting companies were granted a favour through non invoking of penalty clause for the extra expenditure incurred.

Government stated (August 2011) that:

- Cost per kilo meter was adopted for selection of the lowest bidder as no other statistical parameter could be relied upon. The Corporation had incorporated performance guarantee clause for purchase of tyres during 2009 but, since the minimum performance guarantee offered was below the past performance the same was discontinued.

- Efforts were under way for recovery of loss due to alternative purchases.

The Government reply was not acceptable in view of the fact that:

- When manufacturers were unwilling to offer performance guarantee equivalent to past average performance reckoned for working out CPKM, the award of works on CPKM basis was inappropriate.

- Payment of only ₹45.06 lakh was requested for from Birla Tyres and claim with JK Tyres was yet to be raised (November 2011).
- KSRTC had no effective method of recovery of damages from these firms.

4.17 *Construction of shopping complex*

Failure of the Corporation to hand over work site resulted in re-tendering at extra expenditure of ₹0.56 crore and loss of potential revenue.

The Corporation in possession of land admeasuring 2.21 acres at Kottarakara, on which a garage was functioning, decided (March 2005) to demolish the same and construct a shopping complex having an area of 2080 square meters.

Smooth progress of the work was dependent on handing over of clear site. The demolition and shifting of garage itself was dependent on construction of an alternative accommodation. The Corporation without waiting for alternative accommodation for garage invited the bids (February 2006) for construction of shopping complex. Due to high percentage rates quoted, the work was decided to be retendered and bids opened in April 2007.

The contractor who was awarded the work in July 2007 was to complete it by June 2008. The contractor could not commence the work and made no progress till March 2008 due to non-handing over of clear site by the Corporation. The dismantling of garage was hampered due to non-provision of funds for the alternative accommodation. The contractor who was awarded the work based on 2004 Schedule of Rates sought enhanced rates to complete the work.

Audit analysis revealed (June 2011) that the agreement did not provide for price variation clause which would have ensured fair and transparent way of taking care of such contingencies.

The Corporation decided to cancel the tender and once again invited bids (April 2008). The same contractor emerged as the successful bidder with an increase of 25 *per cent* over the initial quoted value. The extra expenditure for the Corporation worked out to ₹55.64 lakh[19]. Thus inadequate planning and lack of co-ordination of various items of work led to cancellation of the contract and subsequent re-tendering.

Not taking up advance action for construction of alternative accommodation had another adverse impact for the Corporation as the shopping complex originally scheduled for completion by June 2008 could be completed only by April 2010. This delay of two years had resulted in the Corporation losing rental income during the period 2008 to 2010.

We noticed delay of ten months in completion of the work by the contractor and as per provisions of the contract, liquidated damages of ₹31 lakh[20] were leviable. The Corporation however, recovered only a paltry sum of ₹5000 as liquidated damages.

Government stated (September 2011) that the work of shopping complex was tendered in anticipation of receipt of funds for construction of new garage by the time tendering formalities get completed which did not turn out as expected. Further, the delay in completion of works was due to reasons beyond the control of contractor as well as the Corporation and no avoidable loss was incurred by the Corporation. The fact remains that the work had to be tendered and executed at higher cost. The delay in completion of construction had its effect in the form of loss of rental income which the Corporation could have earned on the space let out after completion. The funds required for shifting of garage were ₹28.31 lakh while extra expenditure incurred on construction of shopping complex was of the order of ₹55.64 lakh.

[19] ₹ 255.91 lakh (actual cost) minus ₹ 200.27 lakh (LI rate at the time of first tender).
[20] ₹2.55 crore minus ₹1.01crore (works completed as per 2nd RA Bill) x 0.5 per cent for 40 weeks.

Kerala Industrial Infrastructure Development Corporation

4.18 *Inappropriate deployment of surplus funds*

Inappropriate deployment of surplus funds resulted in loss of additional interest income of ₹2.72 crore.

Scrutiny (September 2010) of deployment of surplus funds by Kerala Industrial Infrastructure Development Corporation (Corporation) was undertaken in Audit. It was observed that the Corporation made Fixed Deposits of ₹114.21 crore with different banks during the period from June 2009 to August 2009 {₹28 crore (June 2009) at seven *per cent* interest and ₹20 crore (August 2009) at 6.5 *per cent* interest with Union Bank of India, ₹56.31 crore and ₹9.90 crore (both in August 2009) at 6.5 *per cent* interest with State Bank of India and Central Bank of India respectively} each for a term of one year, when the interest rate prevailing in Fixed Deposits of Government Treasury for the same term at the time of investment was nine *per cent*.

Depositing of surplus funds in Commercial banks at rates of interest which were less than those offered by Government in its Treasury was against the financial interests of the Corporation, and was not in consonance with the general policy of the State Government that all Public Sector Undertakings/Boards/ Corporations should deposit their surplus funds in Government treasuries. Thus, had the Corporation deposited the amount in Government Treasury it could have earned additional revenue to the extent of ₹2.72 crore.

The Government replied (June 2011) that the paramount objective of the Corporation was to make funds available as and when needed without any delay and the parking of funds by the Corporation in PSU banks is permitted by it. The Government added that in view of the restrictions imposed by them from time to time on withdrawal of funds from the Treasury on account of ways and means clearance problem KINFRA's cash flow had been adversely affected on several occasions.

The reply was not acceptable in view of the fact that the Return from Investments in Government Treasury would have been higher.

We suggest the Corporation to take decisions in its best financial interests.

General

4.19 *Follow-up action on Audit Reports*

Explanatory notes[21] outstanding

4.20 The Audit Reports of the CAG represent the culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the

[21] **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.**

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 2009-10 had been presented to the State Legislature but 10 departments did not furnish explanatory notes on 28 out of 152 paragraphs / performance audits relating to the Audit Reports for the year 2004-05 to 2009-10 as of September 2011.

Compliance to Reports of Committee on Public Undertakings outstanding

4.21 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 256 paragraphs pertaining to 65 Reports of the CoPU presented to the State Legislature between July 2000 and July 2011 had not been received as of September 2011 as shown below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where ATNs not received
1998-2000	1	11
2001	1	4
2001-2004	3	21
2004-2006	16	37
2006-2008	18	79
2008-2011	26	104
Total	**65**	**256**

Response to Inspection Reports, Draft Paragraphs and Performance Audit Reports

4.22 Audit observations made during audit and not settled on the spot are communicated to the heads of the PSUs and the departments concerned of the State Government through Inspection Reports (IRs). The heads of PSUs 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 2011 pertaining to 84 PSUs disclosed that 2291 paragraphs relating to 487 IRs remained outstanding at the end of September 2011. Of these, 63 IRs containing 500 paragraphs had not been replied to for one to four years. Department-wise break up of IRs and paragraphs outstanding as on 30 September 2011 is given in ***Annexure 25.***

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 eleven Draft Paragraphs and two Draft Performance Audit Reports forwarded to various departments during April-August 2011 as detailed in ***Annexure 26*** had not been replied to so far (November 2011).

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
The

(G.N. SUNDER RAJA)
Principal Accountant General (Civil and Commercial Audit),
Kerala

Countersigned



New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Annexure 1

Statement showing particulars of up-to-date capital, loans outstanding and manpower as on 31 March 2011 in respect of Government companies and Statutory corporations

(Referred to in paragraph 1.7)

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				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	....	....	....	....	...	643
2	Kerala Forest Development Corporation Limited	Forest	January 1975	8.27 (0.75)	0.93	....	9.20 (0.75)	1.19	...	...	1.19	0.14:1 (0.29:1)	552
3	Kerala Livestock Development Board Limited	Agriculture	November 1975	7.33	....	....	7.33	....	....	....	....	0.00:1	189
4	Kerala State Horticultural Products Development Corporation Limited	Agriculture	March 1989	6.13	....	....	6.13	...	...	3.50	3.50	0.57:1 (0.58:1)	....
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	0.2		0.33	0.14:1 (0.18:1)	80
7	Oil Palm India Limited	Agriculture	November 1977	6.80	4.99	....	11.79	....	....	....	....	....	839
8	The Kerala Agro Industries Corporation Limited	Agriculture	March 1968	3.05	1.69	....	4.74	....	....	....	....	.... (1.24:1)	72
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 (0.85:1)	17513
10	The Kerala State Coir Corporation Limited	Industries	July 1969	8.05	....	....	8.05	1.43	....	....	1.43	0.18:1 (0.18:1)	176
11	The Plantation Corporation of Kerala Limited	Agriculture	November 1962	5.57	....	....	5.57	....	....	....	....	0.00:1	2648

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
12	The Rehabilitation Plantations Limited	Labour and Rehabilitation	May 1976	2.06	1.33	....	3.39	....	....	....	....	....	....
13	The State Farming Corporation of Kerala Limited	Agriculture	April 1972	8.43	....	0.61	9.04	0.22	....	....	0.22	0.02:1 (0.02:1)	1054
14	Aralam Farming Corporation (Kerala) Limited	SC and ST Development	June 2010	0.01	....	....	0.01	....	....	....	....	....	2
	Sector-wise total			**261.78 (86.22)**	**8.94**	**1.06**	**271.78 (86.22)**	**214.59**	**0.20**	**3.50**	**218.29**	**0.81:1 (0.68:1)**	**23791**
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	3.76 (1.80)	....	....	3.76 (1.80)	0.52	....	0.83	1.35	0.36:1 (0.34:1)	25
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)	....
18	Kerala Small Industries Development Corporation Limited	Industries	November 1975	23.41 (0.38)	....	4.06	27.47 (0.38)	4.05	....	1.13	5.18	0.19:1 (0.14:1)	534
19	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	SC and ST Development	December 1980	33.69	....	....	33.69	....	....	0.74	0.74	0.02:1	27
20	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	SC and ST Development	December 1972	60.10	45.15	....	105.25	....	....	11.12	11.12	0.11:1 (0.09:1)	156
21	Kerala State Film Development Corporation Limited	Cultural Affairs	July 1975	20.82 (0.65)	....	....	20.82 (0.65)	5.07	....	1.37	6.44	0.31:1 (0.31:1)	218
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 (1.20:1)	64

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				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)
23	Kerala State Handloom Development Corporation Limited	Industries	June 1968	22.03	....	0.05	22.08	14.34	....	....	14.34	0.65:1 (0.78:1)	315
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)	66
25	Kerala State Women's Development Corporation Limited	Social Welfare	February 1988	6.58 (0.66)	0.49	....	7.07 (0.66)	0.05	....	....	0.05	0.01:1 (0.01:1)	34
26	Kerala Transport Development Finance Corporation Limited	Transport	February 1991	43.83	....	....	43.83	....	....	....	....	....	41
27	Kerala Urban & Rural Development Finance Corporation Limited	Local Self Government	January 1970	0.51	....	0.45	0.96	3.80	....	....	3.80	3.96:1 (3.41:1)	16
28	The Kerala State Backward Classes Development Corporation Limited	SC and ST Development	February 1995	75.96	....	....	75.96	....	254.82	....	254.82	3.35:1 (0.35:1)	261
29	The Kerala State Financial Enterprises Limited	Taxes	November 1969	20.00	....	....	20.00	....	....	....	....	....	5040
30	Kerala Venture Capital Fund Private Limited	Finance	September 1999	....	....	0.10	0.10	....	....	....	....	....	....
31	Kerala Venture Capital Trustee Private Limited	Finance	September 1999	....	....	0.01	0.01	....	....	....	....	....	....
	Sector-wise total			**317.82 (5.09)**	**46.25**	**4.67**	**368.74 (5.09)**	**33.36**	**254.82**	**15.50**	**303.68**	**0.82:1 (0.91:1)**	**6922**
INFRASTRUCTURE SECTOR													
32	Kerala Police Housing and Construction Corporation Limited	Home	July 1990	0.27	....	....	0.27	....	....	....	....	....	....
33	Kerala State Construction Corporation Limited	Public Works	March 1975	0.88	....	....	0.88	2.05	....	....	2.05	2.33:1 (2.33:1)	124
34	Kerala State Industrial Development Corporation Limited	Industries	July 1961	366.24 (65.00)	....	....	366.24 (65.00)	26.00	....	3.94	29.94	0.08:1 (0.02:1)	82
35	Roads and Bridges Development Corporation of Kerala Limited	Public Works	September 1999	62.43	....	....	62.43	56.00	....	73.55	129.55	2.08:1 (1.45:1)	34

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
36	The Kerala Land Development Corporation Limited	Agriculture	December 1972	6.79	0.34	....	7.13	1.85	....	....	1.85	0.26:1 (0.27:1)	96
37	Kerala State Information Technology Infrastructure Limited	Information Technology	January 2008	115.87 (85.87)	....	....	115.87 (85.87)	....	....	....	....	....	3
38	Kinfra Export Promotion Industrial Parks Limited	Industries	October 1994	....	....	0.25	0.25	....	....	9.39	9.39	37.56:1 (19.96:1)	7
39	Kinfra Film and Video Park Limited	Industries	June 2000	....	....	1.50	1.50	....	....	....	....	....	2
40	Kinfra International Apparel Parks Limited	Industries	August 1995	....	....	0.25	0.25	....	....	....	....	....	5
41	Marine Products Infrastructure Development Corporation Limited	Fisheries	March 1999	2.50	2.5	....	5.00	....	....	....	....	....	2
42	Kannur International Airport Limited	Transport	December 2009	0.01	....	0.04	0.05	....	....	....	....	....	9
	Sector-wise total			**554.99 (150.87)**	**2.84**	**2.04**	**559.87 (150.87)**	**85.90**	....	**86.88**	**172.78**	**0.31:1 (0.21:1)**	**364**
MANUFACTURING SECTOR													
43	Autokast Limited	Industries	May 1984	19.97 (1.00)	....	....	19.97 (1.00)	62.55	....	0.15	62.70	3.14:1 (2.69:1)	241
44	Foam Mattings (India) Limited	Industries	December 1978	5.15	....	....	5.15	....	....	....	....	....	156
45	Forest Industries (Travancore) Limited	Industries	August 1946	0.29	....	0.09	0.38	0.75	....	0.19	0.94	2.47:1 (2.69:1)	91
46	Kanjikode Electronics and Electricals Limited	Industries	March 1996	0.10	....	....	0.10	....	....	....	....	....	20
47	Keltron Component Complex Limited	Industries	October 1974	7.30	....	23.05	30.35	....	....	....	....	(2.05:1)	367
48	Keltron Electro Ceramics Limited	Industries	April1974	3.18	....	....	3.18	....	....	1.35	1.35	0.42:1 (0.42:1)	82
49	Kerala Automobiles Limited	Industries	March 1978	10.23	....	....	10.23	6.65	....	1.95	8.60	0.84:1 (0.73:1)	262
50	Kerala Clays and Ceramic Products Limited	Industries	June 1984	1.32	....	....	1.32	....	....	....	....	....	332

