FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)

TWENTY NINTH REPORT

(Presented on 9th March, 2017)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2017

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COMMITTEE
ON
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TWENTY NINTH REPORT

On

The Kerala State Cashew Development Corporation Limited (Based on the Reports of the Comptroller and Auditor General of India for the years ended 31 March, 2012 and 2013)

374/2017.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)
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INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2016-2019) having been authorised by the Committee to present the Report on its behalf, present this Twenty Ninth Report on The Kerala State Cashew Development Corporation Limited, based on the reports of the Comptroller and Auditor General of India for the years ended 31 March, 2012 and 2013 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid report of the Comptroller and Auditor General of India were laid on the Table of the House on 18-2-2013 and 10-6-2014 respectively. The reports, besides other things in their findings, brought to light some functional irregularities relating to The Kerala State Cashew Development Corporation Limited. The Committee, in connection with the perusal of the reports, took notice of the comparability of the audit paragraphs pertaining to such irregularities and decided to examine them altogether. 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 2014-2016.

This report was considered and approved by the Committee (2016-2019) at its meeting held on 2-3-2017.

The Committee places on record its appreciation for the assistance rendered 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 Government Secretariat and The Kerala State Cashew 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 and Finance Departments-and the Officials of The Kerala State Cashew Development Corporation Limited who appeared for evidence and assisted the Committee by placing their views before it.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
9th March, 2017.

REPORT

ON

THE KERALA STATE CASHEW DEVELOPMENT CORPORATION LIMITED

AUDIT PARAGRAPH – 4.1.4 (2011-12)

4.1.4 The Kerala State Cashew Development Corporation Limited

The Kerala State Cashew Development Corporation Limited (Company) was incorporated in 1969 with the objective of developing cashew industry so as to provide employment to cashew workers in the State. During the year 2011-2012 the Company provided on an average 179 working days (28.94 lakh man days for 16137 workers) through its 30 cashew processing factories across the State. The Company had been continuously incurring operating losses during the five year period up to 31st March 2011. We found that high cost of procurement and low rate of sales realisation were the major reasons for the continuous losses. We also noticed that the Board of Directors failed to constitute Audit Committee, an important measure of internal control and corporate governance. These are discussed in detail below:

Functioning of the Board of Directors

In line with the provisions of Section 292 A of the Companies Act, 1956, the Government, with a view to strengthen the corporate governance, issued (November 2008) direction for the formation of Audit Committees by every State Level Public Sector Enterprise. We observed that though 79 meetings of the Board of Directors of the Company were held during the last five years, the Audit Committee, an important pillar of corporate governance had not been constituted so far (June 2012). Hence the transparency in decision making, accuracy of financial reporting and disclosures, robustness of internal control and internal audit functions etc. were not being properly evaluated or monitored in the Company.

The Company replied (August 2012) that internal control system envisaged for the Audit Committee was looked after by the Board of Directors. The reply indicated the violation of Government direction.

Operational inefficiencies

The Company procures raw nuts and allots to 30 factories for processing. The raw nuts are drum-roasted/steam-roasted to produce roasted cashew nuts, which are shelled (removal of shells), peeled (removal of the outer skin of kernels) and graded into different varieties.

We noticed that the Company had to spend ₹ 3.02 lakh to produce one MT of cashew kernel. However, sales realisation was only ₹ 2.18 lakh per MT resulting in loss of ₹ 0.85 lakh per MT as shown below:

(Amount ₹ in lakh)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	Average
				(provisional)		
Sales quantity (in MT)	3660.18	3775.44	5327.56	7516.41	7719.49	
Sales realisation per MT	1.73	1.64	2.38	2.38	2.75	2.18
Value of Materials per MT of sales	1.39	1.08	1.78	1.70	2.16	1.62
Employee cost per MT of sales	1.00	1.18	0.72	0.76	0.76	0.88
Other expenses per MT of sales	1.14	1.23	0.09	0.06	0.06	0.52
Total expenditure per MT of sales	3.53	3.49	2.59	2.52	2.98	3.02
Net loss per MT of sales	1.80	1.85	0.21	0.14	0.23	0.85

We observed that for every rupee of sale the Company incurred 74 paise towards raw materials, 44 paise towards employee cost and 30 paise towards other expenses leading to a loss of 48 paise.

Procurement of raw cashew nut

The Company procured raw cashew nuts from suppliers based on open tenders through advertisements. In this regard we noticed the following:

Dilution of tender process

Central Vigilance Commission (CVC) guidelines stated that 'as post tender negotiations could be a source of corruption, it is directed that there should be no post tender negotiations with L-1 except in certain exceptional situations'. The Board of Directors, however, conducted post tender negotiations with all bidders and orders were placed with the lowest negotiated tenderer.

The Company stated (August 2012) that inviting only the lowest tenderer for negotiations would lead to cartel formation. The reply is not acceptable as it indicates the violation of CVC guidelines.

High rate of procurement

The major source of raw cashew nuts was imports. The average procurement rate of raw cashew nuts of the Company was higher than the average rate published by the Directorate of Cashew and Cocoa Development (DC & CD) as shown below:

(Amount in ₹)

year	Procurement rate per MT		Excess
	Company	DC&CD	
2008-09	46782	43450	3332
2009-10	43445	40342	3102

We also observed that the Company was depending on a single supplier (JMJ Traders) for majority (49.50 to 99.77 per cent) of its raw nuts requirement for the period from 2008-2009 to 2011-2012.

The Company stated that the rates published by DC &CD may not reflect the actual rate as they were based on the statistics collected by them. But the fact remained that the present procurement procedure followed by the Company had not fetched the competitive rate as the procurement rate was higher than the average All India rate.

Low rate of sales realisation

Efficient marketing of the product through proper advertising and sale of the product at most competitive rates ensures increased sales realisation and thereby better profitability. The Company, however, had not formulated any marketing policy. We noticed that the Company marketed only a small quantity (three per cent) under its brand name 'CDC Cashew' and the remaining portion was sold to wholesale traders. In respect of wholesale trade, the Board of Directors entrusted the Managing Director to sell the cashew kernels based on the then prevailing market rates. Thus, the Company sold the cashew kernels on the basis of rates fixed by the Managing Director in a non-transparent manner without inviting any competitive tenders. This unfair practice of marketing resulted in low rate of sales realisation.

As a result, the average sales realisation per MT of cashew kernel obtained for the years 2008-2009 and 2009-10 were less than the rate published by DC & CD, as shown below:

(Amount ₹ in lakh)

year	Average sales realisation per MT		Shortage
	Company	DC &CD	
2008-2009	217837	272858	55021
2009-2010	213286	268759	55473

The Company replied that selling price of the cashew kernel was controlled by international market which varied day by day. Sales contract was finalised between MD and the buyer based on the price offered by the buyer on daily basis. The fact, however, remained that the recommendations of the Committee on Public Undertakings (CoPU) to adopt well defined sales and marketing policy in consultation with an expert agency is yet to be implemented.

Insufficient value addition-impact of high procurement cost and low sales value

The impact of high procurement cost and low sales realisation resulted in low sales margin which was insufficient to meet cost of production. Sales margin earned by the Company ranged from ₹ 33933 per MT to ₹ 67825 per MT (24 to 53 per cent of cost of raw material) during the review period. This was not sufficient to meet even the labour cost of ₹ 72190 per MT to ₹ 118039 per MT over the review period.

