

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC ACCOUNTS
(2014-2016)**

ONE HUNDRED AND TWELFTH REPORT
(Presented on 18th February, 2016)



**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2016**

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On

**Paragraphs relating to Industries and Commerce Department
contained in the Report of the Comptroller and Auditor General
of India for the years ended 31 March, 2011 (Civil)
and 31 March, 2012 (Economic Sector)**

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INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report, on their behalf present the 112th Report on paragraphs relating Industries and Commerce Department contained in the Reports of the Comptroller and Auditor General of India for the years ended 31 March, 2011 (Civil) and 31 March, 2012 (Economic Sector).

The Reports of the Comptroller and Auditor General of India for the years ended 31 March, 2011 (Civil) and 31 March, 2012 (Economic Sector) were laid on the Table of the House on 22nd March, 2012 and 8th July, 2013 respectively.

The Committee considered and finalised this Report at the meeting held on 15th February, 2016.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

Thiruvananthapuram,
18th February, 2016.

DR. T. M. THOMAS ISAAC,
Chairman,
Committee on Public Accounts.

REPORT

INDUSTRIES AND COMMERCE DEPARTMENT

AUDIT PARAGRAPH

Release of funds without taking possession of Land for setting up a Common effluent Treatment Plant

Release of ₹ 2.56 crore to a Special Purpose Vehicle for setting up a Common Effluent Treatment Plant even before taking possession of land for the purpose resulted in blocking of Government money outside the Government account for over two years and non-achievement of the objective of reducing pollution.

The Director of Industries and Commerce (Director) convened (June 2007) a meeting with the representatives of industries located in the Edayar Industrial Development Area for addressing the problem of pollution of the Periyar river. In the meeting, it was decided to set-up a Common Effluent Treatment Plant (CETP). The Director had already identified (June 2007) two* plots of land and requested the Government to allot any of these plots for setting up the CETP in the industrial area. The representatives of the industries formed and incorporated (June 2008) a Special Purpose Vehicle (SPV) as a private limited company named "Edayar Effluent Treatment Plant Private Limited" (EETPPL). The Detailed Project Report (DPR) prepared (March 2008) by the consultants[†] stipulated requirement of 7000 sq m[‡] of land and the project cost was estimated at ₹ 2.56 crore. As per the DPR, funding of the project was to be done in the following manner:

TABLE 3.3: DETAILS OF FUNDING OF THE PROJECT

Name of the party	Percentage of contribution	Amount (in crore)
Central Government share	20	0.51
State Government share	20	0.51
Soft loan from SIDBI	40	1.02
Participating industries	20	0.52
Total	100	2.56

Source: Detailed Project Report

* Five acres of land with Kerala State Electricity Board and 4.75 acres of land with Indian Rare Earths Limited, Aluva.

† M/s Envirochem Laboratories Private Limited, Thrissur.

‡ Equivalent to 1.73 acres.

The Government accorded (February 2009) administrative sanction to set-up the CETP at the estimated cost of ₹ 2.56 crore and released the entire project cost to the SPV in March 2009.

The following audit observations are made with regard to execution of the project:

- As per the DPR, the share of contribution to the SPV from the Central and State Governments was ₹ 1.02 crore. The balance amount of ₹ 1.54 crore was to be contributed by the participating industries. As such, there was excess release of ₹ 1.54 crore by the Government. The State Government should have prescribed that the initial funding would be done by the participating industries and raising of the soft loan would be followed by Government funding. This would have ensured their commitment to the project. Without any contribution to the SPV from the beneficiaries, the full release of the Government share in advance was inappropriate.
- Smooth execution of the CETP was critically dependent on the availability of land. The department had identified the land for setting up the CETP in June 2007. At a belated stage (April 2011), a joint visit to the identified lands was made. Thereafter, the recommendation of the team was forwarded to the Government for a final decision in May 2011. There was no progress in the acquisition of land till date (October 2011). As a result, the amount of ₹ 2.56 crore remained blocked outside the Government account since its release in March 2009. Without taking advance possession of the required land, release of funds to the SPV was inappropriate.

The Director replied (June 2011) that the department had identified surplus land available with M/s Indian Rare Earths Limited and the Kerala State Electricity Board in 2007 itself. Expecting completion of formalities for the resumption of land by the department, the amount was drawn and released to the SPV in the year 2009 itself. Further, there were sufficient savings in the budget for this project in the financial year 2008-09 and hence, the funds were sanctioned. However, the construction of CETP was not started (June 2011) due to non-availability of land.

The reply is not acceptable as funds should have been released only after possession of land had been taken. The Director had issued orders (February 2009) releasing the amount to the SPV, which stipulated that an agreement with the SPV should be executed. This was not complied with. Further, the contribution to CETP should have been restricted to the Government's share of ₹ 1.02 crore, subject to prior contribution of their full share by the participating industries.

Thus, release of ₹ 2.56 crore to a Special Purpose Vehicle for setting up a CETP even before taking possession of land for the purpose resulted in blocking of Government money outside the Government account for over two years and non-achievement of the objective of reducing pollution.

The matter was referred to the Government in May 2011. Their reply had not been received (October 2011).

Audit Paragraph 3.2.1 contained in the Report of the Comptroller and Auditor General of India for the financial year ended 31 March, 2011 (Civil).

Notes received from Government on the above audit paragraph is included as Appendix II.

The Committee noted that an amount of ₹ 2.56 crore released in March 2009, for setting up an effluent treatment plant, left unutilized for more than five years even without taking possession of land for the purpose and the whole amount was deposited in the joint account of General Manager, DIC and SPV. The Committee enquired the reason for not taking any action to set-up the plant, the Secretary, Industries Department informed that the department was not concerned about the fact that the fund was deposited in the TP Account. The Committee expressed its displeasure over the fact that the plant could not be realised even after these years. The witness, Director of Industries and Commerce informed that the land under Industries Department was provided for the purpose, but the plant could not be constructed due to the protest from the local inhabitants. He continued that there was an urgent need to address the industrial pollution in the Edayar area by setting up a common effluent plant but the non-availability of land led to idling of fund.

He was optimistic that land could be identified somewhere else for the purpose and the fund could be utilized more effectively. The Committee expressed its grave concern over the fact that an amount of ₹ 2.56 crore released in March 2009 left unutilized for more than five years and evaluated the very act of the department as financial impropriety. It reiterated the observation of the Accountant General that the Industries Department had released money for a project without having the basic requirements. The Committee decided to recommend that the Industries Department should take urgent steps to surrender the fund. It also directed the department to take necessary steps to identify land to set-up the effluent plant in a less populated area at the earliest and to furnish a report on the steps taken in this regard.

Conclusion/Recommendation

2. The Committee was at a dismay to note that the Industries and Commerce Department had not taken any initiative to implement the Common Effluent Treatment Plant as envisaged. It evaluates that the very act of the department in drawing an amount to the tune of ₹ 2.56 crore sanctioned for Special Purpose Vehicle and depositing the same in the TP account and keeping it idle for more than five years is highly irregular and warns that Industries and Commerce Department should be vigilant in avoiding such improprieties in future.

3. The Committee criticizes the Industries and Commerce Department for the slothful attitude as it had released considerable amount without conducting proper study and had failed to arrange the basic requirements. The Committee directs the Industries and Commerce Department to surrender the amount without further delay.

4. The Committee recommends that the Industries and Commerce Department should identify land preferably in less populated area to establish the Effluent Treatment Plant. It also desires to have a report on the steps taken in this regard.

AUDIT PARAGRAPH

Undue favour to an Industrial Co-operative Society

Undue favour was extended to an Industrial Co-operative Society by granting financial assistance initially in the form of a loan and subsequently converting the loan as share capital participation, in gross violation of rules and instructions.

As per the provisions of the Kerala Financial Code (KFC), before considering a loan application, the sanctioning authority should obtain from the applicant *inter alia*, details of sources of income and of how the borrower proposed to repay the loan within the stipulated period. Details of security proposed to be offered for the loan together with valuation of security by an independent authority were also to be obtained. The Government issued (January 2007) a circular specifying the rate of interest and terms and conditions of loans to different institutions. According to the circular, interest at 14.5 per cent per annum was chargeable on loans advanced to Co-operative Societies. The circular also stipulated that the terms and conditions of the loans were to be fixed, loan sanctioning authorities were to closely monitor repayment of loans and recovery of interest and that repayment of the loans were to commence from the date of completion of one year from the date of drawal of the loans.

M/s Pinarayi Industrial Co-operative Society Limited submitted (December 2007) an application for financial assistance for ensuring uninterrupted functioning and diversification of its activities. The society sought (May 2008) ₹ 5.58 crore as grant from the Government. The Government issued (February 2009) an administrative sanction for releasing ₹ 2 crore* as loan for modernizing the society and the Director of Industries and Commerce released (March 2009) the amount to them for the purpose. Audit scrutiny revealed the following lapses in release of the loan to the society:

- The Government sanctioned the loan under the head of account “Loans to existing weaker co-operative institutions having growth potential”. There was failure to assess the eligibility of the society before release of the amount. As per the assessment carried out (March 2010) by the

* Modernisation of Yard (₹ 35.08 lakh); Procurement of additional equipment (₹ 26.63 lakh), TAR plant (₹ 47.78 lakh), Land (₹ 50 lakh), Civil works (₹ 16.40 lakh) and working capital (₹ 23.79 lakh)

General Manager, District Industries Centre, Kannur, the society could not be considered as weak society as it was making profit for the last seven years. Hence, release of the loan to the society was improper.

- The repayment of the loan did not commence from the date of completion of one year from the drawal of the loan. As of March 2011, Audit noticed that the repayment was still to begin.
- The repayment of any loan is critically dependent on the capacity of the borrower to repay the loan and the return on the investment made with the funds borrowed. The society had indicated (January 2009) to the Government that it would be difficult for them to repay the loan and the interest, if the financial assistance was given in the form of loan. This clearly indicated that the society did not have the capacity to repay the loan. As such, release of loan of ₹ 2 crore to the society was improper.

Rules relating to the Government's share participation in the Industrial Co-operative Societies stipulated a maximum limit of ₹ 2.5* lakh. When the lapses in the payment of the loan assistance to the Society were pointed out by Audit (March 2011), the Government converted (May 2011) the loan amount of ₹ two crore as share capital participation with effect from the date on which the amount was disbursed to the society. This action was again, violative of the rules governing financial assistance by way of Government share participation. Thus undue favour was extended to the society.

The matter was referred to the Government in May 2011. Their reply had not been received (October 2011).

Audit Paragraph 3.2.2 contained in the Report of the Comptroller & Auditor General of India for the financial year ended 31 March, 2011 (Civil).

Notes received from Government on the above audit paragraph is included as Appendix II.

5. Regarding the audit paragraph the Committee expressed its anguish over the irresponsible attitude of the department in not furnishing the status report of the diversification or expansion achieved by the societies assisted with Government money. The Committee is of the opinion that it is highly irrational to extend undue

* ₹ 3.5 lakh for Women's Industrial Co-operative Societies.

favour to an industrial society by granting financial assistance initially in the form of loan and subsequently converting it into share capital. It urged the Industries and Commerce Department to furnish a report on the Industrial Co-operative Societies aided with Government fund with a review on the impact of fund utilization by those Co-operative Societies to it at the earliest.

Conclusion/Recommendation

6. The Committee observes that the practice of granting financial assistance to a Co-operative Society and then converting the same as share capital of that society is not tenable. It exhorts the Industries and Commerce Department to furnish a report on the Industrial Co-operative Societies aided with Government fund with a review on the impact of fund utilization by those Co-operative Societies at the earliest.

AUDIT PARAGRAPH

Chief Controlling Officer based audit of Directorate of Industries and Commerce

HIGHLIGHTS

Creation of a conducive environment is essential for the rapid industrialization of the State. The micro, small and medium enterprises (MSME) sector contributes significantly to the manufacturing output and employment opportunity in the country. The Directorate of Industries and Commerce aims at promoting MSMEs in the State. A Chief Controlling Officer based audit of the Directorate revealed the following deficiencies:

Deficiencies were noticed in monitoring of industrial plots allotted to entrepreneurs.

Delays ranging from four to 34 months were noticed in sanctioning of State investment subsidies.

Financial assistance by way of margin money loans, State investment subsidies and share capital contribution was disbursed without assessing the capability of the beneficiaries to utilize the amount for the intended purpose. No effective safeguards were put in place to recover the funds in case of non-adherence to the stipulated conditions. This resulted in very high default rates in repayment of loans and retirement of share capital contribution.

The internal control mechanism in the Directorate was not effective.

Introduction

The Directorate of Industries and Commerce (Directorate) is the Chief Controlling Office of the 14 District Industries Centres of Kerala, the Common Facility Service Centres at Changanasserry and Manjeri and the Documentation Centre at Thiruvananthapuram. The Directorate is responsible for promoting/sponsoring, registering, financing and advising micro, small and medium enterprises (MSME) in the State. The MSMEs are the second highest employment providers in the State after agriculture. The vision of the Directorate is to make Kerala a hub for MSMEs. Its mission is to act as a facilitator, service provider and a catalyst for promoting and sustaining the MSMEs as well as the coir and handloom sectors of the State.

Organisational Set-up

The administrative head of the Industries and Commerce Department is the Principal Secretary to the Government. The Directorate of Industries and Commerce located at Vikas Bhavan, Thiruvananthapuram, is headed by the Director (Industries & Commerce). This is the functional arm of the department implementing various industrial activities and is responsible for promoting/sponsoring, registering, financing and advising Micro, Small or Medium Enterprise (MSMEs) industries in the State. The role of the directorate is to act as a facilitator for industrial promotion and sustainability of MSME and traditional industrial sector in the State. The directorate is the controlling office of the 14 District Industries Centres, Common Facility Service Centres at Changanasserry and Manjeri and a Documentation Centre at Thiruvananthapuram. The District Industries Centres are headed by General Managers and there are Taluk level Officers under them for industrial promotional activities under their jurisdiction.

Audit Coverage and Methodology

A Chief Controlling Officer (CCO) based audit of the Directorate of Industries and Commerce was conducted during March-July 2011, covering the period from 2006-07 to 2010-11. During audit, the records of the Directorate, four* (out of 14) District Industries Centres (DICs), eight Taluk Industries Offices,

* Ernakulam, Idukki, Kannur and Thiruvananthapuram.

one Common Facility Centre and two autonomous bodies viz. the Kerala Bureau of Industrial Promotion (K-Bip) and the Kerala Institute of Entrepreneur Development (KIED) were test-checked. The selection of DICs was made based on probability proportionate to size without replacement (PPSWOR) sampling. An entry conference was held (June 2011) with the Director of Industries and Commerce wherein the audit objectives, criteria, sample and scope of audit were explained. Audit findings were discussed in the exit conference held with the Secretary to Government, Industries Department in October 2011. The views of the Government/Directorate have been taken into consideration for finalising the Audit Report.

Audit Objectives

The CCO based audit of the directorate was undertaken to assess whether:

- the financial management was effective, efficient and economical;
- scheme management was effective to achieve the annual plan targets; and
- the Directorate had adequate infrastructure to monitor the schemes and the monitoring system was operating effectively and efficiently.

Audit Criteria

The following audit criteria were adopted:

- Rules, notifications, guidelines and instructions issued by the Government;
- Departmental Manual/Policies/Rules and Regulations;
- State Financial Rules;
- Economic Review 2010, Planning Commission Reports, etc.;
- Files, Registers and Other Documents of the Directorate.

Audit Findings

The important deficiencies noticed during audit are discussed in the succeeding paragraphs.

Financial Management

Funding for the functioning of the Directorate is done through provisions in the State budget for the Industries Department. The Kerala Budget Manual prescribes the manner in which departmental estimates are to be prepared and submitted in time for preparation of the annual budget in a realistic manner. Analysis of budget allotments and expenditure in audit revealed the following deficiencies:

Budget allocation and expenditure

Paragraph 14 of the Kerala Budget Manual states that estimates should always receive careful personal attention of the departmental officers who submit them and they should ensure that the estimates are neither inflated nor underpitched, but as accurate as practical. Table 4.1 shows the allocation and expenditure under heads operated by the Directorate.

TABLE 4.1: ALLOCATION AND EXPENDITURE UNDER HEADS OPERATED BY THE DIRECTORATE

(₹ in crore)

Major head	2006-07		2007-08		2008-09		2009-10		2010-11	
	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan	Plan	Non Plan
Total Allocation	42.57	20.86	15.54	22.80	43.19	22.99	40.46	24.93	39.58	27.73
Total Expenditure	31.12	18.41	12.93	20.25	39.64	22.60	39.84	24.32	37.72	26.28
Excess (+)	-11.45	(-)2.45	(-)2.61	(-)2.55	(-)3.55	(-)0.39	(-)0.62	(-)0.61	(-)1.86	(-)1.45
Savings (-)										

Source: Figures furnished by the Directorate.

During the year 2006-07, there were considerable savings. In the subsequent years i.e. 2008-09 to 2010-11, though there were savings, the utilization of funds was very close to the budget allotment, indicating good estimation of budget requirements.

Supplementary Grants

Paragraph 89 of the Kerala Budget Manual stipulates that the primary responsibility in respect of proposals for supplementary appropriations is that of the Chief Controlling Officer (CCO) who should, therefore, act with utmost precaution in submitting such proposals. The CCO is required to submit the proposals for supplementary grants only after ensuring that the expenditure could not be foreseen at the time of original estimates were framed and that the expenditure cannot, in the public interest, be postponed to the next financial year.

As seen from Table 4.2, supplementary grants were obtained but their utilization was 'Nil' indicating incorrect assessment of requirements.

TABLE 4.2: DETAILS OF SUPPLEMENTARY GRANTS OBTAINED

(₹ in lakh)

Year	Head of account	Original provision	Supplementary obtained	Actual expenditure	Savings (per cent)
2006-2007	2851-00-102-49-P	-	50	-	100
2006-2007	4858-60-190-86-P	-	756	-	100
2007-2008	4851-00-102-94-P	-	200	-	100
2007-2008	4859-02-190-96-P	-	1500	-	100
2010-2011	2851-00-102-45-NP	-	200	-	100

Source: Data compiled from Detailed Appropriation Accounts of AG (A&E).

Rush of expenditure

Paragraph 91(2) of the Kerala Budget Manual states that the flow of expenditure should be so regulated throughout the year that there is no rush of expenditure. It is contrary to the provision to spend money hastily or in an illconceived manner merely because it is available or just to avoid lapse of funds.

TABLE 4.3: RUSH OF EXPENDITURE IN MARCH

Year	Head of account	Total expenditure (₹)	Expenditure during March (₹)	Percentage of expenditure in March
2006-2007	4851-00-102-96 Plan	19,95,102	8,37,602	42
2007-2008	2851-00-102-84 Plan	4,08,63,966	4,08,63,966	100
2009-2010	4851-00-102-96 Plan	2,73,99,706	2,73,43,706	100
2009-2010	2851-00-102-47 Plan	4,43,35,186	3,33,88,519	75

Source: Data compiled from Detailed Appropriation Accounts of AG (A&E).

As seen from Table 4.3, in each of the years from 2007-08 to 2009-10, there was huge expenditure in the month of March ranging from 42 to 100 per cent. The Directorate did not furnish any reasons for rush of expenditure for these items, despite requests for the same from Audit.

Audit Paragraph 4.1 to 4.1.6 contained in the report of the Comptroller & Auditor General of India for the financial year ended 31 March, 2011 (Civil).

Notes received from Government on the above audit paragraphs is included as Appendix II.

7. The Committee blamed the department for its poor financial management and noticed that the amount obtained through Supplementary Demands for Grants left unutilized and warned the Industries and Commerce Department to take effective measures to avoid such lapses in future.

8. Regarding the audit paragraph 'rush of expenditure' the Committee directed the Industries and Commerce Department to be cautious in incurring expenditure in proportion to the progress of the financial year.

Conclusion/Recommendation

9. The Committee admonishes the Industries and Commerce Department for not maintaining financial discipline and directs that the department should not move for SDG in future except under inevitable circumstances.

10. The Committee suggests that the department should be vigilant in regulating the expenditure in proportionate to the progress of the financial year to avoid rush of expenditure during the fag end of the year.

AUDIT PARAGRAPH

Infrastructure-Industrial Plots

Allotment of industrial plots is one of the main activities of the Directorate. The allotment is covered by rules framed for sale of land on hire purchase basis issued during August 1970, read with amendment to the delegation of powers issued in January 1992.

The General Managers (GMs) of DICs have powers to sanction allotment of plots in Development Areas/Development Plots (DAs/DPs) and vacant spaces in industrial plots.

Mortgaging of plots

According to rules for sale of land on hire purchase issued and delegation of powers, the GMs of DICs have power to give permission to allow mortgage only the superstructure put up by the allottees in the Government land to avail institutional finance. However, it was seen that the GMs of DICs with the concurrence of Directorate permitted mortgaging of land by the allottees to financial institutions in some cases mentioned in Table 4.4.