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				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)
51	Kerala Electrical and Allied Engineering Company Limited	Industries	June 1964	87.15	....	....	87.15	18.61	....	0.29	18.90	0.22:1 (0.18:1)	710
52	Kerala Feeds Limited	Animal Husbandry	October 1995	27.99	....	6.32	34.31	....	....	....	....	....	193
53	Kerala State Bamboo Corporation Limited	Industries	March 1971	8.49 (1.80)	....	....	8.49 (1.80)	13.10	....	....	13.10	1.54:1 (1.19:1)	310
54	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	Taxes	February 1984	1.03	....	....	1.03	....	....	....	....	....	3491
55	Kerala State Drugs and Pharmaceuticals Limited	Industries	December 1971	9.08	....	....	9.08	52.73	....	1.74	54.47	6.00:1 (2.59:1)	218
56	Kerala State Electronics Development Corporation Limited	Industries	September 1972	115.16 (11.80)	....	4.00 (4.00)	119.16 (15.80)	167.05	....	....	167.05	1.40:1 (1.34:1)	1137
57	Kerala State Mineral Development Corporation Limited	Industries	June 1992	1.76	....	....	1.76	....	....	....	....	....	5
58	Kerala State Textile Corporation Limited	Industries	March 1972	58.22 (39.84)	....	0.25	58.47 (39.84)	21.45	....	44.00	65.45	1.12:1 (0.08:1)	807
59	Malabar Cements Limited	Industries	April 1978	26.00	....	....	26.00	0.01	....	20.08	20.09	0.77:1	909
60	Sitaram Textiles Limited	Industries	February 1975	42.46	....	....	42.46	1.44	....	....	1.44	0.03:1 (2.59:1)	242
61	Steel and Industrial Forgings Limited	Industries	June 1983	15.93	....	....	15.93	3.00	....	2.75	5.75	0.36:1 (0.19:1)	312
62	Steel Complex Limited	Industries	December 1969	3.00	....	4.00	7.00	2.90	....	5.00	7.90	1.13:1	150
63	Steel Industrials Kerala Limited	Industries	January 1975	36.56	....	....	36.56	0.30	....	0.95	1.25	0.03:1 (0.44:1)	197
64	The Kerala Ceramics Limited	Industries	November 1963	11.21 (9.30)	....	....	11.21 (9.30)	14.50	....	0.70	15.20	1.36:1 (1:1)	168
65	The Kerala Minerals and Metals Limited	Industries	February 1972	30.93	....	....	30.93	....	....	....	....	....	1627

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				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)
66	The Metal Industries Limited	Industries	March 1928	1.87	....	0.07	1.94	4.37	....	....	4.37	2.30 (0.80:1)	63
67	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	Health	September 1975	16.67 (4.00)	....	....	16.67 (4.00)	....	....	....	....	....	673
68	The Travancore Cements Limited	Industries	October 1946	2.47	....	0.24	2.71	2.50	....	....	2.50	0.92:1 (2.52:1)	451
69	The Travancore Sugars and Chemicals Limited	Taxes	June 1937	1.01	....	0.31	1.32	0.10	....	....	0.10	0.08:1 (0.11:1)	89
70	The Travancore Cochin Chemicals Limited	Industries	November 1951	16.91	....	4.40	21.31	3.73	....	37.70	41.43	1.94:1 (2.18:1)	694
71	Traco Cable Company Limited	Industries	February 1960	35.87 (23.06)	....	4.20 (4.00)	40.07 (27.06)	8.47	....	4.00	12.47	0.31:1 (0.23:1)	618
72	Transformers and Electricals Kerala Limited	Industries	December 1963	23.45	19.16	0.36	42.97	....	....	....	....	....	835
73	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
74	United Electrical Industries Limited	Industries	October 1950	3.88	....	0.11	3.99	12.87	....	1.00	13.87	3.48:1 (1.98:1)	116
75	Malabar Distilleries Limited	Taxes	June 2009	0.01	....	....	0.01	....	....	....	....	....	98
76	Trivandrum Spinning Mills Limited	Industries	November 1963	9.84	....	....	9.84	13.52	....	0.81	14.33	1.46:1 (0.93:1)	....
	Sector-wise total			**647.92 (102.80)**	**19.16**	**47.74 (8.00)**	**714.82 (110.80)**	**410.60**	....	**158.79**	**569.39**	**0.80:1 (0.73:1)**	**16497**
POWER SECTOR													
77	Kerala State Power and Infrastructure Finance Corporation Limited	Power	March 1998	15.83	....	10.82	26.65	....	....	....	....	....	9
78	KINESCO Power and Utilities Private Limited	Industries	September 2008	…	....	0.36 (0.26)	0.36 (0.26)	....	....	....	....	....	2
	Sector-wise total			**15.83**	....	**11.18 (0.26)**	**27.01 (0.26)**	....	....	....	....	:1 **(0.10:1)**	**11**

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
SERVICES SECTOR													
79	Bekal Resorts Development Corporation Limited	Tourism	July 1995	47.23 (0.02)	....	....	47.23 (0.02)	....	....	....	....	....	17
80	Indian Institute of Information Technology and Management - Kerala	Information Technology	September 2000	8.15 (8.15)	....	....	8.15 (8.15)	....	....	....	....	....	33
81	Kerala Medical Services Corporation Limited	Health and Family Welfare	December 2007	0.01	....	....	0.01	....	....	....	....	....	156
82	Kerala Shipping and Inland Navigation Corporation Limited	Coastal Shipping & Inland Navigation	December 1975	27.21	....	0.03	27.24	....	....	....	....	....	221
83	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	General Admn	December 2001	0.50 (0.50)	....	....	0.50 (0.50)	....	....	....	....	....	12
84	Kerala State Industrial Enterprises Limited	Industries	January 1973	1.20	....	....	1.20	0.10	....	....	0.10	0.08:1	252
85	Kerala State Maritime Development Corporation Limited	Port	December 1994	9.80	....	....	9.80	....	....	....	....	....	....
86	KTDC Hotels & Resorts Limited	Tourism	December 1965	77.70 (2.00)	....	....	77.70 (2.00)	1.92			1.92	0.02:1 (0.03:1)	552
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	10.89 (2.33)	....	....	10.89 (2.33)	....	....	....	....	.... (15.59: 1)	2599
89	Tourist Resorts (Kerala) Limited	Tourism	August 1989	1.00 (1.00)	....	28.22	29.22 (1.00)	....	....	....	....	....	17
90	Vizhinjam International Seaport Limited	Ports	December 2004	99.46 (65.26)	....	....	99.46 (65.26)	....	....	....	....	....	23

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				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)
91	Kerala State Coastal Area Development Corporation Limited	Fisheries	December 2008	1.82 (1.46)	....	....	1.82 (1.46)	....	....	....	....	....	18
	Sector-wise total			**285.63 (80.72)**	....	**28.25**	**313.88 (80.72)**	**2.02**	....	....	**2.02**	**0.01:1 (0.01:1)**	**3914**
	Total A (All sector-wise working Government Companies)			**2083.97 (425.70)**	**77.19**	**94.94 (8.26)**	**2256.10 (433.96)**	**746.47**	**255.02**	**264.67**	**1266.16**	**0.56:1 (0.49:1)**	**51499**
	B. Working Statutory Corporations												
AGRICULTURE & ALLIED SECTOR													
1	Kerala State Warehousing Corporation	Agriculture	February 1959	5.75 (0.75)	....	5.00	10.75 (0.75)	0.50	....	....	0.50	0.05:1 (0.05:1)	425
	Sector-wise total			**5.75 (0.75)**	....	**5.00**	**10.75 (0.75)**	**0.50**	....	....	**0.50**	**0.05:1 (0.05:1)**	**425**
FINANCE SECTOR													
2	Kerala Financial Corporation	Finance	December 1953	205.74 (7.91)	....	6.23	211.97 (7.91)	....	....	769.70	769.70	3.63:1 (2.83:1)	247
	Sector-wise total			**205.74 (7.91)**	....	**6.23**	**211.97 (7.91)**	....	....	**769.70**	**769.70**	**3.63:1 (2.83:1)**	**247**
INFRASTRUCTURE SECTOR													
3	Kerala Industrial Infrastructure Development Corporation	Industries	February 1993		....	....	....	80.00	....	....	80.00	1:1	43
	Sector-wise total			....	....	....	....	**80.00**	....	....	**80.00**	**1:1**	**43**
POWER SECTOR													
4	Kerala State Electricity Board	Power	April 1957	1553.00	....	....	1553.00	....	....	1066.50	1066.50	0.69:1 (0.87:1)	29885
	Sector-wise total			**1553.00**	....	....	**1553.00**	....	....	**1066.50**	**1066.50**	**0.69:1 (0.87:1)**	**29885**

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				State Govern-ment	Central Govern-ment	Others	Total	State Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6 (a)	6(b)	6 (c)	6 (d)	(7)	(8)
SERVICES SECTOR													
5	Kerala State Road Transport Corporation	Transport	March 1965	464.82	23.21	....	488.03	350.50	....	....	350.50	0.72:1 (2:1)	38915
	Sector-wise total			**464.82**	**23.21**	....	**488.03**	**350.50**	....	....	**350.50**	.... **(2:1)**	**38915**
	Total B (All sector-wise working Statutory Corporations)			**2229.31 (8.66)**	**23.21**	**11.23**	**2263.75 (8.66)**	**431.00**	....	**1836.20**	**2267.20**	0.85:1 **(2.86:1)**	**69515**
	Grand Total (A+B)			**4313.28 (434.36)**	**100.4**	**106.17 (8.26)**	**4519.85** (442.62)	**1177.47**	**255.02**	**2100.87**	**3533.36**	**0.70:1 (0.61:1)**	**121014**
	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	The Chalakudy Refractories Limited	Industries	March 1969	1.59	....	....	1.59	....	....	1.03	1.03	0.65:1 (0.65:1)	....
5	Kerala Garments Limited	Industries	July 1974		....	0.48	0.48	1.68	....	0.20	1.88	3.92:1 (3.92:1)	....
6	Kerala Special Refractories Limited	Industries	November 1985	2.91	....	....	2.91	1.07	....	....	1.07	0.37:1 (0.37:1)	1
7	The Kerala Asbestos Cement Pipe Factory Limited	Local Admn	March 1984	0.06	....	....	0.06	....	....	....	....	....	....
8	Kerala Construction Components Limited	Industries	December 1956	0.27	....	0.01	0.28	0.93	....	0.72	1.65	5.89:1 (5.89:1)	....

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				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)
9	Scooters Kerala Limited	Industries	November 1976	4.72	....	....	4.72	1.80	....	1.39	3.19	0.68:1 (0.68:1)	....
10	Kerala State Engineering Works Limited	Public Works	March 1978	0.46	....	....	0.46	1.24	....	....	1.24	2.70:1 (2.70:1)	....
11	SIDECO Mohan Kerala Limited	Industries	August 1980	....	....	0.09	0.09	....	....	0.31	0.31	3.44:1 (3.44:1)	....
12	Keltron Counters Limited	Industries	July 1964	4.97	....	4.90	9.87	....	....	5.05	5.05	0.51:1 (1.03:1)	....
13	Keltron Power Devices Limited	Industries	January 1976	....	....	15.38	15.38	....	....	6.38	6.38	0.41:1 (1.56:1)	....
14	SIDKEL Televisions Limited	Industries	March 1984	....	....	0.44	0.44	0.02	....	1.29	1.31	2.98:1 (2.98:1)	....
15	Astral Watches Limited	Industries	February 1978	....	....	0.95	0.95		....	1.60	1.60	1.68:1 (1.68:1)	....
16	Keltron Rectifiers Limited	Industries	March 1976	....	....	6.63	6.63	1.65	....	7.02	8.67	1.31:1 (1.31:1)	....
17	Travancore Plywood Industries Limited	Industries	November 1963	1.06	....	....	1.06	22.32	....	4.55	26.87	25.35:1 (25.35: 1)	19
18	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)	....
19	Kerala State Wood Industries Limited	Industries	September 1981	0.75	....	....	0.75	....	....	....	....	....	....
20	Kerala Soaps and Oils Limited	Industries	November 1963	3.00	....	....	3.00	....	....	....	....	....	....
21	Kerala State Detergents and Chemicals Limited	Industries	June1976	1.55	....	....	1.55	8.96	....	10.72	19.68	12.70:1 (12.70: 1)	....
22	Kerala State Salicylates and Chemicals Limited	Industries	November 1984	6.28	....	....	6.28	11.03	....	4.45	15.48	2.46:1 (2.46:1)	5

Sl. No.	Corporation Sector & Name of the Company/ Corporation	Name of the Department	Month and Year of incorpora-tion	Paid-up capital*				Loans** outstanding at the close of 2010-11				Debt equity ratio for 2010-11 (Previous year)	Manpower (No. of employees) (as on 31.3.2011)
				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)
23	Kunnathara Textiles Limited			0.22	....	0.48	0.70	....	....	....	....	....	....
24	Vanchinad Leathers Limited				0.19	0.18	0.37	....	....	....	....	....	....
	Sector-wise total			**30.91 (0.21)**	**0.19**	**30.13**	**61.23 (0.21)**	**57.92**	....	**47.38**	**105.30**	**2.03:1 (2.16:1)**	**25**
	Total C (All sector-wise non-working Government Companies)			**33.97**	**0.19**	**30.13**	**64.29**	**57.92**	....	**47.38**	**105.30**	**1.92:1 (2.03:1)**	**26.00**
	D. Non-working Statutory Corporations												
	Grand Total (A+B+C+D)			**4347.25 (434.57)**	**100.59**	**136.30 (8.26)**	**4584.14 (442.83)**	**1235.39**	**255.02**	**2148.25**	**3638.66**	**0.63:1 (1.93:1)**	**121040**

Above includes Section 619 B companies at Sl. No A-30,31,38,39,40,41,42, 47, 62, 78 and 89; C- 23 and 24.
***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 2010-11 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 paragraphs 1.14)

(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	Depreciation	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	2009-10	2010-11	9.60	....	0.8	8.80	136.42	-4.50	1.61	74.46	88.38	8.80	9.96
2	Kerala Forest Development Corporation Limited	2010-11	2011-12	2.00	0.16	0.86	0.98	15.36	3.60	9.20	2.57	47.54	1.14	2.40
3	Kerala Livestock Development Board Limited	2006-07	2011-12	2.20	....	1.3	0.90	8.80	…	7.33	4.19	31.1	0.90	2.89
4	Kerala State Horticultural Products Development Corporation Limited	2007-08	2011-12	0.26	....	0.16	0.10	9.03	-0.56	5.83	-4.95	4.51	0.10	2.22
5	Kerala State Poultry Development Corporation Limited	2005-06	2009-10	-0.97	....	0.2	-1.17	1.90	-0.14	1.97	-4.86	1.82	-1.17	-64.29
6	Meat Products of India Limited)	2006-07	2010-11	-0.22	0.05	0.11	-0.38	3.99	…	1.81	-8.43	1.23	-0.33	-26.83
7	Oil Palm India Limited	2010-11	2011-12	7.38	0	1.4	5.98	31.08	…	11.79	25.3	68.77	5.98	8.70
8	The Kerala Agro Industries Corporation Limited	2005-06	2010-11	0.43	0.46	0.05	-0.08	31.21	0.01	4.74	-17.04	0.8	0.38	47.50
9	The Kerala State Cashew Development Corporation Limited	2006-07	2010-11	-13.94	38.10	0.52	-52.56	63.25	…	200.64	-666.68	-72.35	-14.45	…
10	The Kerala State Coir Corporation Limited	2008-09	2010-11	0.69	0.25	0.05	0.39	33.93	-0.06	8.05	-12.93	31.99	0.64	2.00
11	The Plantation Corporation of Kerala Limited	2010-11	2011-12	54.34	....	1.61	52.73	122.36	-0.16	5.57	120.84	45.54	52.73	115.79