Thus, considering the import/export rates published by DC & CD, there was scope for reducing the raw material cost by ₹ 0.13 lakh and increasing sales revenue by ₹ 0.55 lakh per MT of cashew kernels. Thus, ensuring transparency in procurement and sales alone has a scope for reducing the loss of the Company by ₹ 0.68 lakh per MT of sales. The 42nd Report of CoPU(July 2003) stated that:

- The Company should adopt well defined sales and marketing policy in consultation with an expert agency.
- The system of procurement of raw cashew nuts required to be streamlined in such a way that the same does not exceed the All India procurement cost.

In spite of CoPU recommendations, the Company had neither streamlined the system of procurement of raw cashew nuts nor regulated the cost so as to ensure sufficient margin to meet the expenses. We also observed that the recommendation of the expert agency appointed by the Government with regard to inviting only the lowest tenderer for negotiations was relaxed by the Government themselves and permitted the Company to continue with the prevailing practice of giving chances to the bidders to amend their rates after knowing the rates quoted by other bidders.

The Government should review the permission granted to the Company for conducting negotiations with all the tenderers. The Company replied that measures would be taken to reduce the cost of production.

Government assistance

Government assistance to the Company is for strengthening its financial base to enable it to achieve better performance. We noticed that Government of Kerala had invested (March 2008) ₹ 200.64 crore as equity in the Company. Against the above, the Government suffered a loss of ₹3.66 on every rupee of its investment.

The Government provided ₹176.41 crore from the exchequer to the Company by way of loans (₹ 93.19 crore) and grant (₹ 83.22 crore) during review period. This amounted to ₹ 63005.11 per MT of sales as against ₹ 71886 per MT incurred towards salary and wages (₹ 201.27 crore) of factory staff and workers.

The matter was reported to Government in July 2012; their reply was awaited (November 2012).

[The Audit paragraph 4.1.4 contained in the Report of the C&AG for the year ended 31st March, 2012]

The notes furnished by the Government on the Audit Paragraph are given in Appendix II.

Audit Paragraph-4.1 (4.1.1-4.1.3.11-2012-13)

4.1 Procurement of Raw Cashew Nuts

4.1.1 Introduction

The Kerala State Cashew Development Corporation Limited (Company) was functioning from July in 1969 with 10 factories with the objective of processing Raw Cashew Nuts (RCN) and its trading. Subsequently Government of Kerala (GoK) took over (July 1988) 36 factories in private sector which were lockedout and entrusted with the Company for operating and providing employment to the workers. At present the company is operating 30 cashew factories, two Value Addition Units and has 776 employees and 14994 factory workers in its rolls as on 31st March 2013. During the period from April 2008 to March 2013 the Company purchased 133380 MT of RCN worth ₹ 771.44 crore through 22 tenders and 46 purchase agreements, besides procurement directly from farmers.

4.1.2 Background and scope of Audit

The Company is incurring losses continuously and the accumulated loss as on 31st March 2009 (latest finalised accounts) was ₹ 812.92 crore. One of the major reasons for the loss was deficiencies/irregularities in the purchase of RCN. Based on the Audit reports for the years 1996 and 2008 the Committee on Public Undertakings (COPU) had recommended (July 2003/June 2012) to do away with the post tender negotiations and streamline the procurement of RCN in a transparent and cost effective manner. The Expert committee (EC) appointed (April 2007) by GoK had also made (August 2007) similar recommendations.

The Board of Directors (BoD), however, continued with the prevailing practice after obtaining(December 2007) approval from Industries Department, GoK. Based on quick verification (November 2012) by Vigilance and Anti-corruption Bureau (VACB), the Vigilance Department was requested (March 2013) by VACB for according sanction to conduct a detailed enquiry to unearth the irregularities in the procurement of RCN. The Vigilance Department, however, denied sanction stating that a vigilance enquiry was not necessary.

In view of the above state of affairs, Audit decided to conduct a detailed study covering a period of five years up to 2012-2013 to assess the transparency and fairness, equity and economy, efficiency and effectiveness of the prevailing system of procurement of RCN by the company besides a review of the followup action on the earlier audit findings and COPU recommendations.

4.1.3 Audit Findings

Audit analysed all the 22 tenders and 46 purchase agreements from 2008-2009 to 2012-2013. It was noticed that the purchases were made disregarding the CoPU and EC recommendations and were plagued by various deficiencies in planning, tendering and award of contracts as discussed in succeeding paragraphs.

4.1.3.1 *Excessive dependence on a local trader for procurement*

The average annual production of RCN in Kerala was estimated at 72000 MT[1] . Instead of procuring maximum quantity of Kerala RCN, the company also imported cashew nuts from African countries viz. Tanzania (CDJKL), Guinea Bissau(GB), Ivory Coast (IVC), and Mozambique (MOZ). During the period covered in audit the company procured 17,636 MT(13.22 *per cent*) of domestic nuts and 1,15,744 MT(86.78 *per cent*) of African nuts as detailed below:

1 Source: Data of Directorate of Cashew Nut & Cocoa Development.

Table 4.1: Details of Supply of RCN from each origin

Country of Origin	African origin (MT)		Kerala origin (MT)		Total (MT)	Percentage of total supply from each origin to total supply
	International traders	Local traders	Directly from farmers	Local suppliers		
CDJKL	2164	29118			31282	23.45
GB	4454	14651			19105	14.32
IVC	9339	41312			50651	37.98
MOZ	9414	5292			14706	11.03
Kerala			1086		1086	0.81
Kerala				16550	16550	12.41
Total	25371	90373	1086	16550	133380	100.00
Percentage	19.02	67.76	0.81	12.41	100	

The most prevalent method was indirect purchase through traders- for both domestic as well as imported RCN and the direct purchase from domestic farmers was negligible at 1086 MT (0.81 *per cent*). Imported nuts were procured from:

- International traders (19.02 *per cent*) who procure RCN from international markets and sell directly to the company. The major traders were Olam International, Sayeed Mohammed and sons Traders, PTE Ltd. Valency International and Swiss Singapore Ocean Enterprise.

- Local traders (80.17 per cent), who procure RCN imported by international traders and resell to the Company. The major local traders were JMJ Traders (JMJ), Kailas cashew, DM Traders, CEE BEE Commodities, CKD (Mr. Alavi) Traders, INDAF and Asia Commodities.

The details of the 46 purchase orders issued for domestic (nine orders) and imported (37 orders) RCN during the period from 2008-09 to 2012-13 were as follows:-

Table 4.2 : Purchase Orders issued

Year	No. of POs issued			Ordered Quantity (in MT)			Supplied quantity in (MT)			Total Payments			Percentage of quantity placed on JMJ
	JMJ	others	Total	JMJ	Others	Total	JMJ	others	Total	JMJ crore	Others (₹ in crore)	Total (in crore)	
2008-09	7	4	11	15000	8000	23000	15042	7761	22803	71.82	35.59	107.41	65.22
2009-10	5	9	14	16500	20750	37250	18014	20186	38200	78.77	84.57	163.34	44.30
2010-11	7	2	9	26500	7000	33500	24426	4277	28703	157.86	31.20	189.06	79.10
2011-12	6	0	6	24250	0	24250	25585	0	25585	194.38	0	194.38	100
2012-13	4	2	6	17500	2500	20000	15625	1378	17003	106.10	5.10	111.20	87.50
Total	29	17	46	99750	38250	138000	98692	33602	132294	608.93	156.46	765.39	72.28
Percentage	63.04	36.96		72.28	27.72		74.60	25.40		79.56	20.44		

Analysis of these purchases revealed that out of the 46 orders for 1.38 lakh MT RCN, 29 orders for 0.99 lakh MT (72.28 *per cent*) valuing ₹ 608.93 crore were placed on JMJ, which was a local trader and supplied either already imported RCN[2] or through High Sea Sale[3] (HSS). It was also noticed that during the year 2011-12, 100 *per cent* orders and in 2012-2013, 87.50 *per cent* orders were placed on JMJ. Audit found that the company's procurement process violated recommendations of COPU/EC and favoured indirect purchase over direct procurement to the advantage of a few traders.