TABLE 4.4: DETAILS OF INDUSTRIAL LAND MORTGAGED

Name of DIC	No. of cases	Area mortgaged	Period of mortgage
Thiruvananthapuram	4	144.2 cents	November 2006 to May 2010
Ernakulam	3	173.25 cents	January 2007 to March 2010
Idukki	2	15 cents	May 2008 to November 2009

Source: Details collected from the DIC.

Allottees mortgage their allotted industrial land to raise loan from financial institutions. When the allottees defaulted in repayment of loan, the financial institutions sold the mortgaged land in public auction to recover their dues. Details of such cases noticed in audit are given in Table 4.5.

TABLE 4.5: DETAILS OF INDUSTRIAL LAND MORTGAGED

(₹ in lakh)

Name of unit and DIC	Area mortgaged	Auctioning agency	Amount for which auctioned*
M/s TK Chemicals, DIC, Thiruvananthapuram	4.99 acres	Debt Recovery Tribunal	248.00
M/s Durgalakshmi Pipes, DIC, Ernakulam	15 cents	Dy. Collector, Kerala Financial Corporation, Ernakulam	4.00
M/s Star Refineries, DIC, Ernakulam	2 acres	Dy. Collector (RR), Ernakulam	29.50

Source: Details collected from the DIC.

Thus, mortgaging the land for raising financial resources was irregular and resulted in loss of the land earmarked for industrial purposes.

As per the provisions contained in Government Orders (August 1970), the Director has the power to resume the land in the event of a concern belonging to an industrialist being wound up. The basic objective of this stipulation is to allot the plot to other entrepreneurs. Audit scrutiny revealed that in 17 cases, the original allottees transferred (January 2006 to May 2011) the plots to new parties instead of returning the land to the DIC. The selection of the new parties was decided by the original allottees instead of the DIC. This would have resulted in financial gain to the original allottee.

Audit Paragraph 4.1.7.1 contained in the report of the Comptroller & Auditor General of India for the financial year ended 31 March, 2011 (Civil).

Notes received from Government on the above audit paragraph is included as Appendix II.

11. The Committee enquired whether the loanee is empowered to mortgage an industrial plot to raise finance. The Secretary, Industries Department replied that the condition prescribed for auctioning land was that it should be utilized only for industrial purposes. The Committee remarked that the Government Orders during

* Including superstructure.

1969 and 1970 were permitted mortgage whereas the Government Order issued in the year 1992 stipulated that only superstructures in the industrial land could be mortgaged.

12. The Director, Industries Department apprised that the observation of the Accountant General in this regard was not correct. The order issued in 1992 was authorising the General Manager to permit to mortgage the superstructure in an industrial land, which was later cancelled. But the order issued in 1970 entrusting powers to the Director was prevailing then also. He added that recently in 2013, it was decided to permit the allottees only to mortgage the leasehold right with the intention to reduce the trend of auctioning the industrial land in respect of defaulters by the financial institutions without informing Government. Hence a tripartite agreement is proposed to execute among the Industries Department, mortgagee and the respective financial institution and he was optimistic that once such a condition is accomplished, any transactions could be done only with consensus among each other.

13. The Committee observed that as per the order issued in 2013, industrial plot would be given to the entrepreneur on lease for a period of 30 years. It desired to have details like total extend of land allotted for industrial development and as industrial estate; extend of land under the possession of Government and private parties and the number of cases/disputes pending in this regard. Then the Principal Secretary, Industries and Commerce Department apprised that 2431 acres of land marked as DA/DP was under the possession of the department and procedures for declaring that land as industrial land was in its final stage. He continued that since 1970, land was allotted on hire purchase basis and the whole amount due in this regard had been collected. A rule framed under Kerala Land Assignment Act empowered to issue title deed (pattayam) to the entrepreneurs on the condition that the land must be used for the purpose for which it was allotted. He emphasised that the department had still control over the land and the land owner could not mortgage the land unless sought for prior permission from Government. He added that necessary modification in tune with the amendment in the Kerala Panchayath Raj Act was incorporated in the rule. The Principal Secretary, Industries and Commerce Department submitted that if the area was notified under the

Kerala State Single Window Clearance Boards and Industrial Township Area Development Act, it could not have been utilized for purposes other than industrial use and was optimistic that the issue could be settled soon.

14. The Committee pointed out that the Accountant General's objection was that the General Manager had executed more powers than that delegated to him and the department could not submit satisfactory explanation. So it urged the Industries Department to review the entire procedure laid down in this regard.

15. The Committee enquired that whether the Industries Department had any record of property of industrial estates, which was once, lease out by Government and doubted whether lease rent due to those land had been collected. As the witness could not provide a satisfactory reply to the query, it urged to furnish a report on the details of the industrial estate under the Industries Department incorporating the particulars like the authority in whose name the land was vested with and the lease rent collected in respect of them at the earliest.

16. To a query of the Committee, the Principal Secretary, Industries and Commerce Department submitted that there might be cases where industrial plots were utilized for other purposes and keeping the land idle without making it useful. He also detailed that even though land was allotted on the condition that land should be utilized within six months for the purpose for which it was granted and if the allottee had not commenced business within that time, the land would be taken back after issuing notice in this regard. Meanwhile the allottee would obtain stay from court. Out of 2431 acres, more than hundred acres of land were blocked due to the interference of court. He continued that when land was transferred to another entrepreneur with prior permission of the Director, the latter had to obtain fresh pattayam in his favour. The witness, Director of Industries and Commerce supplemented that about 150 acres of land in 24 cases in Ernakulam District, were under dispute.

17. The Principal Secretary, Industries and Commerce Department apprised that each industrial estate was exclusively under the control of an Additional District Industries Officer who possessed the details on whether business was commenced or not in a particular site. With regards to the conditions for

mortgaging, the Principal Secretary, Industries and Commerce Department deposed that a tripartite agreement regarding mortgage would be signed among the Bank, DIC and Entrepreneur with the approval of State Level Bankers Committee. Also, the allottee should intimate the matter to the DIC if he wants to sell the property, and advertise that the land should be utilized for industrial purpose only.

18. The Committee was at a loss to note that the land once attained at concessional rate was selling at higher rate and the very act was later ratified by the department. The Principal Secretary, Industries and Commerce Department admitted that shortcoming and informed that transfer of unutilized land at the interest of the allottee would not be permitted and unless business was initiated, the land would be taken back by giving the amount in excess of penalty to the allottee.

19. The Principal Secretary, Industries and Commerce Department defended that the Accountant General's observation regarding financial loss was not correct, as the land would be allotted to the new entrepreneur at a value fixed by the Director of Industries and Commerce Department by adding @ 6% to the total outlay incurred by the department.

20. To a query of the Committee, the Managing Director, SIDCO informed that the industrial estate at Vellanad was comprised of one acre and it was fully occupied. The Committee remarked that even though land awarded by Panchayaths for the purpose would be sold out by SIDCO, it would not provide any infrastructural facilities for the industrial units. When the witness, MD, SIDCO apprised that it would provide road and water facilities, the Committee condemned that without providing the minimum requirements for running an industry, SIDCO simply reap the profit. It decided to recommend that SIDCO should convert the land provided by local bodies into small industrial plots and should facilitate necessary infrastructural facilities like road, electricity etc. It suggested that SIDCO should make sheds in which small industrial units could be functional.

21. To a query regarding the unauthorized utilization of industrial plots, the Principal Secretary, Industries and Commerce Department apprised that surrendering of the unit with the industrial assets would be time consuming since

the compensation need to be realised from the entrepreneurs and if the entrepreneur himself could find a suitable alternative to take over the industrial unit by clearing all his liabilities, on a request of transfer, the General Manager/DIC, after confirming that all the arrears of land value had been duly settled by the allottee, would allow such transfer after collecting 10% of the land value as processing fee. He continued that as an Industrial Development Officer, it is the duty of the General Manager to promote a new entrepreneurship. The Committee directed the Industries and Commerce Department to furnish the details of land still under possession of the department out of the 2431 acres of land earmarked for industrial purposes, what extend of land was allotted by that time, defaulted cases, cases under Revenue Recovery, details of court stay, etc.

22. The Principal Secretary, Industries and Commerce Department deposed that unauthorized constructions in notified area would be removed and it was the responsibility of the departmental officers to prevent unauthorized constructions and unless they acted upon departmental action would be taken against them. He continued that details like plot division of industrial land, DA/DP of each industrial estate, entrepreneurs of each area etc. were available in the website of DIC. The Committee remarked that in its inception stage SIDCO was actively participated in design, construction and allotment of buildings for industrial estates. Nevertheless maintenance of these buildings was also carried out by them. But at present everything ends up in a mess. SIDCO was not bothered to arrange even the minimum infrastructure facilities for the functioning of an industrial unit and nobody cared for realising arrears also. It directed the Industries and Commerce Department to evolve a monitoring mechanism to streamline the allotment of industrial plot and its accountability.

23. The Committee evaluated that re-allotment of industrial land without prior permission was not tenable. It suggested that if such illegal transfer occurred in future, it would be viewed seriously and disciplinary action should be taken against the jurisdictional officer.

Conclusion/Recommendation

24. The Committee observes that regarding the audit objection that General Manager had executed more powers than that delegated to him, the department could not submit a satisfactory explanation. So the Committee urges the Industries and Commerce Department to review the entire procedure laid down in mortgaging of industrial land.

25. The Committee directs the Industries and Commerce Department to furnish a report on the details of industrial estates/land under its control incorporating the particulars like the authority in whose name the land was vested with and the lease rent collected in respect of them, to it at the earliest.

26. The Committee directs the Industries and Commerce Department to furnish the details of land still under possession of the department out of the 2431 acres of land earmarked for industrial purposes and what extend of land was allotted so far. It also wants to have the details like cases under revenue recovery, court stay etc.

27. It directs the department to evolve a monitoring mechanism to streamline the allotment of industrial plot and its accountability.

28. The Committee evaluates that the reselling of land once obtained at concessional rate, at higher price was not tenable and opines that such practices would not be entertained.

29. The Committee exhorts that if re-allotment of land without prior permission is noticed in future, it should be viewed seriously and disciplinary action should be taken against the jurisdictional officer.

30. The Committee remarks that in its inception stage SIDCO had actively participated in design, construction and allotment of buildings for industrial estates. The Committee criticises SIDCO for not providing the minimum infrastructural facilities for the functioning of industrial estates and not realising the arrear accumulated. So it moots that SIDCO should take a proactive role. It recommends that SIDCO should develop the land provided

by local bodies into small industrial units and should facilitate necessary infrastructural facilities like road, water, electricity etc.

31. It advocates that SIDCO should construct sheds ready to occupy for the industrial units.

AUDIT PARAGRAPH

Safeguarding of industrial land

As per the Kannur DIC records, the total extent of land in Andoor DP was 59.31 acres. Land measuring 8.35 acres was used for development of infrastructure and 44.97 acres was allotted to various industrial units. The remaining land of 5.99 acres valued at ₹ 26.39 lakh (as per the value, when it was purchased in 2003 by the department) was encroached upon due to failure of DIC to protect the land. The GM, DIC, admitted (June 2011) that the land was lost due to encroachment and re-survey would be conducted to identify the lost land.

Audit Paragraph 4.1.7.2 contained in the report of the Comptroller & Auditor General of India for the financial year ended 31 March 2011 (Civil).

Notes received from Government on the above audit paragraph is included as Appendix II.

32. To a query of the Committee, the Secretary, Industries and Commerce Department deposed that 3.5 acres of land was given to Doordarshan Kendra and 2.44 acres of land to Engineering College as per the Government Orders in 1994 and there was not any encroachment. He accepted the failure on the part of the General Manager in not providing the details at the time of audit. The Committee reprimanded for the irresponsibility on the part of the department and demanded to furnish the details of the extend of land under reference with the cross verification on whether the land was encroached by private party or not.

Conclusion/Recommendation

33. The Committee reprimands the General Manager, DIC for his irresponsible attitude in not providing the details at the time of audit. It directs the Industries and Commerce Department to furnish the details of the extend of land under reference with cross verification on whether the land was encroached by private party or not.

AUDIT PARAGRAPH

State investment subsidy

The Government of India (GOI) introduced the Central Investment Subsidy (CIS) in 1971 to promote industries in the most backward districts of the country. In Kerala, this was first introduced in Alappuzha, and was subsequently extended to Kannur, Malappuram, Idukki, Wayanad, Thrissur, Kasargode and Thiruvananthapuram. Since the CIS was prevalent only in a few selected districts, the Government decided to introduce a similar scheme for the other districts under the name of State Investment Subsidy (SIS) Scheme. After the Government of India withdrew CIS in the year 1988, SIS was extended all over the State. The provisions for grant of subsidy are contained in the Manual for SIS (July 2000) and its amendments (January 2004). All claims received for grant of SIS are to be disposed of in three months from the date of receipt of completed applications.

Time limit for grant of SIS

All applications for subsidy for less than ₹ 10 lakh are to be considered and disposed of by the District Level Committees (DLCs) on SIS. Audit scrutiny revealed delays in sanctioning of SIS ranging from four to 34 months in 285 cases as detailed in Table 4.6.

TABLE 4.6: DETAILS OF DELAYS IN SANCTIONING SIS

District	Sanctioned	Cases for which details were available	Applications in which there were more than three months delays in sanctioning	Period of delay
Thiruvananthapuram	118	94	41	4 to 27 months
Ernakulam	457	269	138	4 to 34 months
Idukki	88	64	34	4 to 24 months
Kannur	129	120	72	4 to 27 months
Total	792	547	285	

Source: Details collected from the DIC.

Cases involving subsidy of ₹ 10 lakh and more are to be considered and disposed of by the State Level Committee* (SLC) for SIS. The SLC sanctioned payment of subsidy to 19 cases during the period from 2008-09 to 2010-11. Delays ranging from three to 14 months were noticed in 12 cases. Audit observed that the delay in sanctioning of subsidy occurred due to reasons such as non-conducting of SLC/DLC meeting once in three months, acceptance of applications without scrutiny and non-availability of funds.

The Director stated (September 2011) that instructions had been issued to all the DICs to accept only those applications which are correct in all respects and efforts would be made to convene SLC/DLC meetings at least once in every three months.

Improper release of SIS

As per the provisions of the Manual of SIS (January 2004), industrial units should be working as on the date of release of subsidy. Audit scrutiny revealed that DIC Idukki released a subsidy of ₹ 25 lakh to M/s Cybelle Herbals which was not functioning at the time of release of subsidy. The Director replied (September 2011) that the subsidy amount was released on the basis of instructions received from the Government. However, revenue recovery action had been initiated to recover the subsidy amount.

Audit Paragraph 4.1.8 contained in the report of the C&AG of India for the financial year ended 31 March, 2011 (Civil).

Notes received from Government on the above audit paragraph is included as Appendix II.

34. The Committee enquired the reason for the delay in releasing the subsidy of ₹ 25 lakh granted to M/s Cybelle Herbal Laboratories (P) Ltd. The Secretary, Industries Department submitted that the Government had given direction to pay the money based upon the report of the Director of Industries and Commerce and later on when the General Manager conducted site inspection the unit was found not functioning. The Committee could not gulp the sanctity in releasing the subsidy on the report of the Director of Industries without conducting any site visit.

* SLC consist of Principal Secretary (Industries) as Chairman, Director of Industries and Commerce as member secretary and other official members.

The Secretary, Industries Department though not aware of the situation in that particular case, invited the attention of the Committee over the fact that unless State Investment Subsidy (SIS) was granted in time, the unit might be stop working. He added that when RR proceedings initiated the firm had approached court and it might have adduced some argument in its favour before the High Court. The Committee bursted out that the officials could have at least gone through the case and the arguments of the opponent before appearing for evidence examination. It reminded the department that Committee is a miniature of the House and reluctance to provide satisfactory reply to its queries will be viewed seriously. It warned the Industries and Commerce Department to be mindful in avoiding such negligence in future and directed to furnish a written reply on the case within one month.

Conclusion/Recommendation

35. The Committee expresses its anguish over the irresponsible attitude of the officials present before the Committee, as they could not give satisfactory reply to the queries of the Committee. Nevertheless, they could not submit a reply in this regard as directed by the Committee. The Committee warns the Industries and Commerce Department to avoid such negligence in future and directs the Department to furnish a written reply on the case at the earliest.

AUDIT PARAGRAPH

Post-disbursement monitoring of units that were granted SIS

One of the provisions contained in the Manual for SIS (July 2000) stipulates that the industrial units which receive the subsidy will be under obligation to remain working for five years from the date of commencement of production. To monitor this condition, the standard agreement between the DIC and the industrial units that receive subsidy provides for submission of their annual audited statement of accounts to the DIC. In the selected districts, during the period of audit, 792 units were given SIS, of which 622 units were stated to have been checked by

the DICs to ascertain whether they were functioning. However, such audited statements were not available in the DICs in support of this verification having been properly conducted. The following deficiencies were noticed in the verification process:

- No mechanism had been put in place to ensure that all the units were periodically visited and details like electricity bills, bank account statements, etc., of the units were collected to conclude that the units were in operation.
- Mortgaging of assets at the time of disbursement of subsidy would have facilitated speedy recovery of subsidy if they were not found to be operating during the stipulated period. This mechanism had not been adopted.

The Director stated (September 2011) that action would be initiated to strengthen the monitoring mechanism.

Margin money loans

In order to boost the growth of industries in the State, margin money loans (MML) subject to a maximum of ₹ 2.5 lakh were to be granted to all newly registered SSI units. MMLs were to be sanctioned on the basis of loans sanctioned by the financial institutions. The loans were to be repaid in 16 equal quarterly instalments and were to carry interest of six per cent per annum for loans sanctioned with effect from 27 July 2004. In cases of failure to repay MML, levy of penal interest of additional 2.75 per cent was also provided for.

Audit scrutiny revealed that during the period 2002-2007, in the four selected districts, ₹ 9.47 crore was paid as MML to 651 units whose repayment schedule commenced from 2006 onwards. Three hundred and thirty six such units

which were paid ₹ 4.71 crore neither repaid the principal nor the interest. Further, 149 units which received MML of ₹ 2.17 crore, repaid only interest as shown in Table 4.7.

TABLE 4.7: DETAILS OF MML PAID AND RECOVERED

District	Total loans disbursed		Units which had not repaid principal and interest (with percentage)		Units which had not repaid principal	
	Number of units	Amount (₹ in crore)	Number of units	Amount (₹ in crore)	Number of units	Amount (₹ in crore)
Thiruvananthapuram	153	1.77	106	1.16 (65.53)	21	0.29
Ernakulam	355	5.85	188	2.98 (50.94)	77	1.29
Kannur	75	0.97	24	0.36 (37.11)	28	0.35
Idukki	68	0.88	18	0.21 (23.86)	23	0.24
Total	651	9.47	336	4.71	149	2.17

Source: Figures collected from DIC.

Reasons for the high rate of defaults in repayment of MMLs were as follows:

- (i) Absence of proper pre-disbursement verification to ensure disbursement of financial assistance to only genuine and capable entrepreneurs who could run the industries successfully.
- (ii) Adequate safeguards like hypothecation/pledge of the facility were absent. This was due to the laid down instructions that no collateral security or charge on assets of the unit shall be taken during the pendency of loans availed by the unit from the financial institution.

The Director stated (September 2011) that the mechanism for watching the progress of repayment of MMLs would be strengthened.

Share participation by Government in Industrial Co-operative Societies

The rules for share participation by Government in Industrial Co-operative Societies (March 1994) provide for share participation by Government in Industrial Co-operative Societies. The rules also stipulate that the share so contributed by the Government shall be retired after a period of 15 years.

Audit scrutiny revealed that there was no retirement of share capital contribution as provided in the rules in the four test-checked DICs as shown in Table 4.8:

TABLE 4.8: DETAILS OF SHARE CAPITAL PENDING RETIREMENT

(₹ in lakh)

District	Amount of Share Capital Contribution pending retirement
Ernakulam	6.94
Idukki	29.95
Kannur	58.09
Thiruvananthapuram	27.93
Total	122.91

Source: Figures collected from DIC.

The Director stated (September 2011) that the Industrial Co-operative Societies were faced with problems like lack of know-how in business management/marketing, professional management, inadequate infrastructure, over-dependence on Government for financial assistance and restrictive provisions of co-operative laws. However, directions would be given to ensure collection of Government's share towards share capital contribution.

Further, in the exit conference (October 2011), the Joint Director stated that the Government would take over the assets of the defaulting industrial societies on their liquidation. This indicates inadequate assessment of the capacity of the beneficiary to run the business profitably at the time of initial release of financial assistance.

INTERNAL CONTROL MECHANISM

Internal Audit

Internal audit is a device through which an organisation is able to obtain independent feedback on its functioning. The internal audit wing of the Directorate headed by a Senior Finance Officer and supported by a Junior Superintendent and three Clerks had been entrusted with the task of conducting internal audit of the 14 District Industries Centres and 57 Taluk Industries Centres every year. The units audited during the years 2006 to 2010 were as shown in Table 4.9:

TABLE 4.9: DETAILS OF INTERNAL AUDIT CONDUCTED BY THE DIRECTORATE

Year	Total units	Number of units audited	Shortfall in audit (percentage)
2006	73	3	95.89
2007	73	NIL	100
2008	73	7	90.41
2009	73	4	94.52
2010	73	2	97.26

Source: Figures collected from Directorate.

