FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

PUBLIC UNDERTAKINGS
(2023-26)

FORTY SECOND REPORT

(Presented on 11th February, 2025)

SECRETARIAT OF THE KERALA LEGISLATURE

THIRUVANANTHAPURAM

2025

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On

Kerala State Industrial Development Corporation Limited

(Based on the Reports of the Comptroller and Auditor General of India for the years ended 31st March, 2017 & 2018)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-26)

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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 42nd Report on Kerala State Industrial Development Corporation Limited based on the report of the Comptroller and Auditor General of India for the years ended 31st March, 2017 & 2018 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Reports of the Comptroller and Auditor General of India was laid on the Table of the House on 19-06-2018 & 24.08.2020 respectively. 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 meeting held on 21.10.2022.

This Report was considered and approved by the Committee (2023-26) at its meeting held on 30.08.2024.

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 Industries Department of the Secretariat and the Kerala State Industrial Development Corporation 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, Industries Department and Finance Department and the officials of the Kerala State Industrial Development Corporation Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

E. CHANDRASEKHARAN,
Chairperson,
Committee on Public Undertakings.

Thiruvananthapuram,
11th February, 2025.

REPORT
ON
KERALA STATE INDUSTRIAL DEVELOPMENT CORPORATION LIMITED
(2016-17 & 2017-18)

AUDIT PARAGRAPH 4.4&4.5(2016-17)

4.4 Failure in implementation of Enterprise Resource Planning system

Failure to provide required inputs for implementation of ERP system and to protect financial interest of the Company while entering into agreement resulted in idling of investment amounting to ₹1.39 crore.

Kerala State Industrial Development Corporation Limited (Company) decided (2009-10) to implement Enterprise Resource Planning[1] (ERP) system with the aim of automation of business processes. The Company awarded (April 2010) the consultancy work for implementation of ERP system to Network Systems & Technologies (P) Ltd. (NEST) for ₹16.05 lakh. As per the Work Order, responsibility for preparation of User Requirement Specification, preparation of contract agreement with the selected ERP implementer, overseeing the implementation of ERP system right from inception till the final delivery of ERP system, *etc.,* was vested with NEST.

The Company invited (December 2010) Expression of Interest for selection of ERP implementer[2] and selected (September 2011) CMC Limited (lowest bidder) at a cost of ₹1.40 crore with scheduled period of completion of nine months. The agreement for implementation of ERP system was executed (October 2011) between the Company and CMC Limited.

As per the agreement between the Company and CMC Limited, 13 Modules[3]

1 Enterprise Resource Planning (ERP) is a process by which a company manages and integrates the important parts of its business.

2 Study, design, development, integration, testing, commissioning and maintenance of ERP system.

3 Each module is focussed on one area of business process.

were to be installed by CMC Limited. CMC Limited was also to incorporate all functionalities of Finance Accounting and Loan Accounting Software in the existing IT system into the Finance and Accounts Module of the new ERP system. CMC Limited was to make the ERP system 'go live' by end of July 2013[4]. The Company was to provide all relevant information and necessary administrative support for the execution of the contract. CMC Limited was to implement ERP system in accordance with the approved design documents and User Requirement Specification.

Audit observed that :

- CMC Limited prepared design documents and the same was approved by the Company by February 2013. But, the Company did not provide data in the required format for data migration from the existing IT based system to the new ERP system. Therefore, CMC Limited did not incorporate all functionalities of Finance Accounting and Loan Accounting Software in the existing IT system into the new ERP system. The Company rejected (May 2015) the modules presented by CMC Limited and consequently, the Company terminated (October 2015) the contract with CMC Limited.

  Audit also observed that as per the agreement, the Company constituted a steering committee for periodic review of the progress of implementation of the ERP system. But, the steering committee did not meet even once to review the progress of implementation. Besides, NEST, the consultant, which was to review and recommend changes, if any, for the successful implementation of the ERP system, did not perform its assigned task properly.

