



TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2006-2008)**

FIFTEENTH REPORT

(Presented on 17th October, 2006)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2006

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FIFTEENTH REPORT

On

**The action taken by Government on the Recommendations contained in the
Fifteenth Report of the Committee on Public Undertakings (2001-2004)
relating to Malabar Cements Limited based on the Report
of the Comptroller and Auditor General of India
for the year ended 31-3-1991, 1997
and 1999 (Commercial)**

923/2006.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2006-2008)

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INTRODUCTION

I, Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Fifteenth Report on the action taken by Government on the recommendations contained in the Fifteenth Report of the Committee on Public Undertakings (2001-2004) on the working of the Malabar Cements Limited based on the Report of the Comptroller and Auditor General of India for the years ended 31-3-1991, 1997 and 1999 (Commercial).

The Statement of action taken by the Government included in this Report were considered by the Committee constituted for the year 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 9-10-2006.

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

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
17th October, 2006.

*Chairman,
Committee on Public Undertakings.*

REPORT

The Fifteenth Report of the Committee on Public Undertakings (2001-2004) on Malabar Cements Ltd., based on the report of the Comptroller and Auditor General of India for the years ended 31-3-1991, 31-3-1997 and 31-3-1999 (Commercial) was presented to the House on 1st July 2002.

The Report contained 7 recommendations. Government have furnished replies to all the recommendations. The Committee considered the replies received from Government at its meeting held on 7-12-2005.

The Committee accepted the replies to recommendations No. 1(3) and 2(4) without any remarks. These recommendations and their replies form Chapter I of the Report.

The Committee accepted the replies to recommendations No. 3(6), 4(10), 5(15), 6(16) and 7(22) with remarks. These recommendations, their replies and the remarks of the Committee form Chapter II of the Report.

CHAPTER I

**Replies furnished by Government which have been accepted by the Committee
without remarks**

<i>Sl. No.</i>	<i>Para No. of the Report</i>	<i>Department concerned</i>	<i>Conclusions/ Recommendations</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	3	Industries	The Committee observe that the sale of cement to the various Government Departments through an intermediary agency (ie., The Kerala State Warehousing Corporation) instead of asking them to lift it directly from the Company was a mistake. Had the Company resorted to direct sales, the unnecessary expenditure of Rs. 12.34 lakhs incurred towards the handling and storage charges could have been avoided.	The Company is presently marketing its product directly through a wide dealer network and is also adopting the latest techniques as proposed by the Committee. The Company is also taking the best efforts to get the maximum realization by such techniques and review of sales performance of the dealers is done regularly so that full advantage will be achieved in getting the desired realization.
2	4	Industries	The Committee recommend that the Company should adopt the latest techniques in marketing their products.	

CHAPTER II

Replies furnished by Government which have been accepted by the Committee with remarks

<i>Sl. No.</i>	<i>Para No. of the Report</i>	<i>Department concerned</i>	<i>Conclusions/ Recommendations</i>	<i>Action taken by Government</i>
(1)	(2)	(3)	(4)	(5)
3	6	Industries	<p>The Committee observe that there was willful delay on the part of the Company in purchasing a new loader which had resulted in an avoidable expenditure of Rs. 9.48 lakh. The reply given by the Company for the delay in purchase of a new loader is not tenable. The Committee believes that a loader was needed permanently for the Company since one of the loaders was not functioning. The Committee, therefore, recommends that an enquiry be conducted into the reasons that led to the delay in purchasing a new loader and appropriate action taken against the persons found responsible for this avoidable expenditure.</p>	<p>The request for hiring a loader was originated by the Deputy General Manager (Production) in the year 1994. At the time of deciding for hiring, the exact quantum of work could not be assessed and subsequently based on his request, extension for hiring up to November 1995 was granted. The Company later decided to stop hiring and purchase a new loader to replace the hired loader. After the purchase of a new loader, the Company has not so far hired any loader for material handling.</p> <p>As regards the Committee's recommendation to take appropriate action against the person found responsible for this avoidable expenditure, it may kindly be noted that</p>

(1)	(2)	(3)	(4)	(5)
3	6	Industries		the persons have already been retired from the services of the Company and further action may kindly be dropped.