Heavy pendency of more than 90 per cent in internal audit indicated that the internal audit wing was almost defunct. It had not conducted any risk analysis for selection of units to be audited.

The Director stated (September 2011) that the present staff strength was not sufficient for conducting regular internal audit and the Government had been approached for strengthening the internal audit wing.

Conclusion

Various schemes operated by the Directorate were basically confined to allotment of land and disbursement of financial assistance. The rules for allotment of land do not permit the allottees to mortgage the land to the financial institutions for raising loans. It was seen that the DICs permitted the allottees to mortgage the land to the financial institutions in violation of the allotment rules resulting in loss

of control over industrial land. There were delays in sanctioning the State investment subsidy as the SLC/DLC meetings were not conducted within three months as required. There was failure to assess the capability of the entrepreneurs to run the business profitably. Monitoring of industrial land allotted was inadequate. Internal control of the Directorate was also found to be weak.

Recommendations

- The Government should take steps to prevent the allottees from mortgaging the land to the financial institutions for raising loans.
- The viability of the projects and financial capacity of the entrepreneurs should be properly assessed by the DICs before allotment of industrial plots and sanctioning of financial assistance to the entrepreneurs.
- The monitoring mechanism of the functioning of the industrial units needs to be strengthened.
- The internal control mechanism of the Directorate of Industries and Commerce needs to be strengthened.

Audit Paragraphs 4.1.9 to 4.1.14 contained in the report of the Comptroller & Auditor General of India for the financial year ended 31 March 2011 (Civil).

Notes received from Government on the above audit paragraphs is included as Appendix II.

36. The Committee was informed that industrial units which avail subsidy had to function continuously for five years from the date of receipt of subsidy and if the unit was closed down before the stipulated period, the amount of subsidy received along with interest had to be refunded to Government and Revenue Recovery (RR) proceedings should be initiated in the case of non refund. The Committee reprimanded the officials of the Industries and Commerce Department for not maintaining a proper mechanism to monitor the procedures regarding the SIS and for the inactiveness of the State Level Monitoring Committee constituted to monitor these procedures. The witness, Additional Director, Industries and Commerce Department deposed that subsidy was distributed to 2052 industrial

units during the period between 2008-09 to 2011-12, out of which 60 units were found defunct on an inspection conducted by the department. He explained the procedures followed before initiating the Revenue Recovery proceedings. Then the Committee pointed out the contradiction between the notes furnished by the Department and that of Accountant General regarding periodical inspection and lashed out at the irresponsible statement submitted by the department in this regard. The Committee remarked that the loans should be sanctioned only after examining the viability and technical competency of the units. The witness, admitted the lapse on the part of the department in this regard and informed that a new system had already been launched namely Entrepreneur Subsidy Scheme (ESS) in the year 2012 to rectify the previous drawbacks noted. He added that almost all project reports would be approved only after thorough checking by a team of officials, and was optimistic that mistakes, pointed out by Accountant General could be avoided in future. To another query of the Committee, he also deposed that a district level Appraisal Committee had been constituted to evaluate the project and loans would be sanctioned only after precise verification done by this Committee. Also in cases involving land mortgaging, loan would be sanctioned after executing an agreement but no decision has been taken regarding the imposition of collateral security. The Committee was against imposing collateral security, observing it as non practicable and remarked that if collateral security was insisted, assistance could not be granted to new units. The Committee enquired any assets had since been confiscated, instead of money due from the closed down industrial units, the witness, Additional Director, Industries and Commerce Department replied that about 13 lakh rupees had been recovered from 9 out of the 25 cases referred through RR proceedings after 2008-09. The Committee was at a loss to note that only ₹ 3.80 crore had been recovered so far as against the total margin money to the tune of ₹ 22.85 crore. The witness Additional Director, Industries and Commerce Department submitted break up details regarding the loan repayment as follows: about ₹ 118 crore had been allocated to 18268 units during the period of 1979-2012 as Margin Money Loan, but an amount of ₹ 44.84 crore towards principal was still pending recovery. The Committee reiterated that sanctioning of loan without conducting proper study and evaluation, on the viability of the industrial units were the main reason for poor rate of

repayment and expressed its concern and apprehension over the tardy progress in repayment of loan. The witness, Additional Director, Industries and Commerce Department also deposed that, financial assistance has been allocated to the industrial units as grants as per new scheme, rather than as a loan. To a query of the Committee, the Additional Director, Industries and Commerce Department informed that the Margin Money Loan Scheme was in existence up to 31-3-2012 and thereafter the new scheme viz. Entrepreneur Subsidy Scheme was introduced. But at the time of cessation of the scheme, there were 263 cases pending to be settled. So in the succeeding year's budget, ₹ 3.8 crore was allocated for the disbursement to those units. He continued that for the purpose, all the existing schemes regarding SIS were merged together to design a new scheme and fund disbursed under it. When the Committee desired to have the Government order regarding the abolition of margin money and its extension, the Additional Director, Industries and Commerce Department assured to furnish the same at the earliest.

37. Regarding the issual of subsidy under the new scheme, the Committee opined that if subsidy was granted in proportionate to the progress of each year, survival rate of those units could have been increased. The Additional Director apprised that under the current scheme, subsidy was granted on a pro-rata basis, i.e., 7.5% of the subsidy, subject to a maximum of ₹ 3 lakh would be released at the time of approval of the proposal. If the unit functioned successfully for five years the remaining portion of subsidy up to a maximum of ₹ 30 lakh would be released to it. After analyzing the statements and figures submitted by the Department, the Committee suggested that a mechanism should be adopted to monitor the production and outcome of the industrial units benefited out of public money. Responding to this, the witness, Additional Director, Industries and Commerce Department informed that as per the new scheme all the entrepreneurs should file an online pro forma before the month of December every year, detailing the parameters like amount of tax paid, details of pay and allowance disbursed to employees, details of production etc. which would be monitored by the special cell constituted exclusively for ESS.

38. The Committee directed the Industries and Commerce Department to take effective measures to strengthen the mechanism to monitor the production and outcome of the industrial units.

Conclusion/Recommendation

39. **The Committee directs the Industries and Commerce Department that loans should be granted only after examining the viability and technical competency of the units.**

40. **The Committee views that the imposition of collateral security is not practicable and remarks that insisting collateral security will lead to the denial of grants to new units.**

41. **The Committee directs the department to furnish the Government Order regarding the abolition of margin money and its extension to it at the earliest.**

42. **The Committee exhorts the Industries and Commerce Department to take effective measures to strengthen the mechanism to monitor the production and outcome of industrial units.**

Grant of margin money loan to a Society

Government sanctioned release of NCDC loan to a Society and created an avoidable liability of ₹ 2.68 crore.

The Thiruvananthapuram Taluk Integrated Silk Handloom Weaver's Co-operative Society Ltd. No. S.IND (T) 847 (Society) was formed (January 2006) with the objective of empowering the handloom industry and development of sericulture, thereby raising the income level of weavers. In order to meet the objective, the Society envisaged an action plan to reposition 1000 handlooms engaged in cotton cloth weaving to innovative silk product weaving looms in four years, at the rate of 250 looms per year availing financial assistance from the National Co-operative Development Corporation (NCDC). The NCDC provided financial assistance to the societies in the form of Margin Money Assistance for mobilising working capital on the basis of proposals forwarded by District Industries Centre and Director of Handloom and Textiles guaranteed by the Government. The administrative/supervisory control over the disbursement, utilisation and recovery of loan availed by the Society was vested with General Manager, District Industries Centre, Thiruvananthapuram and Director of

Handloom and Textiles, Thiruvananthapuram. The working capital estimated for the project for the first year was ₹ 5.37 crore of which 40 per cent was to be obtained from NCDC as Margin Money Assistance and the balance 60 per cent was to be raised by the Society from banks.

Government recommended the project proposal and NCDC sanctioned (July 2009) Margin Money Assistance of ₹ 2 crore as loan to the Society. The amount was to be utilised for raising working capital from banks for production and related activities. The loan was to be repaid to NCDC by Government in five annual instalments at an interest rate of 9.75 per cent and the Society was to repay the loan to Government in five annual instalments at an interest rate of 14.50 per cent.

The Industries Department, Government of Kerala accorded administrative sanction (August 2009) for release of the loan to the Society and the Director of Handloom and Textiles drew and handed over the loan amount to the General Manager (GM), District Industries Centre, Thiruvananthapuram (DIC) for payment to the Society after executing necessary loan agreement. The GM deposited (September 2009) the loan amount in a bank account* operated jointly by himself and Secretary of the Society and released the entire amount of ₹ 2 crore in three instalments (October 2009, January 2010, March 2010)†, after executing an agreement (September 2009) with the Society.

Audit scrutiny (April 2011) revealed the following lapses in the sanctioning and release of loan to the Society:

- The Society with a share capital of only ₹ 6.75 lakh could not raise the working capital as envisaged. The NCDC reported (March 2011) that the Society lacked a clear cut strategy for production, marketing and did not have a mechanism to check the quality of raw materials/finished goods. The Department, however, overlooking these aspects recommended the project for loan without evaluating its feasibility
- As per Article 234 of Kerala Financial Code (KFC), before considering a loan application, the sanctioning authority should obtain from the

* SB A/c No. 8377 in Thiruvananthapuram District Co-operative Bank.

† ₹ 20,19,200, ₹ 4,60,800 and ₹ 1,75,20,000.

applicant *inter alia*, details of sources of income for repaying the loan within the stipulated period and details of security proposed to be offered for the loan together with valuation of security by an independent authority. The Society executed (August 2009) a Mortgage Deed with the Department, transferring all its movable and immovable properties, both present and future, to be charged as security for repayment but did not enclose the details of any property so mortgaged. As per the latest accounts furnished by the Society for 2006-07, the Society did not possess any movable property but had an un-discharged liability of ₹ 12.31 lakh. The Junior Co-operative Inspector (Handloom Circle), Balaramapuram had also reported (September 2009) that the Society did not own any property and increase of un-discharged liability to ₹ 13.68 lakh. Thus, the application of the Society for loan was recommended by Industries Department without ascertaining its financial status thereby not safeguarding the financial interests of Government. Consequently, the Society had not repaid any amount to Government and the amount outstanding as of September 2012 in respect of the first three instalments was ₹ 2.09 crore.

- The Society in its project report had claimed 250 looms to be ready for silk production in the first year. But a site verification by Department (February 2010) revealed only 31 operational looms. As the Society already had 52 working silk weaving looms at the time of applying for loan, it was evident that the Society had not re-positioned any additional cotton loom since its availing of two instalments amounting to ₹ 25 lakh. Further, it had also failed to raise corresponding working capital. These facts were reported (February 2010) to the Government by the GM. As the Society failed to raise its share of working capital, implementation of the project had become unviable. So, Government should not have released the balance amount of loan to the Society. The Secretary to Government on contrary directed (March 2010) the GM to release the remaining amount of loan of ₹ 1.75 crore to the Society and the GM had complied with the directions.

- Even though the GM was to watch proper utilisation of the funds released and produce Utilisation Certificate (UC) after verifying the accounts of the Society, within one year from the date of release, UC was produced only in respect of the first two instalments.

As of September 2012, the Society did not repay any amount towards repayment of loan. However, Government had to refund ₹ 80 lakh towards principal and ₹ 45 lakh towards interest to NCDC (November 2012) and the liability of Government remained at ₹ 120 lakh towards principal and ₹ 23 lakh towards interest.

Thus, department's failure in ensuring the eligibility of the Society before recommending sanctioning of loan coupled with the injudicious decision of the Secretary, Industries Department to release the loan amount ignoring the report of the GM, resulted in the release of assistance of ₹ 2 crore to an ineligible Society. Consequently, the Government had to bear the liability of ₹ 2.68 crore (over a period of five years from November 2011 to November 2015) besides denial of assistance to members of other eligible societies.

The matter was reported to Government (October 2012); the reply had not been received (April 2013).

Audit Paragraph 3.1.6 contained in the report of the Comptroller and Auditor General of India for the financial year ended 31 March 2012 (Economic Sector).

Notes received from Government on the above audit paragraph is included as Appendix II.

43. To a query of the Committee, the Principal Secretary, Industries and Commerce Department apprised that Vigilance enquiry was initiated in this case. The Director of Industries and Commerce supplemented that as per the quick assessment investigation report of Vigilance, members of that society had made misappropriation to the tune of ₹ 50 lakh and had produced fabricated registers. He argued that the proposal was feasible in accordance with the figures submitted to the department and later when the foul play was noticed, it was too late. The Committee evaluated that it was obvious that the report was bogus and decided to recommend that parallel to vigilance enquiry, Industries and Commerce

Department should initiate steps to recover the misappropriated amount from the members of the Thiruvananthapuram Taluk Integrated Silk Handloom Weaver's Co-operative Society Ltd. It also directed to inquire into the audit observation that injudicious decision of the Secretary, Industries and Commerce Department resulted in the release of assistance of ₹ 2 crore to an ineligible society and report to it. The Secretary, Industries and Commerce Department agreed to do so.

Conclusion/Recommendation

44. The Committee recommends that parallel to the Vigilance enquiry, Industries and Commerce Department should initiate steps to recover the misappropriated amount from the members of the Thiruvananthapuram Taluk Integrated Silk Handloom Weaver's Co-operative Society Ltd. The Committee directs the department to inquire the ground of the audit reference that the injudicious decision of the Secretary, Industries and Commerce Department resulted in the release of assistance of ₹ 2 crore to an ineligible society and report to it.

Thiruvananthapuram,
18th February, 2016.

DR. T. M. THOMAS ISAAC,
Chairman,
Public Accounts Committee.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl. No.	Para No.	Department concerned	Conclusion/Recommendation
1	2	3	4
1	2	Industries and Commerce	The Committee was at a dismay to note that the Industries and Commerce Department had not taken any initiative to implement the Common Effluent Treatment Plant as envisaged. It evaluates that the very act of the department in drawing an amount to the tune of ₹ 2.56 crore sanctioned for Special Purpose Vehicle and depositing the same in the TP account and keeping it idle for more than five years is highly irregular and warns that Industries and Commerce Department should be vigilant in avoiding such improprieties in future.
2	3	„	The Committee criticises the Industries and Commerce Department for the slothful attitude as it had released considerable amount without conducting proper study and had failed to arrange the basic requirements. The Committee directs the Industries and Commerce Department to surrender the amount without further delay.
3	4	„	The Committee recommends that the Industries and Commerce Department should identify land preferably in less populated area to establish the Effluent Treatment Plant. It also desires to have a report on the steps taken in this regard.

1	2	3	4
4	6	Industries and Commerce	The Committee observes that the practice of granting financial assistance to a Co-operative Society and then converting the same as share capital of that society is not tenable. It exhorts the Industries and Commerce Department to furnish a report on the Industrial Co-operative Societies aided with Government fund with a review on the impact of fund utilization by those Co-operative Societies at the earliest.
5	9	„	The Committee admonishes the Industries and Commerce Department for not maintaining financial discipline and directs that the department should not move for SDG in future except under inevitable circumstances.
6	10	„	The Committee suggests that the department should be vigilant in regulating the expenditure in proportionate to the progress of the financial year to avoid rush of expenditure during the fag end of the year.
7	24	„	The Committee observed that regarding the audit objection that General Manager had executed more powers than that delegated to him, the department could not submit a satisfactory explanation. So the Committee urges the Industries and Commerce Department to review the entire procedure laid down in mortgaging of industrial land.

1	2	3	4
8	25	Industries and Commerce	The Committee directs the Industries and Commerce Department to furnish a report on the details of industrial estates/land under its control incorporating the particulars like the authority in whose name the land was vested with and the lease rent collected in respect of them, to it at the earliest.
9	26	„	The Committee directs the Industries and Commerce Department to furnish the details of land still under possession of the department out of the 2431 acres of land earmarked for industrial purposes and what extend of land was allotted so far. It also wants to have the details like cases under revenue recovery, Court stay, etc.
10	27	„	It directs the department to evolve a monitoring mechanism to streamline the allotment of industrial plot and its accountability.
11	28	„	The Committee evaluates that the reselling of land once obtained at concessional rate, at higher price was not tenable and opines that such practices would not be entertained.
12	29	„	The Committee exhorts that if re-allotment of land without prior permission is noticed in future, it should be viewed seriously and disciplinary action should be taken against the jurisdictional officer.

1	2	3	4
13	30	Industries and Commerce	The Committee remarks that in its inception stage SIDCO had actively participated in design, construction and allotment of buildings for industrial estates. The Committee criticizes SIDCO for not providing the minimum infrastructural facilities for the functioning of industrial estates and not realising the arrear accumulated. So it moots that SIDCO should take a proactive role. It recommends that SIDCO should develop the land provided by local bodies into small industrial units and should facilitate necessary infrastructural facilities like road, water, electricity, etc.
14	31	„	It advocates that SIDCO should construct sheds ready to occupy for the industrial units.
15	33	„	The Committee reprimands the General Manager, DIC for his irresponsible attitude in not providing the details at the time of audit. It directs the Industries and Commerce Department to furnish the details of the extend of land under reference with cross verification on whether the land was encroached by private party or not.
16	35	„	The Committee expresses its anguish over the irresponsible attitude of the officials present before the Committee, as they could not give satisfactory reply to the queries of the Committee. Nevertheless, they could not submit a reply in this regard as directed by the Committee. The Committee warns the Industries and Commerce Department to avoid such negligence in future and directs the Department to furnish a written reply on the case at the earliest.

1	2	3	4
17	39	Industries and Commerce	The Committee directs the Industries and Commerce Department that loans should be granted only after examining the viability and technical competency of the units.
18	40	„	The Committee views that the imposition of collateral security is not practicable and remarks that insisting collateral security will lead to the denial of grants to new units.
19	41	„	The Committee directs the department to furnish the Government Order regarding the abolition of margin money and its extension to it at the earliest.
20	42	„	The Committee exhorts the Industries and Commerce Department to take effective measures to strengthen the mechanism to monitor the production and outcome of industrial units.
21	44		The Committee recommends that parallel to the Vigilance enquiry, Industries and Commerce Department should initiate steps to recover the misappropriated amount from the members of the Thiruvananthapuram Taluk Integrated Silk Handloom Weaver's Co-operative Society Ltd. The Committee directs the department to inquire the ground of the audit reference that the injudicious decision of the Secretary, Industries and Commerce Department resulted in the release of assistance of 2 crore to an ineligible society and report to it.

APPENDIX II
 NOTES FURNISHED BY GOVERNMENT
 GOVERNMENT OF KERALA
 INDUSTRIES (F) DEPARTMENT

**REMEDIAL MEASURES TAKEN STATEMENT ON AUDIT PARAGRAPHS CONTAINED
 IN THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL
 FOR THE YEAR ENDED 31 MARCH, 2011 (CIVIL)**

Sl. No.	Para No.	Conclusion	Remedial Measures Taken Statement
1	2	3	4
	3.2.1	<p>Release of funds without taking possession of land for setting up a Common Effluent Treatment Plant. Release of ₹ 2.56 crore to a Special Purpose Vehicle for setting up a Common Effluent Treatment Plant even before taking possession of land for the purpose resulted in blocking of Government money outside the Government account for over two years and non-achievement of the objective of reducing pollution.</p>	<p>There is an urgent need to address the industrial pollution in the Edayar area by setting up a common effluent treatment plant. To set-up such a plant as per the requirements of Kerala State Pollution Control Board, huge funds are required which the MSME units in Edayar DA could not afford. Hence Government had directed to set-up a Common Effluent Treatment Plant (CETP) in association with the industrialist in the Edayar DA.</p> <p>Industries Department had already identified unutilized land which was allotted to M/s IRE Limited and M/s KSEB in the year 2007 itself. It was expected that after all the formalities of resumption, the land would be handed over to Industries Department in the year 2009. Hence the project was approved and the fund sanctioned. The fund was drawn in good spirits, but could not be utilized due to non-availability of land as proposed.</p>

1	2	3	4
			<p>It was proposed in the DPR regarding the contribution of beneficiaries i.e. the industries in the Edayar. But they had expressed their unwillingness to invest in the project. They were ready to meet the running cost of CETP. Hence a special purpose vehicle is formed with the representatives of industrialists in Edayar and they are ready to run this CETP.</p> <p>The fund was drawn on presumption that the project will commence very quickly on receipt of land. But this could not be done due to the delay in getting the land. Now the fund was deposited at Government Treasury in the joint account of the General Manager, District Industries Centre, Ernakulam and SPV [M/s Edayar Effluent Treatment Plant (Pvt.) Limited].</p> <p>Government have resumed 4.78 acres of land from M/s IRE Limited and re-allotted 2.50 acres of land to the Industries Department for setting up of CETP as per G.O. (Ms.) No. 152/12/RD dated 16-4-2012 (copy enclosed).</p> <p>Steps have been taken to possess the same land from revenue authorities.</p>



കേരള സർക്കാർ
സംഗ്രഹം

റവന്യൂ വകുപ്പ്-എറണാകുളം ജില്ലയിൽ കടുങ്ങല്ലൂർ വില്ലേജിൽ സർവ്വേ നം. 88/6, 88/7 രീപ്ലേട്ടയ്ക്കു 1964ൽ ഇന്ത്യൻ റെയർ എർത്തിന് പാട്ടത്തിന് നല്ലിയത്തുമായ 4.75 ഏക്കർ സ്ഥലത്തിന്റെ പാട്ടം റദ്ദ് ചെയ്ത് ഭൂമി തിരിച്ചെടുത്ത് ഐ.ഡി.എ. എടയാറിൽ പൊതുമാലിന്യ നിർമ്മാർജ്ജന പ്ലാന്റ് സ്ഥാപിക്കുന്നതിന് വേണ്ടി വ്യവസായ വകുപ്പിന് നിലവിലുള്ള വ്യവസ്ഥകൾക്ക് വിധേയമായി ഭൂമിയുടെ ഉടമസ്ഥാവകാശം റവന്യൂവകുപ്പിൽ നിലനിർത്തിക്കൊണ്ട് കൈവശാവകാശം നല്ലി ഉത്തരവ് പുറപ്പെടുവിക്കുന്നു.

