

OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 113 Public Sector Undertakings (PSUs) comprising 108 Government companies and five Statutory corporations compared to the same number of PSUs as on 31 March 2003. Out of 108 Government companies, 87 companies were working while 21 companies were non-working. All the five Statutory corporations were working corporations. In addition, there were seven companies (six working and one non-working) under the purview of Section 619 - B of the Companies Act, 1956, as on 31 March 2004.

(Paragraphs 1.1 and 1.40)

The total investment in working PSUs increased from Rs.10,821.70 crore as on 31 March 2003 to Rs.11,776.25 crore as on 31 March 2004. The total investment in 21 non-working PSUs was Rs.124.01 crore.

(Paragraphs 1.2 and 1.17)

The budgetary support in the form of capital, loans and grants disbursed to the working PSUs increased from Rs.261.63 crore in 2002-03 to Rs.749.03 crore in 2003-04. The State Government provided budgetary support of Rs.0.41 crore to one non-working PSU during 2003-04. The State Government guaranteed loans aggregating Rs.1,748.30 crore (working PSUs only) during 2003-04. The guarantees of Rs.7,091.41 crore were outstanding against working PSUs as on 31 March 2004.

(Paragraphs 1.6 and 1.19)

Nineteen working Government companies and two working Statutory corporations had finalised their accounts for the year 2003-04. The accounts of 68 working Government companies and three working Statutory corporations were in arrears for periods ranging from one to 11 years as on 30 September 2004. Ten companies out of 21 non-working companies were under liquidation. Accounts of remaining 11 defunct companies were in arrears for periods ranging from one to 18 years.

(Paragraph 1.7 and 1.20)

Out of 19 working Government companies which finalised their accounts for 2003-04, 13 companies earned an aggregate profit of Rs.43.40 crore and only seven companies declared dividend of Rs.3.87 crore during the year. Of the loss incurring working Government companies, 33 companies had

accumulated losses aggregating Rs.1,678.20 crore which exceeded their aggregate paid-up capital of Rs.536.25 crore. Kerala State Road Transport Corporation being a loss incurring Statutory corporation, had accumulated loss of Rs.1,026.70 crore, which exceeded its paid-up capital of Rs.129.70 crore.

(Paragraphs 1.9, 1.10 and 1.12)

2. Reviews relating to Government companies

2.1 The Kerala Minerals and Metals Limited

The Company was incorporated in February 1972 with the objective of carrying on the business of mining and processing of minerals and metals of any nature. The present activity is mainly confined to separation of minerals from sand in the Mineral Separation Plant and production of Rutile grade Titanium Dioxide Pigment. The capacity of the Mineral Separation Plant was 70,000 MT per annum and that of Titanium Dioxide Pigment Plant was 36,000 MT per annum as on 31 March 2004.

(Paragraph 2.1.1)

Loss due to short recovery of Ilmenite, Rutile and Zircon from raw sand with reference to actual content amounted to Rs. 142.15 crore.

(Paragraphs 2.1.14 and 2.1.16)

Loss of production of Titanium Dioxide Pigment due to lower efficiency of the Titanium Dioxide Pigment Plant was Rs 358.59 crore.

(Paragraph 2.1.26)

The Company suffered production loss of Rs.40.80 crore as a result of premature failure of critical equipment and non-adherence to output norms of finished pigment.

(Paragraphs 2.1.35 and 2.1.38)

Delay in installation of tunnel drier, interruption in supply of oxygen, procurement of packing system and failure to replace critical equipment in time resulted in production loss of Rs. 42.01 crore

(Paragraphs 2.1.44, 2.1.47, 2.1.50 and 2.1.51)

The Company lost the benefit of savings in cost of Rs.18.86 crore due to non-implementation of recommendations of Central Power Research Institute on energy savings.