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2 The African Origin RCN which was already imported to Kerala, in the name of local supplier and held in stock.

3 Orders are placed with a local firm which in turn procures RCN from another international supplier when the container carrying the RCN from exporting countries reaches the High Sea, a High Sea Sale agreement is executed between the local firm and the Company and the local firm clears the shipment in the name of the Company.

The company, while accepting the audit observation, stated (November 2013) that private processors procure maximum quantity of Kerala origin by making flexible payment to the farmers. It was further stated that the supplier's credit was their main source of working capital. The reply was not acceptable as domestic nuts comprise only 13.22 *per cent* of the procurement and the Government releases grants to give fair price to farmers and avoid exploitation by intermediaries.

4.1.3.2 Unauthorised diversion of grants and furnishing incorrect utilisation certificates.

The average annual production of RCN in Kerala was estimated at 72000 MT and quality-wise the Kerala origin was one of the best in the world[4]. In order to save the cashew farmers from the exploitation of middlemen and ensure good quality of RCN, GoK released grant of ₹ 137.62 crore during the period 2008-2013 to the company for the following purposes:-

Table 4.3: Details of GoK Grant

Sl. No.	Purpose	₹ in crore
1	Procurement of Kerala Origin RCN directly from farmers	80.00
2	Modernisation of Existing Facilities in Cashew Factories	57.62
	Total	137.62

Audit noticed that only a meagre portion of the grants was actually utilised for the intended purposes as out of ₹ 80 crore provided for direct procurement. It had utilised only ₹ 0.35 crore (0.44 per cent) for procurement of Kerala Origin RCN directly from farmers and balance amount was diverted for the procurement of Kerala and African origin RCN through traders (African for ₹ 44.36 crore and Kerala for ₹ 35.29 crore) defeating the very purpose of provision of funds.

Similarly, out of ₹ 57.62 crore of grant released for modernisation and renovation₹ 39.30 crore (68 per cent) was diverted for the procurement of African RCN through local traders. It was further observed that this diversion was without

4 As the outturn of exportable grade kernel from processing Kerala origin RCN was 25 percent.

the approval of the GoK. More serious issue was the Utilisation Certificate (UC) submitted to the GoK, stating that the grants were utilised for the purpose for which the same were sanctioned. Thus, UCs were factually incorrect, misleading and violated Articles 210 (1) and 211 of the Kerala Financial Code, Volume I (KFC).

The Company stated (November 2013), that the local seasons runs from March to June of each year and the grant of ₹ 80 crore was released on different dates only after the local procurement season. The reply was not acceptable as the funds released as grant should have been utilised only for the purpose for which it was released or the unspent balance should have been surrendered. Further, the funds received after the season could have been utilised for procurement during next season.

The company also admitted that significant portion of the grant of ₹ 57.62 crore released for modernisation, renovation etc., was utilised for procurement of RCN. Thus, the grant intended for helping farmers and for reducing imports were utilised for generating business to private traders and for procuring African RCN and false UCs were submitted for the same.

4.1.3.3. *Purchase of inferior quality Kerala RCN through traders*

The quality of the RCN procured is assessed through a cutting test[5] which measures the outturn[6]. An analysis of outturn of Kerala RCN procured directly from farmers and through traders made in audit revealed that the Company sustained huge loss due to poor quality of RCN procured through traders.

Outturn obtained from processing RCN procured directly from farmers was much higher than that from the RCN procured through traders during the same periods. The Exportable Grade Whole Nuts (EWN) obtained per 80 kg. bag of Kerala RCN procured directly from farmers ranged from 14.59 to 16.36kg. as against 11.56 to 14.57 kg. obtained from that procured from traders and the resultant loss to the Company on this account worked out to

5 Commonly followed testing practice to assess the quality of RCN by collecting samples from each lot of supply. RCN samples are cut and the kernels are sorted into acceptable and unacceptable and weighed. The weight of acceptable kernels is averaged to find out weight of outturn per MT.

6 Expressed in lbs. It is the output obtained after processing each bag of 80 KG RCN (1 kg.= 2.2046 lbs).

₹ 17.89 crore (*Annexure 18*). Though these indicate poor quality of Kerala RCN supplied by traders, the company continued procurement through traders ignoring the Government's specific direction to procure RCN directly from farmers.

The Company stated that it could not purchase directly from farmers completely avoiding intermediaries. The reply was not acceptable as it contradicts the proposal submitted by the Company to Government to promote direct purchase from farmers. Further, the reply was silent about the lower output of EWN from Kerala RCN procured from traders and the resultant loss.

4.1.3.4. Deficiencies in the purchase process of African RCN

A detailed analysis of 37 orders placed for procurement of African RCN revealed that 10 orders were placed on international traders and 27 on local traders including 23 on JMJ as detailed below:

Table 4.4: Details of Purchase Orders for African RCN

Year	International Traders		JMJ		Others		Total	
	Orders	Qty (MT)	Orders	Qty (MT)	Orders	Qty (MT)	Orders	Qty (MT)
2008-2009	3	6770	5	11934	1	991	9	19695
2009-2010	6	16437	3	15267	1	1190	10	32894
2010-2011	1	2164	7	24426	1	2113	9	28703
2011-2012	0	0	5	21185	0	0	5	21185
2012-2013	0	0	3	12433	1	834	4	13267
Total	10	25371	23	85245	4	5128	37	115744

The deficiencies noticed in audit are summarised below:

Failure to use Memorandum of Understanding to import directly from Tanzania

The Secretary to Government, on behalf of GoK entered (November 2008) into a Memorandum of Understanding (MoU) with the United Republic of Tanzania for the direct import of 75000 MT of RCN every year for the Company and CAPEX[7] at mutually agreed quality and price. The MoU was valid initially for six months (November 2008-April 2009) which could be extended further by mutual consent.

Audit scrutiny revealed that Tanzanian (CDJKL) origin RCN was available at a negotiated price of $ 900 per MT and the Board in its meeting held on 14th January 2009 decided to procure the same. The Company, however, procured 2000 MT of MOZ origin RCN at $925 per MT through an international trader (Sayeed Mohammed & Sons) as decided by the Board on 28th February 2009 stating that CDJKL RCN was not likely to be available due to delay in completion of formalities under the MoU. The extra expenditure on this account was ₹ 24.60 lakh[8] Moreover the output from the MOZ origin RCN was also less (cutting outturn 50.35 lbs) compared to that (52-53 lbs cutting outturn) of CDJKL RCN. The details of the formalities to be completed were not made available to Audit. As the Company did not extend the validity of the MoU to subsequent years Audit could not compare the price and assess the loss.

The Company stated that the MoU was signed between GoK and Tanzanian and there was no further instruction from the Government in this regard. The reply was not acceptable as the MoU was signed by GoK for procurement of RCN by the Company and CAPEX and hence further action was to be initiated by the Company for procurement of the same in order to avoid traders.

Failure to import through State Trading Corporation of India Limited

The Company entered (17th April 2009) into a five year's agreement with State Trading Corporation of India Limited (STC) for import nuts, whereby STC would either directly import RCN for the Company or facilitate financing for the import of RCN through the traders selected by the Company. In consideration for this, the Company has to pay to STC a maximum of *2.5 per cent* of the value of imports including payment towards interest on Usance Letter of Credit[9] (LC).

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7 Cashew workers Apex Industrial Co-operative Society.