റവന്യൂ(എ)വകുപ്പ്
സ.ഉ.(എം.എസ്) നം. 152/12/റവന്യൂ. തിരുവനന്തപുരം, തീയതി: 16/04/2012
പരാമർശം: 06/09/2010ലെ എൽ2-31329/08(1) നമ്പർ കത്ത്

ഉത്തരവ്

എറണാകുളം ജില്ലയിൽ എടയാർ വ്യവസായ മേഖലയിൽ പൊതുമാലിന്യ നിർമ്മാർജ്ജന പ്ലാന്റ് സ്ഥാപിക്കുന്നതിന് ഇന്ത്യൻ റെയർ എർത്തിന്റെ കൈവശത്തിലും കരം തീരുവയിലുമിരിക്കുന്ന ഭൂമി അനുയോജ്യമാണെന്ന് പരാമർശത്തിൽ വായിച്ചിരിക്കുന്ന കത്തിലൂടെ ജില്ലാ കളക്ടർ അറിയിക്കുകയുണ്ടായി. 1964 ൽ ഇന്ത്യൻ റെയർ എർത്തിന് പാട്ടത്തിന് നല്ലിയത്തും കടുങ്ങല്ലൂർ വില്ലേജിൽപ്പെട്ട 88/6, 88/7 ൽ ഉൾപ്പെട്ട 4.75 ഏക്കർ ഭൂമി പദ്ധതിക്ക് അനുയോജ്യമാണെന്ന് വ്യവസായ വകുപ്പു അഭിപ്രായപ്പെട്ടിട്ടുണ്ട്.

ഇൻഡ്യയിൽ അനൈസർമെന്റ് റൂൾസിന്റെ 13-ാം ചട്ടപ്രകാരം ഭൂമി അനുവദിച്ചു ഉത്തരവിൽ വ്യക്തമാക്കിയ കാലാവധിക്കുള്ളിൽതന്നെ പ്രസ്തുത സ്ഥലത്ത് വ്യവസായം തുടങ്ങിയിരിക്കണം. ചട്ടം 14 പ്രകാരം, ഭൂമി അനുവദിച്ച ഉത്തരവിൽ വ്യക്തമാക്കിയിട്ടുള്ള നിബന്ധനകളുടെ എന്തെങ്കിലും ഒന്നിന്റെ ലംഘനം ഉണ്ടാകുന്നപക്ഷം സർക്കാരിന് ഭൂമി തിരികെ എടുക്കാവുന്നതാണ്. ഇന്ത്യൻ റെയർ എർത്തിന് ഭൂമി അനുവദിച്ചു നല്ലിയ പട്ടയത്തിന്റെ രണ്ടാമത്തെ വ്യവസ്ഥ പ്രകാരം അനുവദിച്ച ഭൂമിയിൽ ഒരു വർഷത്തിനകം നിർമ്മാണ പ്രവർത്തനങ്ങൾ തുടങ്ങേണ്ടതാണ്. കമ്പനി ഈ നിബന്ധന ലംഘിച്ച സാഹചര്യത്തിൽ പ്രസ്തുത ഭൂമി തിരിച്ചെടുത്ത് സർക്കാരിലേക്ക് മൂൽർജ്ജുവുന്നതാണെന്ന് ചട്ടങ്ങൾ അനുശാസിക്കുന്നുണ്ട്.

സർക്കാർ ഈ വിഷയം വിശദമായി പരിശോധിക്കുകയും എറണാകുളം ജില്ലയിൽ കടുങ്ങല്ലൂർ വില്ലേജിൽ സർവ്വേ നം. 88/6, 88/7 രീപ്ലേട്ടയ്ക്കു 1964 ൽ ഇന്ത്യൻ റെയർ എർത്തിന് പാട്ടത്തിന് നല്ലിയത്തുമായ 4.75 ഏക്കർ സ്ഥലത്തിന്റെ പാട്ടം റദ്ദ് ചെയ്ത് ഭൂമി തിരിച്ചെടുത്ത് ഐ.ഡി.എ. എടയാറിൽ പൊതുമാലിന്യ നിർമ്മാർജ്ജന പ്ലാന്റ് സ്ഥാപിക്കുന്നതിന് വേണ്ടി 2.5 ഏക്കർ ഭൂമിയുടെ കൈവശാവകാശം നിലവിലുള്ള വ്യവസ്ഥകൾക്കും താഴെപ്പറയുന്ന മറ്റ് നിബന്ധനകൾക്കും വിധേയമായും, ഭൂമിയുടെ ഉടമസ്ഥാവകാശം റവന്യൂവകുപ്പിൽ നിലനിർത്തിക്കൊണ്ടും വ്യവസായ വകുപ്പിന് നല്ലി ഉത്തരവ് പുറപ്പെടുവിക്കുന്നു.

- a) പ്രസ്തുത ഭൂമിയിൽ നിലമെന്ന മരങ്ങൾ സംരക്ഷിക്കേണ്ടതാണ്. മരങ്ങൾ മുറിച്ചു മാറ്റുണ്ടി വന്നാൽ റവന്യൂ അധികാരികളുടെ അനുവാദം വാങ്ങുകയും, മുറിച്ചു മാറ്റുന്ന മരങ്ങൾക്ക് പകരം വൃക്ഷത്തെകൾ നടുകയും ചെയ്യേണ്ടതാണ്.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL
FOR THE YEAR ENDED 31/03/2011 (CIVIL)

Sl No	Conclusions/ Recommendations	Action Taken
1	<p>3.2.2 Undue favour to an Industrial Co-operative Society</p> <p>Undue favour was extended to an Industrial Co-operative Society by granting financial assistance initially in the form of a loan and subsequently converting the loan as share capital participation, in gross violation of rules and instructions.</p>	<p>In the Budget speech for the year 2008-09, the Government announced a financial assistance to five societies including M/s. Pinarayi ICS Limited. Therefore, the General Manager, District Industries Centre, Kamur had been directed to furnish project proposals. The project proposal was a request to release an amount of Rs. 557.68 lakh to the society as Government contribution to implement the expansion and modernisation programme and to start ready mix plant. In the Budget speech for the year 2008-09 the Government announced, that an amount of Rs. 10 crore will be earmarked for five societies and M/s. Pinarayi ICS was the one among the five societies.</p> <p align="right">In the SDG for July 2008, an amount of</p>

Rs. 10 crore had been provided for promoting revival of existing 5 weak Co-operative Societies which have scope for revival including Pinarayi ICS Limited.

The proposal had been placed before the Working Group Meeting held on 19/01/2009 and approved. Administrative Sanction had been issued accordingly vide G.O. (Rt) No. 158/09/ID dated 04/02/2009 for Rs. 2 Crore. After that, Government had converted the loan amount of Rs. 2 Crore as Government share Participation as per G.O. (Ms) No. 142/11/ID dated 26/05/2011 based on a representation dated 15/02/2010 from the Chairman of the Society.



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Remedial Measures Taken Statement in Paras from 4.1.7 to 4.1.14 of the C&AG Report for the year ended on 31/03/2011 (Civil)

Sl. No.	Para No.	Observation of C&AG	Remedial Measures Taken Statement
1	4.1.7	<p>Allotment of industrial plots is one of the main activities of Directorate. The allotment is covered by rules framed for sale of land on hire purchase basis issued during August 1970, read with amendment to the delegation of powers issued in January 1992.</p> <p>The General Managers (GMs) of District Industries Centres have powers to sanction allotment of plots in Development Areas/Development Plots (DAs/DPs) and vacant spaces in industrial plots.</p>	<p>The allotment of land in Industrial Development Area is governed by G.O.(MS) No.169/69/ID dated 05/04/1969 and the Industrial Development Plot is governed by G.O.(MS) No.297/70/ID dated 24/08/1970.</p>
2	4.1.7.1	<p>Mortgaging of Plots</p> <p>According to rules for sale of land on hire purchase issued and delegation of powers, the General Managers of District Industries Centres have power to give permission to allow mortgage only the super-structure put up by the allottees in the Government land to avail institutional finance. However, it was seen that the General Managers of District Industries Centres with the concurrence of Directorate permitted mortgaging of land by the allottees to financial institutions in some cases. Allottees mortgage their allotted industrial land to raise loan from financial institutions. When the allottees defaulted in repayment of loan, the financial institutions sold the mortgaged land in public auction to recover their dues. Thus, mortgaging the land for raising financial</p>	<p>Most of the industrial units set up in Industrial Areas established by Government need to obtain finance from banks and financial institutions for constructing factories, buildings and other facilities required. Majority of the Financial Institutions insist that the industrial land is pledged as collateral or primary security. The contention of the C&AG that only superstructures can be allowed to be mortgaged is incorrect. As per the Government orders dealing with the rules for allotment of industrial land in Development areas/Development Plots (Viz G.O.(MS) No.169/69/ID dated 05/04/1969 and G.O.(MS) No.297/70/ID dated 24/08/1970), the industrial land allotted to an entrepreneur can be alienated or encumbered with the prior sanction in writing of the Director of Industries & Commerce. Alienation is defined as sale, gift, will, mortgage, hypothecation, lease or transfer or possession. The spirit of the Government</p>

resources was irregular and resulted in loss of the land earmarked for industrial purposes.

As per the provisions contained in Government Orders (August 1970), the Director has the power to resume the land in event of a concern belonging to an industrialist being wound up. The basic objective of this stipulation is to allot the plot to other entrepreneurs. Audit scrutiny revealed that in 17 cases, the original allottees transferred (January 2006 to May 2011) the plots to new parties instead of returning the land to the Director of industries & Commerce. The selection of the new parties was decided by the original allottees instead of the Director of industries & Commerce. This would have resulted in financial gain to the original allottee.

orders on allotment of industrial land is that the land allotted has to be used only for industrial purpose. The Government Order itself permit the financial institutions to auction of the industrial assets in case of default, to new allottees. The only condition to be followed is that the new allottee shall also utilize the land for industrial purpose. The questions of whether the land mortgaged to financial institutions gets alienated in due course was thoroughly examined by the Government in detail and finally issued orders to continue the mortgage of industrial land. The copies of Government Orders permitting the mortgage (G.O(MS) No.60/2013/ID dated 10/06/13 and G.O(MS) No.110/2013/ID dated 13/09/13 and the Government letter No.22841/F1/2013/ID dated 02/12/2013) are enclosed for information. Even though Government have ordered to permit mortgage of industrial land to ensure that the land on default of loan is not misutilised, a TRIPARTITE agreement between the allottee, Government and Financial Institutional as approved by the SLBc is made compulsory. This TRIPARTITE agreement would check the loss of industrial land through auction.

Any industrial unit after commencement of commercial production may run into difficulties and end up in huge liabilities. In such cases the entrepreneur may want to clear the liabilities, make good the investment made by him and wind up the industrial unit. In normal cases surrendering of the unit with the industrial assets would be time consuming to realize the compensation to the entrepreneurs. If the entrepreneurs can find a suitable entrepreneur to take over the industrial unit, by clearing all his liabilities, on a request for transfer, the General Manager, District Industries Centre/Directorate of Industries & Commerce allows such transfer after collecting 10% of the land value as processing fee and after ensuring that all the arrears of land value have been duly settled by the allottee. By this

			<p>procedure, it can be ensured that the new allottee utilizes the land only for industrial purpose, thereby safeguarding the interest of the Government.</p>
3	4.1.7.2	<p>Safeguarding of Industrial Land As per the Kanpur District Industries Centre records, the total extent of land in Andoor Development Plot was 59.31 acres. Land measuring 8.35 acres was used for development of infrastructure and 44.97 acres was allotted to various industrial units. The remaining land of 5.99 acres valued at Rs 26.39 lakh (as per the value, when it was purchased in 2003 by the Department) was encroached upon due to failure of Director of Industries & Commerce to protect the land. The General Manager of District Industries Centre admitted (June 2011) that the land was lost due to encroachment and re-survey would be conducted to identify the lost land.</p>	<p>The observation of the C&AG that 5.99 acres of Industrial land in Development Plot, Andoor has been encroached upon due to failure of the District Industries Centre to protect the land is not correct. This 5.99 acres of land was allotted to various Government institutions such as Doordashan, IIT, Engineering College on the basis of Government Orders issued from time to time. Efforts have been taken to resurvey the entire industrial land under control of the Directorate of Industries & Commerce and also to protect this industrial land by constructing proper fencing/compound wall to check any encroachment.</p>
4	4.1.13	<p>Various schemes operated by the Directorate were basically confined to allotment of land and disbursement of financial assistance. The rules for allotment of land do not permit the allottees to mortgage the land to the financial institutions for raising loans. It was seen that the District Industries Centres permitted the allottees to mortgage the land to the financial institutions in violation of the allotment rules resulting in loss of control over industrial land. There were delays in sanctioning the State investment subsidy as the SLC/DLC meetings were not conducted within three months as required. There was failure to assess the capability of the entrepreneurs to run the business profitably. Monitoring of industrial land allotted was inadequate. Internal control of the Directorate was also found to be weak.</p>	<p>The rules for allotment of land permit alienation. Alienation includes mortgage. Hence mortgage of industrial land is permissible. The delay in the convening of the Committee for sanctioning subsidy and inordinate delay in processing the application, and monitored regularly. Delay is minimized now. The capability of an entrepreneur for technical and financial soundness is being verified. Project appraisal committee are constituted at the District Industries Centres and Directorate of Industries & Commerce. Monitoring of land allotted to entrepreneurs are done now regularly. The details of all allottees are shown in the website of the Department for transparency. Each Development Area/Development Plot is now brought under the control of an officer to monitor the proper utilization of same.</p>

5	4.1.14	<p>Recommendations</p> <p>The Government should take steps to prevent the allottees from mortgaging the land to the financial institutions for raising loans.</p> <p>The viability of the projects and financial capacity of entrepreneurs should be properly assessed by the District Industries Centres before allotment of industrial plots and sanctioning of financial assistance to the entrepreneurs.</p> <p>The monitoring mechanism of the functioning of the industrial units needs to be strengthened.</p> <p>The internal control mechanism of the Directorate of Industries and Commerce needs to be strengthened.</p>	<p>Mortgaging of industrial land is now being done based on a <i>TRIPARTITE</i> agreement between the Government, Entrepreneur and the Bank. Hence, chances of misuse of land become minimal.</p> <p>Viability of projects are being assessed by appraisal committees constituted at the District Industries Centre / Directorate level.</p> <p>A team at the District Industries level monitors all units which avail financial assistance from Government. The progress of the sale is periodically reviewed at the level of Directorate of Industries & Commerce.</p> <p>The internal control mechanism of the Directorate level is strengthened.</p>
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P.C. KASSIM
 Additional Secretary to Govt.
 Industries Department
 Government Secretariat, Trvan
 Ph. 2518739



GOVERNMENT OF KERALA

Abstract

Industries Department – Granting of mortgage permission and change of ownership of land in industrial areas - Orders issued.

INDUSTRIES (F) DEPARTMENT

GO (MS) No.60/ 2013/ID.

Dated, Thiruvananthapuram 10/06/2013.

-
- Read :-
1. G.O.(MS) No. 420/68/ID, Dated 22/10/1968.
 2. G.O.(MS) No. 169/69/ID, Dated 05/04/1969.
 3. G.O.(MS) No. 297/70/ID, Dated 24/08/1970.
 4. G.O.(MS) No. 55/2013/ID, Dated 27/05/2013.

ORDER

1. The Rules on lease of land for industrial purposes in Development Areas as per G.O.(MS)No.420/68/ID, dated 22/10/1968, the Rules on allotment of land for industrial purposes in Development Areas on hire purchase as per G.O.(MS)No.169/69/ID, dated 05/04/1969 and the Rules on assignment of land as per G.O(P) No.220/Rev. Dated 30/03/1964, do not allow alienation and encumbrance of land without the prior permission of Government / Director of Industries and Commerce. Most of the Industrial units set up in the industrial areas established by Government and Government Companies such as KINFRA, KSIDC and SIDCO, need to obtain finance from banks and institutions for constructing factory buildings and other facilities required. Such finance will not be available if the units are not permitted to mortgage their leasehold rights on the land. As per the rules, industrial units are not allowed to sublet or alienate the land allotted to them. Sometimes change of ownership of industrial land is also necessitated. Of late, Revenue Department has been taking the stand that mortgage permission can not be granted for industrial land and also that land has to be resumed first and then reallocated for change of ownership.

Both the above issues are creating serious difficulties for attracting new industrial units, especially in the MSME sector.

2. In the above circumstances, Government are pleased to order that all types of land allotment for industrial purpose as envisaged in the Government Orders read as first to third paper above will be (i) on lease basis only (ii) tenure of lease will be for a period of 30 years at a time and (iii) Director of Industries & Commerce is authorized to grant permission for mortgaging lease hold right and change of ownership.

3. The Government Order read as fourth paper above stands cancelled.

By Order of the Governor,
V. Somasundaran,
Additional Chief Secretary.

To
The Director of Industries & Commerce, Thiruvananthapuram.
Revenue Department.
General Administration (SC) Department. (Vide item number 3621, dated 22/05/2013).
Stock file/Office copy.

Forwarded / By order,


Section Officer



GOVERNMENT OF KERALA

Abstract

Industries Department – Allotment of land for Industrial purpose – Clarification - Orders issued.

INDUSTRIES (F) DEPARTMENT

G.O.(MS) No.110/ 2013/ID.

Dated, Thiruvananthapuram, 13/09/2013 .

Read:- 1. G.O.(MS)60/13/ID, dated 10/06/13.

ORDER

1.As per Government Order read as 1st above, Government have issued guidelines for the allotment of land followed by Director of Industries & Commerce for industrial purpose on the basis of G.O.(MS)No.420/68/ID dated 22/10/1968, G.O.(MS) No.169/69/ID dated 05/04/1969 and G.O.(MS)No.297/70/ID dated 24/08/1970. As per the new guidelines, land will be allotted (i) on lease basis only (ii) tenure of lease will be for a period of 30 years and (iii) Director of Industries & Commerce is authorized to grant permission for mortgaging lease hold right and change of ownership.

2.Government are pleased to issue the following clarifications on the Government Order read as first paper above :

- i. Allotment of land on lease basis as per G.O.(MS) No. 60/2013/ID dated 10/06/2013 will apply only to future cases, and not to cases in which land has been assigned or leased.
- ii. Industrial units obtaining land on lease will be eligible to get the period of lease extended for another 30 years, subject to their satisfying the terms and conditions of the earlier lease.
- iii. In respect of earlier allotments, such application will be dealt with as per the existing procedure.

(By Order of the Governor),
K.S. Srinivas,
Secretary to Government.

To

The Director of Industries and Commerce, Thiruvananthapuram.
Revenue Department.
Stock file/Office copy.
Disposal leading G.O.(MS) No.60/13/ID., dated 10/06/13.

Forwarded/By Order,


Section Officer.



GOVERNMENT OF KERALA

Industries (F) Department,
Thiruvananthapuram,

No. 22841/F1/2013/ID.

Dated : 02-12-2013.

Principal Secretary.

**The Director of Industries and Commerce,
Vikas Bhavan,
Thiruvananthapuram.**

**The Secretary to Government,
Revenue Department.**

Sir,

Subject :- Industries Department - Industries Department - Procedures to be followed in the assignment & allotment of land for industrial purpose - General guidelines - issued - reg.

Reference :- 1. G.O.(MS)No.60/13/ID dated 10.06.2013
2. G.O.(MS)No.110/13/ID dated 13.09.2013
3. Your letter No. ID 5/1127/13 dated 06.11.2013

Inviting attention to the reference cited, it is specified as follows :

The Government Order stipulating lease of Industrial land for 30 years is applicable only to the allotments made after 10.06.2013, which means either the allotment of vacant plots or any land / plots resumed or patta cancelled and comes to the possession of DIC. All the other cases, relating to resumption, transfer etc of allotted land shall be dealt with as per the rules / procedure / GO's existing prior to 10.06.2013 and are still continuing in vogue.

