



FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2023-26)**

THIRTY EIGHTH REPORT

(Presented on 11th February, 2025)

SECRETARIAT OF THE KERALA LEGISLATURE

THIRUVANANTHAPURAM

2025

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**PUBLIC UNDERTAKINGS
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On

Corporate Social Responsibility of Three PSUs

**(The Kerala Feeds Limited, Oil Palm India Limited and The Plantation Corporation Of
Kerala Limited)**

**(Based on the Report of the Comptroller and Auditor General of India for the
year ended 31st March, 2016)**

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**COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-26)**

COMPOSITION

Chairperson:

Shri E. Chandrasekharan

Members:

Shri A.P. Anilkumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla

Legislature Secretariat:

Dr. N. Krishna Kumar, Secretary

Shri Venugopal R, Joint Secretary

Shri Anil Kumar B, Deputy Secretary

Shri Mohanan. O, Under Secretary

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-26) having been authorised by the Committee to present the Report on its behalf, present this 38th Report on Corporate Social Responsibility Of Three PSUs (The Kerala Feeds Limited, Oil Palm India Limited and The Plantation Corporation Of Kerala Limited) based on the report of the Comptroller and Auditor General of India for the year ended 31st March, 2016 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 23-05-2017. The consideration of the audit paragraphs included in this report and examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2021-2023) at its meetings held on 26.07.2022 and 08.11.2022.

This Report was considered and approved by the Committee (2023-26) at its meeting held on 29.01.2025.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Animal Husbandry Department and Agriculture Department of the Secretariat and the Kerala Feeds Limited, Oil Palm India Limited and the Plantation Corporation Of Kerala Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Animal Husbandry Department, Agriculture Department and Finance Department and the officials of the Kerala Feeds Limited, Oil Palm India Limited and the Plantation Corporation Of Kerala Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,
11th February, 2025

E. CHANDRASEKHARAN,
Chairperson,
Committee on Public Undertakings.

REPORT NO.1
ON
CORPORATE SOCIAL RESPONSIBILITY OF THREE PSUs
(The Kerala Feeds Limited, Oil Palm India Limited and The Plantation Corporation Of Kerala Limited)

Audit Para 3.3(2015-16)

Corporate Social Responsibility of PSUs

Introduction

3.3.1 Corporate Social Responsibility (CSR) refers to operating business in a manner that accounts for the social and environmental impact created by the business. Through CSR, companies give something back to society. CSR means and includes projects or programmes on eradication of hunger, poverty and malnutrition, promoting gender equality, promoting education, empowerment of women, ensuring environmental sustainability, protection of national heritage, etc. CSR is governed by provisions of the Companies Act, 2013 (Act) and Companies (Corporate Social Responsibility Policy) Rules, 2014 (CSR Rules).

According to section 135 of the Act, companies with annual turnover of ₹1,000 crore or more or net worth of ₹500 crore or more or profit (before tax) of ₹5 crore or more in any of the three preceding financial years¹ have to spend at least two *per cent* of average profit² of such preceding financial years on CSR activities from 2014- 15 onwards, giving preference to areas around their operation.

As of June 2016, 23 Public Sector Undertakings (PSUs) in Kerala came under the purview of CSR during 2014-15 to 2015-16. We assessed compliance of these PSUs with the provisions of the Act/ CSR Rules/ orders and notifications

1 Vide Circular No: 21/2014 dated 18/06/2014 of Ministry of Corporate Affairs, Government of India.

2 Average of profit made by them during the three immediately preceding financial years.

issued by Ministry of Corporate Affairs (MCA), Government of India (GoI), on CSR. Audit findings are discussed in the succeeding paragraphs.

Audit Findings

Formulation of CSR Policy and CSR Spending

Non-Constitution of CSR Committee and non-spending on CSR

3.3.2 As per Section 135(1) of the Act, each of the 23 PSUs was to constitute a CSR Committee consisting of three or more directors, out of which at least one director shall be an independent director. The CSR Committee was to formulate and recommend a CSR Policy and the amount of CSR expenditure to Board of Directors (BoD) and monitor the CSR Policy of the Company.

We noticed that out of the 23 PSUs, 13 PSUs (**Appendix 13**) did not constitute the CSR Committee or formulate the CSR Policy (as of June 2016). Among these 13 PSUs, three PSUs had negative average net profit during the three preceding financial years and hence, were not required to spend on CSR while balance 10 PSUs were required to spend on CSR.

Oil Palm India Limited and Kerala Agro Machinery Corporation Limited, though coming under the purview of CSR law, spend ₹0.33 crore (against the minimum requirement of ₹0.50 crore) for CSR activities without constituting a CSR Committee or formulating a CSR Policy. As the amount was spent without constituting CSR Committee or formulating a CSR Policy, the CSR spending of these two PSUs was irregular.

Non/incorrect reporting on CSR activities

3.3.3 According to Section 135(5) of the Act, in case of failure of a company to spend minimum 2 *per cent* of average profit on CSR, the BoD shall in its report³ include the reasons for non-spending.

³ Report attached to the financial statements laid before a company in general meeting as per Section 134(O) (3) of the Act.

Out of the ten PSUs which did not spend the required minimum amount on CSR, three PSUs⁴ did not report the reason for non-spending and three PSUs⁵ wrongly reported that CSR Rules were not applicable to them. The remaining four PSUs were yet to publish their Annual Report as of June 2016.