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	Intere-st	Depre-ciation	Net proft/ 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	2010-11	2011-12	18.80	....	0.71	18.09	23.15	…	3.39	107.12	114.77	18.09	15.76
13	The State Farming Corporation of Kerala Limited	2010-11	2011-12	13.53	0.04	0.63	12.86	37.60	0.25	9.04	43.14	56.9	12.90	22.67
14	Aralam Farming Corporation (Kerala) Limited		Accounts not finalised											
	Sector-wise total			**94.10**	**39.06**	**8.40**	**46.64**	**518.08**	**-1.56**	**270.97**	**-337.27**	**421.00**	**85.71**	**20.36**
FINANCING SECTOR														
15	Handicrafts Development Corporation of Kerala Limited	2005-06	2011-12	-0.15	0.49	0.13	-0.77	4.57	-2.44	2.77	-10.22	0.69	-0.28	-40.58
16	Kerala Artisans' Development Corporation Limited	2003-04	2009-10	0.06	0.19	0.01	-0.14	2.05	…	2.53	-2.69	1.03	0.05	4.85
17	Kerala School Teachers and Non-teaching Staff Welfare Corporation Limited	2006-07	2010-11	0.24	....	....	0.24	0.34	-0.12	0.50	-0.67	-0.06	0.24	-400.00
18	Kerala Small Industries Development Corporation Limited	2006-07	2010-11	1.34	0.82	0.11	0.41	52.50	…	22.54	-44.2	-11.12	1.23	-11.06
19	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	2001-02	2011-12	-0.15	0.09	0.01	-0.25	0.38	…	8.70	-2.71	11.89	-0.17	-1.43
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	Intere-st	Depre-ciation	Net proft/ 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	1998-99	2009-10	0.01	....	0.03	-0.02	1.19	-0.04	1.74	-0.23	3.12	-0.02	-0.64
23	Kerala State Handloom Development Corporation Limited	2008-09	2010-11	-2.53	1.99	0.13	-4.65	13.82	-9.62	15.02	-40.96	-12.17	-2.66	....
24	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2007-08	2010-11	-0.07	....	0.04	-0.11	0.08	…	0.87	-0.6	0.59	-0.11	-18.64
25	Kerala State Women's Development Corporation Limited	1997-98	2010-11	0.52	0.25	0.03	0.24	0.85	…	3.88	0.5	10.8	0.49	4.54
26	Kerala Transport Development Finance Corporation Limited	2008-09	2011-12	2.01	....	1.46	0.55	49.43	....	43.83	13.14	505.83	0.55	0.11
27	Kerala Urban & Rural Development Finance Corporation Limited	2008-09	2010-11	8.60	8.14	0.18	0.28	9.85	-0.27	0.96	2.25	73.54	8.42	11.45
28	The Kerala State Backward Classes Development Corporation Limited	2006-07	2010-11	4.82	3.17	0.16	1.49	17.11	-0.43	50.56	49.77	248.23	4.66	1.88
29	The Kerala State Financial Enterprises Limited	2009-10	2010-11	268.17	226.50	3.56	38.11	555.31	-0.79	20.00	147.87	2706.01	264.62	9.78
30	Kerala Venture Capital Fund Private Limited	2008-09	2009-10	-0.04	....	0.01	-0.05	…	…	0.10	0.3	0.4	-0.05	-12.50
31	Kerala Venture Capital Trustee Private Limited	2008-09	2009-10	....	....	....	....	…	…	0.01	…	0.01	…	…
	Sector-wise total			**291.82**	**242.44**	**6.73**	**42.65**	**739.03**	**-17.18**	**275.08**	**65.08**	**3630.63**	**285.09**	**7.85**

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	Intere-st	Depre-ciation	Net proft/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
INFRASTRUCTURE SECTOR														
32	Kerala Police Housing and Construction Corporation Limited	2006-07	2009-10	1.36	1.45	0.04	-0.13	48.46	-2.65	0.27	-0.24	19.71	1.32	6.70
33	Kerala State Construction Corporation Limited	2009-10	2010-11	0.37	0.28	0.02	0.07	1.65	…	0.88	-24.11	-19.64	0.35	-1.78
34	Kerala State Industrial Development Corporation Limited	2010-11	2011-12	29.87	1.96	0.37	27.54	38.06	-4.32	366.24	97.42	403.97	29.50	7.30
35	Roads and Bridges Development Corporation of Kerala Limited	2009-10	2010-11	6.76	2.73	4.92	-0.89	5.34	-3.31	49.43	-35.19	180.65	1.84	1.02
36	The Kerala Land Development Corporation Limited	2006-07	2010-11	-0.38	....	0.06	-0.44	1.52	…	7.05	-16.73	-7.22	-0.44	....
37	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
38	Kinfra Export Promotion Industrial Parks Limited	2009-10	2010-11	3.51	....	1.56	1.95	13.34	-0.67	0.25	11.53	40.25	1.95	4.84
39	Kinfra Film and Video Park Limited	2009-10	2010-11	0.41	....	0.35	0.06	0.63	…	1.50	-0.96	25.77	0.06	0.23
40	Kinfra International Apparel Parks Limited	2010-11	2011-12	1.60	....	1.75	-0.15	1.84	…	0.25	-0.64	54.33	-0.14	-0.26
41	Marine Products Infrastructure Development Corporation Limited	2010-11	2011-12	0.97	....	....	0.97	0.00	1.00	5.00	3.21	6.34	0.97	15.30
42	Kannur International Airport Limited	2009-10	2011-12	Commercial activities not commenced										
	Sector-wise total			**44.49**	**6.42**	**9.07**	**29.00**	**110.85**	**-9.80**	**460.97**	**34.31**	**744.28**	**35.43**	**4.76**
MANUFACTURING SECTOR														
43	Autokast Limited	2009-10	2010-11	1.47	0.13	0.21	1.13	13.98	-0.08	19.97	-100.26	-24.41	1.26	-5.16

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	Intere-st	Depre-ciation	Net proft/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
44	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
45	Forest Industries (Travancore) Limited	2007-08	2010-11	0.53	0.37	0.03	0.13	6.08	…	0.38	0.87	2.89	0.50	17.30
46	Kanjikode Electronics and Electricals Limited	2008-09	2009-10	-0.06	....	0.01	-0.07	0.67	…	0.10	0.07	0.48	-0.07	-14.58
47	Keltron Component Complex Limited	2009-10	2011-12	1.12	1.39	0.22	-0.49	48.10	-2.85	30.35	-31.95	21.72	0.90	4.14
48	Keltron Electro Ceramics Limited	2009-10	2010-11	-1.13	0.17	0.18	-1.48	5.02	-0.09	3.18	-5.06	3	-1.31	-43.67
49	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
50	Kerala Clays and Ceramic Products Limited	2009-10	2010-11	1.64	....	0.31	1.33	6.41	…	1.32	6.5	7.74	1.33	17.18
51	Kerala Electrical and Allied Engineering Company Limited	2006-07	2010-11	1.41	3.85	1.22	-3.66	71.41	-4.99	71.38	-94.43	29.85	0.19	0.64
52	Kerala Feeds Limited	2009-10	2010-11	7.71	....	2.44	5.27	227.47	…	27.41	6.88	48.05	5.27	10.97
53	Kerala State Bamboo Corporation Limited	2006-07	2010-11	-2.22	0.12	0.1	-2.44	9.21	…	7.24	-12.10	0.64	-2.32	-362.50
54	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	2009-10	2010-11	172.08	....	0.56	171.52	2071.60	…	1.03	330.89	413.14	171.52	41.52
55	Kerala State Drugs and Pharmaceuticals Limited	2006-07	2011-12	-2.45	3.94	0.13	-6.52	3.41	1.10	9.08	-89.41	-41.94	-2.58	....
56	Kerala State Electronics Development Corporation Limited	2009-10	2011-12	-15.14	6.37	1.34	-22.85	224.64	0.51	115.16	-229.92	67.49	-16.48	-24.42
57	Kerala State Mineral Development Corporation Limited	2008-09	2009-10	Commercial activities not commenced			....	…	…	1.76	....	0.92	....	....
58	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

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	Intere-st	Depre-ciation	Net proft/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
59	Malabar Cements Limited	2009-10	2010-11	24.86	0.5	5.66	18.70	189.41	-1.96	26.01	126.42	196.48	19.20	9.77
60	Sitaram Textiles Limited	2009-10	2010-11	0.62	0.10	0.17	0.35	9.84	…	5.94	-44.70	-20.14	0.45	-2.23
61	Steel and Industrial Forgings Limited	2010-11	2011-12	6.10	0.33	0.91	4.86	57.99	…	15.93	22.93	51.05	5.19	10.17
62	Steel Complex Limited	2010-11	2011-12	-7.27	0.94	0.17	-8.38	33.03	-0.04	7.00	-13.35	4.24	-7.44	-175.47
63	Steel Industrials Kerala Limited	2009-10	2010-11	6.25	0.03	0.14	6.08	23.57	-0.78	36.56	-0.86	11.24	6.11	54.36
64	The Kerala Ceramics Limited	2006-07	2010-11	0.50	1.16	0.03	-0.69	9.69	-0.18	11.21	-38.79	-24.79	0.47	-1.90
65	The Kerala Minerals and Metals Limited	2010-11	2011-12	42.38	0.06	14.2	28.12	584.69	36.38	30.93	290.91	469.97	28.18	6.00
66	The Metal Industries Limited	200910	2010-11	0.21	0.05	0.05	0.11	2.31	-0.83	1.94	-1.53	5.08	0.16	3.15
67	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2009-10	2010-11	4.90	....	0.89	4.01	38.18	…	10.87	12.32	23.74	4.01	16.89
68	The Travancore Cements Limited	2008-09	2009-10	-0.09	0.58	0.1	-0.77	32.76	-3.51	0.50	-3.23	1.7	-0.19	-11.18
69	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
70	The Travancore Cochin Chemicals Limited	2010-11	2011-12	11.79	7.02	9.48	-4.71	141.79	…	21.31	-17.86	60.08	2.31	3.84
71	Traco Cable Company Limited	2009-10	2010-11	9.83	3.35	0.54	5.94	78.26	-1.83	36.07	-34.63	13.66	9.30	68.08
72	Transformers and Electricals Kerala Limited	2010-11	2011-12	13.80	0.34	1.26	12.20	201.95	…	42.97	17.02	106.36	12.54	11.79
73	Travancore Titanium Products Limited	2006-07	2010-11	-1.62	0.36	1.47	-3.45	100.96	-0.59	1.77	38.5	49.33	-3.09	-6.26
74	United Electrical Industries Limited	2009-10	2010-11	-1.58	0.78	0.13	-2.49	21.61	-96.73	3.99	-3.85	11.03	-1.71	-15.50
75	Malabar Distilleries Limited	2009-10	2010-11	....	....	....	....	....	…	0.01	…	-3.69	….	….
76	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			**275.49**	**33.55**	**43.79**	**198.15**	**4298.38**	**-81.44**	**624.27**	**50.19**	**1541.53**	**231.70**	**15.03**

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	Intere-st	Depre-ciation	Net proft/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
POWER SECTOR														
77	Kerala State Power and Infrastructure Finance Corporation Limited	2009-10	2010-11	30.12	27.54	0.19	2.39	30.36	…	26.65	7.65	365.82	29.93	8.18
78	KINESCO Power and Utilities Private Limited	2010-11	2011-12	1.07	0.13	0.48	0.46	18.74	…	0.36	0.06	1.70	0.59	34.71
	Sector-wise total			**31.19**	**27.67**	**0.67**	**2.85**	**49.10**	....	**27.01**	**7.71**	**367.52**	**30.52**	**8.30**
SERVICE SECTOR														
79	Bekal Resorts Development Corporation Limited	2010-11	2011-12	2.08	....	1.18	0.90	2.46	…	47.23	-0.96	48.46	0.90	1.86
80	Indian Institute of Information Technology and Management - Kerala	2008-09	2010-11	0.11	....	0.2	-0.09	0.78	…	NIL[1]	-5.34	2.57	-0.09	-3.50
81	Kerala Medical Services Corporation Limited	Accounts not finalised												
82	Kerala Shipping and Inland Navigation Corporation Limited	2007-08	2010-11	-1.43	....	0.47	-1.90	8.48	-1.27	15.24	-4.03	11.87	-1.90	-16.01
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	2009-10	2010-11	4.62	....	0.52	4.10	18.46	…	1.20	22.75	25.97	4.10	15.79
85	Kerala State Maritime Development Corporation Limited	2007-08	2010-11	0.23	....	0.37	-0.14	3.00	…	9.16	-9.52	-0.36	-0.14	....
86	KTDC Hotels & Resorts Limited	2010-11	2011-12	4.62	0.43	3.62	0.57	72.08	-2.25	77.70	-21.54	69.06	1.00	1.45

[1] **Paid up capital ₹ 200 only.**

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	Intere-st	Depre-ciation	Net proft/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
87	Overseas Development and Employment Promotion Consultants Limited	2009-10	2010-11	0.14	....	0.01	0.13	5.01	…	0.66	0.82	1.96	0.13	6.63
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	2007-08	2009-10	0.02	....	0.03	-0.01	....	....	8.50	-0.1	13.64	-0.01	-0.07
91	Kerala State Coastal Area Development Corporation Limited	2008-10	2010-11	-0.03	....	....	-0.03	....	-0.01	0.01	-0.03	8.64	-0.03	-0.35
	Sector-wise total			**46.30**	**14.38**	**9.93**	**21.99**	**2434.02**	**529.68**	**197.98**	**-19.98**	**436.61**	**36.37**	**8.33**
	Total A (All sector wise working Government Companies)			**783.39**	**363.52**	**78.59**	**341.28**	**8149.46**	**419.70**	**1856.28**	**-199.96**	**7141.57**	**704.82**	**9.87**
	B. Working Statutory Corporations													
AGRICULTURE & ALLIED SECTOR														
1	Kerala State Warehousing Corporation	2007-08	2010-11	-4.72	....	0.57	-5.29	7.39	...	9.00	-12.43	1.45	-5.29	-364.83
	Sector-wise total			**-4.72**	....	**0.57**	**-5.29**	**7.39**	....	**9.00**	**-12.43**	**1.45**	**-5.29**	**-364.83**
FINANCING SECTOR														
2	Kerala Financial Corporation	2010-11	2011-12	109.53	58.3	0.64	50.59	164.59	-9.49	211.97	33.34	956.76	108.89	11.38
	Sector-wise total			**109.53**	**58.30**	**0.64**	**50.59**	**164.59**	**-9.49**	**211.97**	**33.34**	**956.76**	**108.89**	11.38
INFRASTRUCTURE SECTOR														
3	Kerala Industrial Infrastructure Development Corporation	2009-10	2010-11	36.02	2.67	4.24	29.11	26.38	…	…	98.9	490.55	31.78	6.48
	Sector-wise total			**36.02**	**2.67**	**4.24**	**29.11**	**26.38**	....	....	**98.90**	**490.55**	**31.78**	6.48
POWER SECTOR														
4	Kerala State Electricity Board	2009-10	2010-11	933.06	241.12	451.22	240.72	5183.87	-2571.32	1553.00	1486.18	7124.91	481.84	6.76
	Sector-wise total			**933.06**	**241.12**	**451.22**	**240.72**	**5183.87**	**-2571.32**	**1553.00**	**1486.18**	**7124.91**	**481.84**	6.76