Remarks of the Committee :

The Committee expressed its dissatisfaction over the reply furnished by Government. The Committee opined that as per the existing rules legal procedures should be taken against the persons who were responsible for the above lapse even though they were retired from Service. Hence action should be taken in this regard and the details be intimated to the Committee at the earliest.

4	10	Industries	The Committee recommends that a comparative study regarding the ash content in each consignment of coal lifted from both the Singareni Collieries and Western Coal fields companies should be conducted in order to ascertain the genuineness of the claim of the Company that they had only benefited from lifting the coal from WCL. The Committee desires that a copy of the study report be furnished to them.	Appended as Annexure A.
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Remarks of the Committee :

The Committee express its dissatisfaction on the vague reply furnished by Government. The Committee also desires to know how the variations in ash content affect the production. The Committee also desires to have a statement regarding the profit/loss of the Company.

(1)	(2)	(3)	(4)	(5)
5	15	Industries	<p>The Committee observe that The total amount of bonus payment of bonus to liaison paid requiring revision agents, which was not through mutual discussions contemplated in contract, between the liaison agent was irregular. It is surprising and the Company works to note that the matter out to only Rs. 5.54 lakhs came to the notice of the as against Rs. 13.26 lakhs management only when it arrived at by the Audit. was pointed out by Audit. This was also stated during Audit by the Accountant the sitting of the Public General is only a random Undertakings Committee check and if by any reason (PUC) on 28-12-2001. Out of the matter had slipped from this, Rs. 4 lakhs has been the notice of the audit deducted from one of the party, the amount of Rs. Agents.</p> <p>13.26 lakh would have been lost to the Company for ever.</p>	<p>With regard to the second contractor, out of the Rs. 1.46 lakhs recoverable from him, the company is holding an amount of Rs. 50,000 as Earnest Money remitted by him and as such Rs. 96,000 will only be outstanding in this account.</p>

Remarks of the Committee :

Government in its above reply stated that only Rs. 5.54 lakh has been paid to Liaison Agents as Bonus amount instead of Rs. 13.26 lakhs as pointed out by the Accountant General in its report. The Committee desires to know how this amount is arrived at by Government and whether it has been authorised by Accountant General. Details in this regard shall be intimated to the Committee at the earliest.

(1)	(2)	(3)	(4)	(5)
6	16	Industries	The Committee, therefore, recommend that action should be taken against all concerned who had effected the payment of bonus violating the clauses in the contract.	The excess payment to be recovered is Rs. 1.04 lakhs. But this also cannot be taken as the final figure as the bonus payment is to be settled on mutual discussion. The company's case with the liaison agent is still pending with the Court and as such negotiation is not possible at this juncture. Since the issue is not finally settled it cannot be concluded that company has actually suffered loss on account of the issue. The Company had issued a charge memo to the concerned officer on 16-9-2002 and his explanation obtained on 24-9-2002 and issued a strong warning to him on 27-9-2002.

Remarks of the Committee :

The Committee desires to know whether there is any provision in the Bonus Agreement to settle the disputes on Bonus problem through mutual discussion. The Committee also desires to know the grounds on which warning has been given to the responsible officer. The Committee also requires an explanation for not including specific conditions and criteria for settling issues regarding Bonus in the Agreement.

(1)	(2)	(3)	(4)	(5)
7	22	Industries	The Committee recommend that the Company should acquire, by buying or leasing, as many mines as possible in the neighbouring States and bring down as far as possible, the consumption of their scarce limestone deposits. The Company should maintain total transparency in all aspects of the deals while acquiring land for mines. The Committee further recommend that the slope of the existing mines within the state should be increased as directed by the Indian Bureau of Mines.	As regards the general recommendations of the Committee, the Company is making necessary enquiries with the neighbouring States for acquiring limestone mines/taking limestone mines on lease.

Remarks of the Committee :

The Committee desires to know the present condition of the limestone mines owned by the Company on rental basis.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,
17-10-2006.