8 ($ 925- $ 900×1974.843 MT (being the actual supply) × ₹ 49.82 (being the exchange rate at which the payment was given)

9 It is a kind of LC in which payment is not made immediately but only after an agreed period as accepted by the buyer and seller.

Audit found that out of 37 purchase orders issued for African RCN, the Company utilised the financing facility of STC in eight orders and did not avail the option for direct procurement through STC and instead placed orders with traders. Out of the 85,245 MT of African RCN procured from JMJ through HSS mode, Audit verified the available Bill of Entry and Foreign Bill Transaction Advice (FBTA) for 7836MT (nine *per cent*) and found that JMJ used upto two intermediaries to procure from the foreign supplier. Each level of intermediary hiked the price and the total price hike was about three to *54 per cent* over and above the original cost. Audit worked out the extra charges paid *vis a vis* the STC charges of *1 to 2.5 per cent* of the import price. The avoidable extra expenditure worked out to ₹ 8.77 crore (*Annexure 19*). The extra expenditure on the balance 77409 MT could not be assessed, as the related documents were not produced to Audit.

The Company stated that agreement with STC was for the utilisation of STC's LC facilities by the company for consideration of trade margin and payment of related expenses like LC opening and retiring charges. It was further stated that it was not mandatory to purchase through STC. The reply did not address the issue as to why the Company could not have purchased RCN through STC and thereby avoid extra expenditure.

Lack of purchase planning

As the price of RCN in the international market is subject to high fluctuation, the Company should have devised a strategy to ensure procurement of quality RCN at most favourable prices considering the recommendations of EC. Audit analysed 15 major purchase orders (nine GB and six CDJKL) which constituted about 55 *per cent* of the total procurement of African RCN during the period. It was noticed that the Company failed to avail the seasonal price advantage as 13 out of the 15 orders were placed when the prices were higher.

As per the data[10] of import of RCN to India, the price trend and the number of orders issued during 2008-2013 are detailed below:

Table 4.5: Price trend and the number of orders issued during 2008-2013

Country of origin	Increasing trend in import price			Decreasing trend in import price		
	Period	No.of Orders issued		Period	No. of Orders issued	
		JMJ	Others		JMJ	Others
CDJKL	November-February	5	1	March-May	0	0
GB	July-November	7	0	May-June	0	2
Total		12	1		0	2

Audit observed that the Company placed five orders for CDJKL origin RCN during the high price period and the delivery was to be completed before the end of February[11] with a view to get new crop of the season. JMJ, however supplied the RCN during the low price period. Thus in four out of the above five orders, JMJ supplied 13 to 100 *per cent* of ordered quantity during March to May when the price was very low. Audit compared the actual purchase price with the import rate prevailed during the month of supply and found that the trader obtained undue financial advantage to the extent of ₹ 8.30 crore *(Annexure 20)*. Absence of sufficient provision in the purchase agreement for recovery of penalty for belated supply enabled the supplier to delay the delivery and take advantage of the price fluctuations and the Company could not initiate any penal action.

Similarly, the company placed (July to November) seven orders on JMJ for GB origin RCN and procured it when the prices were high. Audit observed that the prices were lower during May and June. Failure of the Company to place order when prices were advantageous resulted in avoidable extra expenditure of ₹ 19.91 crore (*Annexure 21*).

10 Complied Cashew Export promotion council for the five years from 2008-09 to 2012-2013.

11 Except in one case where delivery was given up to 31st March.

The Company stated that an assertive policy could not be formulated at times due to non-availability of timely working capital. The reply was not acceptable as one of the terms of the agreement with STC was that they would facilitate financing for import of RCN and therefore the facility should have been utilised by the Company.

4.1.3.5 Deficiencies in Tendering

During the period covered in audit the Company had issued 22 tenders[12]. The Company started e-tendering with effect from 15th September 2012 and three e-tenders were invited. The following deficiencies were noticed in tendering:

Inadequate publicity

As per the stipulation in Store Purchase Manual as well as the recommendations of EC, in the case of purchase through import, the requirement should be published nationally/globally and intimation had to be given directly to the international suppliers of the commodity with a view to generate maximum competition. In contravention to the above, the Company published the tender notices only in local dailies as well as in Kerala Edition of one to three English dailies. Thus, the tenders got only limited publicity and local bidders alone participated in the tender.

The company replied that it was not in a position to follow the Store Purchase Manual of the Government in total but the same was being followed as far as practical. It was further stated that as the purchase had become a routine process and parties were well aware of the development/possibility of a new tender, which they would come to know before publishing. Company started e-tendering since September 2012. The reply was not acceptable as it being a Government owned Company, Store Purchase Manual should have been scrupulously followed. Awareness among local parties on routine tender invitations was not a valid reason for not inviting tenders nationally/globally with wide publicity.

12 Out of 24 tenders issued in total two tenders were cancelled due to participation by none/one bidder.

Issue of tender documents without specifications and award of contract without cost benefit analysis

In order to ensure transparency in procurement and to get RCN with required specification it is essential to mention clearly in the tender document the required quantity, origin and quality of the raw nuts along with other terms and conditions of procurement. The company, however, did not mention these details and the bidders quoted for different quantity of different origin with different rates. Thus, the bidders in the 22 cases mentioned above, quoted different origins of RCN that varied widely in the outturn, mode of delivery and quantity offered. Hence, there was no uniformity in the offers received rendering them incomparable cost, quality, outturn wise and BoD while finalising the tenders was left with no option other than to select one among the available offers. The BoD, however, should have considered the financial interest of the Company by analysing various factors like cost, outturn, etc.

Audit noticed that the Company did not conduct any cost benefit analysis before awarding the contract (22 August 2011) for high priced RCN of GB origin by rejecting the offer of low priced IVC origin obtained in same tender. Audit further noticed that prior to August 2011 the company obtained a maximum additional outturn of 2.80 kg. on processing each bag of GB origin RCN over that of IVC origin. In the present procurement (August 2011) also the average of outturn from GB origin was 2.89 kg. higher than IVC origin. Though the outturn was higher the price of GB origin ($ 1790 per MT) was also very high compared to IVC origin ($1290 to $1325 per MT) and the company had not compared the procurement cost of IVC origin and additional cost to be incurred for justifying the procurement of GB origin as the selling price of processed cashew nuts was same. Thus, the purchase of 4000 MT of GB origin RCN by rejecting the offer of IVC origin RCN resulted in a loss of ₹ 4.57 crore due to extra expenditure for the GB origin over IVC origin after adjusting the additional gain obtained from additional outturn.

The company stated that:

- While making purchase decision, the primary objective was giving maximum employment rather than profitability;
- the GB origin could fetch an additional output of 3.01 kg. EWN per bag over the IVC origin and
- IVC origin was generally inferior quality so its processing cost was very high.

The reply of the Company that primary objective was to give maximum employment rather than making profit was not acceptable as COPU recommended not to procure RCN which result into negative contribution. Further, Audit noticed that the additional purchase cost incurred for the procurement of GB origin was over and above the earnings obtained from the sale of the additional output of three kilogram of EWN. The Company's plea as to inferior quality of IVC origin was also factually incorrect as the procurement of IVC origin was highest (*37 percent*) during the period covered in audit.

4.1.3.6 Deficiencies in contract terms and conditions

On scrutiny of the terms and conditions of the agreements entered into with the suppliers, Audit noticed absence of the following standard terms and conditions to safeguard the financial interest of the company which resulted in extra expenditure and losses.

