

## OVERVIEW

### 1. GENERAL

1.1 The State had 104 Government companies (91 working companies and 13 non-working companies) and five Statutory corporations as on 31 March 2001, of which six companies were under liquidation, seven under closure.

*(Paragraphs 1.1 and 1.3.1)*

1.2 The total investment in 96 working Public Sector Undertakings (91 Government companies and five Statutory corporations) as on 31 March 2001 was Rs.9804.91 crore. The investment in 13 non-working companies was Rs.40.17 crore. The Government had guaranteed loan aggregating Rs.3063.52 crore obtained by 41 working Government companies and three working Statutory corporations during the year. At the end of the year guarantees amounting to Rs.5178.99 crore against 33 working Government companies and three working Statutory corporations were outstanding.

*(Paragraphs 1.2.1, 1.2.2 and 1.3.1)*

1.3 Only 14 working companies finalised their accounts for the year 2000-01 within the stipulated period while one of the working Statutory corporations finalised its accounts for the corresponding period. The accounts of 77 working companies and four working Statutory corporations were in arrears for periods ranging from one to 10 years. According to the latest finalised accounts, 36 working companies and two working Statutory corporations earned an aggregate profit of Rs.196.10 crore and Rs.44.45 crore respectively whereas 52 working companies and three Statutory corporations sustained an aggregate loss of Rs.145.52 crore and Rs.148.06 crore respectively. Of the 9 companies which earned an aggregate profit of Rs.23.14 crore, only eight companies declared dividend aggregating Rs.2.25 crore which worked out to 0.2 *per cent* on the total equity investment of Rs.1341.10 crore by State Government in all working companies.

*(Paragraphs 1.2.3 and 1.2.4.1)*

1.4 Of the 52 loss incurring working companies, 36 companies had accumulated losses aggregating Rs.1124.41 crore which exceeded their aggregate paid-up capital of Rs.408.71 crore. Despite this, State Government provided financial support of Rs.68.87 crore by way of equity, loans, conversion of loans into equity, subsidy, grants, etc., to 14 companies during 2000-01.

*(Paragraph 1.2.4.1.2)*

## **2. REVIEWS – GOVERNMENT COMPANIES**

The activities of Kerala State Beverages (Manufacturing and Marketing) Corporation Limited and Kerala Forest Development Corporation Limited were reviewed in audit.

### **2A. Kerala State Beverages (Manufacturing and Marketing) Corporation Limited**

Allowing of prices higher than the quoted rates in respect of 17 brands of IMFL to 13 suppliers during 2000-01 resulted in unintended benefit of Rs.0.38 crore to the suppliers and additional burden of Rs.2.21 crore on the consumers.

*(Paragraph 2A.7.2(iv))*

Unnecessary retention of excise staff even after abolition of bonded warehouse system with effect from 1 April 1999 resulted in avoidable expenditure of Rs.1.39 crore for the period up to 31 March 2001.

*(Paragraph 2A.7.5)*

Tie-up arrangement allowed to outside State suppliers for supply of beverages from within the State resulted in undue benefit of Rs.13.40 crore to the suppliers and additional burden of Rs.77.45 crore on the consumers.

*(Paragraph 2A.7.7)*

The working of 14 retail shops of the Company during the period from 1996-97 to 2000-01 resulted in a cash loss of Rs.83.71 crore.

*(Paragraph 2A.8.4)*

The inept management of funds resulted in unnecessary availing of loans against term deposits and avoidable payment of interest to the extent of Rs.1.67 crore during the period from 1997-98 to 1999-2000.

*(Paragraph 2A.9.2)*

### **2B. Kerala Forest Development Corporation Limited**

The shortfall in yield of eucalyptus compared to the projected yield resulted in reduction in revenue of Rs.37.17 crore.

*(Paragraph 2B.6.3.1)*

Delay in fixing sale price of eucalyptus and raising invoices in 3 cases resulted in interest loss of Rs.1.31 crore.

