



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2019-2021)**

HUNDRED AND TWENTY SIXTH REPORT

(Presented on 18th January, 2021)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2021

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On

The Action taken by Government on the Recommendations contained in the Eighty Second Report of the Committee on Public Undertakings (2019-2021) relating to Kerala Textile Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended on 31st March 2013.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2019-2021)

COMPOSITION

Chairman :

Shri C. Divakaran.

Members :

Shri K. B. Ganesh Kumar

Shri C. Krishnan

Shri Thiruvanchoor Radhakrishnan

Shri P. T. A. Rahim

Shri S. Rajendran

Shri Raju Abraham

Shri Sunny Joseph

Shri M. Ummer

Shri P. Unni.

Legislature Secretariat :

Shri S. V. Unnikrishnan Nair, Secretary

Shri B. Reji, Joint Secretary

Shri A. Jafarkhan, Deputy Secretary

Smt. Reji D.O., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2019-2021) having been authorised by the Committee to present the Report on their behalf, present this Hundred and Twenty Sixth Report on The Action Taken by Government on the Recommendations contained in the Eighty Second Report of the Committee on Public Undertakings (2019-2021) relating to Kerala Textile Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 2013.

The Statement of Action Taken by the Government included in this Report was considered by the Committee at its meeting held on 15-10-2020.

This report was considered and approved by the Committee at its meeting held on 15-1-2021.

The Committee place on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala and express gratitude to officials of Industries Department and Kerala Textile Corporation Limited who were present during the examination of the Action Taken Statements included in this report.

C. DIVAKARAN,

Chairman,

Committee on Public Undertakings.

Thiruvananthapuram,
15th January, 2021.

REPORT

This report deals with the Action Taken by Government on the recommendations contained in the Eighty Second Report of the Committee on Public Undertakings (2019-2021) relating to Kerala Textile Corporation Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March 2013.

The Eighty Second Report of the Committee on Public Undertakings (2019-2021) was presented on the House on 6th February, 2019. The Report contained 11 recommendations and the Government furnished replies to all the recommendations.

The Committee considered the replies received from the Government at its meeting held on 15-10-2020.

The Committee accepted the reply to the recommendations in Para Nos. 2, 3, 4, 5, 6, 7, 8, 9, 10 and 11 with displeasure. These recommendations and the replies furnished by the Government forms Chapter I of this Report.

The Committee accepted the reply to the recommendation in Para No. 1 with remarks. This recommendation, the reply furnished by the Government and remarks of the Committee forms Chapter II of this Report.

CHAPTER-I

REPLIES FURNISHED BY THE GOVERNMENT ON THE
RECOMMENDATIONS OF THE COMMITTEE
WHICH HAVE BEEN ACCEPTED BY THE
COMMITTEE WITH DISPLEASURE.

Sl. No.	Para No.	Department concerned	Conclusion/ Recommendations	Action Taken by the Government
1	2	3	4	5
1	2	Industries	The Committee reprimands the action of the Corporation for appointing a retired Assistant Executive Engineer from PWD who had no subject knowledge in textile field as Consultant to implement a civil work of ₹18.24 crore paying a remuneration of ₹ 5.65 lakh. The Committee demands to be furnished with a detailed report on the work carried out by the aforesaid consultant for a huge remuneration and details regarding the criterion adopted for this appointment.	The Corporation had engaged Shri Sahadevan, Assistant Executive Engineer retired from PWD as Civil Consultant for Malabar Spinning and Weaving Mills, in connection with the modernization cum expansion project in 2007 on a monthly remuneration of ₹10,000. Later, in May 2010, the service of Shri Sahadevan has been availed for the new projects with an enhanced remuneration of ₹ 20,000 from May 2010 and availed his service till September 2012. Thus the total cost comes to ₹4.35 lakh for the four projects. Per project per month cost comes to ₹5,000 and per