Table 4.6: Deficiencies in contract terms and conditions

Deficiency		i. Absence of penalty clause for belated supply
Effect	i	In 25 out of 56 orders 12 to 90 per cent of the quantity was delivered after the delivery schedule. All suppliers were benefited due to this deficiency.
	ii	The operations of the Company were suspended for three months (November 2012 to January 2013) due to the non-supply of 4000 MT by JMJ within the delivery period (30 August 2012)
	iii	All additional cost for belated supply by JMJ had to be borne by the Company.
Impact	i	Liquidated damages could not be recovered in spite of delay of one to five months.

	ii	The fixed cost for three months was not recovered.
	iii	Company incurred ₹ 1.05[13] crore on account of exchange rate hike
Reply and further remarks	Company replied that terms of the contract had adequate provision to recover the loss, sustained by the company due to violation of any of the condition subject to force majeure clause. The reply was not tenable as Audit found that there was no specific provision for the action to be taken in event of belated supply. Further, during the review period the company had not recovered any damages from any party for the belated supply. Hence in majority of the cases the suppliers were getting the undue advantage of low international prices during the months of belated supply.	
Deficiency	ii. Absence of Risk purchase clause	
Effect	The suppliers did not supply the entire ordered quantity. So the Company had to procure the undelivered quantity at higher rate from subsequent tenders (30 June 2008 and 5 November 2011)	
Impact	Company could not recover the extra expenditure of ₹ 2.35[14] crore incurred for the procurement of 8000MT in the subsequent tenders due to the failure of Unicorp International and Olam International.	
Reply and further remarks	It was replied that adequate penalty clauses were incorporated in the agreement to protect the interest of the Company. It was also stated that even though Unicorp International had executed preliminary contract with the company after remittance of EMD, they had not executed the tripartite contract, so in legal sense Unicorp International could not be held responsible for keeping out from the contract. The reply indicates failure of the Company to execute a legally binding contract incorporating risk purchase clause with the suppliers on awarding the contract. Further, in the case of Olam International though formal agreement was executed the company did not initiate action for risk purchase despite termination of contract due to supply of inferior quality RCN.	

13 The actual delivery of 3840 MT against ordered (24-11-11) quantity of 10000 MT CDJKL RCN was delivered after the agreed delivery date (28-2-12) and the company settled the bills of belated delivery at higher exchange rate @ ₹ 51.69 for 1668 MT and ₹ 52.03 for 2172 MT) against the exchange rate of ₹ 49.14 prevailing on 28-2-2012.

14 Ordered (April 2008) rate of 3000 MT RCN to Unicorp International was only ₹44/kg. but the rate in the subsequent tender was ₹ 48.88/kg. Similarly the ordered (August 2011) rate of 5000 MT RCN to Olam International was $ 1290/MT but the rate in the subsequent tender was $ 1585/MT.

Deficiency	Iii. Absence of bench marks for actual output
Effect	The actual outturn obtained after processing RCN varied widely irrespective of the cutting outturn. Out of 47 purchases through all traders, actual outturn above 88 *percent* (deducting 12 *percent* processing loss) of the cutting outturn was obtained only in four cases.
Impact	Loss due to shortfall in actual output below 88 *percent* worked out to ₹ 22.97[15] crore.
Reply and further remarks	It was replied that the 88 *per cent* of cutting outturn was not at all acceptable and the normal range of the shortage would be 8 lbs to 10 lbs (20 *per cent* loss) from cutting out turn. The reply was not acceptable as in many instances the Company got the optimum outturn of 88 *per cent*. Further, in the tender/agreement, the company did not stipulate any benchmark for actual out turn.
Deficiency	iv. Non stipulation of the source of exchange rate for making payment
Effect	The suppliers claimed payment applying the exchange rate obtained from their Banker which was higher than RBI reference rate. Further, the exchange rate adopted by the Company for making payment to the supplier and the actual rate at which the suppliers made payment to the international seller varied widely.
Impact	The undue favour to the suppliers on account of this worked out to ₹ 0.20 crore compared to the RBI reference rate in three contracts[16] with JMJ test checked by Audit.
Reply and further remarks	It was replied that the RBI reference rate was only an average rate of the buying and selling rates of selected banks, hence it was only a 'reflection of market activity' for general users. The reference rate of RBI widely vary with the exchange rate of banks so it was incorrect and unfair to use the RBI reference as benchmark. However, the Company had not stated the accepted exchange rate of any particular bank in the agreement for effecting the payment.
Deficiency	v. Right for increasing or decreasing the ordered quantity

15 The shortage in the final outturn in respect of 41 purchases were calculated and it was multiplied with the average selling price.

16 13 HSS invoices from order issued on 16-4-2012 for IVC, six invoices from orders issued on 23-8-2011(GB&IVC).

Effect	The right to increase or decrease the ordered quantity should vest with the buyer. But in the contracts awarded by the Company the right(10 *per cent* of ordered quantity) was vested with the suppliers. The suppliers did not supply 10 *per cent* of the ordered quantity when there was increasing trend in prices and supplied additional 10 *per cent* quantity when the prices were decreasing.
Impact	In one order (29 September 2010) quantity of 456 MT of RCN short supplied by JMJ was procured from the same firm at higher rate by incurring additional expenditure of ₹ 0.52 crore[17].
Reply and further remarks	It was replied that since inception the right for increasing or decreasing the ordered quantity by 10 *per cent* was the exclusive right of the supplier and at times the clause was beneficial either to the supplier or to the Company, in case the parties supplied additional quantities on the request of the Company when the prices were on rising trend. However, Audit noticed that the suppliers were reluctant to supply the ordered quantity when the international prices were on the rising trend and supplied 10 *per cent* extra when the international prices were lower. Thus the suppliers were availing the undue advantage.
Deficiency	vi. Provision for remedies for breach of contract
Effect	There was no provision for blacklisting the supplier in case of non supply/partial supply of the ordered quantity within the stipulated time.
Impact	In one order (August 2012) for supply of 4000 MT of GB origin RCN at \$1235 per MT with scheduled delivery up to 30 September 2012, JMJ did not commence supply within the delivery period. But the firm participated in the next tender (December 2012) and got order for the supply of CDJKL origin at higher rate (\$1375).After getting new order the firm supplied 1849 MT leaving a balance of 1215 MT which was procured incurring extra expenditure of ₹1.64 crore[18].
Reply and further remarks	It was stated that there was no breach of contract which happened deliberately from the sellers (JMJ) point of view. Due to the unavailability of Government funds, the Company could not settle pending dues amounting to 13 crore to JMJ Traders with respect to

17 (456 MT (\$ 1430-\$ 1175) ₹ 45.42 being the average exchange rate at which the payment was made.)

18 (4000 MT-1848.99 MT) × (\$ 1375-\$1235) × ₹ 54.62 being the exchange rate on 17-12-2012.

	RCN delivered against previous orders, hence the supplier could not supply the ordered quantity. The reply was not acceptable because Government did not give any fund for the purchase of African origin RCN. Further, the procurement of RCN through traders was carried out through supplier credit and buyers advance hence financial crunch could have been avoided through existing fund management mechanism. Since JMJ was a regular supplier, average amount payable in every month to JMJ was 10 crore and such dues were existing while JMJ entered into a contract to supply 4000MT of GB origin also, so the non-delivery of agreed quantity citing the reason of old dues were against the spirit of the contract. Giving another order while earlier order was pending for delivery was not a sound business practice.

The legal section of the Company, which was responsible for finalising the standard terms and conditions of the agreement, failed to incorporate conditions protecting the financial interests of the Company resulting in loss/extra expenditure.