*(Paragraph 2B.6.6.1)*

The shortfall in yield of cardamom compared to the State average resulted in reduction in revenue amounting to Rs.28.35 crore.

*(Paragraph 2B.7.1)*

Fall in production of green tea leaves due to lower yield compared to the norms of United Planters' Association of South India (UPASI) resulted in shortfall in revenue of Rs.2.34 crore.

*(Paragraph 2B.8.1)*

### **3. REVIEWS - STATUTORY CORPORATIONS**

Material Management and Inventory Control in Kerala State Electricity Board has been reviewed in audit.

Procurement of All Aluminium Conductor (AAC) exclusively from local SSI units at higher rates when compared to the rate of SSI units outside the State resulted in extra expenditure of Rs.5.42 crore.

*(Paragraph 3.4.1.2.(ii))*

Prolonged storage of transformers at site resulted in idling of funds worth Rs.6.75 crore and resultant loss of interest of Rs.5.42 crore.

*(Paragraph 3.5.2.1.(i))*

2607 items of store valued at Rs.3.10 crore were lying idle in 4 stores without issue since 1989-90.

*(Paragraph 3.5.2.B)*

Avoidable procurement of huge quantities of tower parts resulted in blocking up of Rs.11.95 crore and interest loss of Rs.8.33 crore.

*(Paragraph 3.5.2.B.1 (ii) b)*

47 items (value: Rs.15.71 crore) procured for various schemes under World Bank Project were not used resulting in interest loss of Rs.11.46 crore.

*(Paragraph 3.5.2.B.3)*

#### **4. OTHER TOPICS OF INTEREST**

A test check of the records of Government companies and Statutory corporations revealed cases of avoidable extra expenditure, losses, etc., as under:

##### **4.1 Government companies**

Redundant procurement of rotosil tubes and accessories by The Kerala Minerals and Metals Limited resulted in infructuous expenditure of Rs.1.19 crore.

*(Paragraph 4.1.1.1)*

Failure to repair and utilise the plant by Kerala State Detergents and Chemicals Limited for 13 years resulted in infructuous expenditure of Rs.0.70 crore.

*(Paragraph 4.1.2)*

Failure to include provisions in the contract by The Kerala State Cashew Development Corporation Limited for payment on actual out-turn basis resulted in avoidable loss of Rs.1.70 crore.

*(Paragraph 4.1.3.1)*

Amendment of the contract to the advantage of the seller by The Kerala State Cashew Development Corporation Limited resulted in avoidable loss of Rs.0.53 crore.

*(Paragraph 4.1.3.2)*

Avoidable procurement and installation of DG set by Autokast Limited resulted in unfruitful investment of Rs.0.99 crore.

*(Paragraph 4.1.4.1)*

Failure of Kerala State Electronics Development Corporation Limited to execute orders within contractual period and continued acceptance of fresh orders without ensuring availability of working capital resulted in avoidable loss of Rs.0.99 crore.

*(Paragraph 4.1.6)*

Failure to utilise the facility of duty free import by Transformers and Electricals Kerala Limited resulted in avoidable extra expenditure of Rs.1.06 crore.

*(Paragraph 4.1.7.2)*

Delay in delivery of power transformers by Transformers and Electricals Kerala Limited resulted in avoidable revenue loss of Rs.1.11 crore.

*(Paragraph 4.1.7.3)*

## **4.2 Statutory corporations**

### **4.2.1 Kerala State Electricity Board**

Procurement of fault locating equipment by the Board without ensuring their performance and requirement resulted in idle investment of Rs.0.65 crore and interest loss of Rs.0.38 crore

*(Paragraph 4.2.1.1)*

### **4.2.2 Kerala State Road Transport Corporation**

Failure of the Corporation to reclaim and utilise the used engine oil for top-up resulted in avoidable loss of Rs.3.06 crore

*(Paragraph 4.2.2.1)*