The following specific directions are also issued :

(1) The allotted land on lease / hire purchase shall not be transferred, if not used for

setting up of industrial units.


(2) The land once transferred to a unit / person shall not be transferred again without that person making use of the allotted land by starting industrial unit. It is also directed that the rules / guidelines / procedures must be followed meticulously and transparently. All GM, DIC's shall be intimated accordingly.

(3) DIC will prepare a centralized Database of all the allotments / hire purchase / patta of industrial land and will publish it in the website of DIC and status of the use of land will be updated regularly. Whenever an applicant applies for industrial land, the allotments, if any, made to him earlier and its utilization, must be verified before considering his fresh application for land allotment and the DIC will ensure that land is allotted only to genuine applicants.

Yours faithfully,

P.H. Kurian,
Principal Secretary to Government,

Approved for issue,



Section Officer.

Action Taken Statement on the report of C&AG for the year ended on 31st March 2011

SI No	Para	Conclusions/ Recommendations	Action Taken
1	4.1.8.1	<p>Time limit for grant of State Investment Subsidy All applications for subsidy for less than Rs. 10 lakh are to be considered and disposed of by the District Level Committees (DLCs) on SIS. Audit scrutiny revealed delays in sanctioning of SIS ranging from four to 34 months in 285 cases. Cases involving subsidy of Rs. 10 lakh and more are to be considered and disposed of by the State Level Committee (SLC) for SIS. The SLC sanctioned payment of subsidy to 19 cases during the period from 2008-09 to 2010-11. Delays ranging from three to 14 months were noticed in 12 cases. Audit observed that the delay in sanctioning of subsidy occurred due to reasons such as non-conducting of SLC/DLC meeting once in three months, acceptance of applications without scrutiny and non-availability of funds.</p>	<p>As per the Manual of State Investment Subsidy all claims for subsidy has to be disposed of within a period of three months from the date of receipt of application. The disposal of an application is done in two phases. Viz, first phase includes receipt of application, scrutiny, processing and preparation of the agenda notes for sanction by the concerned committee. The Second phase is the conduct of the concerned committee and decision taken on the claim.</p>
		<p>While receiving an application, an elaborate verification of the application in detail is not done. It is verified whether all the necessary documents as per the check list are attached. But when the application is processed there could be technical flaws which takes time for rectification. (for eg. if a title deed for land shows the name of person, persons who are not promoters of the unit, then this has to be rectified to be eligible for subsidy. These detailed examinations are not possible at the time of receipt of application and sometimes causes delay). After processing the application all the assets has to be physically verified and ensured that the unit is in function. At times major machinery claimed for subsidy would be under repair or the unit could be temporarily closed down, In such cases the application is not rejected or returned to the</p>	

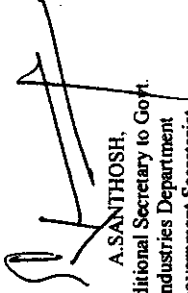
<p>applicant, but inspected after the restarting of the unit. This also causes delay. The convening of the committee at the district level is subject to the availability of time of the Chairman that is District Collector and in the State level the Secretary. In certain cases due to hectic schedule of the Chairman or Convener, the convening of the committee gets delayed. Earnest efforts are being taken to dispose each claim in time. But at times due to reasons unanticipated, the disposal of the claim gets delayed. The Directorate of Industries and Commerce is reviewing the pendency of claims and instructions are given case to case.</p>	<p>M/s. Cybelle Herbal Laboratories (P) Ltd was sanctioned an amount of Rs.25 lakhs as investment subsidy. The amount was released to the unit on 09/10/2009 by General Manager, District Industries Centre, Idukki.</p> <p>In fact the direction from Government was given based on the report of the Director of Industries that the unit was functioning at that point of time. It was also stipulated in the direction that release of State Investment Subsidy shall be subject to the conditions rolled down in G.O.(Ms)No.92/2000/ID dated 11-07-2000. Subsequently when the fact that the unit is not functioning came to the notice of General Manager, District Industries Centre during inspection, he issued demand notice and initiated Revenue Recovery with requisition No.RR/2011/236/6 dated:25/01/11 for Rs.25 lakhs with 14% interest.</p>
<p>2</p>	<p>4.1.8.2</p>
<p>Improper release of SIS</p> <p>As per the provisions of the Manual of SIS (January 2004), industrial units should be working as on the date of release of subsidy. Audit scrutiny revealed that DIC Idukki released a subsidy of Rs. 25 lakh to M/s Cybele Herbals which was not functioning at the time of release of subsidy. The Director replied that the subsidy amount was released on the basis of instructions received from the Government. However, revenue recovery action had been initiated to recover the subsidy amount.</p>	<p>Improper release of SIS</p> <p>As per the provisions of the Manual of SIS (January 2004), industrial units should be working as on the date of release of subsidy. Audit scrutiny revealed that DIC Idukki released a subsidy of Rs. 25 lakh to M/s Cybele Herbals which was not functioning at the time of release of subsidy. The Director replied that the subsidy amount was released on the basis of instructions received from the Government. However, revenue recovery action had been initiated to recover the subsidy amount.</p>

<p>The Revenue Recovery proceeding is under litigation and the amount has not been recovered. WP(C)16066/12 filed by the unit against the Revenue Recovery proceedings before Honourable High Court of Kerala is still pending for disposal. The last hearing was held on 07/03/2013.</p>		
<p>As per the manual of State Investment Subsidy all industrial units which avail subsidy has to function continuously for five years from the date of receipt of subsidy. If the unit is closed down before the stipulated five years, the amount of subsidy received along with interest has to be refunded to Government. In case of non refund, revenue recovery action is initiated to recover the amount. Based on the audit observation that monitoring mechanism in the Industries Department is not proper, a monitoring committee has been constituted in all the districts with General Managers as its chairman and a few officials as the members. The list of all units to whom subsidy is sanctioned is distributed to the field officers with instructions to observe them till the stipulated period is over. Closed down units are issued notices for refunding the amount. Revenue recovery is also initiated against the non complying units. The value of asset against which SIS is given would be very high when compared to the quantum of the amount granted towards SIS. Therefore the suggestion of Accountant General towards the mortgaging of the assets call for a policy decision after critical examination of various aspects involved</p>	<p>Post disbursement monitoring of units that were granted SIS</p> <p>One of the provisions contained in the Manual for SIS (July 2000) stipulates that the industrial units which receive the subsidy will be under obligation to remain working for five years from the date of commencement of production. To monitor this condition, the standard agreement between the DIC and the industrial units that receive subsidy provides for submission of their annual audited statement of accounts to the DIC. In the selected district, during the period of audit, 792 units were given SIS of which 622 units were stated to have been checked by the DICs to ascertain whether they were functioning. However, such audited statements were not available in the DICs in support of this verification having been properly conducted. The following deficiencies were noticed in the verification process:</p> <ol style="list-style-type: none"> 1) No mechanism had been put in place to ensure that all the units were periodically visited and details like electricity bills, bank account statements, etc., of the units were collected to conclude that the units were in operation. 2) Mortgaging of assets at the time of disbursement of subsidy would have facilitated speedy recovery of 	<p>3</p> <p>4.1.9</p>

	<p>subsidy if they were not found to be operating during the stipulated period. This mechanism had not been adopted.</p>	<p>in the matter. The State Investment Subsidy was discontinued with effect from 01.04.2012 consequent to the introduction of Entrepreneur Support Scheme, a new scheme formulated by combining 9 existing schemes. In the new manual of Entrepreneur Support Scheme, documents like Balance Sheet, License from Local Body, Electricity bills, and Yearly Performance Particulars are required to be furnished mandatorily by each unit every year.</p>
<p>4</p>	<p>Margin Money Loans In order to boost the growth of industries in the State, margin money loans (MML) subject to a maximum of Rs. 2.5 lakh were to be granted to all newly registered SSI units. MMLs were to be sanctioned on the basis of loans sanctioned by the financial institutions. The loans were to be repaid in 16 equal quarterly instalments and were to carry interest of six percent per annum for loans sanctioned with effect from 27 July 2004. In case of failure to repay MML, levy of penal interest of additional 2.75 per cent was also provided for. Audit scrutiny revealed that during the period 2002-2007, in the four selected districts, Rs.9.47 crore was paid as MML to 651 units whose repayment schedule commenced from 2006 onwards. Three hundred and thirty six such units were paid Rs. 4.71 crore neither repaid the principal nor the interest. Reasons for the high rate of defaults in repayment of MMLs were as follows: i. Absence of proper pre-disbursement verification to</p>	<p>As per the rules of Margin Money loans the Government holds second charge over the assets against which the Margin Money loan has been sanctioned. Each unit which avails Margin Money loan has to repay the same over a period of eight years and three months. Every year defaulted entrepreneurs are issued demand notices and several cases have been referred for revenue recovery. Based on the audit objection that proper pre-disbursement verification is not done, a project appraisal committee each has been constituted in all the districts and an apex body is constituted in the Directorate to appraise the project. The copy of the same is enclosed.</p>

5	<p>ensure disbursement of financial assistance to only genuine and capable entrepreneurs who could run the industries successfully.</p> <p>ii. Adequate safeguards like hypothecation/pledge of the facility were absent. This was due to the laid down instructions that no collateral security or charge on assets of the unit shall be taken during the pendency of loans availed by the unit from the financial institution.</p>											
4.1.11	<p>The rules for share participation by Government in Industrial Co-operative Societies (March 1994) provide for share participation by Government in Industrial Co-operative Societies. The rules also stipulate that the share so contributed by the Government shall be retired after a period of 15 years.</p> <p>Audit scrutiny revealed that there was no retirement of share capital contribution as provided in the rules in the four test-checked DICs as shown in Table 4.8:</p>	<p>The Audit observation is that there is inadequate assessment of the capacity of the beneficiary to run the business profitably at the time of initial release of financial assistance. Now the department is properly assessing the capacity of the societies to run the business profitably while selecting societies for sanctioning Government Share Participation (GSP) and other assistance.</p> <p>Following this, rigorous assessment of all cases where applications for GSP were received from Co-operative Societies was resorted to. As a result, the number of cases for which fresh GSP was sanctioned during the ensuing years dwindled from 3 cases in 2012-13 to zero in 2013-14.</p> <p>Regarding retirement of GSP already sanctioned, directions were issued on 17.12.2011 to General Manager of all District Industries Centres to vigorously pursue repayment. Data on retirement is also being collected on a quarterly basis and is being reviewed during Plan Review Conferences.</p> <p>Hence, appropriate measures have been initiated to ensure that,</p>										
<p>Table 4.8: Details of share capital pending retirement</p> <table border="1" data-bbox="759 689 990 1226"> <thead> <tr> <th>District</th> <th>Amount of Share Capital Contribution pending retirement (₹ in Lakh)</th> </tr> </thead> <tbody> <tr> <td>Ernakulam</td> <td>6.94</td> </tr> <tr> <td>Idukki</td> <td>29.95</td> </tr> <tr> <td>Kannur</td> <td>58.09</td> </tr> <tr> <td>Thiruvananthapuram</td> <td>27.93</td> </tr> </tbody> </table>	District	Amount of Share Capital Contribution pending retirement (₹ in Lakh)	Ernakulam	6.94	Idukki	29.95	Kannur	58.09	Thiruvananthapuram	27.93		
District	Amount of Share Capital Contribution pending retirement (₹ in Lakh)											
Ernakulam	6.94											
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Thiruvananthapuram	27.93											

	<p>Total 122.91</p> <p>Source: Figures collected from DIC.</p> <p>The Director stated (September 2011) that the Industrial Co-operative Societies were faced with problems like lack of know-how in business management/marketing, professional management, inadequate infrastructure, over-dependence on Government for financial assistance and restrictive provisions of co-operative laws. However, directions would be given to ensure collection of Government's share towards share capital contribution.</p> <p>Further, in the exit conference (October 2011), the Joint Director stated that the Government would take over the assets of the defaulting industrial societies on their liquidation. This indicates inadequate assessment of the capacity of the beneficiary to run the business profitably at the time of initial release of financial assistance.</p>	<p>(i) adequate assessment of a Society's business capacity is established before sanctioning GSP, and</p> <p>(ii) necessary steps are taken to enforce retirement / repayment of GSP in past cases.</p>
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 A. SANTHOSH,
 Additional Secretary to Govt.
 Industries Department
 Government Secretariat
 Thiruvananthapuram

ANNEXURE

Proceedings of the Director of Industries & Commerce Thiruvananthapuram
(Present :P.M.Francis.IAS)

ID1/10375/14.

Dated:13/06/14

Sub: Industries Department – Institutional Mechanism for evaluation of Project Proposals Constitution of Project Evaluation Team – order issued:

Read: Note dated:30/05/14 of the Additional Director (T).

Scores of proposals in many respects are received at Directorate every year. Most of these projects entail heavy investment. At present Directorate of Industries and Commerce does not have an institutional mechanism for evaluating project proposals. The proposals are now mostly processed at section level. This has often been proved inadequate as the projects are not subjected to the rigorous tests required to ascertain its technical feasibility and economic viability mainly due to the twin handicaps posed by high volumes of cases and relatively low levels of project assessment capabilities in the Directorate. It is essential to create a team of officials having expertise to evaluate project proposals before processing them for consideration at Directorate/Government level.

It is therefore decided that the department must have an institutional mechanism for proper evaluation and appraisal of project proposals at Directorate level. Hence the order.

ORDER

In the circumstances stated above a core team is hereby constituted with the following officers as the members of 'Project Evaluation Team'(PET) at the Directorate:

1. Sri.Ramesh Chandran, General Manager, District Industries Centre, Pathanamthitta (Chairman)
2. Sri.D.Rajendran, Manager, District Industries Centre, Pathanamthitta(Member)
3. Smt.Helen Jerome, Manager, District Industries Centre, Kollam (Member)
4. Sri.Shabeer, Assistant District Industries officer, District Industries Centre, Thiruvananthapuram (Member)

5. Assistant District Industries officer(ID), Directorate of Industries and Commerce
(Convenor)

The Project Evaluation Team at the Directorate will carry out the evaluation of project proposals referred by the District Level Project Appraisal Committee (DLPAC) and those submitted by Co-operative Societies, Apex Organization/Corporation directly to the Directorate. The Team will be convened once in the every month (preferably on the last working day of the month) with clear agenda circulated at least 10 days before the sitting of the Team. The agenda notes with project proposals from District Level Project Appraisal Committee (DLPAC) in case of projects requiring the approval of Project Evaluation Team (PET) as per the guideline to be issued separately will be collected by the convenor of Project Evaluation Team (PET) and placed before Project Evaluation Team(PET). The minutes of the meeting along with the proposals will be submitted to the members of Project Evaluation Team(PET) by the convenor. The project appraisal and evaluation frame work will be issued separately.

(Sd/-)

Director of Industries & Commerce

To

The Members, Project Evaluation Team(PET)

Copy to:

1. The General Manager, District Industries Centre,
2. CA to DI&C
3. Additional Director(G)
4. Additional Director(T)
5. Joint Director/Deputy Director
6. Section Heads
7. Stock File/Spare.

Forwarded /ByOrder


Assistant District Industries Officer

**action taken statement on the report of C & AG for the year ended on
31st March 2011**

Para No.	Recommendation	Action Taken																																												
4.1.12.1	<p>Internal audit is a device through which an organisation is able to obtain independent feedback on its functioning. The internal audit wing of the Directorate headed by a Senior Finance Officer and supported by a Junior Superintendent and three Clerks had been entrusted with the task of conducting internal audit of the 14 District Industries Centres and 57 Taluk Industries Centres every year. The units audited during the year 2006 to 2010 as shown as follows:</p> <table border="1" data-bbox="216 697 532 923"> <thead> <tr> <th>Year</th> <th>Total Units</th> <th>Number of units audited</th> <th>Shortfall in audit (percentage)</th> </tr> </thead> <tbody> <tr> <td>2006</td> <td>73</td> <td>3</td> <td>95.89</td> </tr> <tr> <td>2007</td> <td>73</td> <td>N#</td> <td>100</td> </tr> <tr> <td>2008</td> <td>73</td> <td>7</td> <td>90.41</td> </tr> <tr> <td>2009</td> <td>73</td> <td>4</td> <td>94.52</td> </tr> <tr> <td>2010</td> <td>73</td> <td>2</td> <td>97.26</td> </tr> </tbody> </table> <p>Heavy pendency of more than 90 percent in internal audit indicated that the internal audit wing was almost defunct. It had not conducted any risk analysis for selection of units to be audited.</p>	Year	Total Units	Number of units audited	Shortfall in audit (percentage)	2006	73	3	95.89	2007	73	N#	100	2008	73	7	90.41	2009	73	4	94.52	2010	73	2	97.26	<p>With the existing staff strength (with 3 clerks and one Junior Superintendent) and the help of other official in the office the Internal Audit Wing of Directorate of Industries and Commerce had achieved progress in conducting audit in District Industries Centres.</p> <p>The details of the Districts in which audit are conducted is given below:</p> <table border="1" data-bbox="543 550 932 1230"> <thead> <tr> <th>YEAR</th> <th>NAME OF DISTRICT IN WHICH AUDIT CONDUCTED.</th> </tr> </thead> <tbody> <tr> <td>2011-12</td> <td>1. Thiruvananthapuram 2. Kollam 3. Kozhikode 4. Malappuram</td> </tr> <tr> <td>2012-13</td> <td>1. Kottayam 2. Wayanad 3. Ernakulam 4. Palakkad 5. Thrissur</td> </tr> <tr> <td>2013-14</td> <td>1. Pathanamthitta 2. Kannur 3. Kasaragod 4. Idukki</td> </tr> <tr> <td>2014-15 (up to July)</td> <td>1. Thiruvananthapuram 2. Kollam 3. Wayanad</td> </tr> <tr> <td>August</td> <td>1. Alappuzha 2. Kozhikkode 3. Ernakulam</td> </tr> <tr> <td>September</td> <td>4. Malappuram</td> </tr> <tr> <td>October</td> <td>5. CFSC, Changacherry 6. Kottayam.</td> </tr> <tr> <td>November</td> <td>7. Thrissur</td> </tr> <tr> <td>December</td> <td>8. Palakkad 9. CFSC, Manjeri</td> </tr> </tbody> </table> <p>Audit scheduled for the remaining period upto December 2014 is as follows:</p>	YEAR	NAME OF DISTRICT IN WHICH AUDIT CONDUCTED.	2011-12	1. Thiruvananthapuram 2. Kollam 3. Kozhikode 4. Malappuram	2012-13	1. Kottayam 2. Wayanad 3. Ernakulam 4. Palakkad 5. Thrissur	2013-14	1. Pathanamthitta 2. Kannur 3. Kasaragod 4. Idukki	2014-15 (up to July)	1. Thiruvananthapuram 2. Kollam 3. Wayanad	August	1. Alappuzha 2. Kozhikkode 3. Ernakulam	September	4. Malappuram	October	5. CFSC, Changacherry 6. Kottayam.	November	7. Thrissur	December	8. Palakkad 9. CFSC, Manjeri
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November	7. Thrissur																																													
December	8. Palakkad 9. CFSC, Manjeri																																													

<p>The Director stated (September 2011) that the present staff strength was not sufficient for conducting regular internal audit and the Government had been approached for strengthening the internal audit wing.</p>	<p>As per G.O.(Ms.)No. 11/2013/ID dated 25.02.2013, 14 posts of Senior Superintendent and 3 posts of Administrative Assistants were created in the department for strengthening the working of District Industries Centres. For reducing the heavy pendency in the internal audit, 57 Taluk Industries Offices were handed over to the General Managers, District Industries Centre by creating internal audit wing in all District Industries Centre, headed by the Senior Superintendent as an effective step for conducting more number of audits in a year. The audit in Taluk Industries Offices has been almost completed upto 31.03.2014.</p> <p>It is assured that the pendency in the audit will be cleared soon.</p> <p>In the light of the above, the audit para may please be dropped.</p>
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 Additional Secretary to Govt
 Industries Department
 Government Secretariat, Tvm.
 Ph: 2518739

GOVERNMENT OF KERALA
INDUSTRIES (C) DEPARTMENT
COMMITTEE ON PUBLIC ACCOUNTS (2011-14)
RMT STATEMENT ON AUDIT PARAGRAPHS CONTAINED IN THE REPORT
OF C&AG OF INDIA FOR THE YEAR ENDED 31ST MARCH 2012 ON
ECONOMIC SECTOR.