4.1.3.7 Irregularities in award of contract

Post tender negotiations and its impact

As a best practice, post tender negotiations are to be avoided. The COPU as well as EC directed to stop the practice of negotiation with all bidders and if required negotiation was to be held only with the lowest bidder. The BoD of the Company, however, negotiated with all the bidders after opening tenders. During negotiations, the bidders are given another chance to amend their quoted price, offered quantity, quality(outturn and count), mode of delivery, etc., defeating the very objective of tendering procedure. Based on the negotiations the BoD selected the bidder, decided the price and quantity for which orders were to be issued and authorised the MD to place orders.

On scrutiny of the negotiation proceedings of the Company, Audit noticed that the tendered rate of JMJ in seven tenders[19] were not lowest but in subsequent negotiation JMJ got orders by agreeing to supply the RCN at rates lower than the rates quoted by the then lowest bidder. In one instance (27 December 2012), JMJ quoted rates to be on par with the rate quoted by the lowest bidder and the BoD

19 Tender negotiation held on 1-11-2008, 12-5-2010, 13-7-2010, 6-11-2010, 7-1-2011, 22-11-2011 & 27-12-2012.

awarded the contract to JMJ ignoring the other lowest bidder. It was seen in audit that in two tenders[20] during negotiations JMJ reduced the quoted rates together with the guaranteed outturn by one lbs. The Company failed to assess the impact of this reduction in the outturn which amounted to ₹1.58 crore[21] resulting in extension of undue benefit to the supplier and loss to the Company.

Company replied that the recommendations of COPU and EC were adopted and it had started e-procurement since September 2012. However, the fact remained that the recommendations of COPU (July 2003) were ignored by the Company due to which it suffered loss of ₹ 1.58 crore. There was gross violation of integrity of the contract procedure.

Executing HSS agreement before finalising the tender:

As per the prevailing practice the tender finalisation and award of contract is done by the BoD at its meeting. During the meeting, the BoD negotiates with bidders on the rate and selects a bidder. After obtaining the contract, the successful bidder executes a General Purchase Agreement (GPA) with the Company. In HSS type of purchases, when the ship reaches the High Seas, subsidiary agreements called HSS agreements for each consignment showing the details of Bill of Lading, quantity, etc., in addition to GPA are entered into with the supplier to enable clearing of the consignment at port.

It was noticed in audit that in the tender invited on 20 July 2011, the Company executed three HSS agreements with JMJ on 20th August 2011 for the delivery of 716.98 MT RCN of the GB origin and 191 MT of IVC origin through tender finalisation and award of contract by the BoD was made on 22nd August 2011 and the successful bidder (JMJ) had executed the GPA on 23rd August 2011. Thus, the Company agreed to purchase the tendered quantity from JMJ at the quoted rate before finalisation of tender by the Board.

20 Tender negotiation held on 12-5-2010 and 7-1-2011.

21 1 LBS could generate the output of 0.88 LBS from each bag hence the total shortage from processing 171643 (104079+ 67564) bags was 151045 LBS which is equivalent to 68513 kg (151045/2.2046) so the total monetary, impact was 68513 kg × ₹ 230 (being the average selling price per kg EWN and EBN ₹ 1,57,57,990.

The company stated that the date (20th August 2011) mentioned in the HSS agreement was a typographical error. The reply was not acceptable as the computerised invoice was also generated by JMJ on 20th August 2011.

Delayed and untimely procurement of IVC origin RCN

The harvest season for IVC origin RCN was March to July and as per data available with the Company, quality (outturn) of the RCN procured during this season was best. Though the BoD was aware of this, it decided to procure 10,000 MT of IVC origin RCN and placed orders (October 2009) on JMJ for local supply of the same. The firm supplied 10,994 MT up to January 2010. Audit noticed that as against the average outturn of 19.02 kg per 80 kg bag obtained from IVC origin RCN ordered during the harvest season, the outturn obtained from the RCN supplied by JMJ was only 17.87 kg and the consequent loss worked out to ₹ 3.63[22] crore.

The Company admitted that season of IVC origin RCN was March to July and the yield of the IVC origin RCN was less in comparison to other origins because of "*puzhukuthu*" (infestation). It was further stated that as it was off seasonal purchases, its guaranteed outturn was only 46 lbs and the actual outturn obtained in grading was 39.40 lbs which was within limit.

The reply was not acceptable. To assure better quality and better price, procurement should have been planned in -season.

4.1.3.8. Payment of ineligible clearing and forwarding charges

In the case of HSS purchase, clearing of imported RCN at port was done in the name of the Company and hence the agreement provided for reimbursement of the clearing and forwarding (C&F)charges incurred by the supplier. But in the case of local procurement of already imported nuts, reimbursement of C&F charges does not arise. Audit, however, noticed that the Company reimbursed ₹ 0.55 crore to JMJ towards clearing charges for 3,269 MT of GB Origin RCN purchased (August 2011) locally.

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22 Under recovery from each bag was 1.15 Kg. (19.02-17.87) hence the total under recovery from processing 137429 bags was 158043 kg (137429 bags x 1.15 kg) and the loss was 158043 kg.X ₹ 230 (being the average selling price per KG of EWN and EBN) = ₹ 36349971.

Company admitted that no C&F charges were payable for local purchase and further stated that the first agreement (1000MT) was HSS at the rate of US$ 1790 per MT and the second agreement (3000MT) was for local supply at the same rate. As the cargo had already arrived on port, the JMJ could not supply on HSS basis and the Company directed JMJ to supply at the same rate of HSS agreement without additional burden to the Company which necessitated payment of C&F charges. The reply was not acceptable as there was additional burden due to reimbursement of ineligible C&F charges of ₹ 0.55 crore which was an undue favour to the supplier.

4.1.3.9 Impact of the deficiencies in the procurement of cashew nuts

Audit estimated total avoidable loss due to above mentioned deficiencies, as per the information provided by the Company as ₹ 93.93 crore as detailed below:

Table 4.7: Total of loss and additional expenditure

No	Details of the lapses	Impact (₹ in crore)	Para reference
1	Loss due to purchase of inferior quality Kerala origin RCN	17.89	4.1.3.3
2	Failure to import through STC	8.77	4.1.3.4
3	Lack of purchase Planning	28.21	4.1.3.4
4	Deficiencies in tendering	4.57	4.1.3.5
5	Deficiencies in contract terms and conditions	28.73	4.1.3.6
6	Irregularities in award of contract	5.21	4.1.3.7
7	Payment of ineligible clearing and forwarding charges	0.55	4.1.3.8
	Total of loss and additional expenditure	93.93	

4.1.3.10 Inadequate follow up action on inquiry reports

Based on the complaints received, the Vigilance Department, Finance Department and Public Sector Restructuring and Internal Audit Board (RIAB) conducted inquiries and the recommended actions were not initiated by the Government as detailed below:

Table 4.8: Findings/Recommendations in inquiries and Action Taken

Name of the Authority	Date	Findings/Recommendations	Action Taken
Finance Department	4 May 11 to 7 may 11	A detailed inquiry by a competent authority was proposed for unearthing all irregularities of purchases	No further action was taken
		The administrative department should conduct a detailed inquiry for accepting the incomplete bid of JMJ on tender opened on 6th January 2011 and giving orders to JMJ.	
RIAB	July 2012	Pointed out undue favours extended to JMJ traders	No action was taken on the report. Board of Directors made an advertisement in newspapers refuting the findings in the report.
		JMJ had purchased poor quality item from international trader and supplied it to Company as superior grade.	
		Recommended to conduct a detailed enquiry after removing the present MD from his position to ensure availability of all records to investigating agency.	
Vigilance and Anti-corruption Bureau	November 2012	Made a quick verification and found wasting of public money and recommended the Industries Department to take action on the quick verification report.	No action was taken on the recommendation

The company stated that GoK had not initiated any action because it was of the opinion that there was no need to do so. Reply of the Government was awaited (February 2014).