1	2	3	4	5
				<p>project cost comes to ₹1.45 lakh only. The cost of projects implemented is ₹100.90 crore, and the amount paid as consultancy is ₹ 4.35 lakh. The consultancy fees for civil works as a percentage on the total project cost comes to a meager 0.04%. The concerned civil engineer is a retired Assistant Civil Engineer from Kerala Public Works Department (KPWD) and qualified to perform duties as a civil construction consultant. The civil construction works for a textile mills is in the same line as any other industrial building. Any special requirement for the civil construction works would be advised by the respective machinery manufacturer and the Corporation would implement the same with the help of the civil consultant.</p>

1	2	3	4	5
				<p>The proposal/planning for building is arrived based on the discussion by KSTC along with the machinery supplier. After making the decision on the requirement by the Corporation for the plant, the requirements of civil construction works are passed on to the civil consultant. The service of Civil Consultant starts from here. The Corporation will make a detailed Project Report (DPR) based on the requirement with plan layout and will submit to Government for approval. The work will start based on the approved DPR only.</p> <p><u>Report on the work schedule of civil consultant</u></p> <ul style="list-style-type: none">• After getting DPR approved, the tenders would be called from various contractors. Each and every field of work in the form of schedule

1	2	3	4	5
				<p>of works along with the quoted amount would be verified by the consultant and informed KSTC regarding the work field which will suitable for the Corporation.</p> <ul style="list-style-type: none"> • The rates submitted by civil contractors will be verified by the Consultant in comparison with the rate of the prevailing PWD rates and any deviation would be informed to KSTC for correction. Based on the verification, KSTC will negotiate with the contractor. • After starting the work, the Consultant will do the site supervision on regular intervals to monitor the progress of the civil construction works and a report would be forwarded to KSTC.

1	2	3	4	5
				<ul style="list-style-type: none">• During construction, there is every possibility for deviation in the civil works in some areas based on the site condition, soil condition etc. These instances would be informed by the consultation to KSTC and with suggestions to rectify the same.• The bills submitted by the Civil Contractor will be verified and scrutinized by the Consultant. The payment will be initiated only after getting the verified signature from consultant.• He will maintain and submit the M-Book, properly signed with seal, as a proof of each and every portion civil work in comparison with order quantity and rate. It can be used for the future evidences of work.

1	2	3	4	5
2	3	Industries	<p>The Committee severely criticizes the Corporation for not inviting proper tender and for entrusting the construction works to Uralungal Co-operative Society without obtaining prior sanction from the Government. The Committee points out that by this action the loss sustained cannot be ascertained and considers it as dereliction of duty of officials concerned. The Committee firmly recommends that the financial norms of the government should be strictly followed by the Company and any deviation from the norms should not be made without obtaining prior permission of the Government.</p>	<p>The Corporation has sought the sanction of the Government for entrusting the construction works to M/s Uralungal Labour Contract Co-operative Society (ULCCS) taking into consideration the time constraints. As per Government letter No.25749/C3/ID dated 11-10-2010, Government had accorded sanction to award the contract of civil construction works to M/s Uralungal Labour Contract Co-operative Society (ULCCS).</p> <p>It is further submitted that the Corporation will take utmost care not to undertake such activities, which will lead to any deviation in directions/ financial norms of the Government in future.</p>

1	2	3	4	5
3	4	Industries	<p>The Committee observes that there is only partial production in Komalapuram Spinning Mill and that in mills at Pinarayi and Uduma the production has not commenced yet. The Committee recommends to prepare a total package to rejuvenate the Uduma, Komalapuram and Pinarayi mills by providing adequate fund and by recruiting sufficient workers.</p>	<p>Government have accorded Administrative sanction for INR 57.34 crore. The revival package amount was decided to release in two phases. The first phase with 4,800 spindles, 130 employees, and 600 KVA power connection was inaugurated on 26 FEB 2016. As on date the second phase of implementation is also completed. In order to start the full fledged capacity functioning the contract demand has to be enhanced from the present 600 KVA to 2000 KKVA. The process for enhancement is under progress.</p> <p>With the rejuvenated packages, Uduma Textile Mills and Hi-tech Weaving Mills with INR 29.64 crore & INR 35.30 crore (revised total project costs) has started functioning on 30 October 2018 & 28 FEB 2019 respectively.</p>