Sl. No	Para No	Recommendations of the Committee	Action taken by the Government
1	3-1-6	<p>The Thiruvananthapuram Taluk Integrated Silk Handloom Weaver's Co-operative Society Ltd No.S.IND(T)847(Society) was formed (January 2006) with the objective of empowering the handloom industry and development of sericulture, thereby raising the income level of weavers. In order to meet the objective, the Society envisaged an action plan to reposition 1000 handlooms engaged in cotton cloth weaving to innovative silk product weaving looms in four years, at the rate of 250 looms per year availing financial assistance from the National Co-operative Development Corporation (NCDC). The NCDC provided financial assistance to the societies in the form of Margin Money Assistance for mobilising working capital on the basis of proposals forwarded by District Industries Centre and Director of Handloom and Textiles guaranteed by the Government. The administrative/supervisory control over the disbursement, utilisation and recovery of loan availed by the Society was vested with General Manager, District Industries Centre, Thiruvananthapuram and Director of Handloom and Textiles, Thiruvananthapuram. The working capital estimated for the project for the first year was ₹ 5.37 crore of which 40 per cent was to be obtained from NCDC as Margin Money Assistance and the balance 60 per cent was to be raised by the Society from banks.</p> <p>Government recommended the project proposal and NCDC sanctioned (July 2009) Margin Money Assistance of ₹ two crore as loan to the Society. The amount was to be utilised for raising working capital from banks for production and related activities. The loan was to be repaid to NCDC by Government in five annual instalments at an interest rate of 9.75 per cent and the Society was to repay the loan to Government in five annual instalments at an interest rate of 14.50 per cent.</p>	<p>The Thiruvananthapuram Taluk Integrated Silk HWCS Ltd No.S.Ind (T) 847 was registered on 28.01.2006 for the exclusive purpose of implementing the pure silk weaving scheme in handloom sector in Thiruvananthapuram Taluk. The project report submitted by the Society was actually envisaged for reposition of 1000 handlooms within a period of 4 years in 2 phases ie, 250 looms per year. The working capital estimated for one year was 5.37 crore of which 40% was to be obtained from NCDC as margin money assistance and the balance 60% was to be raised by the society from other sources of the society.</p> <p>Government recommended the project proposal to NCDC and NCDC sanctioned margin money assistance of ₹ 2 crore on July 2009 as loan. The terms and condition for repayment and interest has been fixed by the Government as per G.O(Rt)No.771/10/ID dated 28.05.2010. As per the G.O the period of the loan will be 5 years at an interest of 14.50% per cent.</p> <p>The Government accorded administrative sanction for the release of margin money assistance to the society on 11.08.2009. The Director of Handloom and Textiles authorised the General Manager, District Industries Centre, Thiruvananthapuram to release the fund to the society. The margin money assistance of ₹ 200 lakhs was</p>

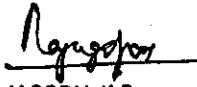
<p>The Industries Department, Government of Kerala accorded administrative sanction (August 2009) for release of the loan to the Society and the Director of Handloom and Textiles drew and handed over the loan amount to the General Manager (GM), District Industries Centre, Thiruvananthapuram (DIC) for payment to the Society after executing necessary loan agreement. The GM deposited (September 2009) the loan amount in a bank account (SB A/c No.8377 in Thiruvananthapuram District Co-operative Bank) operated jointly by himself and Secretary of the Society and released the entire amount of ₹ two crore in three instalments (October 2009, January 2010, March 2010) (₹ 20,19,200/-, ₹ 4,60,800/- and ₹ 175,20,000/-), after executing an agreement (September 2009) with the Society.</p> <p>Audit scrutiny (April 2011) revealed the following lapses in the sanctioning and release of loan to the Society:</p> <p>The Society with a share capital of only ₹ 6.75 lakh could not raise the working capital as envisaged. The NCDC reported (March 2011) that the Society lacked a clear cut strategy for production, marketing and did not have a mechanism to check the quality of raw materials/finished goods. The department, however, overlooking these aspects recommended the project for loan without evaluating its feasibility.</p> <p>As per Article 234 of Kerala Financial Code (KFC), before considering a loan application, the sanctioning authority should obtain from the applicant inter alia, details of sources of income for repaying the loan within the stipulated period and details of security proposed to be offered for the loan together with valuation of security by an independent authority. The Society executed (August 2009) a Mortgage Deed with the Department, transferring all its movable and immovable properties, both present and future, to be charged as security for repayment but did not enclose the details of any property so mortgaged. As per the latest accounts furnished by the Society for 2006-07, the Society did not possess any movable property but had an un-discharged liability of ₹ 12.31 lakh. The Junior Co-operative Inspector (Handloom circle), Balaramapuram had also reported that the society did not own any property and increase of un-discharged liability to ₹ 13.68 lakh. Thus, the application of the Society for loan</p>	<p>deposited in Thiruvananthapuram District Co-operative bank, in the joint account operated by the General Manager, District Industries Centre, Thiruvananthapuram and the Secretary of the society on 29.09.2009, and released to the society in 3 installments. General Manager, District Industries Centre, Thiruvananthapuram released the amount only after executing an agreement.</p> <p>The project was considered as an initiative which intended to establish an innovative weaving cluster aiming creation of value added and market oriented silk products. The goal of such a project would be the development of textile sector in the area and ultimately the augmentation of income to the weavers.</p> <p>The Department of Industries and Commerce had conducted an elaborate diagnostic study through K-BIP to know the feasibility of repositioning the skilled and prospective handloom weavers on cotton products in the district to produce innovative silk products. Based on this study and further interactions held with experts on the line, the State Government initiated step to implement appropriate silk weaving scheme in Thiruvananthapuram District. Accordingly, the State Government ordered to register a Silk Handloom Weavers Co-operative Society.</p> <p>As the project is in traditional industrial sector, where to Government lends its hand in a broad manner, the prorata share capital owned by the society was not taken into account, but only feasibility of the project. Since the area of operation of the society is comprised a major handloom pocket, wherein</p>
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<p>was recommended by Industries Department without ascertaining its financial status thereby not safeguarding the financial interests of Government. Consequently, the Society had not repaid any amount to Government and the amount outstanding as of September 2012 in respect of the first three instalments was ₹2.09 crore.</p>	<p>thousands of handlooms are working, feasibility of the project was not doubtful. It was the circumstance that the project was recommended for the consideration of Director of Handloom and Textiles and concerned forums for approval. District Industries Centre, Thiruvananthapuram had evaluated the project before recommendation.</p>
<p>The Society in its project report had claimed 250 looms to be ready for silk production in the first year. But a site verification by Department (February 2010) revealed only 31 operational looms. As the Society already had 52 working silk weaving looms at the time of applying for loan, it was evident that the Society had not re-positioned any additional cotton loom since its availing of two instalments amounting to ₹25 lakh. Further, it had also failed to raise corresponding working capital. These facts were reported (February 2010) to the Government by the GM. As the Society failed to raise its share of working capital, implementation of the project had become unviable. So, Government should not have released the balance amount of loan to the Society. The Secretary to Government on contrary directed (March 2010) the GM to release the remaining amount of loan of ₹1.75 crore to the Society and the GM had complied with the directions.</p>	<p>Since it was an innovative initiative and specialized project, guidelines were not available as applicable to regular schemes. The project report was envisaged to arrange only working capital. To mobilize working capital from financial institutions, margin money is essential. As per the project report, sales for the 1st year was projected as ₹12.88 crores and ₹14.49, ₹15.95 and 17.54 crores for the 2nd, 3rd and 4th subsequent years. Gross profit for the above years was expected as ₹2.97 crores, 6.47 crores, 7.11 crores and 7.83 crores respectively. As such viability of the project was also obvious.</p>
<p>Even though the GM was to watch proper utilisation of the funds released and produce utilisation certificate (UC) after verifying the accounts of the Society, within one year from the date of release, UC was produced only in respect of the first two instalments.</p>	<p>The source of income and schedule of repayment were available in the detail project reports. District Industries Centre, Thiruvananthapuram had already examined the details before the project was recommended.</p>
<p>As of September 2012, the Society did not repay any amount towards repayment of loan. However, Government had to refund ₹80 lakh towards principal and ₹45 lakh towards interest to NCDC(November 2012) and the liability of Government remained at ₹120 lakh towards principal and ₹23 lakh towards interest.</p>	<p>The project was not implemented properly by the society. The failure was solely due to lack of initiatives as envisaged in the project report. The agency also not cared to arrange the working capital loan from anywhere. In this innovative project the operational guidelines/conditions are not available/specified.</p>
<p>Thus, department's failure in ensuring the eligibility of the Society before recommending sanctioning of loan coupled with the injudicious decision of the Secretary, Industries Department to release the loan amount ignoring the report of the GM, resulted in the released of assistance of ₹two crore to an</p>	

ineligible Society. Consequently, the Government had to bear the liability of ₹ 2.68 crore (over a period of five years from November 2011 to November 2015) besides denial of assistance to members of other eligible societies.

The matter was reported to Government (October 2012); the reply had not been received (April 2013).

The Director of Handlooms & Textiles has reported that the files and records of the society had been taken by Vigilance Department as part of enquiry. The enquiry has not been completed yet.


RAJAGOPAL.K.S
Joint Secretary
Industries Dept
Govt. Secretariat
Trivandrum


Statement showing the Additional Information sought by the Public Accounts Committee on paras

3.2.2, 4.1.8.2, 4.1.9, 4.1.10 & 4.1.11 of the C&AG Report ended on 31st March 2011.

Additional information sought by the Committee	Additional Information submitted
<p>Para 3.2.2:</p> <p>Undue favour to an Industrial Co-operative Society The Committee wants to know whether the assistance availed by the five societies including the Pinarayi Society has been properly utilized. The present status of the societies is also needed.</p>	<p>Out of the five Societies mentioned in the budget speech, only two Co-operative Societies were extended assistance by Industries Department, namely Pinarayi Industrial Co-operative Society, Kannur and PADDICO, Palakkad. The status of these societies are as follows:</p> <p>(i) Pinarayi Industrial Co-operative Society, Kannur Out of the Rupees two crores extended as assistance, the Society utilized Rs.1.00 crore for construction/ procurement of modern machinery and Rs.1.00 crore as working capital. The modernized factory was inaugurated on 16.01.2010. Furthermore, as part of diversification efforts of the society, a new unit for manufacturing roofing tiles commenced production on 23.04.2011. Both the units are presently working satisfactorily.</p> <p>(ii) PADDICO, Palakkad</p> <p>Out of the Rs.2.00 crores sanctioned as loan to PADDICO for meeting working capital requirements, the society has utilized Rs.64.42 lakhs for procurement of paddy. The remaining amount was utilized for retiring debts and meeting interest payments. As such the amount sanctioned to PADDICO</p>

	<p>based on the project report has not been used entirely for the purpose for which it was sanctioned.</p> <p>As per the last Audit Report (2012-2013), the Society incurred operating losses to the tune of Rs.56,86,297. Besides, the Society has accumulated losses totaling Rs.10,77,92,679.</p> <p>Action has been initiated as envisaged under Circular No.4/2007/Fin dated:18.01.07 and notices issued levying penal interest on the defaulted loan. As on 31.03.2014, the total outstanding amount comes to Rs.3,53,77,570 which includes Rs.1,37,75,000 as interest and Rs.16,02,570 as penal interest. The Society has not started repayment of the loan amount till date. Revenue Recovery measures are being adopted against the Society to recover the amount due.</p> <p>A detailed reply is enclosed as Annexure I.</p>
<p>Para 4.1.8.2: Improper release of State Investment Subsidy. The Committee needed a revised detailed reply revealing the circumstances which lead to the sanction of State Investment Subsidy and subsequent withholding.</p>	
<p>Para 4.1.9: Post disbursement monitoring of units that were granted State Investment Subsidy. The Committee required updated status of disbursement of State Investment Subsidy and subsequent monitoring. Inputs like (i) How many units are functioning; (ii) whether the amount is recovered in cases where the norms are violated etc.</p>	<p>A detailed reply is enclosed as Annexure II.</p>
<p>Para 4.1.10: Margin Money Loan. The Committee required statistics of Margin Money Loan in detail. Inputs like (i) How many units are functioning (ii) whether the amount is recovered in cases where the norms are violated.</p>	<p>A detailed reply is enclosed as Annexure III.</p>

<p>Para 4.1.11: Share participation by Government in Industrial Co-operative Societies. The Commitree required updated statistics on retirement of Government share participation, steps taken to recover the amount due etc.</p>	<p>The Department has issued strict guidelines on 17.12.2011 for recovery on retirement of the Government Share Participation [GSP] to Co-operative Societies. As a result, the recovery by retirement of GSP has improved. As on date, Rs.9.52 crore sanctioned as GSP is due for retirement after 15 years.</p> <p>Out of the 2315 Co-operative Societies registered and given GSP in 14 districts of the State, 435 are working, 1346 are dormant/not working and 534 are under liquidation. In effect, 81% of the Societies are non-functional. A total amount of Rs.5.53 crores have been received against retirement.</p> <p>In cases of wilful default, coercive action as stipulated in the agreement executed by the Societies is also being pursued. Instructions to this effect have been issued to all District Industries Centres and action has been initiated to recover the amounts due under Revenue Recovery procedures. In the case of defunct societies, Liquidators are being posted to wind up the units and realize the amounts due at the earliest.</p>
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 A. SANTOSH
 Member, Committee to Govt.
 Co-operative Societies
 Maharashtra, 115, 116, 117
 Government Buildings, 115, 116, 117
 Thane

Detailed reply in respect of para 4.1.8.2

M/s. Cybele Herbal Laboratories Pvt. Ltd. Kanjar, Idukki is a SSI unit engaged in the production of ayurvedic medicines. The unit commenced commercial production on 30.5.2001. The unit on 21.5.2002 applied for State Investment Subsidy before the General Manager, District Industries Centre, Idukki. The G.M, DIC on 7.1.2003 forwarded the application to the Director of Industries and Commerce along with the supporting documents with a recommendation to sanction subsidy of Rs. 25 lakhs to the unit. Subsequently on 19.7.2003 the G.M, DIC, Idukki reported that the unit is not functioning and requested not to consider the application of the unit for State Investment Subsidy. On 4.2.2004, the G.M, DIC reported that there is intermittent production in the unit. On 30.7.2004, the unit informed that they have started the regular production with effect from 10.7.2004 after repairing and reinstalling the defective machinery. This case was placed in the State Level Committee on State Investment Subsidy held on 5.8.2004 and the Committee sanctioned an amount of Rs. 25 lakhs to the unit as State Investment Subsidy. The Committee resolved that before releasing the subsidy to the unit, the Director of Industries and Commerce should ensure that the unit has started regular production using all the machineries considered for subsidy and working satisfactorily. Subsequent inspections conducted by the G.M, DIC revealed that the unit has not started regular production. On 9.12.2005, the Director of Industries and Commerce issued a show cause notice to this unit as to why the State Investment Subsidy sanctioned to this unit shall not be recommended for the cancellation before the State Level Committee on the grounds of irregular working, non availability of major machinery items and insufficient raw materials for production. The issue was again taken up with the State Level Committee on State Investment Subsidy. The State Level Committee on State Investment Subsidy held on 10.8.2006 resolved to authorise the Director of Industries and Commerce to take necessary decision on this matter after affording an opportunity to the party of being heard.

The unit filed WP (C) No. 18424/06 against the notice of Director of Industries and Commerce dated: 09/12/2005. The Hon'ble High Court in its judgment dated: 25/07/2008 in WP (C) No. 18424/06 directed the Director of Industries and Commerce to take a final decision in the matter after affording the company an opportunity of being heard within 2 months, after the representation in this regard is received from the unit, which should be filed within two weeks. The unit filed a detailed representation before the Director of Industries and Commerce on 31/07/2008. In the meantime Government also sought a report on the representation of the unit. The Director of Industries and Commerce along with the G.M, DIC, Idukki visited the factory on 07/11/2008 and also heard the Petitioner. The Director of Industries and Commerce reported to Government that the unit was found to be working partially on 07/11/2008, but found working regularly subsequently. Based on this report, Government on 01/08/2009 directed to release the subsidy sanctioned by the State Level Committee to the unit subject to the satisfaction of the conditions stipulated in G.O (MS) No. 92/2000/ID dated: 11/07/2000. Based on this Government letter the Director of Industries and Commerce issued a proceedings on 20/08/2009 directing the GM, DIC, Idukki to release the subsidy to the unit after ensuring the conditions stipulated in G.O (MS) No. 92/2000/ID dated: 11/07/2000.

As per G.O (MS) No. 11/2000/ID dated: 11/07/2000 and subsequent amendment in G.O (MS) No. 3/2004/ID dated: 19/01/2004, "Industrial units which receive investment subsidy will be under obligation to remain working for five years from the date of commencement of commercial production. However, it is necessary that the unit shall be a working one, as on date of release of subsidy. Closed down units are not eligible for subsidy even if they had already worked for five years". The G.M, DIC, Idukki on 7.10.2009 released the subsidy amount to the unit. On 12.1.2011, the G.M, DIC, Idukki reported that the unit is not working at the time of inspection and since the unit has violated the agreement executed with Government as it has not functioned for five years continuously from the date of receipt of subsidy, registered notice to refund the subsidy sanctioned along with the interest was issued to the unit. On 25.1.2011, the G.M, DIC, Idukki issued Revenue Recovery requisition against the unit to recover Rs. 25 lakhs with the interest

at the rate of 14% from the unit. The unit filed WP (C) No. 4948/2011 before the Hon. High Court. The Hon. High Court in its judgement dated 17.2.2011 directed the Principal Secretary (Industries) to consider and pass appropriate orders on exhibit P6 representation of the unit. Government heard the petitioner unit on 6.6.2011 and issued a Government order. As per GO (Rt) No.198/2012/ID dated 3.2.2012, Government rejected the contentions raised by the unit, vacated the temporary stay on the Revenue Recovery and allowed the G.M, DIC to proceed with the Revenue Recovery to realize the State Investment Subsidy sanctioned to this unit. Against this GO the unit filed WP (C) No. 1270/12 before the Hon. High Court of Kerala. The Hon. High Court in its Judgement dated 14.6.2012 extended the stay on the Revenue Recovery for a period of one month so that the petitioner may challenge the said Government Order by filing appropriate proceedings.

The unit filed WP (C) No. 16066/2012 before the Hon. High Court of Kerala which is still pending for disposal. As the stay on Revenue Recovery is still continuing, the revenue authorities could not take possession of the land and building of the unit. No amount could be realised from the unit so far. Steps have been initiated to vacate the stay of the Hon. High Court on the Revenue Recovery proceedings. In this connection a letter was issued from Government to the Advocate General on 04.04.2013 (letter no: 4516/B2/11/ID, dated 04.04.2013) to take action for the early disposal of the case. Again as per the letter no: 32642/B2/14/ID, dated 14.11.2014, the Advocate General has been requested to take action for an early decision in this case.

Further, based on the instructions by Government, steps are being initiated by the Director of Industries and Commerce to file a police case against the unit for availing subsidy by fraudulent means. Action is also being initiated to fix responsibility upon the officer (s) who released the subsidy amount to the unit without proper verification whether the unit was functioning at the time of release of subsidy.

Annexure II**Detailed reply in respect of para 4.1.9**

As per the manual of State Investment Subsidy, all industrial units which avail subsidy have to function continuously for five years from the date of receipt of subsidy. If the unit is closed down before the stipulated five years, the amount of subsidy received along with interest has to be refunded to Government. In case of non refund, revenue recovery action is initiated to recover the amount.

Based on the earlier audit objection that monitoring mechanism in the Industries Department is not proper, a monitoring committee has been constituted in all the districts with General Managers as its Chairman and a few officials as the members. The list of all units to whom subsidy is sanctioned is distributed to the field officers and instructed to verify them till the stipulated period. Closed down units are issued notices for refunding the amount. Revenue recovery is also initiated against the non complying units. Further to that, the Director of Industries & Commerce had instructed all sub offices to inspect units which are sanctioned State Investment Subsidy and furnish the details of inspected units by the field officers to the General Managers and Director of Industries & Commerce. A random cross check verification is being done at the level of the General Managers and Director of Industries & Commerce. Instructions are already given to the General Manager, District Industries Centres in this regard in the last Plan Review Conference held by the Director on 21.10.2014, a copy of which is enclosed as **Appendix I** for kind information.

The cross verification of the records maintained at the sub offices pertaining to the inspection of the industrial units which availed subsidy is also undertaken by the internal audit wing of the Directorate of Industries & Commerce during their regular yearly internal auditing.

The suggestion of Accountant General towards the mortgaging of the assets is a policy matter which will be decided upon separately. In case of Margin Money Loan, Government taking second charge over the assets considered for assistance was prevalent. In case a financial institution takes those assets considered for subsidy as collateral security, the question of Government taking second charge will be examined for a suitable decision.

The State Investment Subsidy was dispensed with effect from 01.04.2012. In the new manual of Entrepreneur Support Scheme, documents like Balance Sheet, License from Local Body, Electricity Bills and yearly performance particulars are to be mandatorily furnished by each unit every year. Further monitoring of industrial units which availed Entrepreneur Support is also contemplated in the Manual of Entrepreneur Support Scheme.

As desired by the Committee, the details of all units which availed State Investment Subsidy year wise since 2008-09, the number of units inspected, units found closed, action taken over non conforming units, amount realised etc are furnished herewith as **Appendix II**.

Detailed reply in respect of para 4.1.10

As per the rules of Margin Money loans the Government holds second charge over the assets against which the Margin Money Loan has been sanctioned. Each unit which avails Margin Money Loan has to repay the same over a period of eight years and three months. Every year defaulted entrepreneurs are issued demand notices and several cases have been referred for revenue recovery.

