

**Press Brief for media on the Audit Report of the Comptroller and Auditor General of India
on State Public Sector Enterprises for the period ended March 2023, Government of Kerala,
Report No. 1 of 2025**

The Audit Report of the Comptroller and Auditor General of India on State Public Sector Enterprises (SPSEs) for the period ended March 2023, Government of Kerala, Report No. 1 of 2025, has been laid on the table of the Kerala Legislative Assembly on 25 March 2025. The Audit Report, upon their presentation to the Legislature, is a public document.

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

- There were 149 SPSEs under the audit jurisdiction of the Comptroller and Auditor General of India as on 31 March 2023. There are 131 working PSEs and 18 PSEs are under various stages of liquidation. As on 31 March 2023, the total investment by Government of Kerala (GoK) in 131 working PSEs was ₹22,318.09 crore comprising equity share capital of ₹10,015.46 crore and long term loans of ₹12,302.63 crore.

(Paragraphs 1.1.4 and 1.2)

- Out of 131 working PSEs, 58 PSEs earned profit of ₹1,368.72 crore as per their finalised accounts submitted till September 2023 while 66 PSEs incurred losses of ₹1,873.89 crore. Four PSEs have incurred no profit/loss. Only Seven PSEs declared dividend of ₹35.83 crore as per their latest finalised accounts furnished during 2022-23. There were three PSEs which were yet to furnish the first accounts for review of CAG.

(Paragraphs 1.3.1, 1.3.2 and 1.3.4)

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

(Paragraph 1.3.3)

- Out of 131 working PSEs, only sixteen PSEs (including one Statutory corporation) submitted their accounts for the financial year 2022-23 for audit within stipulated period.

(Paragraph 2.3.2)

- Only 35 (including two Statutory corporations) out of 101 PSEs, formed Audit Committee.

(Paragraph 3.4.2)

- Regarding utilisation by 14 Companies satisfying the criteria for Corporate Social Responsibility (CSR) activities, four companies spent the exact prescribed amount (₹5.90 crore) and three companies spent more than the prescribed amount (₹2.77 crore). Four companies had non/ short payment of CSR to the extent of ₹1.54 crore, while three companies with negative average profit were not mandated to spend on CSR activities.

(Paragraph 4.5.2.1)

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

- KMML approved New Purchase Procedure (NPP) which deviated from the Stores Purchase Manual (SPM) of GoK. Defects in Bid evaluation process included modification to pre-qualification criteria, deficiencies in tender terms and conditions. Non-compliance of relevant provisions of SPM and NPP resulted in award of contracts to ineligible bidders.

The tender finalisation process too was marred with multiple instances of splitting of order quantity, absence of formal agreement with suppliers, *etc.*, which led to irrecoverable loss on account of breach of contract by suppliers.

- Procurement of 14 materials costing ₹19.59 crore was made without inviting tender.
- There was splitting of order quantity among bidders, which led to extra expenditure of ₹4.87 crore, on purchase of Calcined Petroleum Coke, Sodium Silicate and Petcoke.
- Despite the approval of revised cost of two pre-heaters from GoK in 2020 and a lapse of five years from the date of CoPU recommendation (June 2018), the Company did not procure Tickle pre-heaters till date (April 2024). This inordinate delay deprived the Company of savings in cost of 9,504 MT of LPG, worth ₹50.40 crore during 2013-23.
- Non invitation of open e-Tender led to an extra expenditure of ₹21.47 crore in the purchase of chemicals, which were available for supply at lower price.
- The Company neither gathered market intelligence before procurement nor approached Petroleum and Natural Gas Regulatory Board for relief. This led to extra expenditure of ₹1.70 crore on nominated purchase on LNG procurement at higher prices.

(Paragraph 5.1)

Non-banking Financing Activities of Kerala State Industrial Development Corp. Ltd.

- Deficient credit appraisals and deviations from loan policy and laid down government guidelines, resulted in fixation of lower interest rate leading to revenue loss of ₹5.95 crore and sanction of loans worth ₹47.65 crore to ineligible borrowers. Non-adherence to or relaxation of pre-disbursement conditions resulted in early release of loan tranches. Recovery efforts were delayed due to non-adherence to directives, undue favours to loanee units, and absence of timely remedial action.
- Absence of timely remedial action towards recovery of dues by the Company, resulted in a loss of ₹28.64 crore from a borrower. The company neither initiated any recovery measures nor invoked the personal guarantees of the promoters, but granted further time extension to another loanee, violating the High Court's directive to remit 20 *per cent* of the OTS amount within the specified deadline.

(Paragraph 5.2)

Avoidable expenditure due to delayed payment of GST

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

(Paragraph 5.3)

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

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

(Paragraph 5.5)