1	2	3	4	5
4	5	Industries	<p>The Committee observes that marketing of the products of the Corporation in the open market without exploring market possibilities has caused economic loss to the Corporation. The Committee recommends that the Corporation should take urgent steps to conduct necessary market survey. It also directs to endeavour to supply sufficient yarn to domestic weavers according to demand.</p>	<p>Based on the recommendations of the committee, the following decisions were taken by the Corporation.</p> <ul style="list-style-type: none"> • To collect the proposals from IIT, Centre for Management Development etc. for market survey and to place the same in upcoming meeting of the Board of Directors and to proceed as per the direction of the Board. • The domestic weavers prefer hank yarn rather than cone yarn, now being produced by the mills of the Corporation. The Corporation is exploring the possibility of hank yarn conversion and the proposal would be placed in the upcoming meeting of the Board of Directors and will proceed as, per the directions of the Board.

1	2	3	4	5
5	6	Industries	<p>The Committee directs that Textile Corporation should take appropriate measures to find market of yarn within the State thereby supporting the handloom sector. The Committee recommends to bring about creative changes in areas like production and marketing for the betterment of the Company.</p>	<p>At present KSTC is catering to the Polyester/Cotton yarn requirement of Handloom School Uniform Program sponsored by the State Education Department with the support of Industries Department. The handloom weaving societies under this program are purchasing yarn from the spinning mills of the Corporation to give first priority to the spinning mills under the Government for sourcing of yarn through National Handloom Development Corporation (NHDC). The program is now a successful model and has helped two of our units to get better yarn price thereby reduction in financial loss.</p>
6	7	Industries	<p>The Committee observes that the warranty of all the machines purchased for the implementation of the Green Field Project by the Corporation had already expired. The Committee directs to furnish a report on the</p>	<p>All the machines purchased and installed during 2011 are properly functioning without any defects in 2018-19, after overhauling the machines. An amount of INR 1.37 crore and INR 0.92 crore has been released vide GO(Rt)No.1579/ 2017/ID</p>

1	2	3	4	5
			present status of functioning of the machinery	Dated 18-11-2017 and G.O(Rt)No.1537/2017/ID dated 8-11-2017 for UTM & HWM respectively for the purpose of overhauling/ revival. From the fund overhauling was successfully completed and the units started commercial production during 2018-19.
7	8	Industries	The Committee wants to be furnished with details of the licences and permits pending for the projects.	<p><u>Komalapuram Spinning & Weaving Mills:</u></p> <ul style="list-style-type: none"> • NoC from Fire & Rescue <p><u>Hi-tech Weaving Mills (HWM)</u></p> <ul style="list-style-type: none"> • Building Permit • NoC from Fire & Rescue <p><u>Uduma Textile Mills (UTM)</u></p> <ul style="list-style-type: none"> • Building Permit • NoC from Fire & Rescue

1	2	3	4	5
8	9	Industries	<p>The Committee finds that the Company failed to fulfil actual purpose of purchasing machinery under Export Promotion Capital Goods (EPCG) Scheme due to non commencement of production in the mills. The Committee wants to be informed of the action taken to fulfil the export obligation.</p>	<p>For saving the customs duty, in 2011, the Corporation availed the benefit of EPCG Scheme. While opting for EPCG Scheme then, it was with a good intention to make use of EPCG benefit to reduce the cost of Machines on import and was confident enough to make exports in the required quantity with the 3 high degree modernized mills. But the idling of the projects had caused the failure in fulfilling export obligation.</p> <p>The Corporation has written to Director General of Foreign Trade for getting the extension in obligation period. The Corporation plans to start exporting to cover the EPCG obligation.</p>
9	10	Industries	<p>The Committee criticizes that the Kerala State Textile Corporation Limited constructed factory building at Pinarayi without acquiring necessary land and the required building pe.mit.</p>	<p>During 2010, while implementation of the project, the Corporation had requested for a requirement of land measuring 3.00 acres for the project with the Pinarayi Grama Panchayat. However, the Panchayat could identify</p>