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	Depreciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
SERVICE SECTOR														
5	Kerala State Road Transport Corporation	2008-09	2011-12	2.71	71.86	47.97	-117.12	1047.69	-3.98	431.03	-1483.31	-363.59	-45.26	...
	Sector-wise total			**2.71**	**71.86**	**47.97**	**-117.12**	**1047.69**	**-3.98**	**431.03**	**-1483.31**	**-363.59**	**-45.26**	...
	Total B (All Sector wise working Statutory Corporations)			**1076.60**	**373.95**	**504.64**	**198.01**	**6429.92**	**-2584.79**	**2205.00**	**122.68**	**8210.08**	**571.96**	6.97
	Grand Total (A+B)			**1859.99**	**737.47**	**583.23**	**539.29**	**14579.38**	**-2165.09**	**4061.28**	**-77.28**	**15351.65**	**1276.78**	8.32
	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**	...	...	...	**...**
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	The Chalakudy Refractories Limited	1989-90	1993-94	-0.39	…	…	-0.39	…	…	3.07	-3.36	-0.43	-0.39	…
5	Kerala Garments Limited	2008-09	2009-10	0.36	0.6	0.01	-0.25	0.03	-0.30	0.48	-10.23	-7.87	0.35	-4.45
6	Kerala Special Refractories Limited	2009-10	2011-12	-0.03	...	...	-0.03	0.00	-0.02	2.91	…	1.74	-0.03	-1.72
7	The Kerala Asbestos Cement Pipe Factory Limited	1984-85	1986-87	...	...	...	...	...	...	0.06	...	...	...	...
8	Kerala Construction Components Ltd	2008-09	2010-11	-0.03	0.24	0.01	-0.28	…	…	0.28	-4.89	-0.34	-0.04	…

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	Intere-st	Depre-ciation	Net proft/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
9	Scooters Kerala Limited	2003-04	2010-11	-1.00	0.62	0.03	-1.65	0.77	…	4.72	-13.04	-3.93	-1.03	...
10	Kerala State Engineering Works Limited	1991-92	1992-93	-0.17	…	…	-0.17	…	…	0.46	-1.51	-0.72	-0.17	…
11	SIDECO Mohan Kerala Limited	2006-07	2008-09	...	0.75	...	-0.75	...	-0.01	0.17	-4.97	0.27	…	…
12	Keltron Counters Limited	2003-04	2006-07	-3.67	...	...	-3.67	1.52	…	4.97	-31.74	-10.62	-3.67	…
13	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	
14	SIDKEL Televisions Limited	1999-2000	2004-05	-0.48	...	...	-0.48	...	...	0.44	-4.14	-2.03	-0.48	…
15	Astral Watches Limited	2009-10	2009-10	-0.11	0.26	...	-0.37	...	...	0.95	-5.59	-0.58	-0.11	…
16	Keltron Rectifiers Limited	1999-2000	2005-06	-1.10	...	...	-1.10	1.11		6.63	-17.33	-0.48	-1.10	…
17	Travancore Plywood Industries Limited	2008-09	2010-11	-0.07	...		-0.07	...	...	1.06	-28.93	-6.03	-0.07	…
18	Trivandrum Rubber Works Limited	2001-02	2010-11	-0.98	0.01	0.03	-1.02	1.52	...	2.35	-25.99	14	-1.01	-7.21
19	Kerala State Wood Industries Limited	1991-92	2007-08	-0.86	...	...	-0.86	2.22	...	1.70	-7.26	-1.25	-0.86	…
20	Kerala Soaps and Oils Limited	1994-95	2001-02	-4.50	...	...	-4.50	...	...	3.00	-37.40	-6.71	-4.50	…
21	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	…
22	Kerala State Salicylates and Chemicals Limited	2003-04	2010-11	3.47	2.5	0.32	0.65	...	...	6.28	-27.33	-5.78	3.15	-54.50
23	Kunnathara Textiles Limited	Not available												....
24	Vanchinad Leathers Limited	Not available												....
	Sector-wise total			**-10.07**	**6.70**	**0.44**	**-17.21**	**7.17**	**-0.38**	**56.81**	**-280.32**	**-41.84**	**-10.51**	**...**
	Total C (All sector wise non working Government companies)			**-10.63**	**6.70**	**0.49**	**-17.82**	**7.17**	**-0.38**	**59.87**	**-292.68**	**-44.11**	**-11.12**	**...**

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	Intere-st	Depre-ciation	Net profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	D. Non-working Statutory Corporations													
	Grand Total (A+B+C+D)			**1849.36**	**744.17**	**583.72**	**521.47**	**14586.55**	**-2165.47**	**4121.15**	**-369.96**	**15307.54**	**1265.66**	**8.27**

Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) increase in profit/ decrease in losses (-) decrease in profit/ increase in losses.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).
$ Return on capital employed has been worked out by adding profit and interest charged to profit and loss account.

Annexure 3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2011

(Referred to in Paragraph 1.10)

(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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
	A. Working Government Companies												
AGRICULTURE & ALLIED SECTOR													
1	Kerala Agro Machinery Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
2	Kerala Forest Development Corporation Limited	0.50	…	0.63	….	…	0.63	…	…	….	…	…	…
3	Kerala Livestock Development Board Limited	…	…	…	…	…	…	…	…	…	…	…	…
4	Kerala State Horticultural Products Development Corporation Limited	0.10	…	...	…	...	...	…	…	…	…	…	…
5	Kerala State Poultry Development Corporation Limited	…	…	13.90	0.43	…	14.33	…	…	….	….	…	…
6	Meat Products of India Limited	…	0.38	1.41	3.28	0.38	5.07	…	0.50	0.32		0.65	0.97
7	Oil Palm India Limited	…	…	0.12	0.35	…	0.47	…	….	….	…	…	…
8	The Kerala Agro Industries Corporation Limited	…	…	...	…	…	...	…	0.16	…	…	…	…
9	The Kerala State Cashew Development Corporation Limited	…	41.61	30.40	...	0.28	30.68	…	…	…	…	…	…
10	The Kerala State Coir Corporation Limited	..	..	7.98	1.01	...	8.99	…	…	…	…	…	…

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
11	The Plantation Corporation of Kerala Limited	…	…	0.25	…	…	0.25	…	…	…	…	…	…
12	The Rehabilitation Plantations Limited	…	…	...	…	0.03	0.03	…	…	…	…	…	…
13	The State Farming Corporation of Kerala Limited	…	…	…	…	…	…	…	…	…	…	…	…
14	Aralam Farming Corporation (Kerala) Limited	0.01	...	0.47	...	...	0.47	...	...	...	...	...	...
	Sector-wise total	**0.61**	**41.99**	**55.16**	**5.07**	**0.69**	**60.92**	**0.00**	**0.66**	**0.32**	...	**0.65**	**0.97**
FINANCING 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	…	…	…	…	…	1.5	0.06	…	…	…	…
19	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	0.50	…	…	…	…	…	…	0.74	0.23	…	0.13	0.36
20	Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited	5.74	…	3.22	…	…	3.22	…	0.00	2.45	…	2.96	5.41
21	Kerala State Film Development Corporation Limited	…	…	1.01	…	…	1.01	...	...	...	...	...	...

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
22	Kerala State Handicapped Persons' Welfare Corporation Limited	1.40	…	...	…	…	...	...	6.00	...	…	…	…
23	Kerala State Handloom Development Corporation Limited	4.00	0.25	0.32	…	…	0.32	…	…	…	…	…	…
24	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	…	…	0.06	…	…	0.06	2	0.40	…	…	…	…
25	Kerala State Women's Development Corporation Limited	…	…	3.25	…	…	3.25	10.5	10.50	…	…	…	…
26	Kerala Transport Development Finance Corporation Limited	…	…	…	…	…	...	...	...	…	…	…	…
27	Kerala Urban & Rural Development Finance Corporation Limited		1.00	..	…	…	...	…	...	…	…	…	…
28	The Kerala State Backward Classes Development Corporation Limited	7.00	…	0.01	…	...	0.01	…	…	…	…	…	…
29	The Kerala State Financial Enterprises Limited	…	…	..	…	…	...	3000	2174.12	…	…	…	…
30	Kerala Venture Capital Fund Private Limited	...	...	...	...	...	...	...	...	...	...	...	...
31	Kerala Venture Capital Trustee Private Limited	...	...	...	...	...	...	...	...	...	...	...	...
	Sector-wise total	**19.09**	**1.25**	**8.07**	...	...	**8.07**	**3014.31**	**2192.15**	**2.68**	...	**3.09**	**5.77**
INFRASTRUCTURE SECTOR													
32	Kerala Police Housing and Construction Corporation Limited	…	...	7.94	**…**	**…**	**7.94**	**…**	**…**	**…**	**…**	**…**	**…**

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
33	Kerala State Construction Corporation Limited	…	…	…	…	…	…	...	…	…	…	…	…
35	Kerala State Industrial Development Corporation Limited	65.00	25.00	…	…	…	…	...	...	...	...	...	...
35	Roads and Bridges Development Corporation of Kerala Limited	13.00	...	0.94	…	…	0.94	…	19.86	…	…	…	…
36	The Kerala Land Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
37	Kerala State Information Technology Infrastructure Limited	20.00	…	…	…	…	…	...	...	...	...	...	...
38	Kinfra Export Promotion Industrial Parks Limited	...	...	...		...	...	…	…	…	…	…	…
39	Kinfra Film and Video Park Limited	…	…	…	3.00	1.05	4.05	…	…	…	…	…	…
40	Kinfra International Apparel Parks Limited	...	...	...	...	3	3.00	...	...	...	...	...	...
41	Marine Products Infrastructure Development Corporation Limited	…	…	…	…	…	…	…	...	…	…	…	…
42	Kaanur International Airport Limited	0.01	...	34.06	...	...	34.06	...	...	...	...	...	...
	Sector-wise total	**98.01**	**25.00**	**42.94**	**3.00**	**4.05**	**49.99**	...	**19.86**	...	...	...	...
MANUFACTURING SECTOR													
43	Autokast Limited	…	8.96	…	…	…	…	…	…	…	…	….	….
44	Foam Mattings (India) Limited	…	…	…	…	…	…	…	…	…	…	…	…
45	Forest Industries (Travancore) Limited	…`	…	…	…	..	…	…	…	…	…	…	…
46	Kanjikode Electronics and Electricals Limited	…	…	0.15	…	…	0.15	…	…	…	…	…	…

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
47	Keltron Component Complex Limited	...	... ...	...	...	...	...	...	...	...	...	...	...
48	Keltron Electro Ceramics Limited	…	...	…	…	…	…	…	…	…	…	…	…
49	Kerala Automobiles Limited	…	2.00	…	…	…	…	4.93	…	….	…	…	…
50	Kerala Clays and Ceramic Products Limited	…	…	…	…	…	…	…	…	…	…	…	…
51	Kerala Electrical and Allied Engineering Company Limited		…	…	…	…	…	76.65	27.02	…	15.77	…	15.77
52	Kerala Feeds Limited	6.90	…	…	5.57	…	5.57	…	…	…	…	…	…
53	Kerala State Bamboo Corporation Limited	0.50	8.10	…	…	0.1	0.10	…	…	…	…	…	…
54	Kerala State Beverages (Manufacturing and Marketing) Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
55	Kerala State Drugs and Pharmaceuticals Limited	...	4.10	...	...	...	...	...	...	...	...	...	...
56	Kerala State Electronics Development Corporation Limited	…	12.50	…	…	…	…	…	…	…	…	…	…
57	Kerala State Mineral Development Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
58	Kerala State Textile Corporation Limited	…	…		…	…	…	12.02	9.68	…	…	…	…
59	Malabar Cements Limited	…	…	…	…	…	…	…	…	…	…	…	..
60	Sitaram Textiles Limited			…	…	…	…	…	…	…	36.51	…	36.51
61	Steel and Industrial Forgings Limited	...	...	…	…	…	…	...	...	…	…	…	…
62	Steel Complex Limited	…	2.90	…	…	…	…	…	…	35.67	…	30.91	66.58

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
63	Steel Industrials Kerala Limited	...	2.80	…	…	…	…	…	…	….	…	….	…
64	The Kerala Ceramics Limited		3.00										
65	The Kerala Minerals and Metals Limited	…	…	…	…	…	…	…	…	…	…	…	…
66	The Metal Industries Limited												
67	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	4.00	…	…	0.99	…	0.99	…	…	…	…	…	…
68	The Travancore Cements Limited	…	…	…	…	…	…	…	…	…	2.21	…	2.21
69	The Travancore Sugars and Chemicals Limited	…	…	….	…	…	…	…	….	…	…	…	…
70	The Travancore Cochin Chemicals Limited	…	…	…	…	…`	….	…	….	…	…	…	…
71	Traco Cable Company Limited	…	…	…	…	…	…	…		…	12.38	…	12.38
72	Transformers and Electricals Kerala Limited	…	…	…	…	…	…	…	…	…	…	…	…
73	Travancore Titanium Products Limited	4.00	…	…	…	…	…	…	…	…	…	…	…
74	United Electrical Industries Limited	…	4.96	…	…	…	…	…	…	…	…	…	…
75	Malabar Distilleries Limited	…	…	…	….	….	…	….	….	…	…	…	…
76	Trivandrum Spinning Mills Limited	...	...	...	...	...	...	...	...	...	...	...	...
	Sector-wise total	**15.40**	**49.32**	**0.15**	**6.56**	**0.10**	**6.81**	**93.60**	**36.70**	**35.67**	**66.87**	**30.91**	**133.45**
POWER SECTOR													
77	Kerala State Power and Infrastructure Finance Corporation Limited	…	…	…	…	…	…	…	330.00	…	…	…	…
78	KINESCO Power and Utilities Private Limited	...	...	...	...	...	...	...	...	...	...	...	...
	Sector-wise total	...	...	...	...	...	...	...	**330.00**	...	...	...	...

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
SERVICE SECTOR													
79	Bekal Resorts Development Corporation Limited	0.02	…	…	…	…	…	…	…	…	…	…	…
80	Indian Institute of Information Technology and Management - Kerala	8.15	…	4.15	…	…	4.15	…	…	…	…	…	…
81	Kerala Medical Services Corporation Limited	...	...	145.00	...	...	145.00	...	...	...	...	...	...
82	Kerala Shipping and Inland Navigation Corporation Limited	...	…	0.15	…	…	0.15	…	…	…	…	…	…
83	Kerala State Ex-Servicemen Development and Rehabilitation Corporation Limited	…	…	…	…	…	…	…	…	…	…	…	…
84	Kerala State Industrial Enterprises Limited	…	…	…	5.00	…	5.00	...	...	...	…	…	…
85	Kerala State Maritime Development Corporation Limited	0.10	…	…	…	…	…	…	…	…	…	…	…
86	KTDC Hotels & Resorts Limited	6.00	…	2.02	…	…	2.02	…	..	…	…	…	…
87	Overseas Development and Employment Promotion Consultants Limited	…	…	…	….	….	…	…	…	…	…	…	…
88	The Kerala State Civil Supplies Corporation Limited	…	…	22.00	471.84	25.85	519.69	…	…	…	…		
89	Tourist Resorts (Kerala) Limited	1.00	…	…	…	…	…	…	…	…	…	…	…
90	Vizhinjam International Seaport Limited	65.26	...	75.60	...	...	**75.60**	...	...	...	...	...	...

