



**TWELFTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2008-2011)**

**SIXTY SECOND REPORT**

(Presented on 25th February, 2009)

SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2009

TWELFTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2008-2011)**

**SIXTYSECOND REPORT**

**On**

**Kerala State Horticultural Products Development Corporation Ltd.  
based on the Report of the Comptroller and Auditor General of  
India for the year ended 31-3-2004 (Commercial)**

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Smt. D. Kumari Girija, Joint Secretary

Shri J. Unnikrishnan Nair, Deputy Secretary

Smt. L. Sailaja, Under Secretary.

## INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2008-2011) having been authorised by the Committee to present the Report on their behalf, present this Sixty Second Report on Kerala State Horticultural Products Development Corporation Ltd. based on the Reports of the Comptroller and Auditor General of India for the year ended 31st March, 2004 (Commercial) relating to the Government of Kerala.

The Report of the Comptroller and Auditor General of India for the year ended 31-3-2004 (Commercial) was laid on the Table of the House on 5-7-2005. The consideration of the audit paragraphs included in this Report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings constituted for the years 2006-2008.

This Report was considered and approved by the Committee at the meeting held on 21-1-2009.

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

The Committee wish to express their thanks to the officials of the Agriculture Department of the Secretariat and Kerala State Horticultural Products Development Corporation of Kerala Ltd. for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Agriculture Department and Finance Department and the officials of Kerala State Horticultural Products Development Corporation Ltd., who appeared for evidence and assisted the Committee by placing their considered views before the Committee.

MANKODE RADHAKRISHNAN,

Thiruvananthapuram,  
25-2-2009.

*Chairman,  
Committee on Public Undertakings.*

## **REPORT**

### **KERALA STATE HORTICULTURAL PRODUCTS DEVELOPMENT CORPORATION LIMITED**

#### **AUDIT PARAGRAPH**

The Company, engaged in the marketing of horticultural products, decided (April 1999) to instal cold storage facility of 100 MT capacity each at Munnar and Eruthiampathy to facilitate storage of vegetables during peak seasons so as to make it available throughout the year at stable prices.

The works of both the cold storages entrusted (August 1999/January 2000) to Kerala Agricultural University on deposit basis, were completed (January 2001) at a cost of Rs. 61.22 lakh. Audit observed that the storage facilities were not utilised either by the farmers or the Company. While the cold storage at Eruthiampathy had been idling ever since its commissioning, the facility at Munnar could be utilised only for short spells during the Onam season of the year 2001 and 2002. Thereafter this facility had also been idling. The reasons attributed to the non-utilisation were high cost of procurement of produce, cost of operation of plant and exorbitant cost of transportation arising from locational disadvantage. Though the Company decided to dispose of the cold storage at Eruthiampathy and lease out the facility at Munnar, no offers were received (May 2004).

Audit further noticed that the Company did not conduct proper cost benefit analysis prior to the implementation of the project. In the absence of feasibility study and the location of the cold storages being at places far off from the procurement centres, the capital investment of Rs. 61.22 lakh could not be productively utilised.

Thus, the failure of the Company to conduct proper feasibility study prior to commencement of the project for installation of cold storages resulted in non-productive investment of Rs. 61.22 lakh.

The matter was referred to the Company and Government in July 2004; their reply had not been received (September 2004).

[Audit Paragraph 3.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31-3-2004 (Commercial)]

Notes on the Audit Paragraph furnished by Government is given in Appendix II.

1. The Committee enquired why the Company had not conducted a feasibility study of the project before setting up cold storages at Munnar and Eruthiampathy which resulted in non-productive investment of Rs. 61.22 lakh and loss of interest on it since January 2001. The witness replied that in 1999-2000 the Company sanctioned two cold storages of 100 ton capacity, one in Munnar and another in Eruthiampathy. The work was entrusted to the Kerala Agricultural University and the construction was completed in 2001 at a cost of Rs. 61.22 lakh. It was constructed for the procurement of vegetables from Munnar. But due to the technical defects in the design of the cold storage, the temperature in the cold storage varied from one portion to another and so nothing could be stored there. Moreover the electricity charge was at the rate of Rs. 7 per unit which was enviable. So the cold storage cannot be utilised. The Company entered into an agreement with Vegetable and Fruit Products Council of Kerala (VFPC) in 2005 for leasing out the cold storages at an amount of Rs. 8500 per month. But VFPC could use it only for a few days. Now the cold storage units are not being utilised. The company in association with ANERT is trying to open the facilities by replacing electricity with solar energy. The Committee was not convinced with the reply and remarked that the company was taking the whole matter lightly and enquired who had designed the cold storage. The witness replied that it was designed by the Agricultural University and that it was decided to give 3 or 4 rooms in the building to a panchakarma centre.

2. To a specific query, the witness replied that after the renovation by using solar panel the company plans to start economically viable projects. In future the company will start super markets, mobile outlets and food processing units. For this technical changes would have to be made in the units and the Company had correspondence with Blue Star on this issue. The Committee observes that the reasons for non-utilisation were high cost of procurement, cost of operation and exorbitant cost of transportation arising from locational disadvantage and expressed anger over the fact that Government funds were being wasted on projects taken up without proper study and no effort was being made to make good the loss.