4.1.3.11 Violation of the COPU and EC recommendations

The COPU as well as the Expert Committee (EC) recommended the Company to streamline the procurement ensuring transparency and economy. The Company, however, instead of complying with the recommendations continued the prevailing system of procurement, after obtaining permission from GoK. A gist of recommendations and its violations noticed are given below:

Table 4.9: Recommendations of COPU/EC and violations

Sl. No.	Recommendations of CoPU/EC	Violations	Para Reference
1	Preparation of purchase strategy and procurement policy	Not prepared. Options for direct procurement scuttled.	4.1.3.4
2	Procurement at best possible price	Procured when prices were high	4.1.3.4
3	Adequate publicity of tenders	Inadequate publicity	4.1.3.5 and 4.1.3.1
4	Preparation of vendor list	Not prepared	
5	Negotiation with LI bidder only	Negotiated with all bidders especially in the first tender opened (31st July 2012) after COPU specifically banned negotiation with all bidders on 30th June 2012.	4.1.3.7
6	Conduct cost benefit analysis before each purchase decision	Purchases were done without doing cost-benefit analysis	4.1.3.5
7	To ensure that outturn in cutting test should be reflected in final output	No attempt was made to fix benchmark for final output to compare the actual output with the outturn in cutting test.	4.1.3.6

The Company stated that the recommendations of CoPU and EC were being complied with by the implementation of e-procurement. As there were no regular participants in bid, preparation of the vendor list was not successful. Since September 2012, after the implementation of e-procurement, only LI is being considered for negotiation, that too on case to case bases and as situation warrants. The reply is not sufficient as the Company is yet to implement major recommendations relating to the purchase procedure and working results. The Company has not initiated any steps to have a policy to increase direct procurement and to check windfall gain to intermediaries or to plan seasonal procurement. No framework has been established to do proper cost benefit analysis, to give adequate publicity, to prepare vendor list, to have a proper internal control and internal audit frame work to check undue favour and unethical practices. Penalty for delay, risk purchase clauses are not being inserted in contracts and agreements with foreign countries to enable direct purchase are gathering dust giving opportunities to private traders for breach of contract and for undue benefits. In utter disregard to all vigilance, finance and audit findings, no action of inquiry has been initiated or responsibility fixed on findings pointing out gross irregularities leading to pecuniary gain of crores of rupees to private traders in the procurement of raw cashew nut and loss to the exchequer.

Thus, the Company continued to procure nuts in an adhoc and arbitrary manner violating all the directions of the COPU as well as EC. It failed miserably in ensuring transparency, fairness and competitiveness in the procurement of RCN.

The matter was reported to Government in October 2013; their reply was awaited (January 2014).

[The audit paragraph 4.1 contained in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2013]

1. The Committee enquired why the Audit Committee was not constituted in accordance with S292A of the Companies Act, 1956. The witness informed that as the decisions on all matters relating to the Company had been taken by the Board of Directors the Audit Committee was not constituted at that time. The Committee pointed out that by not forming the Audit Committee, the Company violated the direction of the Government which resulted in weak corporate governance. It is

also observed that the procurement cost and low sale realisation resulted in low sales margin which was insufficient to meet the cost of production. The witness admitted the observation and replied that the Corporation incurred 48 paise loss for every 1 rupee spent for production.

2. The Committee was aggrieved to note that the Company sold the Cashew Kernels in a non transparent manner by not inviting tenders and the Company did not take any step to consult an expert agency with regard to the sales and marketing policy as per the recommendations of 42nd Report of COPU on July 2003. By observing the reply furnished, the Committee remarked that if the Company fixed the selling price of the Kernals according to the International Market, then why did the Company invite tenders for sale.

3. The Committee enquired why the Corporation violated the guidelines of Central Vigilance Commission, that there should be no post tender negotiations with L1 except in certain exceptional situations, by negotiating with all bidders participated in tender process. The witness replied that the main problem faced by the corporation was the minimum participation and that if L1 alone were included, it would have resulted in cartel formation, and therefore the Board decided to participate all bidders. Meanwhile the Committee stated that the main reason for minimum tenders was the lack of proper advertisement. The witness denied it and disclosed that the minimum number of tenders was because of the poor financial situation of the Corporation.

4. When the Committee asked the reasons for the loss of the company, the witness replied that huge loss had occurred due to high employee cost and unbalanced cost of production and sales. The Committee was much displeased on the reply and remarked that public sector undertaking like KSCDC alone incur loss day by day while other private companies doing same business get huge profits even though they had given all the allowances to its labourers. Moreover the Committee notes that the Company was procuring raw cashew nuts at higher rates than the average all India rates. The Committee expressed its suspicion whether the officials of the Corporation had any nexus with the JMJ traders since the

Company was depending only on JMJ Traders in the case of raw nut requirements. Then the witness replied that the Company selected the supplier who had quoted lowest rates than the rates quoted by other bidders. Criticising the purchasing policy followed by the Company, the Committee pointed out that the Government should review the permission already granted to the Company for conducting negotiations with all bidders to amend their rates after knowing the rates quoted by other bidders.

5. It was striking to note that out of ₹ 80 crore provided for direct procurement, the Company utilised only ₹ 0.35 crore for the procurement of Kerala origin RCN. The balance amount and ₹ 39.30 crore out of ₹ 57.62 crore granted for the modernisation and renovation was diverted to the procurement of raw cashew nut through local traders without the approval of Government instead of surrendering the balance. The Committee pointed out that the Company utilised the grants for improving the business of private traders and not for its own improvement.

6. The Committee noted with displeasure that the Company did nothing to extend validity of Memorandum of Understanding (MOU) signed between Government of Kerala and United Republic of Tanzania. Even though the Tanzanian origin raw cashew nut was available at a negotiated price of ₹ 900 per MT and the Company entered into an agreement with United Republic of Tanzania, and procured 200 MT and MoZ origin raw cashew nut (RCN) as per the decision of the Board of Directors. The Committee enquired why the Company did not take any action to extend the validity of MoU with United Republic of Tanzania. The witness replied that the Company had no role to take up the MoU. The Committee did not accept the reply and remarked that instead of implementing and renewing the MoU, the company purchased low quality Mozambique origin RCN at higher rate than Tanzanian origin RCN.

7. The Committee enquired why the Company continued the procurement through local traders despite knowing that Kerala RCN supplied by local traders was of poor quality and opined that if the Company procured good quality RCN

directly from farmers, instead of procuring it from Tanzania and Mozambique, the Company could have utilised the grants allotted for the procurement of Kerala origin RCN more profitably and the grants were supposed to be allotted only for the procurement of Kerala origin RCN.

8. When the Committee pointed out the audit observation that the Company always procured through intermediaries instead of procuring it through STC even though the company had already entered into an agreement with STC. The witness replied that since STC requested to increase their margin of profits from 0.5% to 1.5%, the Board of Directors decided to cancel the purchase agreement with STC.

9. The Committee further observes that the Company had no plan to procure nuts at season when the margin is dim. The witness informed that the Company procured RCN at season only. Since, the funds were not released in time, they could not prepare procurement planning. He also added that funds were allotted by the Government only after the season except in March 2012 and it adversely affected the day to day administration. When the Committee enquired about the details of allocation of funds by the Government, the witness replied that ₹30 crore was allotted as grant by the Government. When the Committee enquired about the diversification of fund, the witness remained silent. The Committee asserted that the Company neither surrendered the unutilised grant nor utilised the same for procurement in the next season. Joint Secretary Finance Department informed that by diverting the fund allotted for the procurement of nuts, the Company submitted false utilisation certificate and hence, the funds allotted for the procurement of nuts were utilised by the Company for shed maintenance and construction of toilets. The Finance Department gave the first instalment of the allotted grant for the procurement of RCN only in previous year.