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
91	Kerala State Coastal Area Development Corporation Limited	1.81	…	…	…	...	...	...	...	...	...	...	...
	Sector-wise total	**82.34**	...	**248.92**	**476.84**	**25.85**	**751.61**	...	...	...	...	...	...
	Total A (Companies-Sector-wise)	**215.45**	**117.56**	**355.24**	**491.47**	**30.69**	**877.40**	**3107.91**	**2579.37**	**38.67**	**66.87**	**34.65**	**140.19**
	B. Working Statutory Corporations												
AGRICULTURE & ALLIED SECTOR													
1	Kerala State Warehousing Corporation	0.50	…	0.50	…	0.25	0.75	…	1.01	…	…	…	…
	Sector-wise total	**0.50**	...	**0.50**	...	**0.25**	**0.75**	...	**1.01**	...	...	...	...
FINANCING SECTOR													
2	Kerala Financial Corporation	…	…	…	…	…	…	…	61.08	…	…	…	…
	Sector-wise total	...	...	...	...	...	...	...	**61.08**	...	...	...	...
INFRASTRUCTURE SECTOR													
3	Kerala Industrial Infrastructure Development Corporation	…	45.00	10.00	0.06	…	10.06	250	231.31	…	…	…	…
	Sector-wise total	**...**	**45.00**	**10.00**	**0.06**	...	**10.06**	**250.00**	**231.31**	...	...	...	...
POWER SECTOR													
4	Kerala State Electricity Board	…	…	99.97	…	…	99.97	…	…	…	…	…	…
	Sector-wise total	**...**	**...**	**99.97**	**...**	**...**	**99.97**	**...**	**...**	**...**	**...**	**...**	**...**
SERVICE SECTOR													
5	Kerala State Road Transport Corporation	42.00	160.00	…	…	…	…	...	...	...	...	...	...
	Sector-wise total	**42.00**	**160.00**	...	...	...	...	...	...	...	...	...	...
	Total B (Statutory Corporations-sector-wise)	**42.50**	**205.00**	**110.47**	**0.06**	**0.25**	**110.78**	**250.00**	**293.40**	...	...	...	...
	Grand Total (A+B)	**257.95**	**322.56**	**465.71**	**491.53**	**30.94**	**988.18**	**3357.91**	**2872.77**	**38.67**	**66.87**	**34.65**	**140.19**

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
	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	...	...	...	...	...	...	...	...	...	...	...	...
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	…	…	…	…	…	…	…	…	…	…	…	…
8	Kerala Construction Components Ltd	…	…	…	…	…	…	…	…	…	…	…	…
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	…	…	…	…	…	…	…	…	…	…	…	…

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 Government	Central Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
1	2	3(a)	3(b)	4(a)	4(b)	4 (C)	4(d)	5(a)	5(b)	6(a)	6(b)	6 (c)	6(d)
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	…	…	…	…	…	…	…	…	…	…	…	…
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 Corporation	**...**	**...**	**...**	**...**	**…**	**…**	**…**	**…**	**…**	**…**	**…**	**…**
	Grand Total (A+B+C+D)	**257.95**	**322.56**	**465.71**	**491.53**	**30.94**	**988.18**	**3357.91**	**2872.77**	**38.67**	**66.87**	**34.65**	**140.19**

@ 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 1.24)

(Figures in columns 4 and 6 to 8 are ₹ in crore)

Sl. No.	Name of the company/ corporation	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. Working Government companies							
1.	The Kerala Agro Industries Corporation Limited	2005-06	4.74	2008-09	…	…	4.67
				2009-10	…	0.90	2.78
2.	The Kerala State Coir Corporation Limited	2008-09	8.05	2009-10	…	…	3.67
				2010-11	…	…	7.98
3.	The Kerala State Cashew Development Corporation Limited	2006-07	200.64	2007-08	…	16.00	2.00
				2008-09	…	5.13	15.97
				2009-10	…	8.13	24.00
				2010-11	…	41.61	30.40
4.	Kerala State Horticultural Products Development Corporation Limited	2007-08	5.83	2008-09	0.10	…	0.95
				2009-10	0.10	…	1.73
				2010-11	0.10	…	0
5.	Kerala State Poultry Development Corporation Limited	2005-06	1.97	2006-07	…	…	0.65
				2007-08	…	…	5.38
				2008-09	…	…	6.80
				2009-10	…	…	5.85
				2010-11	…	…	13.90
6.	Kerala Electrical and Allied Engineering Company Limited	2006-07	71.38	2008-09	…	1.00	…
7.	Kerala Small Industries Development Corporation Limited	2006-07	22.54	2007-08	0.25	…	…
				2008-09	0.30	…	…
				2009-10	0.20	…	…
				2010-11	0.20	…	…
8.	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	…	…	1.01
9.	Kerala State Electronics Development Corporation Limited	2009-10	115.16	2010-11	…	12.50	…
10.	Kerala State Handloom Development Corporation Limited	2008-09	15.02	2009-10	3.06	0.32	0.33
				2010-11	4.00	0.25	0.32
11.	Handicrafts Development Corporation of Kerala Limited	2005-06	2.77	2006-07	…	…	0.70
				2007-08	…	…	0.28
				2008-09	…	…	1.28
				2009-10	…	0.97	3.22
12.	Kerala State Bamboo Corporation Limited	2006-07	7.24	2008-09	0.15	0.36	7.00
				2009-10	0.50	2.94	…
				2010-11	0.50	8.10	…

Sl. No.	Name of the company/ corporation	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
13.	Kerala Police Housing and Construction Corporation Limited	2006-07	0.27	2007-08	…	5.05	…
				2008-09	…	6.10	…
				2009-10	…	…	6.86
				2010-11	…	…	7.94
14.	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
15.	The Kerala State Backward Classes Development Corporation Limited	2006-07	50.56	2007-08	4.40	…	…
				2008-09	7.00	…	0.07
				2009-10	7.00	…	0.92
				2010-11	7.00	…	0.01
16.	Kerala State Handicapped Persons' Welfare Corporation Limited	1998-99	1.74	1999-2000	0.13	0.32	0.36
				2000-01	0.08	0.15	0.45
				2001-02	0.03	0.05	0.41
				2002-03	0.04	0.10	0.35
				2003-04	0.04	0.09	0.47
				2004-05	…	…	0.68
				2005-06	0.05	0.65	0.10
				2006-07	0.05	0.10	0.30
				2007-08	0.04	0.08	0.40
				2008-09	…	…	1.32
				2009-10	…	…	1.40
				2010-11	1.40	…	…
17.	Kerala State Development Corporation for Christian Converts from Scheduled Castes & the Recommended Communities Limited	2001-02	8.70	2006-07	3.50	…	…
				2007-08	3.40	…	…
				2008-09	3.50	…	…
				2009-10	3.00	…	…
				2010-11	0.50	…	…
18.	Kerala Artisans' Development Corporation Limited	2003-04	2.53	2006-07	0	…	0.23
				2007-08	0.05	…	0.05
				2008-09	1.00	…	0.29
				2009-10	0.78	…	…
				2010-11	0.25	…	0.20
19.	Kerala State Palmyrah Products Development and Workers' Welfare Corporation Limited	2007-08	0.87	2008-09	…	…	0.33
				2009-10	…	0.48	0.16
				2010-11	…	…	0.06
20.	The Kerala State Civil Supplies Corporation Limited	2009-10	8.56	2010-11	…	…	22.00
21.	Kerala State Drugs and Pharmaceuticals Limited	2006-07	9.08	2007-08	…	3.00	…
				2008-09	…	7.00	…
				2010-11	…	4.10	…
22.	The Pharmaceutical Corporation (Indian Medicines) Kerala Limited	2009-10	10.87	2010-11	4.00	…	…

Sl. No.	Name of the company/ corporation	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
23.	Kerala Urban & Rural Development Finance Corporation Limited	2008-09	0.96	2009-10	…	0.75	…
				2010-11	…	1.00	…
24.	Kerala Shipping and Inland Navigation Corporation Limited	2007-08	15.24	2008-09	5.50	…	…
				2009-10	6.00	…	…
				2010-11	…	…	0.15
25.	Indian Institute of Information Technology and Management - Kerala	2008-09	Nil[1]	2009-10	…	…	3.00
				2010-11	8.15	…	4.15
26.	Vizhinjam International Seaport Limited	2007-08	8.50	2008-09	25.70	…	2.30
				2009-10	…	…	25.00
				2010-11	65.26	…	75.60
27.	Kerala Automobiles Limited	2008-09	10.23	2009-10	…	1.59	…
				2010-11	…	2.00	…
28.	Meat Products of India Limited	2006-07	1.81	2008-09	…	…	1.08
				2009-10	…	…	0.75
				2010-11	…	0.38	1.41
29.	Steel Industrials Kerala Limited	2009-10	36.56	2010-11	…	2.80	…
30.	Kerala Medial Services Corporation Limited	…	…	2008-09	…	…	95.03
				2010-11	…	…	145.00
31.	Kerala State Maritime Development Corporation Limited	2007-08	9.16	2009-10	0.10	…	…
				2010-11	0.10	…	…
32.	Autokast Limited	2009-10	19.97	2010-11	…	8.96	…
33.	Travancore Titanium Products Limited	2006-07	1.77	2009-10	8.00	…	…
				2010-11	4.00	…	…
34.	Kerala State Information Technology Infrastructure Limited	2008-09	30.10	2009-10	10.00	…	…
				2010-11	20.00	…	…
35.	Kerala State Women's Development Corporation Limited	1997-98	3.88	2009-10	…	…	1.51
				2010-11	…	…	3.25
36.	United Electrical Industries Limited	2009-10	3.99	2010.11	…	4.96	…
37.	Kanjikode Electronics and Electricals Limited	2008-09	0.10	2009-10	…	…	0.15
				2010-11	…	…	0.15
38.	Kerala Ceramics Limited	2006-07	11.21	2009-10	…	0.93	…
				2010-11	…	3.00	…
39.	Kerala Feeds Ltd	2009-10	27.41	2010-11	6.90	…	…
40.	Roads and Bridges Development Corporation of Kerala Limited	2009-10	49.43	2010-11	13.00	…	0.94
41.	Aralam Farming Corporation (Kerala) Limited	First Accounts not finalised		2010-11	0.01	…	…
42	Kannur International Airports Limited	2009-10	0.05	2010-11	0.01	…	34.06

[1] **Share capital is ₹ 200 only.**

Sl. No.	Name of the company/ corporation	Year upto which Accounts finalised	Paid up capital as per latest finalised accounts	Investment made by State Government during the years for which accounts are in arrears			
				Year	Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
43	Malabar Distilleries Limited	2009-10	0.01	2010-11	0.01	…	…
44	Kerala State Coastal Area Development Corporation Limited	2008-10	0.01	2010-11	1.81	…	…
	Total A (Companies)				**244.02**	**151.85**	**587.95**
B. Working Statutory corporations							
1	Kerala State Electricity Board	2009-10	1553.00	2010-11	…	…	99.97
2	Kerala State Road Transport Corporation	2008-09	431.03	2009-10	15.00	105.00	…
				2010-11	42.00	160.00	…
3	Kerala State Warehousing Corporation	2007-08	9.00	2008-09	0.50	…	…
				2009-10	0.50	…	…
				2010-11	0.50	…	0.50
4	Kerala Industrial Infrastructure Development Corporation	2009-10	…	2010-11	…	45.00	10.00
	Total B (Statutory Corporations)				**58.50**	**310.00**	**110.47**
	Grand Total (A)+(B)				**302.52**	**461.85**	**698.42**
C. Non-working Government Companies							
	Total C (Non-working Government Companies)				**…**	**…**	**…**
	Grand Total (A+B+C)				**302.52**	**461.85**	**698.42**
	Aggregate						**1462.79**

Annexure 5
Statement showing financial position of Statutory corporations
(Referred to in paragraph 1.14)

(₹in crore)

1. Kerala State Electricity Board			
Particulars	**2007-08**	**2008-09**	**2009-10**
A. Liabilities			
Equity Capital	1553.00	1553.00	1553.00
Loans from Government	…	…	…
Other long-term loans (including bonds)	1856.72	1100.36	1406.49
Reserves and Surplus (Funds)	4055.27	4683.58	5427.19
Current liabilities and provisions	3812.35	4472.61	4925.12
Total – A	**11277.34**	**11809.55**	**13314.80**
B. Assets			
Gross fixed assets	8684.56	9249.11	10192.17
Less : Depreciation	3489.36	3924.10	4375.33
Net fixed assets	5195.20	5325.01	5816.84
Capital works-in-progress	1090.49	1171.12	1017.86
Current assets	3772.87	4084.63	5257.33
Investments	16.48	25.80	19.50
Miscellaneous expenditure	1202.30	1202.99	1203.27
Deficits	…	…	…
Total – B	**11277.34**	**11809.55**	**13314.80**
C. Capital employed[2]	7410.68	6071.71	7124.91

[2] **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	**2006-07**	**2007-08**	**2008-09**
A. Liabilities			
Capital (Including capital loan & equity capital)	152.95	406.03	431.03
Borrowings (Government)	156.75	…	85.50
(Others)	391.32	476.97	565.98
Funds[3]	32.25	38.10	37.24
Trade dues and other current liabilities (including provisions)	1254.42	723.85	722.61
Total - A	**1987.69**	**1644.95**	**1842.36**
B. Assets			
Gross block	487.61	551.08	635.07
Less: Depreciation	344.29	367.44	401.11
Net fixed assets	143.32	183.64	233.96
Capital works-in-progress (including cost of chassis)	0.64	5.25	5.22
Investments	0.03	0.03	0.03
Current assets, loans and advances	66.20	87.14	119.84
Accumulated loss	1777.50	1368.89	1483.31
Total - B	**1987.69**	**1644.95**	**1842.36**
C. Capital employed [4]	**(-) 1044.27**	**(-)447.82**	**(-)363.59**

[3] **Excluding depreciation funds.**

[4] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

(₹ in crore)

3. Kerala Financial Corporation			
Particulars	**2008-09**	**2009-10**	**2010-11**
A. Liabilities			
Paid-up capital	74.06	204.06	204.06
Share application money	…	…	7.91
Reserve fund and other reserves and surplus	45.26	65.89	85.39
Borrowings:			
(i) Bonds and debentures	107.26	97.49	61.08
(ii) Fixed Deposits	…	…	…
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	406.34	479.03	473.62
(iv) Reserve Bank of India	…	…	…
(v) Loan towards share capital: (a) State Government (b) Industrial Development Bank of India	 … 130.00	 … …	 … …
(vi) Others (including State Government) (a) Loans (b) subventions	 … 2.52	 … …	 235.00 …
Other liabilities and provisions	9.71	35.01	55.72
Total – A	**775.15**	**881.48**	**1122.78**
B. Assets			
Cash and Bank balances	141.31	10.42	7.68
Investments	1.67	1.99	1.85
Loans and Advances	589.82	828.30	1052.31
Net fixed assets	2.58	2.47	2.76
Other assets	…	38.30	58.18
Miscellaneous expenditure	39.77	…	…
Total – B	**775.15**	**881.48**	**1122.78**
C. Capital employed [5]	654.48	749.12	956.76

[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	**2005-06**	**2006-07**	**2007-08**
A. Liabilities			
Paid-up capital	9.00	9.00	9.00
Reserves and surplus	1.85	1.47	1.56
Borrowings : (Government) (Others)	0.50 …	0.50 0.99	0.50 0.52
Trade dues and current liabilities (including provisions)	18.55	16.43	24.65
Total – A	**29.90**	**28.39**	**36.23**
B. Assets			
Gross block	16.85	15.36	19.55
Less: Depreciation	6.18	5.62	6.15
Net fixed assets	10.67	9.74	13.40
Capital works-in-progress	0.34	0.35	0.01
Current assets, loans and advances	12.51	11.16	10.39
Profit and loss account	6.38	7.14	12.43
Total – B	**29.90**	**28.39**	**36.23**
C. Capital employed [6]	4.97	4.82	1.45

[6] **Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.**

(₹ in crore)