- As per provisions of Stores Purchase Manual[5], the agreement was to contain risk and cost clause to ensure due performance of the contract.

4. Extended from the original scheduled completion time of July 2012

5 As per Clauses 8.17 and 8.19 of the Total of Stores Purchase Manual (SPM) of Kerala -Revised edition 2013.

Agreement with CMC Limited did not, however, contain any such provision.

NEST, who was responsible for preparing contract agreement, and the Company, which was to protect its financial interest in case of failure on the part of CMC Limited failed to incorporate protective performance clauses in the agreement.

- Meanwhile, the Company procured (August 2012) computer hardware required for implementation of ERP system from CMC Limited (lowest bidder) for ₹88.48 lakh through another tender. Due to non-implementation of the ERP system, the hardware procured at ₹88.48 lakh remained idle at State Data Centre, Thiruvananthapuram.

Thus, failure to provide required input data by the Company and monitor the implementation of the ERP system by the Company and NEST coupled with absence of protective clauses in the agreement resulted in non-implementation, which led to idling of investment amounting to ₹1.39 crore[6] for five years till date (September 2017). Further, envisaged objective of automation of business processes could not be achieved.

While admitting the audit observations, GoK replied (February 2018) that they directed (December 2017) the Company to ascertain the usability of hardware acquired in connection with ERP implementation.

Para 4.5 Loss due to undue favour to loanee

Decision of the Company to release collateral security of land resulted in non-recovery of ₹30.09 lakh.

Kerala State Industrial Development Corporation Limited (Company) acts as a facilitator and financier for promotion and development of medium and large

6 Total of ₹15.39 lakh paid to NEST, ₹88.48 lakh paid to CMC for supply of computer hardware and ₹34.99 lakh paid to CMC Limited for ERP implementation.

scale units in the State. The Company offers one-time settlement facility of loans to sick units.

As per the One Time Settlement (OTS)[7] Policy, 2008 of the Company, the OTS amount shall be calculated by first determining distress value[8] of all the available securities through an approved valuer. Thereafter, interest shall be re-computed at simple interest rate from the beginning and would be added to the principal amount. From the amount so arrived at, all money received so far would be deducted to determine recomputed loan repayable (RLP). If distress value of securities is less than the RLP, the OTS amount will be the best negotiated figure between the distress value and the RLP.

The Company sanctioned (May 1999) a term loan of ₹57.50 lakh to Intech Aromatic Private Limited (IAPL). The loan was secured by first charge on primary security[9] of building and plant and machinery, created on 1.24 acres of leased land at Industrial Growth Centre (IGC), Kannur and four collateral securities[10](four pieces of land having area of 104.11 cent [11])of the promoters of IAPL. Total value of the securities assessed at the time (1999) of sanction of loan was ₹1.10 crore[12] The loan was repayable in five years from February 2002 to November 2006[13].

IAPL defaulted in repayment of principal amounting to ₹34.50 lakh[14] and hence, the Company initiated (December 2004) revenue recovery action against IAPL. During 2008-09, IAPL became a sick unit and approached (November 2009) the Company for OTS for an amount of ₹50 lakh with down payment of 10 *per cent*. The Company approved (April 2010) the OTS proposal as distress value of available securities (₹46.70 lakh[15]) was lower than the RLP of ₹1.08 crore. As per

7 OTS is an agreement wherein defaulting borrower agrees to pay part of the dues in order to stop lender from taking legal action against them.
8 Distress value is assessed value of securities held.
9 Primary security is the asset created out of the credit facility extended to the borrower.
10 Collateral security is any security, other than primary security.
11 A cent is a basic unit of measurement of land and is equivalent to 40.46 square metres.
12 Primary security was valued at its project cost of ₹1 crore and collateral securities at ₹10.16 lakh.
13 20 quarterly installment of ₹2,87,500.
14 First 12 instalments.
15 Primary security - ₹38 lakh and collateral security – ₹8.70 lakh

the OTS scheme sanctioned, IAPL made down payment of ₹5 lakh within one month (May 2010). Thereafter, the Company released three collateral securities (3 plots of land admeasuring 62.61 cents) having distress value of ₹5.59 lakh. Although the balance OTS amount of ₹45 lakh was payable in instalments with interest within a year, IAPL failed to remit the balance amount and hence, the OTS expired in April 2011.