3. The Committee directed the Company to give the Minutes of the Board meetings and annual reports of all years to Audit and enquired about the working of the Company. The witness replied that the Company has been procuring vegetables from farmers directly and supplying it to more outlets. About 65% of procurement in every district is now done locally. In collaboration with National Horticultural Mission, the Corporation has a plan to build a Hyper market in Thiruvananthapuram.

**Conclusions/Recommendations**

4. The Committee expresses surprise over the fact that before setting up cold storages at Munnar and Eruthiampathy, the Corporation had not conducted a feasibility study of the project regarding cost of procurement of produce and cost of transportation arising from locational disadvantage which resulted in non-productive investment of Rs. 61.22 lakh. Without conducting a proper cost benefit analysis, the Company entrusted work of both the cold storages to Kerala Agricultural University, who completed the work in 2001 at a cost of Rs. 61.22 lakh. But due to technical defects in the design of the cold storages, the temperature in the cold storage varied from one portion to another, rendering both the cold storages completely useless. The Committee finds that no action was taken against the Agricultural University for the technical defect which made the cold storages idle. Till date the Company has not been able to utilise the storages for any purpose, except the storage at Munnar for Short spells during the Onam season of the years 2001 and 2002. Thus Government funds worth Rs. 61.22 lakh and the subsequent interest on it was lost due to serious lapses on the part of the Company. By proper utilisation, the Company could in fact have utilised the funds for providing relief to the farmers by purchasing their produce at reasonable rates and could help in preventing price rise of fruits and vegetables by making them available at its outlets at reasonable rates. The Committee therefore recommends that action be taken against those responsible for implementing the project without proper study and also to take steps to recover the loss suffered by the Company.

Thiruvananthapuram,  
25th February 2009.

MANKODE RADHAKRISHNAN,  
*Chairman,*  
*Committee on Public Undertakings.*



## APPENDIX I

**Summary of Main Conclusions/Recommendations**

<i>Sl.No.</i>	<i>Para No.</i>	<i>Department Concerned</i>	<i>Conclusions/Recommendations</i>
(1)	(2)	(3)	(4)
1	4	Agriculture	<p>The Committee expresses surprise over the fact that before setting up cold storages at Munnar and Eruthiampathy, the Corporation had not conducted a feasibility study of the project regarding cost of procurement of produce and cost of transportation arising from locational disadvantage which resulted in non-productive investment of Rs. 61.22 lakh. Without conducting a proper cost benefit analysis, the Company entrusted work of both the cold storages to Kerala Agricultural University, who completed the work in 2001 at a cost of Rs. 61.22 lakh. But due to technical defects in the design of the cold storages, the temperature in the cold storage varied from one portion to another, rendering both the cold storages completely useless. The Committee finds that no action was taken against the Agricultural University for the technical defect which made the cold storages idle. Till date the Company has not been able to utilise the storages for any purpose, except the storage at Munnar for Short spells during the Onam season of the years 2001 and 2002. Thus Government funds worth Rs. 61.22 lakh and the subsequent interest on it was lost due to serious lapses on the part of the Company. By proper utilisation, the Company could in</p>

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			<p>fact have utilised the funds for providing relief to the farmers by purchasing their produce at reasonable rates and could help in preventing price rise of fruits and vegetables by making them available at its outlets at reasonable rates. The Committee therefore recommends that action be taken against those responsible for implementing the project without proper study and also to take steps to recover the loss suffered by the Company.</p>

## APPENDIX II

### NOTES FURNISHED BY THE GOVERNMENT ON THE AUDIT PARAGRAPH

#### **Report of the Comptroller & Auditor General of India for the year ended 31-3-2004 relating to the Kerala State Horticultural products Development Corporation Limited.**

<i>Para No.</i>	<i>Relevant Portion of the Report</i>	<i>Action taken by Government on the recommendations relating to KSHPDC</i>
(1)	(2)	(3)
3.2.	<b>Non-Productive Investment</b>  The failure of the Company to conduct proper feasibility study of the Project for installation of cold storages resulted in non-Productive investment of Rs. 61.22 lakh.	The Corporation after years of low key functioning was revived by Government in the year 1996-97 so as to make it more useful to the public and farmers alike. Thus a revival package "Cold Chain Scheme" was proposed by the Corporation which envisaged activities on a state wide basis. This includes procurement of vegetables from farmers and storage of cool seasons vegetables at specially constructed cold storage and transportation of these vegetables through refrigerated trucks to various regional centres. But since the Government or Corporation could not manage to muster enough funds, the activities envisaged in the Cold Chain Scheme could only be implemented marginally. Had the activities been implemented as originally envisaged in the scheme, automatically these two cold storages could be utilized

by the Corporation profitably. However, the Board of Directors in its meeting held on 16-2-2005 agreed to enter into an agreement with VFPCCK for leasing out both the cold storages at Eruthiampathy and Munnar at an amount of Rs. 8500 per month for a cold storage. Initially the lease is for one year, which is likely to be extended further. If found viable, VFPCCK is planning to buy these two cold storages on Government fixed rate.

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