5. Kerala Industrial Infrastructure Development Corporation(KINFRA)			
Particulars	**2007-08**	**2008-09**	**2009-10**
A. Liabilities			
Grants	138.16	148.88	138.57
Loans	149.40	131.53	275.72
Trade dues and current liabilities(including provisions)	85.10	126.62	164.14
Reserves and surplus	1.95	64.98	98.89
Total – A	**374.61**	**472.01**	**677.32**
B. Assets			
Gross block	51.37	49.17	56.90
Less: Depreciation	10.19	11.10	15.33
Net fixed assets	41.18	38.07	41.57
Investment	21.45	22.58	22.63
Current assets, loans and advances	310.59	411.36	613.12
Accumulated loss	1.39	…	…
Total – B	**374.61**	**472.01**	**677.32**
C. Capital employed [7]	264.72	322.81	490.55

[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 1.14)

(₹ in crore)

1.	**Kerala State Electricity Board**			
Sl. No.	**Particulars**	**2007-08**	**2008-09**	**2009-10**
1.	(a) Revenue receipts	5135.84	5349.82	5183.87
	(b) Subsidy/subvention from Government	….	…	…
	(c) Revenue gap/ regulatory asset	91.28	749.17	1227.51
	T o t a l	5227.12	6098.99	6411.38
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	4327.93	5657.87	5527.13
3.	Gross surplus(+)/deficit(-) for the year (1-2)	(+)899.19	(+)441.12	(+)884.25
4.	Adjustments relating to previous years	(+)60.76	(+)527.93	(+)48.81
5.	Final gross surplus(+)/deficit(-) for the year (3+4)	(+)959.95	(+)969.05	(+)933.06
6.	Appropriations:			
	(a) Depreciation (less capitalised)	419.09	434.74	451.22
	(b) Interest on Government loans	…	….	…
	(c) Interest on others, bonds, advance, etc., and finance charges	352.77	339.60	263.57
	(d) Total interest on loans and finance charges (b+c)	352.77	339.60	263.57
	(e) Less: Interest capitalised	29.33	22.71	22.45
	(f) Net interest charged to revenue (d-e)	323.44	316.89	241.12
	(g) Total appropriations (a+f)	742.53	751.63	692.34
7.	Surplus(+)/deficit(-) before accounting for subsidy from state Government [5-6(g)-1(b)]	(+)217.42	(+)217.42	(+)240.72
8.	Net surplus (+)/deficit(-) {5-6(g)}	(+)217.42	(+)217.42	(+)240.72
9.	Total return on capital employed[8]	540.86	534.31	481.84
10.	Percentage of return on capital employed	7.30	8.80	6.76

[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	**2006-07**	**2007-08**	**2008-09**
Operating :			
(a) Revenue	861.94	867.86	1047.69
(b) Expenditure	772.13	720.49	877.78
(c) Surplus(+)/Deficit(-)	89.81	147.37	169.91
Non-operating :			
(a) Revenue	14.06	13.88	15.37
(b) Expenditure	259.50	297.64	302.40
(c) Surplus(+)/Deficit(-)	(-)245.44	(-)283.76	(-)287.03
Total :			
(a) Revenue	876.00	881.74	1063.06
(b) Expenditure	1031.63	1018.13	1180.18
(c) Net Profit(+)/Loss(-)	(-)155.63	(-)136.39	(-)117.12
Interest on capital and loans	59.98	54.32	71.86
Total return on capital employed [9]	(-)95.65	(-)82.07	(-)45.26

[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	**2008-09**	**2009-10**	**2010-11**
1. Income :			
(a) Interest on loans	101.92	91.96	111.14
(b) Other income	7.34	65.99	45.33
Total – 1	**109.26**	**157.95**	**156.47**
2. Expenses :			
(a) Interest on long-term loans	41.45	49.13	58.30
(b) Bad debts written-off	117.58	37.72	4.95
(c) Other expenses	26.53	24.45	31.52
Total – 2	**185.56**	**111.30**	**94.77**
Profit before tax(1-2)	(-)76.30	46.65	61.70
Provision for tax	0.07	12.04	11.11
Other appropriations	…	11.20	26.50
Amount available for dividend [10]	11.70	18.99	24.09
Dividend	…	8.16	10.20
Total return on capital employed [11]	(-)34.85	95.78	108.89
Percentage of return on capital employed		12.79	11.38

[10] **Represents profit of current year available for dividend after considering the specific reserves and provision for taxation.**

[11] **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	**2005-06**	**2006-07**	**2007-08**
1. Income :			
(a) Warehousing charges	4.89	5.02	7.39
(b) Other income	3.69	5.20	4.73
Total – 1	**8.58**	**10.22**	**12.12**
2. Expenses :			
(a) Establishment charges	6.52	6.84	11.40
(b) Other expenses	4.08	4.14	6.01
Total – 2	**10.60**	**10.98**	**17.41**
3. Profit(+)/Loss(-) before tax	(-)2.02	(-)0.76	(-)5.29
4. Other appropriations [12]	…	…	…
5. Amount available for dividend	…	…	…
6. Dividend for the year	…	…	…
7. Total return on capital employed [13]	(-) 1.86	(-)0.76	(-)5.29
8. Percentage of return on capital employed	(-)37.42	(-)15.77	(-)364.82

[12] **This does not include prior period adjustments.**
[13] **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 (KINFRA)			
Particulars	**2007-08**	**2008-09**	**2009-10**
1.Income			
(a) Sale of land on long lease	6.46	64.86	26.38
(b) Miscellaneous income	4.51	17.22	20.99
Total -1	**10.97**	**82.08**	**47.37**
2. Expenses			
(a) Establishment charges	1.47	2.74	5.05
(b) Other expenses	8.33	15.55	13.21
Total-2	**9.80**	**18.29**	**18.26**
Net profit (+)/Loss (-)	(+)1.17	(+)63.79	(+)29.11
Total return on capital employed [14]	(+)1.17	(+)65.12	(+)31.78
Percentage of return on capital employed	0.44	20.17	6.48

[14] **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 loss of concession in Electricity Charges in KTDC Hotels & Resorts Limited
(Referred to in paragraph 2.13)

(Amount in ₹)

Name of Property	Particulars of Electricity Charges (from 2006-07 to 2010-11)	Paid at Commercial Tariff	Payable at Industrial Tariff	Concession eligible
Tea County, Munnar	Total Demand Charges	1801116	1392109	409007
	Total Energy Charges	6038578	5672265	366313
	Total Electricity Charges	7839694	7064374	**775320**
WaterScapes, Kumarakom	Total Demand Charges	3241212	2495436	745776
	Total Energy Charges	7314378	6250009	1064369
	Total Electricity Charges	10555590	8745445	**1810145**
			Total Eligible Concession	**2585465**

Annexure 8

Statement showing bookings through various modes in major premium properties in KTDC Hotels & Resorts Limited

(Referred to in paragraph 2.16)

Sl. No.	Modes of Bookings	2007-08		2008-09		2009-10		2010-11		Total	
		Room Nights	Share (Per cent)	Room Nights	Share (Per cent)	Room Nights	Share (Per cent)	Room Nights	Share (Per cent)	Room Nights	Share (Per cent)
1	DIRECT	20384	41.16	14680	31.23	13211	28.67	13927	28.74	62202	32.55
2	SEGMENT I	9341	18.86	12132	25.81	11626	25.23	12542	25.88	45641	23.89
3	SEGMENT II	2416	4.88	2737	5.82	2634	5.72	3377	6.97	11164	5.84
4	SEGMENT III	3696	7.46	1579	3.36	2151	4.67	2601	5.37	10027	5.25
5	AGENT OTHERS	4989	10.07	5282	11.24	3182	6.90	3568	7.36	17021	8.91
6	KTDC	3884	7.84	5857	12.46	7363	15.98	7036	14.52	24140	12.63
7	CORPORATE	1131	2.28	2487	5.29	2846	6.18	1617	3.34	8081	4.23
8	DEPT. OF TOURISM	128	0.26	191	0.41	83	0.18	229	0.47	631	0.33
9	T I C [15]	116	0.23	46	0.10	6	0.01	0	0.00	168	0.09
10	GOVT DEPT.	195	0.39	569	1.21	573	1.24	412	0.85	1749	0.92
11	OTHERS	3257	6.57	1444	3.07	2408	5.23	3153	6.51	10262	5.37
		49537	**100.00**	**47004**	**100.00**	**46083**	**100.00**	**48462**	**100.00**	**191086**	**100.00**

[15] **Tourist Information Centres**

Annexure 9
Statement showing summarised performance of Intersight Tours & Travels and Jai Maruthy Holidays in KTDC Hotels & Resorts Limited
(Referred to in paragraph 2.16)

(Amount in ₹)

Particulars	Tea County, Munnar	Aranya Nivas, Thekady	Lake Palace, Thekady	Bolgatty, Kochi	Mascot, TVM	Samudra, Kovalam	Waterscapes, Kumarakom	Total
Overall Revenue - **A**	144312314	67336699	12930149	54558139	131466997	88534412	73460251	572598962
Overall Room Nights - **B**	46976	20383	1246	23103	37049	35464	26865	191086
Overall ARR - **C**	3072.04	3303.57	10377.33	2361.52	3548.46	2496.46	2734.42	
Intersight-Revenue - **D**	18116947	3471696	340992	4062659	864771	9551734	11088375	47497174
Intersight-Room Nights - **E**	6727	1632	36	2369	398	5367	5605	22134
Intersight ARR - **F**	2693.17	2127.26	9472.00	1714.93	2172.79	1779.72	1978.30	
JaiMaruthy-Revenue - **G**	9998356	2732738	229419	1693079	233118	3933656	7635138	26455504
JaiMaruthy-Room Nights - **H**	3914	1469	21	988	111	2117	3998	12618
JaiMaruthy ARR - **I**	2554.51	1860.27	10924.71	1713.64	2100.16	1858.13	1909.74	
Combined (Int+Jai) Revenue - **J = D + G**	28115303	6204434	570411	5755738	1097889	13485390	18723513	73952678
% to Overall Revenue	19.48	9.21	4.41	10.55	0.84	15.23	25.49	
Combined (Int+Jai) Room Nights - **K = E + H**	10641	3101	57	3357	509	7484	9603	34752
% to Overall Room Nights	22.65	15.21	4.57	14.53	1.37	21.10	35.75	
Combined (Int+Jai) ARR - **L = J / K**	2642.17	2000.78	10007.21	1714.55	2156.95	1801.90	1949.76	
Revenue: Others - **M = A – J**	116197011	61132265	12359738	48802401	130369108	75049022	54736738	498646284
Room Nights: Others - **N = B - K**	36335	17282	1189	19746	36540	27980	17262	156334
ARR: Others - **O = M / N**	3197.94	3537.34	10395.07	2471.51	3567.85	2682.24	3170.94	
ARR Difference - **P = O - L**	555.77	1536.55	387.86	756.96	1410.89	880.34	1221.18	
Discount / Revenue Foregone - **Q = K x P**	**5913935.89**	**4764849.31**	**22108.00**	**2541115.08**	**718144.83**	**6588480.03**	**11727008.13**	**32275641.28**

Annexure 10
Statement showing capital expenditure of Tamarind Easy Hotels of KTDC Hotels & Resorts Limited
(Referred to in paragraph 2.24)

(Amount in ₹)

Name of the Unit	2007-08	2008-09	2009-10	2010-11	Total
TEH Guruvayoor	569369	720059	51897	10197	1351522
Kalady	1491169	53335			1544504
Mannarghat	89390	278145		16250	383785
Kondatty	1427158	364671	230135		2021964
Nilambur	1676647	2816147	1076270	700000	6269064
Thirunelli		844932	711811	35000	1591743
Parassinikadavu		280017	995758	340793	1616568
Kannur		3108884	1890731		4999615
Peerumedu		38210	487966	409215	935391
Alleppy	159120	1025280	2022338	465613	3672351
Thrissur		200640	2968748	11026275	14195663
Changanassery		239476	659368	249108	1147952
Kollam		8430756	1831968	20710	10283434
Total	**5412853**	**18400552**	**12926990**	**13273161**	**50013556**

Annexure 11

Statement showing revenue from boat operations (share of each centre is expressed as percentage) in KTDC Hotels & Resorts Limited

(Referred to in paragraph 2.27)

(₹ in crore)

Location	2006-07	2007-08	2008-09	2009-10	2010-11
Total Turnover of Company	56.56	59.34	63.86	65.93	74.26
Income from boating					
Veli	0. 55 (17.19)	0.48 (15.38)	0.56 (14.18)	0.56 (20.59)	0.58 (20.71)
Kochi	0.18 (5.63)	0.11 (3.53)	0.11 (2.78)	0.12 (4.41)	0.05 (1.79)
Thekkady	2.18 (68.13)	2.31 (74.04)	3.05 (77.22)	1.93 (70.96)	2.09 (74.64)
Kumarakom	0.18 (5.63)	0.13 (4.17)	0.12 (3.04)	0.04 (1.47)	0.08 (2.86)
Malampuzha	0.11 (3.44)	0.09 (2.88)	0.11 (2.78)	0.07 (2.57)	0.00 (0)
Total	3.20	3.12	3.95	2.72	2.80
Percentage of revenue from boating	5.66	5.26	6.19	4.13	3.77

Note: Figures in bracket represent percentage

Annexure 12

Statement showing particulars of distribution network planned vis-à-vis achievement thereagainst in the State as a whole during 2006-07 to 2010-11 in Kerala State Electricity Board

(Referred to in paragraphs 3.23, 3.24 and 3.26)

Sl. No.	Description	2006-07	2007-08	2008-09	2009-10	2010-11 [16]	Total
(A)	**No. of Substations (of various categories)**						
i	At the beginning of the year	267	282	301	319	348	
ii	Additions spill from the previous year	47	58	54	66	51	
iii	Additions planned for the year	26	15	30	14	34	166 [17]
iv	Additions made during the year	15	19	18	29	13	94
v	At the end of the year(i+iv)	282	301	319	348	361	
vi	Shortage in addition (ii – iii)	58	54	66	51	72	
vii	Percentage of achievement [iv/(ii+iii)]*100	20.55	26.03	21.43	36.25	15.29	
(B)	**HT Lines (in CKM)**						
i	At the beginning of the year	34596	36419	38235	41284	44683	
ii	Additions planned for the year	6000	3427	3938	3907	4063	
iii	Additions made during the year	1823	1816	3049	3399	2818	12905
iv	At the end of the year	36419	38235	41284	44683	47501	
v	Shortage in addition (ii – iii)	4177	1611	889	508	1245	
(C)	**LT Lines (in CKM)**						
i	At the beginning of the year	217899	226128	234286	241849	249687	
ii	Additions planned for the year	17000	4043	9250	6666	3141	
iii	Additions made during the year	8229	8158	7563	7838	6219	38007
iv	At the end of the year	226128	234286	241849	249687	255906	
v	Shortage in addition (ii – iii)	8771	Nil	1687	Nil	Nil	
(D)	**Transformers Capacity (in MVA)**						
i	At the beginning of the year	5033.35	5157.60	5422.77	5937.45	6708.44	
ii	Additions made during the year	124.25	265.17	514.68	770.99	450.07	2125.16
iii	At the end of the year	5157.60	5422.77	5937.45	6708.44	7158.51	

HT / LT ratio at the beginning of 2006-07 is 34596 : 217899, i.e, 1:6.29
HT / LT ratio at the end of 2010-11 is 47501 : 255906, i.e, 1:5.38

[16] **Provisional**
[17] **Including 47 sub-stations spilled from 2005-06.**

Annexure 13
Statement showing source-wise purchase of power during 2006-2011 in Kerala State Electricity Board
(Referred to in paragraph 3.39)