Deficiencies in spending on CSR

3.3.4 Ten out of the 23 PSUs covered in audit had constituted CSR committee as well as formulated a CSR policy and spent ₹10.74 crore (**Appendix 15**) on CSR activities during 2014-15 and 2015-16.

Conclusion

Adherence of companies to the provisions of CSR was not satisfactory as 13 out of 23 companies did not constitute CSR Committee/Policy. There were instances of non-spending and spending on inadmissible activities. GoK may, therefore, formulate appropriate monitoring mechanism for strict adherence to CSR laws.

[The Audit paragraph 3.3 contained in the report of the C &AG for the year ended 31 March 2016.]

The notes furnished by the Government on the audit paragraph are given in Appendix II

Discussion and findings of the Committee

1.The Kerala Feeds Limited

Para 3.3.2 Non-constitution of CSR Committee and non-spending on CSR.

To a query regarding Corporate Social Responsibility Committee and CSR Policy, the Managing Director informed that the Company at its 127th

4 Kerala State Power and Infrastructure Finance Corporation Limited, Transformers and Electricals Kerala Limited and Oil Palm India Limited.

5 The State Farming Corporation of Kerala Limited, Kerala Forest Development Corporation Limited and Kerala Agro Machinery Corporation Limited.

Board Meeting held on 30.08.2016 constituted a CSR committee and also approved CSR Policy.

The Committee inquired about the details of the amount spent for CSR activities from 2017-18 to 2021-22. The Managing Director informed that the Company needs to spend CSR fund only if it is profitable in the preceding three consecutive years as per CSR provisions and the Company did not attain profit in 2016. He added that the Company gained profit in the years 2020, 2021 and 2022 and during the period 2020-21 and 2021-22 about ₹20 lakh had been spent as CSR fund for purchasing health equipments for Health Department.

The Committee accepted the reply.

Hence, no remarks

2.Oil Palm India Limited.

Para 3.3.2- Non-Constitution of CSR (Corporate Social Responsibility) Committee and non-spending on CSR.

The Committee asked the reason for not constituting the CSR Committee and formulating CSR Policy. The Managing Director, Oil Palm India Ltd. responded that GoI issued a Circular No.21/2014 dated 18.06.2014 in accordance with the provisions of the section 135(1) of the Companies Act-2013. The Company did not notice the above circular and hence the Company neither constituted the CSR Committee nor formulated the CSR Policy at that time. However, approximately ₹11 lakh had been spent towards social responsibility during 2014-2015 and 2015-16. He added that since the Company was at a loss in the succeeding years, it could not qualify for spending on CSR activities. Then he made apology for the lapse in constituting CSR Committee and assured that the Company will comply with the CSR provisions as and when the company becomes profitable.

Para 3.3.3 – Non/Incorrect reporting on CSR activities.

The Committee enquired whether the annual report of the Company provided details of funds remained unspent at the end of each financial year along with reasons thereof. The witness informed that the expenditure on CSR fund was not included in the annual report as the new provisions had not come to the notice of the Company. He assured the Committee that the Company will be careful in avoiding such lapses in future.

The Committee accepted the reply.

Conclusion and Recommendation

1. The Committee expresses its displeasure with the witness's reply that the Company did not notice the Circular No.21/2014 dtd 18.06.2014 issued by GoI in accordance with the provisions of the section 135(1) of the Companies Act 2013, hence the Company neither constituted the CSR Committee nor formulated the CSR Policy at that time. The Committee is of the view that whenever changes are incorporated in the Companies Act, the management must be aware of that and wants to be more diligent in future and the Committee directs that when the Company becomes profitable, the Company should utilize the CSR funds in accordance with the CSR provisions.

3.The Plantation Corporation Of Kerala Limited.

Para 3.3.4 - Deficiencies in spending on CSR

In response to the above audit observation, the witness admitted the fact that the Company had not fully utilized the amount required to spend on CSR activities during 2014-15 and 2015-16. He informed that though the Company had spent more than that for schools running under the Plantation Corporation of Kerala Ltd, it was not accounted under CSR activities as decided by the Board of Directors. He also added that since the Company had been in loss in

the succeeding years no amount was set aside for spending on CSR activities. He assured that the Company will utilize the entire amount required to spend on CSR activities once it turns profitable.

The Committee accepted the reply.

Hence, no remarks.

Thiruvananthapuram,
11th February, 2025.

E.Chandrasekharan,
Chairperson,
Committee on Public Undertakings.

APPENDIX-I
SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl No.	Para No.	Department Concerned	Conclusion/Recommendation
(1)	(2)	(3)	(4)
1	1	Agriculture Department	The Committee expresses its displeasure with the witness's reply that the Company did not notice the Circular No.21/2014 dtd 18.06.2014 issued by GoI in accordance with the provisions of the section 135(1) of the Companies Act 2013, hence the Company neither constituted the CSR Committee nor formulated the CSR Policy at that time. The Committee is of the view that whenever changes are incorporated in the Companies Act, the management must be aware of that and wants to be more diligent in future and the Committee directs that when the Company becomes profitable, the Company should utilize the CSR funds in accordance with the CSR provisions.