Based on the earlier audit objection that proper pre-disbursement verification is not done, a Project appraisal committee (District Level Project Appraisal Committee) each has been constituted in all the districts and an apex body (Project Evaluation Team) is constituted in the Directorate to appraise projects. The copy of the orders constituting the same is enclosed as **Appendix III**. The scheme of Margin Money Loan was discontinued with effect from 01.04.2012.

As desired by the Committee, the details of all units which availed Margin Money Loan year wise since 2008-09, the no of units inspected, units found closed, action taken over non conforming units, amount realised etc are furnished herewith as **Appendix IV**. The details of amount so far released to units, amount recovered etc. are furnished herewith as **Appendix V**.

APPENDIX I

2014-ലെ വ്യവസായ വാണിജ്യ ഡയറക്ടറുടെ വീഡിയോ കോൺഫറൻസിന്റെ മിനിറ്റ്സ്

2014-ൽ യോഗം ആരംഭിച്ചു. 2015 ഫെബ്രുവരിയിൽ നടക്കുന്ന ബിസിനസ്സ് ടു ബിസിനസ്സ് മീറ്റിൽ പങ്കെടുക്കുന്ന യൂണിറ്റുകളെ പങ്കെടുപ്പിക്കുന്നതിന് പുതുക്കിയ ടാർജറ്റ് നൽകിയിരുന്നെന്നും അതനുസരിച്ചുള്ള ഓരോ ജില്ലയുടെയും നേട്ടം ഡയറക്ടർ വിലയിരുത്തി.

ജില്ല	ടാർജറ്റ്	നേട്ടം
തിരുവനന്തപുരം	15	25
കൊല്ലം	10	10
കോട്ടയം	10	8 (DD forwarded 6 Nos)
പത്തനംതിട്ട	5	5
ആലപ്പുഴ	10	12
ഇടുക്കി	5	2
എറണാകുളം	40	46
തൃശ്ശൂർ	25	17
പാലക്കാട്	20	21 (DD forwarded 11 Nos)
മലപ്പുറം	10	14
കോഴിക്കോട്	15	15
വയനാട്	5	3
കണ്ണൂർ	10	12
കാസർഗോഡ്	5	5
ആകെ	185	195

ലക്ഷ്യം കൈവരിച്ചതിന് ജനറൽ മാനേജർമാരെ ഡയറക്ടർ അഭിനന്ദിച്ചു. ഉന്നിയും ലക്ഷ്യം കൈവരിക്കേണ്ട ജില്ലകൾ ഏത്രയും പെട്ടെന്ന് അവ കൈവരിക്കേണ്ടതാണെന്ന് ഡയറക്ടർ അഭിപ്രായപ്പെട്ടു.

തൃശ്ശൂർ ഓക്ടോബറിൽ 24-ാം തീയതി Ethnic Kerala തനതു കർകാശല
കളുടെ മേഖലാ പ്രദർശനത്തിൽ പങ്കെടുക്കുന്നതിന് ഓരോ ജില്ലയിൽ
നിന്നും കണ്ടെത്തിയ ഉൽപ്പന്നങ്ങളുടെ എണ്ണം ഡയറക്ടർ ആരാഞ്ഞു. ഈ
പ്രദർശനത്തിൽ പരമാവധി യൂണിറ്റുകളെ പങ്കെടുപ്പിക്കുന്നതിന് ഡയറക്ടർ
നിർദ്ദേശിച്ചു.

പബ്ലിക് അക്കൗണ്ട്സ് കമ്മിറ്റി:

പബ്ലിക് അക്കൗണ്ട് കമ്മിറ്റിക്ക് മറുപടി നൽകുന്നതിനായി ആക്ഷൻ
ടേക്കൺ റിപ്പോർട്ട് നൽകിയതിൽ മാർജിൻ മണി ലോൺ വിവരങ്ങൾ
ജില്ലയിൽ നിന്നും ആകെ അനുവദിച്ച മാർജിൻ മണി മുതൽ, പലിശ,
പിഴപലിശ ഇവ സംബന്ധിച്ച പുർണ്ണമായ വിവരങ്ങൾ ഉൾപ്പെടുത്തി
നൽകേണ്ടതാണ്. (ചില ജില്ലകളിൽ നിന്നും 2008-നുശേഷമുള്ള
വിവരങ്ങളാണ് നൽകിയിരിക്കുന്നത്.) മൊത്തം അനുവദിച്ച തുകയിൽ ഇനി
എത്ര തുക തിരിച്ചടയ്ക്കുവാൻ ഉണ്ടെന്നും അതിൽ കുടിശ്ശിക വരുത്തിയത്
എത്ര എന്നും അവയിൽ എത്രയെണ്ണത്തിന് റവന്യൂ റിക്കവറി നോട്ടീസ്
സ്വീകരിച്ചുവെന്നും എണ്ണം, തുക എന്നിവ സഹിതം 25/10/2014-ന് മുൻപായി
റിപ്പോർട്ട് നൽകേണ്ടതാണ്. ഇത് സംബന്ധിച്ച വിവരങ്ങൾ ജനറൽ
മാനേജർമാർ എല്ലാ മാസവും റിവ്യൂ ചെയ്യേണ്ടതാണ്.

മാർജിൻമണി ലോണിന് റവന്യൂ റിക്കവറി സ്വീകരിച്ച വിവരം എല്ലാ
മാസവും കൃത്യമായി നൽകേണ്ടതാണ്.

മാർജിൻമണി തിരിച്ചടവ് സംബന്ധിച്ച വിവരങ്ങൾ കൃത്യമായി
നിരീക്ഷിക്കേണ്ടതാണ്. സമയപരിധിക്കുള്ളിൽ തന്നെ നോട്ടീസ്
നൽകേണ്ടതും റവന്യൂ റിക്കവറി സ്വീകരിക്കേണ്ടതുമാണ്. ഒുവസായ
വികസന ഓഫീസർമാർക്ക് ടാർജറ്റ് നൽകുകയും കൃത്യമായി യൂണിറ്റുകൾ
സന്ദർശിച്ച് പ്രവർത്തന വിവരം റിപ്പോർട്ട് ചെയ്യേണ്ടതാണ്.

(ആക്ഷൻ : ജനറൽ മാനേജർമാർ)

State Investment Subsidy അനുവദിച്ച യൂണിറ്റുകൾ പരിശോധിച്ച് 5 വർഷം പ്രവർത്തിക്കുന്നുണ്ടോ എന്നും പ്രവർത്തിക്കാത്ത യൂണിറ്റുകൾക്ക് അനുവദിച്ച തുക തിരിച്ചെടുക്കുന്നതിന് സ്വീകരിച്ച നടപടികൾ സംബന്ധിച്ച് റിപ്പോർട്ട് ചെയ്യേണ്ടതാണ്. വ്യവസായ വികസന ഓഫീസർമാർ യൂണിറ്റ് വിസിറ്റി ചെയ്ത് നൽകുന്ന റിപ്പോർട്ട് ജനറൽ മാനേജർമാർ sample check ചെയ്യേണ്ടതാണ്. ഇതു സംബന്ധിച്ച് ജനറൽ മാനേജർമാർ നൽകിയ റിപ്പോർട്ട് ഇപ്രകാരമാണ്.

Sl.No.	District	No.of Cases sanctioned	Closed	Refund	Revenue Recovery Taken
1	Thiruvananthapuram	142	1		
2	Kollam	177	5		8
3	Pathanamthitta	82	4		3
4	Alappuzha	83	3	1	2
5	Idukki	82	4		2
6	Kottayam	129	6	1	1
7	Ernakulam	580	4		1
8	Thrissur	297	8		2
9	Palakkad	120	9	3	1
10	Malappuram	102	1		
11	Kozhikode	122	8		
12	Wayanad	36	1		
13	Kannur	201	3	1	1
14	Kasargod	57	3	1	2

Subsidy അനുവദിച്ച യൂണിറ്റുകൾ close ചെയ്തിട്ടില്ലെങ്കിലും യൂണിറ്റ് കൈമാറിയിട്ടുണ്ടെങ്കിൽ അത് സംബന്ധിച്ച വിവരവും ശേഖരിക്കേണ്ടതാണ്. 2008-നു മുൻപ് സ്റ്റേറ്റ് ഇൻവെസ്റ്റ്മെന്റ് സബ്സിഡി അനുവദിച്ച നൽകിയിട്ടുള്ള യൂണിറ്റുകളുടെ വിവരവും ശേഖരിക്കേണ്ടതാണ്.

(ആക്ഷൻ : ജനറൽ മാനേജർ)

Empowered Committee എല്ലാ quarter-ലും കൃത്യമായി കൂട, മിനിട്ട്സ് ഡയറക്ടറേറ്റിൽ നൽകേണ്ടതാണ്.

Entrepreneur Support Scheme-ന്റെ ജില്ലാതല കമ്മിറ്റികൾ കൂടി പരമാവധി അപ്ലിക്കേഷനുകൾ തീർപ്പാക്കേണ്ടതാണ്.

Single Window Clearance യോഗം ചേരുമ്പോൾ പരമാവധി അപ്ലിക്കേഷനുകൾ തീർപ്പാക്കേണ്ടതാണ്.

ഈ സാമ്പത്തികവർഷം നടന്ന കമ്മിറ്റികളുടെ എണ്ണം (ജില്ല തിരിച്ച്) ജനറൽ മാനേജർമാർ റിപ്പോർട്ട് ചെയ്ത പ്രകാരം ചുവടെ ചേർക്കുന്നു:

District Empowered Committee		Single Window		Entrepreneurs Support Scheme	
Thiruvananthapuram	1	Thiruvananthapuram	1	Thiruvananthapuram	1
Kollam	1	Kollam	1	Kollam	2
Pathanamthitta	1	Pathanamthitta	1	Pathanamthitta	1
Alappuzha	2	Alappuzha	5	Alappuzha	4
Idukki	1	Idukki		Idukki	1
Kottayam	1	Kottayam	1	Kottayam	2
Ernakulam	1	Ernakulam	2	Ernakulam	2
Thrissur	1	Thrissur	2	Thrissur	3
Palakkad	1	Palakkad	2	Palakkad	2
Malappuram	1	Malappuram		Malappuram	1
Kozhikode	1	Kozhikode	1	Kozhikode	2
Wayanad	2	Wayanad		Wayanad	2
Kannur	2	Kannur	1	Kannur	2
Kasargod	2	Kasargod	3	Kasargod	3

സംരംഭക സഹായ പദ്ധതിക്ക് 24 കോടി അലോട്ട് ചെയ്തെങ്കിലും 2 14 കോടി മാത്രമേ ചെലവഴിച്ചിട്ടുള്ളൂ. ബാക്കി 10 കോടി ചെലവഴിക്കുന്നതിന് അടിയന്തിര നടപടികൾ സ്വീകരിക്കേണ്ടതാണ്.

സംരംഭക സഹായ പദ്ധതിക്ക് ഫീസ് collect ചെയ്ത തുകയുടെയും ചെലവായതിന്റെയും കണക്കുകൾ റീപേ സഹിതം ഒരാഴ്ചക്കുള്ളിൽ ലഭ്യമാക്കേണ്ടതാണ്.

2014 ഡിസംബറിൽ ലാന്റ് പോർട്ടൽ പ്രസിദ്ധപ്പെടുത്തുന്നതിന് ഒരു മാസനളവെ ചുമതലപ്പെടുത്തി DA/DP കളിലെ യൂണിറ്റുകൾ പ്രവർത്തിക്കുന്നുണ്ടോ എന്നും പ്രവർത്തനരഹിതമായ യൂണിറ്റുകളുടെ ലാന്റ് സംബന്ധിച്ച വിവരങ്ങൾ നവംബറിൽ റിപ്പോർട്ട് ചെയ്യേണ്ടതാണ്.

മാർജിൻമണി റീഫണ്ട് സോഫ്റ്റ്‌വെയറിൽ മോഡിഫിക്കേഷൻ ആവശ്യമാണെന്നും പത്തനംതിട്ട ജനറൽ മാനേജർ ആവശ്യപ്പെട്ടു.

PMRY Subsidy ലഭിക്കാത്ത യൂണിറ്റുകളുടെ വിവരം വ്യവസായ വാണിജ്യ ഡയറക്ടറേറ്റിൽ നൽകിയിരുന്നതായി കൊല്ലം ജനറൽ മാനേജർ അറിയിച്ചു. ഇതിനുള്ള നടപടി Reserve Bank-ൽ എടുത്തു വരുന്നു എന്ന് അഡീഷണൽ ഡയറക്ടർ(ജി) അറിയിച്ചു.

കമ്പ്യൂട്ടർ റൂം, ഇ.ജി സെൽ, കമ്പ്യൂട്ടർ റിപ്പയർ ഇവ Strengthen ചെയ്യുന്നതിനുള്ള proposal-കൾ അയച്ചിട്ടുള്ളതായി കൊല്ലം ജനറൽ മാനേജർ അറിയിച്ചു. കമ്പ്യൂട്ടർ റിപ്പയർ ചെയ്യുന്നതിനു പകരം replace ചെയ്യാവുന്നതാണെന്ന് ഡയറക്ടർ അഭിപ്രായപ്പെട്ടു.

UPS റിപ്പയർ ചെയ്യുന്നതിനുള്ള പ്രപ്പോസൽ സമർപ്പിച്ചിട്ടുള്ളതായി വയനാട് ജനറൽ മാനേജർ അറിയിച്ചു.

റെഡിമെയ്ഡ്, ഫ്ളോർമിൽ യൂണിറ്റുകൾ സ്റ്റാർട്ട് അപ്പ് സബ്സിഡി വാങ്ങിയശേഷം ജോബ് വർക്ക് ചെയ്യുന്നതായി വയനാട് ജനറൽ മാനേജർ

ഇത്തരം കേസുകളിൽ തുക തിരിച്ചടയ്ക്കുന്നതിന്
പ്രാധാന്യം എന്നതിനെ സംബന്ധിച്ച ക്ലാരിഫിക്കേഷൻ സർക്കാർ
തിരുമാനം അനുസരിച്ച് നൽകുന്നതാണ്.

Entrepreneur Support Scheme-നു വേണ്ട തുക അനുവദിച്ചു
നൽകണമെന്ന് മലപ്പുറം ജനറൽ മാനേജർ ആവശ്യപ്പെട്ടു. തുക
അനുവദിച്ചതായി അഡീഷണൽ ഡയറക്ടർ (ജി) അറിയിച്ചു.

സബ്സിഡി നൽകിയ യൂണിറ്റുകൾ പരിശോധിച്ച് റിപ്പോർട്ട് നൽകുന്നത്
പോലെ മാർജിൻ മണി അനുവദിച്ച യൂണിറ്റുകളും പരിശോധിക്കേണ്ടതാണ്.

വ്യവസായ വികസന ഓഫീസർമാർ യൂണിറ്റുകൾ സന്ദർശിച്ച്
നൽകുന്ന വിവരങ്ങൾ ജനറൽ മാനേജർമാർ ക്രോസ് ചെക്ക് ചെയ്യേണ്ടതാണ്.

Non Tax revenue collection കൂട്ടേണ്ടതാണ്.
12.45 ന് യോഗം അവസാനിച്ചു.

ഒപ്പ്/-
വ്യവസായ വാണിജ്യ ഡയറക്ടർ

അംഗീകാരത്തോടെ,

കെ.സുധീർ
അഡീഷണൽ ഡയറക്ടർ(ജി)

APPENDIX II

DETAILS OF SIS GRANTED TO MEMBERS SINCE 2008

FORM I

Financial year	No of units to whom SIS released	Total amount of SIS released	No of units inspected after release of SIS	No of units found closed	No of cases for which notice for issued	No of cases referred for R/R	No of cases in which Government reply is pending	No of units which returned the SIS	Amount recovered	
										1
2008-09	323	69865802	323	6	6	2	0	2	297609	
2009-10	343	65891092	343	20	19	10	1	0	255880	
2010-11	338	78654219	338	17	17	9	-	-	841198	
2011-12	325	85034820	325	6	6	2	-	-	-	
2012-13	582	163080175	582	11	11	2	-	-	-	
2013-14	141	24511813	141	-	-	-	-	-	-	
TOTAL	2052	487037921	2052	60	92	25	1	0	1394667	

APPENDIX III

Proceedings of the Director of Industries & Commerce Thiruvananthapuram
(Present :P.M.Francis.IAS)

ID1/10375/14.

Dated:13/06/14

Sub: Industries Department – Institutional Mechanism for evaluation of Project Proposals Constitution of Project Evaluation Team – order issued:

Read: Note dated:30/05/14 of the Additional Director (T).

Scores of proposals in many respects are received at Directorate every year. Most of these projects entail heavy investment. At present Directorate of Industries and Commerce does not have an institutional mechanism for evaluating project proposals. The proposals are now mostly processed at section level. This has often been proved inadequate as the projects are not subjected to the rigorous tests required to ascertain its technical feasibility and economic viability mainly due to the twin handicaps posed by high volumes of cases and relatively low levels of project assessment capabilities in the Directorate. It is essential to create a team of officials having expertise to evaluate project proposals before processing them for consideration at Directorate/Government level.

It is therefore decided that the department must have an institutional mechanism for proper evaluation and appraisal of project proposals at Directorate level. Hence the order.

ORDER

In the circumstances stated above a core team is hereby constituted with the following officers as the members of 'Project Evaluation Team'(PET) at the Directorate:

1. Sri.Ramesh Chandran, General Manager, District Industries Centre, Pathanamthitta (Chairman)
2. Sri.D.Rajendran, Manager, District Industries Centre, Pathanamthitta(Member)
3. Smt.Helen Jerome, Manager, District Industries Centre, Kollam (Member)
4. Sri.Shabeer, Assistant District Industries officer, District Industries Centre, Thiruvananthapuram (Member)

5. Assistant District Industries officer(ID), Directorate of Industries and Commerce
(Convenor)

The Project Evaluation Team at the Directorate will carry out the evaluation of project proposals referred by the District Level Project Appraisal Committee (DLPAC) and those submitted by Co-operative Societies, Apex Organization/Corporation directly to the Directorate. The Team will be convened once in the every month (preferably on the last working day of the month) with clear agenda circulated at least 10 days before the sitting of the Team. The agenda notes with project proposals from District Level Project Appraisal Committee (DLPAC) in case of projects requiring the approval of Project Evaluation Team (PET) as per the guideline to be issued separately will be collected by the convenor of Project Evaluation Team (PET) and placed before Project Evaluation Team(PET). The minutes of the meeting along with the proposals will be submitted to the members of Project Evaluation Team(PET) by the convenor. The project appraisal and evaluation frame work will be issued separately.

(Sd/-)

Director of Industries & Commerce

To

The Members, Project Evaluation Team(PET)

Copy to:

1. The General Manager, District Industries Centre,
2. CA to DI&C
3. Additional Director(G)
4. Additional Director(T)
5. Joint Director/Deputy Director
6. Section Heads
7. Stock File/Spare.