The Company again accepted (October 2015) the request (August 2015) of IAPL to set off outstanding dues of ₹69.38 lakh[16] against the primary security, the distress value of which was reassessed (June 2015) at ₹42 lakh. The Company also released (June 2016) the final collateral security of land having distress value of ₹24.50 lakh. Subsequent auction (December 2016) of the primary security (Plant and machinery[17]) fetched only ₹7.81 lakh against the outstanding dues of ₹69.38 lakh.

Audit observed that :

- OTS policy of the Company did not provide for release of collateral security before full payment of OTS amount and setting off outstanding dues against primary security. Despite this, the Company accepted the request of IAPL and released (October 2010) three collateral securities having distress value of ₹5.59 lakh. Although IAPL did not remit the balance amount of OTS (₹69.38 lakh), the Company released (June 2016) the fourth collateral security having distress value of ₹24.50 lakh also, based on request (August 2015) of IAPL to adjust outstanding dues of ₹69.38 lakh against the primary security.
- In terms of OTS policy of the Company, IAPL was liable to remit ₹12.50 lakh (25 percent of the OTS amount) as down payment within May 2010.

16 Unpaid OTS amount of ₹45 lakh together with interest at the rate of 10 percent from June 2010 to October 2015.

17 Unpaid OTS amount of ₹45 lakh together with interest at the rate of 10 per cent from June 2010 to October2015.

Deviating from its OTS policy, the Company favoured IAPL by allowing it to make down payment of ₹5 lakh only (10 percent of the OTS amount).Thus, there was short collection of down payment of ₹7.50 lakh.

Thus, decision of the Company to release four collateral securities of land having distress value of ₹30.09 lakh[18] resulted in non-recovery of loan to the extent of ₹30.09 lakh.

The Company replied (October 2017) that the unit was one of the first units to be set up in IGC Kannur and lack of infrastructure facilities affected the implementation of the project. The Company also replied that promoters' (IAPL) contribution amounting to ₹34.50 lakh was taken over by the Company and was hopeful of realising the dues through auction of building on the leased land.

GoK replied (November 2017) that IAPL requested the Company to release the available collateral security and to set off their entire liabilities on surrender of the primary security to the Company and the request was accepted by the Company as a special case as no amount could be recovered from IAPL for a long time.

The replies were not acceptable as recovery of OTS amount was not dependent on provision of infrastructure in the IGC. Moreover, there was no clause in the OTS Policy for releasing the collateral securities before realising the OTS amount or to set off outstanding dues against primary security alone. Promoters' contribution of ₹34.50 lakh was taken over by the Company in the form of primary security (plant and machinery and building). The Company realised only ₹7.81 lakh on sale of plant and machinery through auction while there were no takers for the building even though three auctions were conducted for allotment of building.

18. ₹5.59 lakh (distress value of three collateral securities released in October 2010) plus ₹24.50 lakh (Distress value of one collateral security released in June 2016).

AUDIT PARAGRAPH 5.4 (2017-18)

5.4 Investment of surplus fund by Public Sector Undertakings

Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with scheduled/co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of ₹5.68 crore due to such deposit in banks.

According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds / profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 *per cent* per annum for periods ranging from 180 days to less than one year and 9 *per cent* for a period of one year and above with effect from 1 May 2015[19].