(In Million Units)

Year	Own Generation	Long Term		Short Term		Others (UI)	Total
		CGS	IPPs	Traders	Exchanges		
2006-07	7695.11 (0.15)	8113.15 (1.63)	206.71 (11.32)	…	…	-170.02	15844.95
2007-08	8647.69 (0.23)	7828.08 (2.05)	388.43 (10.33)	…	…	-141.89	16722.31
2008-09	6440.44 (0.64)	7869.53 (2.56)	979.76 (7.61)	194.55	267.11	318.03 (5.09)	16069.43
2009-10	7189.51 (0.51)	8440.39 (2.75)	772.13 (7.16)	229.79 (5.08)	386.25 (4.15)	371.40 (2.41)	17389.47
2010-11	7357.46 (0.32)	8253.53 (3.09)	385.08 (8.81)	679.88 (5.01)	397.50 (4.03)	796.30 (1.53)	17869.75

Note: Figures in bracket denote average cost of purchase in ₹

Annexure 14

Statement showing shortfall in recovery of subsidy by Kerala State Electricity Board from State Government

(Referred to in paragraph 3.55)

Particulars	Average revenue (Paise/unit)	Percentage of ACOS	Percentage of subsidy	Cross subsidy over band of ± 20 per cent	Units sold (MU)	Loss on account of subsidy crossing band (₹ in crore)
2006-2007						
ACOS (Ps)			317.00			
Domestic	166.96	52.67	47.33	27.33	5213.15	451.67
Commercial	660.68	208.42	-108.42	-88.42	1245.80	(349.17)
Industrial	414.73	130.83	-30.83	-10.83	933.93	(32.06)
Agriculture	102.32	32.28	67.72	47.72	220.24	33.32
Pub. Light	187.16	59.04	40.96	20.96	228.74	15.20
HT/EHT	394.14	124.33	-24.33	-4.33	3081.63	(42.34)
Traction	334.73	105.59	-5.59	Nil	72.16	…
Bulk supply	276.35	87.18	12.82	Nil	335.35	…
Total						**76.62**
2007-2008						
ACOS (Ps)			331.00			
Domestic	172.10	51.99	48.01	28.01	5602.85	519.38
Commercial	668.20	201.87	-101.87	-81.87	1378.33	(373.53)
Industrial	414.75	125.30	-25.30	-5.30	984.18	(17.27)
Agriculture	105.45	31.86	68.14	48.14	230.55	36.74
Pub. Light	190.15	57.45	42.55	22.55	248.56	18.56
HT/EHT	401.24	121.22	-21.22	-1.22	3139.50	(12.68)
Traction	359.04	108.47	-8.47	Nil	109.26	…
Bulk supply	286.65	86.60	13.40	Nil	356.62	…
Total						**171.20**
2008-2009						
ACOS (Ps)			494.00			
Domestic	191.71	38.81	61.19	41.19	5925.23	1206
Commercial	743.65	150.54	-50.54	70.54	1501.60	(227)
Industrial	459.81	93.08	6.92	Nil	1015.40	…
Agriculture	135.35	27.40	72.60	52.60	225.22	59
Pub. Light	200.31	40.55	59.45	39.45	294.32	57
HT/EHT	479.77	97.12	2.88	Nil	2986.97	…
Traction	475.84	96.32	3.68	Nil	142.07	…
Bulk supply	455.72	92.25	7.75	Nil	317.47	…
Total						**1095**

2009-2010						
ACOS (Ps)	464.00					
Domestic	191.46	41.26	58.74	38.74	6554.70	1178.14
Commercial	702.39	151.38	-51.38	-31.38	1793.00	(261.04)
Industrial	426.41	91.90	8.10	Nil	1064.00	…
Agriculture	109.90	23.69	76.31	56.31	257.00	67.15
Pub. Light	191.64	41.30	58.70	38.70	303.00	54.41
HT/EHT	414.47	89.33	10.67	Nil	3417.09	…
Traction	397.87	85.75	14.25	Nil	165.00	…
Bulk supply	347.05	74.80	25.20	5.20	413.00	9.97
Total						**1048.63**
2010-2011						
ACOS (Ps)	485.00					
Domestic	198.32	40.89	59.11	39.11	6874.92	1304.03
Commercial	722.86	149.04	-49.04	-29.04	1951.74	(274.92)
Industrial	437.17	90.14	9.86	Nil	1053.45	…
Agriculture	115.11	23.73	76.27	56.27	231.56	63.19
Pub. Light	211.82	43.67	56.33	35.33	265.68	46.81
HT/EHT	424.58	87.54	12.46	Nil	3563.14	…
Traction	412.16	84.98	15.02	Nil	156.39	…
Bulk supply	364.77	75.21	24.79	4.79	448.11	10.41
Total						**1149.52**
Gross Total						**3540.97**
Less Subsidy claimed						**670.55**
Net Subsidy receivable						**2870.42**

Annexure 15

Statement showing schedule of payments to KSRTC and receipts from agencies by Kerala State Electronics Development Corporation Limited

(Referred to in paragraph 4.1)

(Amount ₹ in lakh)

Schedule of payments to KSRTC				Receipts from first agency (CDAM)		Receipts from second agency (RAM)	
Particulars	**Due Date**	**Amount**	**Date of payment**	**Amount**	**Date of receipt**	**Amount**	**Date**
EMD	15.05.08	5.00	15.05.08	25.00	19.06.2008	15.00	30.01.2009
2% Advance	15.05.08	9.08	15.05.08				
SD	2.06.08	90.80	30.05.08			47.87	11.02.2009
1/3 Advance	9.06.08[18]	142.25	30.05.08	75.00 75.00	20.07.2008 20.08.2008		
2/3 of contract value (20 EMIs)	1.7.08	15.13	1.07.08	44.07	14.08.2008	23.42	16.02.2009
	1.8.08	15.13	11.08.08			23.51	16.04.2009
	1.9.08	15.13	10.09.08			5.34	26.08.2009
	1.10.08	15.13	10.10.08				
	1.11.08	15.13	10.11.08				
	1.12.08	15.13	10.12.08				
	1.1.09	15.13	30.01.09				
	1.2.09	15.13	10.02.09				
	1.3.09	15.13	20.04.09				
	1.4.09	15.13	No payment				
	1.5.19	15.13	-do-				
	1.6.19	15.13	-do-				
	1.7.09	15.13	-do-				
	1.8.19	15.13	-do-				
	1.9.09	15.13	-do-				
	1.10.09	15.13	-do-				
	1.11.09	15.13	-do-				
	1.12.09	15.13	-do-				
	1.1.10	15.13	-do-				
	1.2.10	15.13	-do-				

[18] 1/3 advance was to be paid before signing the agreement (10.06.08).

Annexure 16

Statement showing extra expenditure in purchase of machinery in Kerala State Textile Corporation Limited

(Referred to in paragraph 4.4)

Sl No.	Machinery	Name of supplier (OEM on whom order placed)	No. of units ordered	PO Cost/unit	Total Cost	L1 Cost./unit	Total Cost (L1)	Extra expenditure	Reasons for rejection
1	Double Winder	Peass Industrial Engineers	2 *63 spindles (Komalapuram)	65236.60 per spindle	9247783	63319.98	8976086	271697	Higher loom shed efficiency of L2.
			2*72 spindles (Pinarayi)	64837.50 per spindle	10586179	63319.98	10258384	327795	
2	Two for one	ATE Enterprises (Oerlikon Saurer)	10*192 spindles (Komalapuram)	9933 per spindle[19]	19071360	6879.90 per spindle	16511760[20]	2559600	Variation from tender specification
			11 *192 spindles (Pinarayi)	9933 per spindle	20978496	6879.90 per spindle	18162936[21]	2815560	
3	Sectional Warping	ATE Enterprises (Karl Mayer)	2 (Komalapuram & PInarayi)	12452000	24904000	6497833	12995666	11908344	Technical feature not specified in tender (Beaming speed) higher.
4	Air Jet Loom	ITEMA (Asia)	30 (Komalapuram)	2306222	69186660	1615705	48471150	20715510	L1 machines were of Chinese make- Make not specified in tender
		Picanol India	36 (Pinaryai)	1869903	67316508	1615705	58165380	9151128	
5	Autoconer	Itema (Asia) Ltd	2 (Kozhikode)	8716411	17432822	8048700	16097400	1335422	L2 considered to have better performance
6	Yarn Evenness Tester	Premier Evolvics Private Ltd	1(Trivandrum)	4815257	4815257	1601400	1601400	3214457	Rejected stating that the bidder is new entrant despite having prescribed experience.
							TOTAL	**52298413**	

[19] **Basic price excluding import duties**
[20] **6879.90x240x10**
[21] **6879.90x240x11**

Annexure 17

Statement showing extra expenditure on medicines procured at higher rate in Kerala Medical Services Corporation Limited

(Referred to in paragraph 4.5)

	Name of medicine	Tendered Quantity	Ist Order Quantity	Rate	Value	2nd qtr Order Quantity	Rate	Supplied quantity	Loss	3rd/4th qtr Order quantity	Rate	Supplied Quantity	Loss	Total Loss
1	Paracetamol Tab IP	708712	708712	13.68	9695180					1700005	16.25	444000	1141080	1141080
2	Black Disinfectant Fluid	13816	13816	161.2	2227139					41878	265	41878	4346936	4346936
3	Ampicillin Inj IP	1627570	1627570	3.69	6005733	2293808	4.12	2277718	979419	3000000	4.33	3600000	2304000	3283419
4	Turpentine Liniment	69621	69621	38.48	2679016					256031	46.92	256031	2160902	2160902
5	Multivitamin NFI Tab	56837	56837	14	795718					211295	23.77	211295	2064352	2064352
6	Doxycycline Cap IP	26682	26682	42.64	1137720	58584	44.65	58584	117754	98606	56.41	98606	1357805	1475558
7	Rantitdine HCL Tab	194029	194029	19.6	3802968	396842	20. 35	396842	297632	225000	22.83	225000	726750	1024382
8	Contrimoxazole Oral	158014	158014	4.41	696842					585015	5.91	585015	877523	877523
9	Silver Sulfadiazine Cream IP	21872	21872	17.90	391509	21669	22. 55	21669	100761	65311	23.9	65311	391866	492627
10	Albendazole Tab	424273	424273	1.97	835818	347258	2.29	347258	111123	349495	2.45	349495	167758	278880
11	Clozacillin Capsules	46162	46162	79.56	3672649					107968	81.84	107900	246012	246012
12	White Soft Paraffin	1404	1404	99	138996	1229	112.2	1229	16223	3950	124.1	3950	99145	115368
13	Dexamethasone	11542	11542	6.38	73638	25707	8.13	25707	44987	43020	7.85	43020	63239	108227
14	Diethyl Carbamazine	9615	9615	10.09	97015					23400	13.1	23400	70434	70434
15	Hydrogen Peroxide	4491	4491	39. 2	176047	3206	41.6	3206	7694	11545	44.2	10997	54985	62679
16	Acyclovir Cream BP	3705	3705	6.6	24453	5448	7.58	5448	5339	13729	7.2	13729	8237	13576
17	Piperazine Citrate Elixir	413	413	37. 44	15463					1548	45.4	1548	12322	12322

	Name of medicine	Tendered Quantity	Ist Order Quantity	Rate	Value	2nd qtr Order Quantity	Rate	Supplied quantity	Loss	3rd/4th qtr Order quantity	Rate	Supplied Quantity	Loss	Total Loss
18	Acetylsalicylilc Acid Tab	3058	3058	18.32	56023	4305	20. 8	4299	10662		0			10662
19	Methyldopa Tab	323	323	134.6	43476	169	159.8	169	4260		0			4260
20	Diliazem Tab	450	450	21.4	9630	368	29.1	368	2834		0			2834
21	Theophylline-Etopylline Tab	105609	105609	10. 8	1140577	219889	12. 22	192252	272998	378302	12.42	378302	612849	885847
22	Lignocaine Gel	22412	30355	18.9	573710					45533	21.9	45533	136599	136599
23	Clotrimazole Vag. Tab	17228	17228	1.79	30838					57104	1.86	57104	3997	3997
24	Dopamine Inj	14334	16261	6.74	109599					24392	7.35	24392	14879	14879
25	Dicyclomine Tab	13078	41462	5.72	237163					48000	6.5	31650	24687	24687
26	Carbamazapine 200 mg	7370	7370	35.4	260898					22436	52.26	22436	378271	`378271
27	Ampicillin capsules 250	81425	Nil	77. 9	Nil	133073	84.99	133073	943487	93680	78.05	93680	14047	957534
28	Clozapine 100 mg			130.56			193.7	6068	383012	8874	174.1	8874	386374	769386
	Total								**3298183**				**17665049**	**20963233**

Annexure 18

Statement showing company-wise details of investible surplus in Current Accounts

(Referred to in paragraph 4.9)

(₹ in lakh)

Sl. No.	Company	Amount accumulated	Period of accumulation (days)	Equivalent annual accumulation
1	KFL	0.01 to 826.80	7 to 1361	674.25
2	TELK	0.04 to 1229.27	7 to 761	641.07
3	KAMCO	0.05 to 1093.99	7 to 1729	1452.31
4	KEPIP	0.01 to 313.07	7 to 1729	555.61
5	TRKL	0.01 to 228.52	7 to 1823	165.51
6	KSIE	0.05 to 122.49	7 to 1752	425.71
7	KMML	0.04 to 2195.84	7 to 923	951.67
8	KSIDC	0.01 to 826.80	7 to 1727	490.83
9	KLDB	0.01 to 87.45	7 to 1823	85.56
	Total			**5442.52**

Annexure 19

Statement showing company-wise details of simultaneous maintenance of loan and idle fund

(Referred to in paragraph 4.9)

(₹ in lakh)

	Average rate of Interest (%)		Avoidable interest
	Loan/CC/OD/ LC	FD/Current Account	
TELK	12.00 to 12.25	5.00 to 5.25	25.97
UEIL	12.50 to 14.00	0.00 (CA)	6.02
SILK	12.50 to 14.50	0.00 (CA)	5.94
Total			**37.93**

Annexure 20

Statement showing loss due to inefficient utilisation of Cash Credit account facilities by Kerala Transport Development Finance Corporation Limited

(Referred to in paragraph 4.9)

(₹ in lakh)

Period	Rate of advantage forgone (%)	Lowest interest offering Bank	CC availed from	Avoidable Interest payment
Feb '10 – Jan '11	1.00 to 2.50	SBH	SBT	10.52
July '06 – Jan '10	0.25 to 1.50	SBT & DBL	SBH	4.46
April'06–June '06	0.50	SBT & SBH	DBL	1.62
			Interest loss	16.60

Annexure 21
Statement showing interest loss due to excess payment of Advance Income Tax
(Referred to in paragraph 4.9)

(₹ in lakh)