1	2	3	4	5
			<p>The Committee wants to be informed of present status of acquiring necessary land for obtaining license.</p>	<p>land measuring only 1.50 acres for the time being to implement, and had earmarked another 1.00 acre land adjacent to the project for future purchase before commencement of the project. Thus the implementation of the project began with the 1.50 acres of land purchased initially. Later after implementation of the project the Corporation did not have funds to purchase the additional land, and hence the purchase could not happen.</p> <p>As per the rules and regulations of the Town Planning Department the building to land ratio is to be maintained at a minimum of 40:60. But the project is now having a building to land ratio of 55:45. In order to correct the same and to build additional utilities like canteen, rest room, vehicle shed etc., an additional land of 1.50 is required. The Corporation is now in the process of purchasing the additional land.</p>

1	2	3	4	5
				<p><u>Current status of process of purchase of additional land of Hi-tech Weaving Mills</u></p> <ul style="list-style-type: none"> • The process for purchase of additional land is being done by the District Collector, Kannur. • For the additional land, the fair price value fixed by the District Collector is INR 38,860.00 per cent, but the landlords are demanding INR 1.00 lakh to 1.25 Lakh per cent. In this context, Government has been addressed to accord sanction for negotiated purchase through District Collector, Kannur. • The Corporation has already received an amount of INR 129.50 lakh for the purchase of land and

1	2	3	4	5
				<p>its development. Out of this, the fund sanctioned for purchase of land is INR 100.00 lakh, the Corporation has requested Government for additional fund to meet the additional land cost and registration charges.</p> <p>Now the Corporation is awaiting the order from Government for the negotiated purchase of additional land through District level Purchase Committee headed by the District Collector.</p>
10	11	Industries	<p>The Committee wants a detailed report on the utilization and repayment of the entire amount received from KSIDC, Malabar Cements Ltd. and Kerala Minerals and Metals Ltd. for the implementation of the Green Field Projects entrusted by the Government to Kerala State Textile Corporation. The Committee also wants a report on the</p>	<p>In 2011, during the start of project, the funding pattern was sanctioned vide G.O. dated 1-7-2010, as 1:1:1 ratio (1) Advance share participation of PSU (KMML/MCL), (2) Soft loan from these PSUs and (3) Self generated fund of concerned PSUs/loan from FIs/KSIDC and Banks.</p>

1	2	3	4	5
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INR Lakh

			interest liability in respect of Government loans availed by the Company	Particulars	Donor	Amount	Interest	Balance to pay from KSTC
				Share	KMML	2250	0	2250
				Loan	KMML	2250	0	2250
				Loan	KSIDC	2250	0	0
				Share	MCL	200	0	0
				Loan	MCL	200	0	0
				1. Advance Share received from KMML An amount of INR 22.50 crore (total INR 30.00 crore including the modernization of MSWM) received as share capital from KMML as follows (INR lakh): KSWM : 1200.00 lakh UTM : 458.00 lakh HWM : 592.00 lakh 2. Soft Loan received from KMML An amount of INR 22.50 crore (total INR 30.00 crore				

1	2	3	4	5
				<p>including the modernization of MSWM) received as soft loan from KMML as follows (INR lakh): KSWM : 1200.00 lakh UTM : 458.00 lakh HWM : 592.00 lakh</p> <p>The soft loan become interest free with retrospective effect from 26 AUG'10, as per G.O(Rt.)No.337/2016/ID dated 31-3-2016.</p> <p><u>3. Loan from KSIDC</u> As per the funding pattern an amount of INR 12.00 crore received from KSIDC against the sanctioned amount of INR 24.00 crore, vide letter No.KSIDC/TVM/KSTC/3646 dated 5-2-2011 and the same have been recouped on 23-4-2011 with interest and availed Government loan of INR 24.00 crore in lieu of the KSIDC loan.</p> <p><u>4. Advance share and Loan from MCL</u> During 2010, there was the modernization project of Trivandrum Spinning Mills (TSM) also. The Advance for Share and loan, totalling to INR 4.00 crore has been received for TSM routed through KSTC, now made book entry transfer to TSM</p>