*Chairman,
Committee on Public Undertakings.*

ANNEXURE A

NOTE

The details of ash content in the coal received rake-wise from Western Coalfields Limited (WCL) and Singareni Collieries Company Limited (SCCL) are given in the Annexures enclosed (for the period from January 1996 to December 1998). The company preferred coal from WCL as the ash content was lower especially in the case of coal received from Majri Colliery.

Lower ash in coal results in lower consumption of coal and sweetener limestone. One percentage increase in ash content of coal will reduce the consumption of limestone and coal by 5 per cent. This would result in a savings approximately Rs. 25.20 per metric tonne of clinker. This works out as follows :

LANDED COST

Coal	..	Rs. 1952.00 per metric tonne.
Sweetener limestone	..	Rs. 683.00 per metric tonne.
MCL limestone	..	Rs. 336.00 per metric tonne.
The savings would be	..	
Sweetener Limestone	..	$1.49 \times 17.77\% \times 5\% =$
		0.013/tonne of clinker
Coal	..	$0.212 \times 5\% =$
		0.0106/tonne of clinker.

Total savings per tonne of clinker would be :

$\text{Rs. } 1952 \times 0.0106 + (683 - 336) \times 0.013 = \text{Rs. } 25.20/\text{MT of clinker.}$

DETAILS OF QUALITY OF COAL RECEIVED DURING JANUARY 1996
TO DECEMBER 1996

Date	SCCL	WCL	%Ash
4-1-1996	Ramagundam	..	26.62
19-1-1996	Bellampally	..	34.39
26-1-1996	„	..	28.70
4-2-1996		Umrer	37.02
5-1-1996	Mandamari		35.04
19-2-1996	Bellempally		30.81
6-3-1996	„		34.88
16-3-1996		CRC	31.40
28-3-1996		Umrer	35.66
31-3-1996		„	26.00
2-4-1996		„	25.86
10-4-1996	Ramagundam		29.30
27-4-1996	„		32.48
17-5-1996	„		34.33
27-5-1996	„		31.50
23-6-1996	„		31.25
2-7-1996		HLC	36.98
7-7-1996	„		37.50
29-7-1996	Bellampally		42.11
9-8-1996		Rajura	28.50
27-8-1996		„	30.42
2-9-1996	„		38.02
17-9-1996	Ramagundam		31.71
4-10-1996	„		33.25
18-11-1996	„		33.79
26-11-1996		Umrer	33.30
4-12-1996		„	37.32
12-12-1996	„		35.00
28-12-1996		HLC	31.45
31-12-1996	„		34.84

DETAILS OF QUALITY OF COAL RECEIVED DURING JANUARY 1997
TO DECEMBER 1998

Date	SCCL	WCL	%Ash
(1)	(2)	(3)	(4)
1-1-1997		HLC	30.90
17-1-1997		Majri	29.66
23-1-1997		HLC	32.90
7-2-1997	Ramagundam		31.70
8-2-1997		HLC	31.10
21-2-1997		HLC	29.05
17-3-1997		HLC	30.07
29-4-1997		HLC	35.00
7-5-1997		HLC	38.35
19-6-1997	Bellampally		30.35
2-7-1997	Ramagundam		32.71
23-7-1997	„		30.41
20-9-1997	Bellampally		31.00
7-12-1997	Ramagundam		31.68
13-12-1997	„		29.84
30-12-1997	„		30.61
6-1-1998	„		29.84
12-2-1998		Majri	28.01
28-2-1998		„	27.08
6-3-1998		„	
7-3-1998		„	32.66
1-4-1998		„	29.73
3-4-1998		„	25.04
18-4-1998		„	30.47
19-4-1998		„	27.80
24-5-1998		„	26.67

(1)	(2)	(3)	(4)
7-6-1998		Majri	26.32
22-6-1998		„	31.16
24-6-1998		„	29.67
29-6-1998		„	28.37
21-8-1998		„	30.29
31-8-1998	Ramagundam		31.95
17-9-1998		„	30.32
2-10-1998	„		27.94
15-10-1998		„	27.75
5-11-1998	„		25.09
10-11-1998		„	32.49
29-11-1998		„	29.28
31-12-1998		„	36.19

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