(Paragraphs 2.1.61 and 2.1.63)

2.2 Traco Cable Company Limited

The Company was incorporated in February 1960 with the main objective of manufacturing all types and sizes of wires, cables and flexibles for electrical power transmission and distribution, telecommunication, building wiring, etc. The Company has a power cable manufacturing division at Irimpanam and a telephone cable manufacturing division at Thiruvalla. As on 31 March 2004 the Company had installed capacity to produce power cables equivalent to 1500 MT of aluminum throughput and 2.5 lakh conductor kilometers small size jelly filled telephone cables per annum at its Irimpanam unit and 15 lakh conductor kilometers of jelly filled telephone cables per annum at its Thiruvalla unit.

(Paragraph 2.2.1)

Penalty levied by DOT/BSNL for delayed supplies amounted to Rs. 4.35 crore

(Paragraph 2.2.28)

The Company incurred avoidable expenditure of Rs.1.40 crore towards overtime and production incentive for the four years up to 2002-03.

(Paragraph 2.2.32)

Idle wages paid during the period of production hold up from May 2002 to March 2004 amounted to Rs. 4.07 crore

(Paragraph 2.2.33)

3. Transaction Audit Observations

Audit observations included in this Chapter highlight deficiencies in the management of PSUs, which had serious financial implications. The irregularities pointed out are broadly of the following nature:

- unproductive expenditure/imprudent investment/blocking of funds and loss of interest amounting to Rs. 214.96 crore in seven cases

(Paragraphs 3.2, 3.3, 3.4, 3.5, 3.7, 3.13 and 3.19)

- extra avoidable expenditure amounting to Rs.3.82 crore in five cases.

(Paragraphs 3.1, 3.6, 3.8, 3.14 and 3.16)

- loss of revenue of Rs. 1.52 crore in two cases due to omission in applying the correct revised tariff and to raise bill for unauthorised energy consumption.

(Paragraphs 3.10 and 3.11)

- excessive irregular payment of Rs.0.52 crore in one case on account of unjustified payment of brokerage and underwriting commission.

(Paragraph 3.18)

- undue benefit to the supplier and unauthorized waiver of principal amounting to Rs.3.43 crore in two cases.

(Paragraphs 3.12 and 3.17)

- two cases involving loss amounting to Rs. 2.05 crore on account of avoidable payment of penal interest, non-absorption of cost.

(Paragraphs 3.9 and 3.15)

A few of the important observations are highlighted below:

Government companies

The Kerala State Civil Supplies Corporation Limited incurred avoidable interest payment of Rs. 1.22 crore due to persistent system deficiency in reconciliation and follow-up of remittances to Central Collection Account.

(Paragraph 3.1)

Failure on the part of **Kerala State Horticultural Products Development Corporation Limited** to conduct proper feasibility study of the project for installation of cold storages resulted in non-productive investment of Rs. 61.22 lakh.

(Paragraph 3.2)

Statutory corporations

Failure of the **Kerala State Electricity Board** to obtain consumable spares and tools free of cost as provided in the contract resulted in avoidable

expenditure of Rs.76.28 lakh besides idle investment of Rs.1.57 crore in spares involving interest loss of Rs.40.90 lakh.

(Paragraph 3.7)

Failure of the **Kerala State Electricity Board** to maintain the LC limit as prescribed by Government of India for payment of dues to NTPC resulted in avoidable loss of Rs.1.60 crore.

(Paragraph 3.8)

Implementation of Kuttiyadi Extension Scheme by the **Kerala State Electricity Board** at exorbitant cost without giving due regard to actual inflow of water rendered the investments of Rs. 201.40 crore unfruitful.

(Paragraph 3.13)

Kerala State Road Transport Corporation incurred an avoidable expenditure of Rs.60.17 lakh due to injudicious decision to continue with the transfer of collections by demand draft and system deficiency in monitoring financial transactions.

(Paragraph 3.14)

Unauthorised waiver of principal amount of loan and expenses under the One Time Settlement Scheme resulted in cash loss of Rs.3.33 crore to **Kerala Financial Corporation**.

(Paragraph 3.17)