1	2	3	4	5								
				<p>Vide G.O(Rt)No.955/2016/ID dated 23-9-2016.</p> <table border="1"> <thead> <tr> <th data-bbox="657 294 862 432">Unit</th> <th data-bbox="862 294 968 432">Interest Amount (INR lakh)</th> </tr> </thead> <tbody> <tr> <td data-bbox="657 432 862 542">Komalapuram Spinning and Weaving Mills</td> <td data-bbox="862 432 968 542">18.78</td> </tr> <tr> <td data-bbox="657 542 862 617">Hi-Tech Weaving Mills</td> <td data-bbox="862 542 968 617">9.87</td> </tr> <tr> <td data-bbox="657 617 862 693">Uduma Textile Mills</td> <td data-bbox="862 617 968 693">8.93</td> </tr> </tbody> </table> <p>As on 31-3-2018, the Corporation has an interest on loan liability of INR 37.57 crore towards the Government and others, on account of the new projects.</p>	Unit	Interest Amount (INR lakh)	Komalapuram Spinning and Weaving Mills	18.78	Hi-Tech Weaving Mills	9.87	Uduma Textile Mills	8.93
Unit	Interest Amount (INR lakh)											
Komalapuram Spinning and Weaving Mills	18.78											
Hi-Tech Weaving Mills	9.87											
Uduma Textile Mills	8.93											

CHAPTER - II

**REPLY FURNISHED BY THE GOVERNMENT ON THE
RECOMMENDATION OF THE COMMITTEE WHICH
HAS BEEN ACCEPTED BY THE COMMITTEE
WITH REMARKS**

Sl. No.	Para. No.	Department Concerned	Conclusions/ Recommendations	Action Taken by the Government
(1)	(2)	(3)	(4)	(5)
1	1	Industries	<p>The Committee vehemently criticizes the Corporation for the idling of machines worth ₹ 98 crore in Green Field Projects since 2011. The Committee recommends to take stringent disciplinary action against the officers of Kerala State Textile Corporation who were responsible for the idling of machinery in Komalapuram Spinning Mill within one month and to initiate revenue recovery proceedings against them.</p>	<p>The Project Komalapuram Spinning & Weaving Mills was inaugurated on 15-2-2011 and that of Uduma Textile Mills was on 28-1-2011. Even though the projects were inaugurated, to operate with the available facilities, the projects become idle for last 7 years only because of the various court cases filed by the newly recruited candidates and others against the Corporation.</p> <p>Other major reasons for delay apart from non-availability of man power are as follows:</p>

1	2	3	4	5
				<ul style="list-style-type: none">• As per the funding pattern 2/3rd of the funds were to be received from KMML and 1/3rd from FI's. KMML released the funds to KSTC in a phased manner between 24-8-2010 and 7-12-2010. The fund from KSIDC (FI) was received only by 5-2-2011. This was one of the reasons for delay in implementing the project on time.• After the financial year 2010-11, as a result of Union Government

1	2	3	4	5
				<p>policies, the spinning industry in the country witnessed a heavy capacity addition and resulted in excessive orders in hands with textile machinery suppliers. As the suppliers got huge quantity of orders for machinery, and most of the new textile companies were ready to pay cash in advance for purchase of machinery, the machinery suppliers gave priority to the buyers who paid in advance. Due to prevailing policy of the Corporation, it could only make payments after</p>

1	2	3	4	5
				<p>receipt of the machinery. This pushed the delivery dates of the machines. Hence the purchase and delivery of machinery to the new projects got delayed.</p> <p>The process of recruitment could not be done due to several writ petitions pending before the Hon'ble High Court of Kerala against the recruitment process of the Corporation. To operate the machines effectively, skilled technical workers/staff were required. Still court cases are pending before the Hon'ble High Court against the recruitment process of the Corporation.</p>

Remarks:-

The Committee observed that the cancellation of list due to non-acceptance of the recruitment which was supposed to be done at the initial stage of the project and then the declaration of election and the writ petitions filed by the candidates against the recruitment processing of the corporation in various courts also resulted in a delay in the implementation of the project. The Committee expresses strong displeasure over the reply furnished and completely negated the explanation.

The Committee recommends that action to be taken as recommended in the Committee Report and that the Statement be furnished without any delay.

C. DIVAKARAN,

Chairman,

Committee on Public Undertakings.

Thiruvananthapuram,
15th January, 2021.