Company	Financial year	Total tax payable as per Assess-ment order/ return	TDS dedu cted	Total tax paid	Total tax paid including TDS	Excess paid	Percentage of excess	Differen tial interest rate (FD rate - 6%)	Date of refund/ Status of assessment	Loss of intere-st till the date of refund/ Novem ber 2011
1	2	3	4	5	6 (4+5)	7 (6-3)	8 (7/3*100)	9	10	11
KSBC	2007-08	2305.74	251.08	2653	2904.08	**598.34**	**25.95**	4	31.03.2010	47.87
KSBC	2008-09	5728.75	426.3	6523	6949.3	**1220.55**	**21.30**	5	Assessment not completed	118.91
KSBC	2009-10	7964.45	417.07	9104.75	9521.82	**1557.37**	**19.55**	2	Assessment not completed	30.98
KSFE	2007-08	559.75	13.82	1648	1661.82	**1102.07**	**196.89**	4	24.03.2010	88.17
KTDFC	2006-07	24.24	1.71	73.35	75.06	**50.82**	**209.65**	4.25	01.10.10	7.65
KMML	2006-07	701.95	341.17	720	1061.17	**359.22**	**51.17**	3	30.11.2008 & 30.11.2010	24.39
KSIE	2008-09	184.15	23.3	201	224.3	**40.15**	**21.80**	5	Assessment not completed	4.02
UEIL	2007-08	6.9	4.45	16	20.45	**13.55**	**196.38**	7	01.03.2010	1.82
UEIL	2008-09	4.43	2.73	12	14.73	**10.30**	**232.51**	7	30.11.2010	1.20
Total										**325.01**

Note: Interest rates adopted for interest loss computation

1) UEIL - Borrowing rate of 13% was considered for the calculation of interest Loss
2) KTDFC - Borrowing rate of 10.25% was considered for the calculation of interest Loss
3) In other cases FD interest rate in Treasury was considered - 9% (w.e.f. 01.04.2007), 10% (w.e.f. 01.04.2008), 11% (w.e.f.01.04.2009) and 8% (w.e.f. 01.04.2010)

Annexure 22
Statement showing shortfall in recovery of cost of tender forms by three Public Sector Undertakings
(Referred to in paragraph 4.11)

Kerala Industrial Infrastructure Development Corporation (KINFRA) *(Amount in ₹)*

Sl No	Unit	Work	PAC	Cost of tender form collected		Date of sale	Number sold	Cost of tender forms to be collected		Short collection		Gross amount to be collected		Gross amount collected	
				Cost	VAT[22]			Cost	VAT[23]	Cost	VAT	Cost	VAT	Cost	VAT
1	2	3	4	5	6	7	8	9	10	11{(9-5) *8	12{(10-6) *8}	13=8 *9	14=8*10	15=5*8	16=6*8
1	Hitech Park Kalamassery	External electrification of TIC building	1860724	1500	61	3.2.09 to 10.2.09	9	2800	354	11700	2633	25200	3182	13500	549
2	Hitech Park Kalamassery	Construction of OH reservoir and distribution lines	26252032	3000	121	16.3.09 to 24.3.09	3	25000	3156	66000	9106	75000	9469	9000	363
3	Hitech Park Kalamassery	Construction of roads	32983523	3000	121	1.10.09 to 14.10.09	13	25000	3156	286000	39458	325000	41031	39000	1573
4	Hitech Park Kalamassery	Flooring TIC building	160450	50	2	5.11.09 to 6.11.09	3	300	38	750	108	900	114	150	6
5	Hitech Park Kalamassery	Petty Civil works	171565	100	4	24.11.09	3	300	38	600	102	900	114	300	12
6	KSIP Mazhuvannur	Construction of roads	21261569	3000	121	Sept.09	18	25000	3156	396000	54635	450000	56812	54000	2178
7	KSIP, Koratty	Construction of SDF building(Civil)	34200000	3000	121	Oct.09	13	25000	3156	286000	39458	325000	41031	39000	1573

[22] **4.04 %**
[23] **12.625%/ 4.04% from 23.1.10**

Sl No	Unit	Work	PAC	Cost of tender form collected		Date of sale	Number sold	Cost of tender forms to be collected		Short collection		Gross amount to be collected		Gross amount collected	
				Cost	VAT[22]			Cost	VAT[23]	Cost	VAT	Cost	VAT	Cost	VAT
1	2	3	4	5	6	7	8	9	10	11{(9-5) *8	12{(10-6) *8}	13=8 *9	14=8*10	15=5*8	16=6*8
8	KITP, Palakkad	Construction of sumps for water supply scheme	11956131	2000	80	Dec.09	6	17900	2260	95400	13079	107400	13559	12000	480
9	KSIP, Nellad	Construction of SDF building	81600000	4000	162	2.2.10 to 8.2.10	8	25000	1010	168000	6784	200000	8080	32000	1296
10	Hitech Park Kalamassery	Petty Civil works	187823	100	4	21.4.10	3	400	16	900	36	1200	48	300	12
11	KSIP, Koratty	Construction of SDF building (Electrical)	5000000	1500	61	June.10	15	7500	303	90000	3630	112500	4545	22500	915
12	KSIP,Kasargod	Maintenance work	954000	500	20	July.10	5	1900	77	7000	284	9500	384	2500	100
13	Hitech Park Kalamassery	Construction of infrastructure for TIC	31355607	5000	202	16.7.10 to 22.7.10	5	25000	1010	100000	4040	125000	5050	25000	1010
14	Hitech Park Kalamassery	Internal roads & Land development	74447911	8500	344	26.7.10 to 10.8.10	12	25000	1010	198000	7992	300000	12120	102000	4128
15	Hitech Park Kalamassery	Intake well and supply and laying of pumping main	54919649	8500	344	27.7.10 to 5.8.10-	7	25000	1010	115500	4662	175000	7070	59500	2408
	Total			**43750**	**1768**		**123**	**231100**	**19750**	**1821850**	**186006**	**2232600**	**202609**	**410750**	**16603**

The Kerala Minerals and Metals Limited

Item	Tender No.	Tender Quan-tity (MT)	Previous rate /MT	Estimated cost based on previous tender	Cost of tender form collected		Date of sale	No. sold	Cost of tender forms to be collected		Short collection		Gross amount to be collected		Gross amount collected	
					Cost	VAT [24]			Cost	VAT [25]	Cost	VAT	Cost	VAT	Cost	VAT
1	2	3	4	5	6	7	8	9	10	11	12 (10-6) *9	13 (11-7) *9	14	15	16	17
Hydrated Lime	TP/MTL/Lime/2009-10 dt.23.2.09	12600	5565	70119000	2000	81	Mar.2009	19	25000	3156	437000	58430	475000	59969	38000	1539
Calcined Petroleum Coke	TP/MTL/CPC/2009-10 dt.17.8.09	12000	19302	231624000	2000	81	Aug.2009	8	25000	3156	184000	24602	200000	25250	16000	648
Petroleum Coke	TP/MTL/NPF/09-10 dated 23.9.09	9000	8450	76050000	2000	81	Oct.2009	5	25000	3156	115000	15376	125000	15781	10000	405
Hydrated Lime	TP/MTL/Lime/2009-10 dt.5.11.09	12600	5478	69022800	2000	81	Nov.2009	15	25000	3156	345000	46129	375000	47344	30000	1215
Alum. Chloride	TP/MTL/ALC/09-10 dt.2.12.09	1000	39557	39557000	2000	81	Dec.2009	3	25000	3156	69000	9226	75000	9468	6000	243
Raw Ilmenite	TP/MTL/10-11dt 20.1.10	3500	4947	17314500	2000	81	Feb.2010	3	25000	1010	69000	2787	75000	3030	6000	243
Sodium Hexameta Phosphate	TP/MTL/SHMP/09-10/ 22.1.10	100	58308	5830800	2000	81	Jan.2010	6	8700	351	40200	1623	52200	2109	12000	486
Silica Sand	TP/MTL/SND/10-11dt.17.4.10	1445	6100	8814500	2000	81	May.2010	3	13200	533	33600	1357	39600	1600	6000	243
Hydrated Lime	TP/MTL/Lime/10-11 dt.27.8.10	9000	4775	42975000	2000	81	Sept.2010	12	25000	1010	276000	11148	300000	12120	24000	972
Raw Ilmenite	TP/MTL/2010-11dt.25.5.10	40000	6069	242760000	2000	81	June.2010	3	25000	1010	69000	2787	75000	3030	6000	243
Calcined Petroleum Coke	TP/MTL/CPC/2010-11 dt.1.11.10	19500	16615	323992500	2000	81	Nov.2010	3	25000	1010	69000	2787	75000	3030	6000	243
Petroleum Coke	TP/MTL/NPF/10-11 dt. 11.2.11	13750	10505	144443750	2000	81	Feb.2011	4	25000	1010	92000	3716	100000	4040	8000	324
Alum. Chloride	TP/MTL/ALC/11-12 dt.11.2.11	722	40562	29285764	2000	81	Feb/Mar 2011	3	25000	1010	69000	2787	75000	3030	6000	243

[24] **4.04%**
[25] **12.625%/ 4.04% from 23.1.10**

Item	Tender No.	Tender Quan-tity (MT)	Previo us rate /MT	Estimated cost based on previous tender	Cost of tender form collected		Date of sale	No. sold	Cost of tender forms to be collected		Short collection		Gross amount to be collected		Gross amount collected	
					Cost	VAT [24]			Cost	VAT [25]	Cost	VAT	Cost	VAT	Cost	VAT
1	2	3	4	5	6	7	8	9	10	11	12 (10-6) *9	13 (11-7) *9	14	15	16	17
Total								87			1867800	182754	2041800	189801	174000	7047

Kerala Medical Services Corporation Limited--Short collection of cost of tender forms

Sl No	Item	Tender No.	Estimated cost of supplies	Cost of tender form collected		No.sold	Cost of tender forms to be collected		Short collection		Gross amount to be collected		Gross amount collected	
1	2	3	4	5	6	7	8	9	10 (8-5)x7	11 (9-6)x7	12	13	14	15
				Cost	VAT		Cost	VAT	Cost	VAT	Cost	VAT	Cost	VAT
1	Drugs and Supplies	007/DRUGS/ KMSCL/2010	Rs.152.79 crore	5000	625	181	25000	1010	3620000	69685	4525000	182810	905000	113125

Summary						
Name of the Company	Amount to be collected		Amount collected		Short collection	
	Total Cost	Total VAT	Total Cost	Total VAT	Total Cost	Total VAT
KINFRA	2232600	202609	410750	16603	1821850	186006
KMML	2041800	189801	174000	7047	1867800	182754
KMSCL	4525000	182810	905000	113125	3620000	69685
Total	**8799400**	**575220**	**1489750**	**136775**	**7309650**	**438445**

Annexure 23
Statement showing excess contribution to Employees Provident Fund
(Referred to in paragraph 4.12)

(Amount in ₹)

Sl. No.	Name of Company	Total Wages	Actual EPF Contribution	Contribution limited to ₹ 6500	Excess Contribution
1	Kerala Minerals and Metals Ltd.	1538791262	184729393	62663640	122065753
2	Kerala Automobiles Ltd.	131164209	16095665	8835060	7260605
3	Kerala State Financial Enterprises Ltd.	1669955471	497165018	151744320	345420698
4	Transformers and Electricals Kerala Ltd.	652187892	78262547	30166500	48096047
5	Travancore Cochin Chemicals Ltd.	498587266	59834322	25127347	34706975
6	Kerala State Beverages (Manufacturing and Marketing) Corporation Ltd.	206952424	25092465	10030020	15062445
7	Keltron Magnetics Ltd*	7141850	857022	463692	393330
8	Keltron Resistors Ltd*	11977950	1437354	779263	658091
9	Keltron Crystals Ltd*	24694925	2963391	1728198	1235193
10	Keltron Component Complex Ltd.	170976625	20517195	8745009	11772186
11	Plantation Corporation of Kerala Ltd.	287318359	34511889	13845000	20666889
12	Kerala State Electronics Development Corporation Ltd.	900065670	115927873	51775332	64152541
13	Travancore Titanium Products Ltd.	762834006	91485148	33642180	57842968
	Total	**6862647909**	**1128879282**	**399545561**	**729333721**

These companies have since been merged with Keltron Component Complex Limited

Annexure 24
Statement showing extra expenditure on procurement from alternate sources in Kerala State Road Transport Corporation
(Referred to in paragraph 4.16)

(Amount in ₹)

Purchase order	Item	Rate of original order	Rate of subsequent purchase	Difference	Quantity procured	Extra expenditure
SRA1/1181/09	Tyres	5949.98	10243.25	4293.27	1000	4293270
	Tubes	732.06	929.16	197.10	1000	197100
	Flap	219.62	366.04	146.42	1000	146420
SRA1/34887/07	Set of tyre, tube and flap	7627.00	8896.18	1269.18	1800	2284524
Total						**6921314**

Annexure 25
Statement showing department-wise outstanding Inspection Reports (IRs) as on 30 September 2011
(Referred to in paragraph 4.22)

Sl. No	Name of the Department	No. of PSUs	No. of outstanding IRs	No. of outstanding paragraphs	Year from which paragraphs outstanding
1	Agriculture	9	14	78	2007-08
2	Animal Husbandry	3	4	13	2008-09
3	Forest & Wild Life	1	2	14	2008-09
4	Industries	34	63	252	2005-06
5	Labour & Rehabilitation	2	3	8	2007-08
6	Cultural Affairs	1	1	5	2008-09
7	Tourism	3	7	37	2006-07
8	Food and Civil Supplies	1	2	4	2007-08
9	Taxes	3	8	34	2006-07
10	Health	2	3	17	2008-09
11	Social Welfare	2	4	25	2007-08
12	SC/ST Development	3	5	20	2007-08
13	Ports	1	2	4	2007-08
14	Public Works	2	4	13	2006-07
15	General Administration	1	1	3	2007-08
16	Home Affairs	1	4	17	2006-07
17	Coastal Shipping & Inland Navigation	1	1	6	2008-09
18	Transport	2	103	539	2008-09
19	Local Administration	1	1	1	2008-09
20	Power	1	233	1107	2007-08
21	Finance	3	6	32	2007-08
22	Fisheries	2	4	7	2006-07
23	General Education	2	9	32	2007-08
24	Information Technology	2	2	12	2008-09
25	Water Transport	1	1	11	2008-09
Total		**84**	**487**	**2291**	

Annexure 26
Statement showing department-wise Draft Paragraphs and Performance Audit Reports replies to which are awaited
(Referred to in paragraph 4.22)

Sl.No.	Name of Department	No. of Draft Paragraphs	No. of Performance Audit Reports	Period of issue
1	Power	2	1	July 2011/August 2011
2	Industries	5	...	April 2011/May 2011/ June 2011
3	Health and Family Welfare	1	…	May 2011
4	Food and Civil Supplies	1	…	May 2011
5	Tourism	…	1	July 2011
6	Finance	2	…	June 2011, July 2011
	Total	**11**	**2**	

Glossary of terms used

Sl.No.	*Term*	*Definition*
1	*CENVAT*	*Central Value Added Tax*
2	*MOU*	*Memorandum of Understanding*
3	*Bank Guarantee*	*A guarantee from a lending institution ensuring that the liabilities of a debtor will be met. In other words, if the debtor fails to settle a debt, the bank will cover it.*
4	*Management Information System*	*Management Information System is an approach that visualizes the business organisation as a single entity composed of various inter-related and inter-dependent sub-systems looking together to provide timely and accurate information for management decision making, which leads to the optimisation of overall enterprise goals.*
5	*LD*	*Liquidated Damages*
6	*KSERC*	*Kerala State Electricity Regulatory Commission*
7	*MW*	*Mega Watt*
8	*MVA*	*Mega Volt Ampere*
9	*LT*	*Low Tension*
10	*HT*	*High Tension*
11	*EHT*	*Extra HighTension*
12	*SERC*	*State Electricity Regulatory Commission*
13	*MVAR*	*Mega Volt Ampere Reactive*
14	*CEA*	*Cental Electricty Authority*
15	*ESAAR*	*Electricity Supply Annual Accounts Rules*
16	*CNG*	*Compressed Natural Gas*