During the three years from 2015-16 to 2017-18, out of 136 PSUs in the State, 64 PSUs registered profits as per their latest finalised accounts. In order to examine compliance of PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit making PSUs.

Audit noticed that:

Out of the 14 PSUs, seven PSUs[20] deposited their surplus funds of ₹554.37 crore in 570 fixed deposits (FDs) with Scheduled / Co-operative banks when the rate of interest was lower than the rate offered by Treasury Fixed Deposits. This resulted in foregoing additional interest income of ₹5.68 crore.

Four PSUs namely, Malabar Cements Limited (MCL), Kerala State Industrial Development Corporation Limited (KSIDC), The Kerala

19 Revised to 7.00 percent and 8.50 per cent respectively with effect from 01/03/2017.

20 The Kerala State Financial Enterprises Limited (KSFE) – 186 FDs (₹181.74 crore), Kerala State Industrial Development Corporation Limited (KSIDC)-275 FDs (₹272.55 crore), Malabar Cements Limited – 54 FDs (₹40 crore), Kerala Financial Corporation- 2 FDs (₹0.46 crore), Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited – 2 FDs (₹0.04 crore), The Plantation Corporation of Kerala Limited – 37 FDs (₹46.50 crore) and The Kerala State Backward Classes Development Corporation Limited- 14 FDs (₹13.08 crore).

State Financial Enterprises Limited (KSFE) and The Plantation Corporation of Kerala Limited (PCKL) replied (February/September 2018, May 2019) that there were difficulties in getting funds released from the Government Treasury due to temporary restriction on withdrawal limits *etc*. The replies of KSIDC, KSFE and MCL were endorsed (January/July/August 2019) by GoK.

The replies were not acceptable as treasury restrictions were not applicable for deposit of amount below ₹10 crore. The deposits made by KSFE, MCL and KSIDC were below ₹10 crore.

The Finance Department, GoK replied (July 2019) that the PSUs were directed (August 2018) to deposit their own funds either in treasury or any scheduled bank according to their choice. The reply was not acceptable as the direction of GoK in August 2018 was not effective retrospectively and the deposits pointed out by Audit were made prior to it.

Thus, seven PSUs deposited their surplus funds in fixed deposits with scheduled / co-operative banks in violation of the directions of the GoK and incurred loss of interest of ₹5.68 crore.

<u>Discussion and findings of the Committee</u>

Para 4.4 - Failure in implementation of Enterprise Resource Planning System (2016-17)

The Committee enquired about the audit observation that failure to provide required inputs for implementation of ERP System and to protect financial interest of the Company while entering into agreement resulted in idling of investment amounting to ₹1.39 crore. The Principal Secretary, Industries Department replied that major expenditure incurred by KSIDC for ERP implementation was for the procurement of hardware and acquisition of software licenses. He added that the hardware was deployed at the State Data

Centre and to backup redundant data at KSIDC and that KSIDC terminated its contract with CMC Ltd., as it failed to implement ERP and customise the software to the Company's satisfaction.

To a query of the Committee, the Chief Financial Officer, KSIDC replied that none of the computer hardware purchased by the Company had been used to implement the ERP system. The Principal Secretary added that currently KSIDC is using two servers at KSIDC Head Office and the rest of the hardware is also being used by IT Mission for their data centre operations and the software is currently not in use.

The Committee enquired about the reason for not providing data in required format to CMC Limited for migration from existing IT System to new ERP System. The witness replied that CMC Ltd. had many internal issues and CMC was not able to put all the operations into the new ERP system and consequently the Company cancelled the contract with them. He further added that in course of time the said firm was taken over by TCS and presently the Company CMC Ltd. is defunct.

The Committee noted that the ERP project failed due to the inability of CMC Limited in customising the software to the Company's needs and the Company could not continue the project by entering into another contract at the cost of CMC Ltd. as ‘risk and cost’ clause was not included in the agreement.