Forwarded /ByOrder


Assistant District Industries Officer

APPENDIX IV

FORM II

Details of MML released since 2008

Fin Year	No of units to whom MML released	Total amount of MML released	No of units inspected after release of MML	No of units found closed	No of cases for which notice for refund of MML/dues issued	Details of cases referred for RR			Details of amount recovered			
						No of cases referred for RR	Principal	Interest	Penal Interest	Principal	Interest	Penal Interest
1		3	4	5	6	7	8	9	10	11	12	13
2008-09	183	28555164	188	46	46	29	5497788	-1767743	192778	10094983	5406247	7267
2009-10	321	50639062	212	57	57	32	4447663	1287333	768	9507215	6462921	10466
2010-11	400	61970212	308	78	78	42	3748470	1319312	6737	6757235	7257909	4767
2011-12	303	49049128	204	15	15	13	2269313	338746	0	4932235	5726481	5511
2012-13	0	0	0	0	0	0	0	0	0	0	0	0
2013-14	250	36339014	186	35	35	0	4342992	5086474	0	6621939	1877029	7
TOTAL	1467	228632690	1086	231	231	116	203069226	9809606	200283	37913507	26723587	28018

APPENDIX V

FORM III

DETAILS OF MML (CUMULATIVE AS ON 30.09.2016)

District	No of units, to whom MML released	Total amount of MML released	Details of MML recovered/returned		MML Outstanding		Principle	No of cases referred for RR	Details of MML recovered/returned	
			Principle	Interest	Principle	Interest			Principle	Interest
	2	3	4	5	6	7	8	9	10	11
Thiruvananthapuram	1173	82511488	32151944	21766665	45511146	68177490	35965300	261	1720307	654210
Kollam	1571	108435586	68587656	13631912	38867930	51305687	37530000	103	28202791	136939201
Palnathamhitta	889	55280400	21807230	6284401	19875790	16341164	9481110	52	2047221	2098275
Alappuzha	1254	103073208	40785580	6454971	82311646	82116097	5454790	34	2775633	283538
Kottayam	2156	96381580	74871151	35330821	21447877	40466875	3897000	123	3320476	3540182
Idukki	634	36349359	23074465	7713096	16774854	14954051	18871000	56	2093013	4210986
Elnakulam	2222	204293019	102881401	82051474	101411618	100826789	61000000	154	2078074	1865180
Thiruvananthapuram	2435	166744679	100060020	56777382	30205903	63318157	13000000	235	4748736	3347710
Palakkad	1483	132306882	71021800	53546751	30907639	30191954	10000000	320	5629184	15643776
Malappuram	1366	80345133	51335507	20182333	14804725	43396633	10000000	63	1567043	2332033
Kozhikode	1278	67369350	38207802	23783348	29178148	21288004	10000000	175	630414	1722574
Wayanad	0	0	9250468	6519552	11278327	10689881	10000000	65	1749683	2031928
Kannur	1055	40129648	31005476	14813340	9124173	17486238	10000000	56	31005476	14813340
Kasaragod	751	31872965	24422378	17060723	13449657	32801301	10000000	0	0	0
TOTAL	18268	1184194830	891378988	353406670	448150032	988267463	175000000	1753	88827203	66843833

SIDCO MINI INDUSTRIAL ESTATES**DETAILS OF DEFUNCT/IDLE UNITS****(2013-14) & (2014-15) AS ON 31-10-2014**

Sl.No	Name & Address of the allottee/Unit	Details of Shed/Land	Steps taken for Termination/Resumption	Reason for Termination
1	Sri.Shamnad.M T.C. 39/1133, DARY LAMAN, Attakulangara Thiruvananthapuram 695 036 M/s Scube MIE,Vellanad	Shed No.9	Termination Order issued on 01-11-2014	Due to Non-Utilization
2	Sri.P.N. Vinod T.C.11/2419 Pattom Thiruvananthapuram M/s NOVA Systems MIE,Ulloor	Shed No.7 (600 sq.ft)	Termination order issued on 31-10-14	Due to Non-Utilization
3	Smt.Syamala Karunakaran Ravindra Mandiram Njarackal Perinad P.O Kollam 691 601 M/s WISE MIE,Ulloor	Shed No.10 & 3.1122 cents of additional land	Final Notice issued on 28-12-2013	Due to Non Functioning
4	Sri.K.P.Mayan Mohammed Mon Repose Thana, Kannur-670012 M/s Classic Sports Goods MIE, Baliyapattanam	Shed.No.1	Final notice Prior to Termination issued on 02-08-14	Due to Non Utilization
5	Smt.Naufrath Zarina Thamarapally, Edava P.O Thiruvananthapuram 695 103 M/s Southern Coconut Complex MIE, Varkala	Shrd No.4 (900 sq.ft)	Termination Order issued on 21-06-2011 Eviction Notice issued on 20-07-2011	Due to Non- Remittance of rental arrears

7	Sri.Venugopal, Triveni Kodasseri P.O Medakkollur,Atholi Calicut -673315 M/s Santha Book Company MIE, Perambra	Shed No.4	Termination Order issued on 03-07-14	Due to Non functioning
8	Sri.Paulson,Kuruthukulam Poonjanam P.O, Kattoor,Thrissur M/s Paulson Wood Industries MIE Kattoor	Shed No.3 (600 sq.ft)	Termination Order issued on 17-06-14 Eviction Notice issued on 24-09-14	Due to Non functioning
9	Sri.K.P.Mayan Mohammed Mon Repose, Thana Kannur – 670012 M/s United Oil Mills MIE , Kokkur	4.229 cents of vacant land	On the basis of hearing conducted by Chairman 4 months more time allowed w.e.f 16-10-14	Due to Non utilization
10	Smt.K.Kamala M/s Kamala Mills MIE, Baliyapattanam	Shed No.7 (600 sq.ft)	Notice issued on 14-09-14	Due to Non functioning
11	Sri.M.K.Mohammed Ashraf, Hilal Manzil Kokkur P.O ,Malappuram 679591 M/s Mannamkandath Offset Printers MIE, Kokkur	Shed No.10 (600 sq.ft)	Termination Order issued on 23-07-14	Due to Non- utilization 3 Months time allotted
12	Sri.K.Sreekumar Kodiveettil , Zacharia Bazar Ward, Beach Road Alapuzha-688012 M/s Nice Food Product MIE, Mararikulam	Shed No.7 (900 sq.ft)	Notice issued on 22-07-14	Due to idle occupation
14	Sri.K.Kunhi Mohammed Karuveppil house Afreena Manzil, S.S Road, Vengara P.O, Malappuram M/s Vengara Cloths MIE Oorakom	Shed No.4 (600 sq.ft) and 4.91 cents of land	Termination Order issued on 02-07-14	Due to Non- utilization

15	Smt.C.K.Saraswaty Devi Padma Sadanam 97-Vivekananda Nagar Mamoottilkadavu Kavanadu P.O, Kollam M/s Saviya Industries MIE Thrikkovilvattom	Shed No 1,3 & 12	Termination Order issued on 01-10-2014	Due to Unauthorized occupation
17	Smt.Anitha.K.Nair, Vaishnavi(H) Pandalam P.O,Adoor Pathanamthitta 689 501 M/s Indra Cables MIE ,Pandalam	Shed No.9 & 10	Termination Order issued on 07-10-2013 Eviction Notice Issued on 07-01-14	Due to Non remittance of rental arrears W.P.(C) No.21135/2014 filed
18	Sri.K.Moosakutty, Kolackal (H), Changaramangalam,Nanna mukku Malappuram M/s Ruksana Marbles MIE Kokkur	Shed No.8 (600 sq.ft)	Termination Order issued on 04-06-14 1 year more time allowed with effect from 23-09-14 by Government	Due to Non- utilization
19	Sri.Jose D Thekkekkara S/o Sri.Devassy Thekkekkara (H) Enamackal P.O Thrissur -680510 M/s Flexo Pack MIE,	Shed No.7 (900 sq.ft)	Termination Order issued on 13-11-2014	Due to unauthorized occupation
20	Sri.S.Shanmughan, Thunduvilaputhenveedu ,Amaravila P.O ,TVPM M/s Arun Sergiments MIE Thrikkovilvattom	Shed No.5 (600 sq.ft)	Termination Order issued on 01-11-14	Due to unauthorized occupation
21	Smt.Thressiyamma George Karukunnel(H),West Kodikulam P.O Thodupuzha M/s Mary Matha Oil Mill MIE Kodikulam	Shed No.12 (300 sq.ft)	Termination Order issued on 27-10-14	Due to unauthorized occupation
22	Smt.K.Gangadevi Narayana Vilasom, Koottikada P.O Valathungal M/s Ganga Enterprises MIE Thrikkovilvattom	Shed No.7 (300 sq.ft)	Termination Order issued on 01-11-14	Due to unauthorized occupation

23	Sri.Harish, Idivettiyath(H), Clappana P.O, Karunagapally P.O Kollam M/s Elangaram Plastics MIE Thrkkovilvattom	Shed No 4 (600 sq.ft)	Termination Order issued on 01-11-14	Due to unauthorized occupation
24	Sri.E.M.Salim Manzoor,Slim Mahal, Industrial Estate .P.O., Umayanalloor M/s Sunshine Intech Seating System MIE Thrkkovilvattom	Shed No.2 (900 sq.Ft)	Termination Order issued on 30-07-13	Due to Non- utilization
25	Sri.P.S.Babu M/s Aswathy Plastic Industries MIE S.Vazhakulam	Shed No.6 (450 sq ft)	Termination Order issued on 30-06-14 Case filed	Due to Non- utilization
26	Major M.V.Menon Kanjana, Ottapalam M/s Thermo Plastics MIE Ottapalam	Shed No.3 (900 sq.ft)	Termination Order issued on 05-09-14	Due to Unauthorized Transfer
27	Sri.P.A.Paulose,Perumattom m, Edayur P.O,Koothattukulam M/s Chemical India MIE Piravam	Shed No.3 (600 sq.ft)	Termination Order issued on 12-09-14	Due to Non- utilization
28	Sri.Konath Govindan Kutty Lekshmi Vihar, Kanyapuram Ottapalam M/sBella Blossom Shampoo MIE Ottapalam	Shed No.8 (300 sq.ft)	Termination Order issued on 12-09-14	Due to Unauthorized occupation
29	Sri.P.J.Shibu,Pottathu parmbil,East Combra,Irinjalakuda, Thrissur M/s S.S Industries MIE, Kattor	Shed No.8 (900 sq.ft)	Termination Order issued on 04-09-14	Due to Non- utilization

30	Sri.Shju Jos Lal's Cottage, Madhumoola Changanassery M/s Sangeetha Rubbers MIE Kodikulam	Shed No.1,2 and 6 cents of lan	Termination Order issued on 04-08-14	Idle occupation
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SIDCO INDUSTRIAL PARKS
DETAILS OF DEFUNCT/IDLE PLOTS
(2013-14) & (2014-15) AS ON 31.10.2014

Sl. No.	Name and Address of allottee/ Unit	Details of land & Plot No. allotted	Steps taken for resumption:
1	Smt.Neenu Thomas, M/s.Nayana Rubbers, IP, Kunnamthanam.	Plot No.34 10 cents of land	Resumption Order issued on 12.12.2013. Given back the plot to her for implementing the project and accorded sanction for construction of building on 13.10.2014.
2	Sri.T.P.Antony, M/s.ANS Engineering Works, IP, Chelakkara	Plot No.42 (9.45 cents of vacant land)	Resumption Order issued on 16.11.2013
3	Smt.Sobha Manohar, M/s.Keraleeya Ayurveda Services, IP, Chelakkara.	Plot No.5 & 6 (23.45 cents of vacant land)	Resumption Order issued on 15.10.2013 (case filed against Resumption)
4	Sri.Muhammed Noufal, M/s.Siyaco Industries, IP Shornur	Plot No.34 (9.48 cents of vacant land)	Resumption order issued on 12.12.2013. Given back to the plot to him for setting up the unit
5	Sri.K.Y.Shibabudeen, M/s.Kelath Industries, IP, Athani	Plot No.37-A, 37-B & 38 (24.65 cents of land)	Notice prior to Resumption issued on 15.10.2014. Two months time additional granted to start the unit.
6	Sri.Renny.E.D, M/s.Grace Tools and Dies, IP Athani	Plot No.35 (6.130 cents)	Notice issued on 01.08.2014
7	Sri.K.T.Chacko M/s.St.Mary's Concrete Product, IP, Kunnamthanam	Plot No.13	Notice issued on 01.08.2014. Construction of building is going on.
8	Sri.C.G.Jose, M/s.Siscily Fibre Products, IP, Moodadi	Plot No.4 (10 cents)	Plot Resumed on 21.07.2014 and taken back in SIDCO's possession
9	Sri.Dirsha K.Muhammed, M/s.Kairali Structural Fabrication, IP Angamaly.	Plot No.18 to 22 and 37 to 41 (80.385 cents)	Notice issued on 16.07.2014
10	Sri.N.P.Antony, M/s.Kalady Rice Millers Consortium, IP Angamaly.	1.50 acres of unplotted land	Notice issued on 18.06.2014
11	Sri.Lukose Mathew, M/s.Kakkaparambil Cement Bricks, IP, Kunnamthanam	Plot No.182 (21.63 cents land)	Notice issued on 16.06.2014

2	Sri.P.Divakaran, M/s.Purayannoor Industries, IP, Shornur	Plot No.12 (20.68 cents)	Notice issued on 17.06.2014, additional time allowed to him for setting up the unit.
13	Sri.Babu Thomas, M/s.Matha Rubber works, IP, Kunnamthanam	Plot No.4 (8.20 cents)	Resumption order issued on 23.10.2014 and prepared Mahassar.
14	Sri.sibi.M.D., M/s.Neo paints & Chemicals, IP, Kunnamthanam	Plot No.5 (12.04 cents)	Resumption order issued on 24.10.2014 and prepared Mahassar
15	Smt.Molamma Kuriakose, M/s.Sharon Rubber Industries, IP Kunnamthanam	Plot No.6	Final Notice issued on 09.10.2014
16	Sri.Sunish Balachandran, M/s.Nakshtra Industries, IP Moodadi	Plot No.8 (10.26 cents)	Notice issued on 29.09.2014
17	Sri.Sijo Poonath, M/s.Esck Engineering, IP, Angamaly.	Plot No.45 (10.02 cents)	Notice issued on 29.09.2014
18	Smt.Ceena Louies, M/s.Bazzling Fashion Centre, IP, Shornur	Plot No.11 (14.08 cents)	Land resumed and reallocated to new entrepreneur
19	Smt.Geetha Venugopal, M/s.G.V.R Industries, IP Athani	Plot No.4, 14 and 19	Final notice issued on 19.08.2014
20	Sri.C.D.George, M/s.St.George Barrels, IP, Chelakkara	Plot No. 1 & 2	Final notice issued dt.08.08.2014
21	Smt.M.V.Jayalakshmi, M/s.Nidhi Apparal, IP, Angamaly.	Plot No.C (33.900 cents)	Land resumed and prepared Mahassar
22	Smt.Bindu Sasikumar, M/s.IBIS Laundry and Drycleaners, IP, Angamaly	Plot No.B1 (20 cents)	Notice issued on 12.6.2014 3 months more time allowed for setting up of the unit.
23	Sri.Akil Kapasi, IP, Moodadi	Plot No.12, 13, 14, 15, 16, 17	Resumed all plots and 2 plots given back to him (12,13)

DETAILS OF TRANSFER OF UNITS IN INDUSTRIAL PARK'S OF SIDCO

Name and Address of the Unit	Transfer Proceedings No. & date	Details of Transferee (Name & address)	Name of new Unit	Product	Reason for transfer
Sri.T.S.Suresh Kumar, M/s.Classic Concrete Industries, IP, Angamaly	IP/Angly/325/06 dated 13.10.2014	Sri.Jomon Mathew, Chirayath, Pallippuram (H), Puthenchira East.P.O., Thrissur - 680 682	M/s.Pallippuram Electro Plating Industries	Concrete and FRP Products	Financial Problems and unhealthy circumstances
Sri.P.v.Davis, M/s.Rinose Wives, IP Chelakkara.	IP/CHKRA/4/08 dated 01.02.2014	Sri.Anees.C. (Managing Partner, M/s.Unique Products), Chettali (H), Velamboor.P.O., Malappuram Dt.	M/s.Unique Products	Coloured metal doors and frames	Financial crisis and sickness

Details of Land and Buildings of PSUs Under Industries Department

Company : Kerala SIDCO - Industrial Parks

	Location	Area in Acres				Nature of Ownership	Whether Hypothecated or not?	Built up Area (in Sq. Ft)		Whether Single Storied or	
		Total (Acre)	Utilized		Unutilized			Administrative Block	Factory	Multistoried Building	
			Own purpose	Rent/Lease						Administrative Block	Factory
1	ANGAMALY	15.39	1.92	13.131	0.339	Own	No	Nil	Nil	Nil	N.A
2	ATHANI	11.81	3.7035	7.0565	1.05	"	"	"	"	"	"
3	MOODADI	3.7781	0.4167	3.1614	0.2	"	"	"	"	"	"
4	SHORNUR	5	1.1207	3.8793	Nil	"	"	"	"	"	"
5	CHELAKKARA	5	0.59	4.41	Nil	"	"	"	"	"	"
6	THIRUVARP	1.34	0.31	1.03	Nil	"	"	"	"	"	"
7	KUNNANTHANAM	5	0.69	4.91	Nil	"	"	"	"	"	"

Details of Land and Buildings of PSUs Under Industries Department

Company - Kerala SIDCO - MINI Industrial Estates

Sl No	Location	Area In Acres			Whether Hypothecated or not?	Built up Area (In Sq.Ft)		Whether Single Storied or Multistoried Building	
		Total	Utilized			Administrative Block	Factory	Administrative Block	Factory
			Own purpose	Rent/Lease ORS					
1	JULLUR	1	93 Cents	ORS	No	Nil	5700	Nil	Single
2	VELLANAD	1	92 Cents	ORS & 1 Shed on Lease	"	"	6000	"	"
3	ANAD	1	92 Cents	ORS & 3 Sheds on Lease	"	"	6778	"	"
4	VARKALA	1	93 Cents	ORS & 4 Sheds on Lease	"	"	7500	"	"
5	CHITHARA	1	95 Cents	ORS & 4 Sheds on Lease	"	"	8550	"	"
6	CHADAYAMANJALAM	0.83	78 Cents	ORS	"	"	6600	"	"
7	THRIKOVILVATTOM	1	95 Cents	ORS	"	"	7500	"	"
8	PANDALAM	0.95	87 Cents	ORS & 2 Sheds on Lease	"	"	5500	"	"
9	NATTAKOM	1	80 Cents	ORS	"	"	7800	"	"
10	PAMPADY	1	90 Cents	"	"	"	5100	"	"
11	AYARKUNNAM	1	90 Cents	"	"	"	7200	"	"

12	KAL. KARAPALLY	1	95 Cents	"	"	"	"	"	"	"	"	8100	"	"
13	MARARIKULAM	1	88 Cents	"	"	"	"	"	"	"	"	6600	"	"
14	EDATHALA	1	78 Cents	"	"	"	"	"	"	"	"	6900	"	"
15	PIRAVAM	1	75 Cents	"	"	"	"	"	"	"	"	7800	"	"
16	KOTHAMANGALAM	1	84 Cents	"	"	"	"	"	"	"	"	7500	"	"
17	RAYAMANGALAM	1	89 Cents	"	"	"	"	"	"	"	"	7500	"	"
18	SOUTHVAZHAKULAM	1	90 Cents	"	"	"	"	"	"	"	"	7800	"	"
19	ADIMALY	1	86 Cents	"	"	"	"	"	"	"	"	5400	"	"
20	KODIKULAM	0.93	79 Cents	"	"	"	"	"	"	"	"	5664	"	"
21	OLAMATTOM	0.99	84 Cents	"	"	"	"	"	"	"	"	7500	"	"
22	ARIMPUR	1	92 Cents	"	"	"	"	"	"	"	"	6600	"	"
23	KATTOOR	1	92 Cents	"	"	"	"	"	"	"	"	7702	"	"
24	IMALA	1	90 Cents	"	"	"	"	"	"	"	"	7500	"	"
25	VANIYAKKULAM	1	85 Cents	"	"	"	"	"	"	"	"	5700	"	"
26	OTTAPALAM	1.19	109 Cents	"	"	"	"	"	"	"	"	7950	"	"
27	PATTAMBI	1	93 Cents	"	"	"	"	"	"	"	"	5200	"	"
28	EDAVANNA	1.2	110 Cents	"	"	"	"	"	"	"	"	6000	"	"
29	LOORAKOM	1	92 Cents	"	"	"	"	"	"	"	"	5700	"	"
30	KOKKUR	0.9909	91.09 Cents	"	"	"	"	"	"	"	"	5700	"	"

31	KADALUNDI	1	92 Cents	"	"	"	"	"	"	6300	"	"
32	PERAMBRA	1	93 Cents	"	"	"	"	"	"	6000	"	"
33	BALIYAPATANAM	1	85 Cents	"	"	"	"	"	"	6600	"	"
34	THALIPARAMBU	1	85 Cents	"	"	"	"	"	"	7500	"	"
35	KANIANGAD	1	88 Cents	"	"	"	"	"	"	5150	"	"
36	SULTANBATHERY	1	90 Cents	"	"	"	"	"	"	6000	"	"

Details of Major Industrial Estates Under SIDCO

Sl. No.	District	Name of Industrial Estate	Total area acquired (Cents)	Allocable area (Cents)	Total area allotted (cents approx.)	Balance land	No. of closed units
1	2	3	4	5	6	7	8
1	Thiruvananthapuram	Poppanamcode	1853.97	1514.97	1514.97	Nil	12
2	Kollam	Umayanalloor	2603.43	2147.00	2138.00	9 Cents	3
3		Karunegappally	863.00	754.00	737.00	17 Cents	2
4	Alappuzha	Cherthala	894.00	775.00	742.00	33 Cents	Nil
5		Kollakadavu	1878.86	1272.00	1238.00	34 Cents	12
6	Kozhiam	Changanacherry	1422.00	1099.50	1099.50	Nil	1
7		Ettumanoor	2920.00	2188.30	2133.30	55 Cents	Nil
8	Ernakulam	Mudickal	458.76	401.39	401.39	Nil	1
9		Palathurthy	185.00	143.00	143.00	Nil	1
10	Thirissur	Ollur	2956.00	2302.25	2298.56	4 Cents	19
11		Kalietumkara	500.00	450.00	450.00	Nil	4
12	Palakkad	Olaivaikkode	2174.00	1810.21	1680.41	130 Cents	5
13		Karalbad	1084.00	790.80	790.80	Nil	3
14	Malappuram	Manjeri	492.00	436.14	436.14	Nil	1
15	Kozhikode	West Hill	1255.00	922.50	922.50	Nil	4
16	Kannur	Palayad	844.00	660.00	660.00	Nil	1
17	Kasaragod	Kasaragod	1573.00	1573.00	1533.19	40 Cents	1
	Total		19240.06	18918.76	322 Cents	70.00	

9/11/82 (Status Report/Year)

P. G. S. I. M.
 Industrial Estates Department
 Government of Kerala
 Thiruvananthapuram
 12-12-82



Kerala Legislature Secretariat

2016

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