The Committee sought clarification regarding non inclusion of the risk and cost clause while entering into an agreement that could have enabled the Company to recover the loss incurred. The Principal Secretary replied that a detailed report would be furnished before the Committee after examining the reasons for not including the risk and cost clause in the agreement and not enforcing the contractual obligations.

The Committee observed that the Company didn’t follow the guidelines of Stores Purchase Manual while executing the contract agreement and excluded the risk and cost clause in the agreement. If that was included in the agreement, the Company could take further steps to recover the loss sustained and doubted whether there was mutual understanding between the officials and CMC Ltd. to exclude the clause and also observed that if the loss was for CMC Ltd., they would have surely moved to court to recover the loss.

To the query of the Committee whether any action was taken against NEST for non - compliance with its contractual obligations to oversee the implementation of ERP system, the Deputy General Manager, KSIDC replied that NEST was only the project consultant. The Committee noted that the Steering Committee consisted of Managing Director, two Executive Directors and Assistant General Manager from KSIDC apart from three members of CMC Ltd. The Committee enquired the reason for not conducting even a single meeting to review the progress of implementation, though senior management representatives including the Managing Director was in the Steering Committee. The Principal Secretary replied that the responsibility lies with CMC Ltd. and the consultant and the matter will be looked into seriously. The witness could not convince the Committee about the effort taken by the Steering Committee and criticised the carelessness on the part of the officials in the Steering Committee and found that one of the reasons for not implementing the ERP is the lack of effort on their part in transferring data to CMC Ltd. in the required format.

The Committee enquired whether KSIDC had subsequently implemented the ERP system. The Assistant General Manager, KSIDC replied that the ERP system has not yet been implemented and the matter has been discussed in the Board meeting and a sub-committee has been formed and as per the recommendation of the said committee, a decision has been taken to fully digitalise the operations of KSIDC as it was found that the existing system is not sufficient for the progress of the business.

The Committee enquired whether the claim of ₹1.20 crore had been recovered from CMC Ltd at the time of termination of agreement and if not, whether any legal action has been taken against them. Dissatisfied with the CFO’s reply, the Committee enquired whether any further action was taken. Officials concerned could not answer the Committee’s query as to why the project was not completed by engaging another contractor since the Company had procured the hardware and software required for the proposed ERP system.

The Committee recommended to conduct an enquiry against the officers who were responsible for the preparation of the contract in which risk and cost clauses were excluded and to furnish a report regarding the same before the Committee. The Committee expressed its dissatisfaction over the inability of the witness to provide clear reply for the queries. The Committee also criticised the delay in taking decision for new ERP system for the Company that could enhance the Company's operations. The Committee viewed the officials negligence as a major reason in not implementing ERP system in a time bound manner and wanted the top officers to be more responsible and to shed the lackadaisical attitude they possess.

<u>Conclusions/Recommendations</u>

1. The Committee observes that there was a fault on the part of KSIDC in providing the data in the required format to CMC Limited and CMC Limited also failed to customise the software to the Company's needs. So the Committee recommends to identify the officials responsible for this.

2. The Committee observes that the Steering Committee constituted for the periodic review of the project did not meet even once to review the progress of the project. So the Committee recommends to identify the officials responsible for this serious lapse.

3. The Committee observes that NEST, who was responsible for the preparation of contract agreement did not perform the assigned task properly. As per the provisions of SPM, the agreement was to contain risk and cost clause to ensure the due performance of the contract. But the Company and NEST failed to include such clause in the contract. The Committee observes this as a serious lapse and recommends to furnish a report detailing the responsible Officials and to take stringent action against them.

4. The Committee observes that the Company procured computer hardware from CMC Limited through another contract before ensuring the suitability of the project module which resulted in the idling of the hardware in the State Data Centre. The Committee recommends to furnish a report regarding this.

5. The Committee vehemently criticises the top officers of the Company for not implementing ERP system in a time bound manner and directs to furnish a report on the current status of the project.

Para 4.5- Loss due to undue favour to loanee

The Committee enquired about the audit observation that decision of the Company to release all four collateral securities of land resulted in non-recovery of ₹30.09 lakh.

The Assistant General Manager, KSIDC informed that Intech Aromatic Private Limited(IAPL) aimed to set up an industrial unit in Kannur which costs about ₹90 lakh of which ₹57.50 lakh was loan from KSIDC and the rest of the amount was contribution from promoters. Initially there was no progress in the Company's operations due to lack of infrastructure and Revenue Recovery proceedings were started against the company for defaulting loan repayment but the amount could not be recovered. The Company then approached KSIDC for One-Time Settlement (OTS) of ₹50 lakh. IAPL remitted ₹5 lakh as down payment and OTS was sanctioned and

KSIDC released their 3 collateral securities land having distress value of about ₹5.59 lakh. As the balance of OTS amount was not remitted, the entire investment asset of ₹90 lakh was repossessed in 2015-16. The plant and machinery was auctioned for ₹7.89 lakh. Out of the loan amount of ₹57.50 lakh, only ₹21 lakh has been remitted so far and land with a resale value of about ₹90 lakh is possessed by KSIDC.

The Committee enquired the reason for releasing the collateral securities violating the OTS policy of the Company. The Assistant General Manager, KSIDC informed that the 1.25 acres of land and the building that were repossessed by KSIDC could be sold which was given on lease for 90 years. At this juncture, the Committee observed that the land in possession is the same land of the KSIDC and not the land of the loanee.

The Committee observed that KSIDC has taken back the leased land and returned the three plots of land which was accepted as collateral security from IAPL without realising the loan amount. The Committee sought explanation regarding this. The witness replied that KSIDC had released the collateral security worth ₹5.59 lakh upon the receipt of the initial payment of ₹5 lakh and all these steps were taken as per the decision of the Board of Directors.

The Committee again reiterated that the land is KSIDC's own land and that IAPL has not remitted the balance amount. The witness informed the Committee that KSIDC will get more amount by the selling or re-allotting the property and the land was given to IAPL on lease after they had remitted the lease premium of ₹72 lakh.

The Principal Secretary, Industries Department informed the Committee that according to the new unified land lease policy a Company can hand over the leased land if they cannot use it within five years and should remit a share to the first institution. He added that if KSIDC had not taken the land back and loan was not remitted, it can be assumed that KSIDC faced a loss but as the leased land was taken back by KSIDC, there was no loss to them. He added that KSIDC had returned the collateral security only after they auctioned the plant and machinery which was surrendered by IAPL and secured a good amount.

The Senior Audit Officer disagreed to the explanation and pointed out that KSIDC valued the plant and machinery for ₹42 lakh which was not accurate. The witness informed that KSIDC had given ₹57.50 lakh as loan to IAPL, ₹21 lakh was recovered and ₹35 lakh remain as arrears and that by selling the land and machinery they could secure at least ₹one crore.

The Committee observed that the decision taken by KSIDC to return the collateral security and to initiate OTS proceedings were not accurate and recommended to furnish a detailed report including the details of the officials who were responsible for this. The Principal Secretary, Industries Department assured the Committee that a detailed report would be furnished before the Committee within two weeks.

In the additional information furnished by the Department, it was stated that KSIDC is taking steps to collect the amount by selling or leasing the company's property and now there is demand for 30 acres of land but at present only 14 acres of developed land is available for lease. KSIDC started to repair the road in front of the surrendered property. By improving the road traffic access to other lands in the park, it will also become easy and if one gate is constructed in the said place facing the public road, there will be lot of demand for it and the property is expected to fetch about one crore rupees based on the current rate.

The additional information furnished by the Department does not include the details of officers who were responsible for taking the decision to return the collateral security and initiated OTS proceedings.

<u>Conclusions/Recommendations</u>

6. The Committee observes that the decision taken by KSIDC to return the collateral security before full payment of OTS amount and settling of

outstanding dues against the primary security is a clear violation of OTS policy of the Company. Hence the Committee recommends to furnish a detailed report including the details of the officials who were responsible for the lapse.

Para 5.4- Investment of surplus funds by Public Sector Undertakings (2017- 18)

The Committee enquired about the audit objection that the surplus funds were deposited as fixed deposits with scheduled/co-operative banks in violation of directions of the Government and the rate of interest was lower than treasury fixed deposits.

The Principal Secretary informed that the audit objection was put forward because the working capital was wrongly classified as surplus and that only fixed deposits of a certain period are accepted in the treasury and if the amount is withdrawn before the specified period, only the interest rate for the savings account or zero interest rate will be received and hence the Company deposited the amount in the Bank.

The Committee noted that according to the direction of Government of Kerala, PSUs should deposit their own funds/profits with banks only if it fetched more interest than that on treasury fixed deposits and that treasury fixed deposits carried interest at the rate of 7.50 percent per annum for periods ranging from 180 days to less than one year and 9 percent for a period of one year and above with effect from 1st May 2015. The Committee enquired the reason for violating the rule.

The Principal Secretary replied that the funds deposited by KSIDC in the banks are part of the working capital and it is used for lending business activities. If the amount is deposited in the treasury and is withdrawn before the said period, there will be a loss in interest. The witness added that the fixed deposits in the banks could be withdrawn at any time and there will be no loss in interest.

The Committee observed that the interest rate of treasury is higher than that of the banks and also that there was a violation of the guidelines by KSIDC and if the Company has to do so they would have obtained special sanction from the Government with the concurrence of Finance Department.

The Committee recommended to furnish a detailed report regarding the violation of guidelines by KSIDC in the matter.

Conclusions/Recommendations

7. The Committee observes that the interest rate of treasury is higher than that of the banks and there was a violation of the guidelines by KSIDC. Hence the Committee recommends to furnish a detailed report regarding the violation of guidelines.

Thiruvananthapuram,
11th February, 2025.

E.Chandrasekharan,
Chairperson,
Committee on Public Undertakings.

APPENDIX-I SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS			
Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1	1	Industries	The Committee observes that there was a fault on the part of KSIDC in providing the data in the required format to CMC Limited and CMC Limited also failed to customise the software to the Company's needs. So the Committee recommends to identify the officials responsible for this.
2	2	Industries	The Committee observes that the Steering Committee constituted for the periodic review of the project did not meet even once to review the progress of the project. So the Committee recommends to identify the officials responsible for this serious lapse.
3	3	Industries	The Committee observes that NEST, who was responsible for the preparation of contract agreement did not perform the assigned task properly. As per the provisions of SPM, the agreement was to contain risk and cost clause to ensure the due performance of the contract. But the Company and NEST failed to include such clause in the contract. The Committee observes this as a serious lapse and recommends to furnish a report detailing the responsible Officials and to take stringent action against them.
4	4	Industries	The Committee observes that the Company procured computer hardware from CMC Limited through another contract before ensuring the suitability of the project module which resulted in the idling of the hardware in the State Data Centre. The Committee recommends to

			furnish a report regarding this.
5	5	Industries	The Committee vehemently criticises the top officers of the Company for not implementing ERP system in a time bound manner and directs to furnish a report on the current status of the project.
6	6	Industries	The Committee observes that the decision taken by KSIDC to return the collateral security before full payment of OTS amount and settling of outstanding dues against the primary security is a clear violation of OTS policy of the Company. Hence the Committee recommends to furnish a detailed report including the details of the officials who were responsible for the lapse.
7	7	Industries	The Committee observes that the interest rate of treasury is higher than that of the banks and there was a violation of the guidelines by KSIDC. Hence the Committee recommends to furnish a detailed report regarding the violation of guidelines.