10. When the Committee enquired about the other sources of income, the witness replied that sale of cashew nuts was the other source of income than grants. At this juncture, the Committee asked how the Company utilized the amount obtained from the sale of cashew nuts. The witness did not give any reply. The Committee was dissatisfied to note that there was no standard terms and

conditions in the agreement between the Company and the Suppliers who failed to protect the financial interest of the Company. The Committee enquired why the Company did not incorporate adequate safety/penalty clause in the agreement for recovering penalty for belated supply of RCN, and was not satisfied with the reply of the witness for merely blaming the non releasing of funds. The Committee remarked that by not incorporating the penal clause, the Corporation was really helping the suppliers.

11. Absence of Risk Purchase clause forced the company to procure the undelivered quantity at higher rate from subsequent tenders and no provision was incorporated for black listing the suppliers in case of non supply or partial supply of the ordered quantity within the stipulated time. The Committee was also surprised to note that the Company could vest the right to increase or decrease the ordered quantity with the supplier instead of vesting it with the Company to protect the financial interest of the Company and commented that even though best quality cashew nuts were available in the Kerala State itself, the Company procured low quality Cashew nuts from other countries.

Conclusions/Recommendations

12. It is found that the Company has violated the direction of the Government by failing to constitute an Audit Committee in time. It is observed that the delay in constituting the Audit Committee has resulted in several lapses in corporate governance due to neglect of certain crucial controls. It is surfaced that the Company has blatantly disregarded the Central Vigilance Commission (CVC) guidelines with regard to tender negotiations and has failed miserably in complying with a fair, transparent and competent tender process. The Committee, therefore, recommends that the Company should uphold the CVC guidelines and the Expert Committee directions at all stages of tender process.

13. The Company has been inexplicably relying on local traders for the procurement of Raw Cashew Nuts (RCN) avoiding the direct purchase from domestic farmers. It is also seen that the Company has ignored the

recommendations of the Committee on Public Undertakings (COPU) and the Expert Committee (EC) appointed by the Government in this regard. The Committee firmly recommends that the Company should take proactive steps for direct purchase of RCN from domestic farmers, and thereby preventing the exploitation of the farmers by middlemen. It is also advised that the Company should thoroughly adhere to the recommendations of the COPU and the EC in the efforts to procure RCN.

14. It is seen that the Company has diverted the grants released by the Government for the procurement of Kerala Origin RCN directly from farmers and for the modernisation of Cashew factories and has thus, defeated the very purpose of the provision of funds. This diversion is ratified by producing fake Utilisation Certificates. In view of this situation, the Committee warns that the Company should utilise the grants only for the purpose for which it was sanctioned. The Committee also urges that the practice of submitting fake utilisation certificates should be discontinued forthwith.

15. The Committee has observed the Company's wilful transgression of the Memorandum of Understanding (MoU) with Tanzania and refusal to utilise the financial facility and the import of RCN through State Trading Corporation of India Ltd. (STC). Instead, the Company focused heavily on local traders accompanied with intermediaries aimed at profiteering. In view of these factors, the Committee advises that, in no circumstance, the Company should deviate from proceeding with any agreement/contracts made in good faith for the betterment of the Company.

16. The Committee further noted that the Company had been following an irrational practice in the procurement of RCN from international market due to the lack of purchase planning. The Committee, therefore, recommends that the Company should frame a far sighted purchase plan so that the Company can proceed with international procurements in accordance with market fluctuations.

17. The Committee finds that the quality tests of the RCN are being done by a panel appointed by the Company ignoring institutions like the Central Export Promotion Council etc. The Committee views this as an unhealthy practice which will eventually turn detrimental to the Company. Therefore, it is suggested that the quality tests of the RCN should be done in institutions having proper credentials and expertise in the field. It is seen that the terms and conditions in the Supply Contract have a lot of deficiencies. There are so many occasions in which breach of contract was conspicuous. In this scenario, the Committee wants that the supply contracts of the Company should be renegotiated by rectifying all deficiencies and irregularities.

C. DIVAKARAN
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
9th March 2017.

APPENDIX I

Summary of Main Conclusion/Recommendations

Sl. No.	Para No.	Department Concerned	Conclusions/Recommendations
1	2	3	4
1	12	Industries Department	It is found that the Company has violated the direction of the Government by failing to constitute an Audit Committee in time. It is observed that the delay in constituting the Audit Committee has resulted in several lapses in corporate governance due to neglect of certain crucial controls. It is surfaced that the Company has blatantly disregarded the Central Vigilance Commission (CVC) guidelines with regard to tender negotiations and has failed miserably in complying with a fair, transparent and competent tender process. The Committee, therefore, recommends that the Company should uphold the CVC guidelines and the Expert Committee directions at all stages of tender process.
2	13	Industries Department	The Company has been inexplicably relying on local traders for the procurement of Raw Cashew Nuts (RCN) avoiding the direct purchase from domestic farmers. It is also seen that the Company has ignored the recommendations of theCommittee on Public Undertakings (COPU) and the Expert Committee (EC) appointed by the Government in this regard. The Committee firmly recommends that the Company should take proactive steps for direct purchase of RCN from domestic farmers, and thereby preventing the exploitation of the farmers by middlemen. It is also advised that the Company should thoroughly adhere to the recommendations of the COPU and the EC in the efforts to procure RCN.

1	2	3	4
3	14	Industries Department	It is seen that the Company has diverted the grants released by the Government for the procurement of Kerala Origin RCN directly from farmers and for the modernisation of Cashew factories and has thus, defeated the very purpose of the provision of funds. This diversion is ratified by producing fake Utilisation Certificates. In view of this situation, the Committee warns that the Company should utilise the grants only for the purpose for which it was sanctioned. The Committee also urges that the practice of submitting fake utilisation certificates should be discontinued forthwith.
4	15	Industries Department	The Committee has observed the Company's willful transgression of the Memorandum of Understanding (MoU) with Tanzania and refusal to utilise the financial facility and the import of RCN through State Trading Corporation of India Ltd. (STC). Instead, the Company focused heavily on local traders accompanied with intermediaries aimed at profiteering. In view of these factors, the Committee advises that, in no circumstance, the Company should deviate from proceeding with any agreement/contracts made in good faith for the betterment of the Company.
5	16	Industries Department	The Committee further noted that the Company had been following an irrational practice in the procurement of RCN from international market due to the lack of purchase planning. The Committee, therefore, recommends that the Company should frame a far sighted purchase plan so that the Company can proceed with international procurements in accordance with market fluctuations.

1	2	3	4
6	17	Industries Department	The Committee finds that the quality tests of the RCN are being done by a panel appointed by the Company ignoring institutions like the Central Export Promotion Council etc. The Committee views this as an unhealthy practice which will eventually turn detrimental to the Company. Therefore, it is suggested that the quality tests of the RCN should be done in institutions having proper credentials and expertise in the field. It is seen that the terms and conditions in the Supply Contract have a lot of deficiencies. There are so many occasions in which breach of contract was conspicuous. In this scenario, the Committee wants that the supply contracts of the Company should be renegotiated by rectifying all deficiencies and irregularities.

Appendix II

NOTES FURNISHED BY GOVERNMENT ON THE AUDIT PARAGRAPHS

Sl. No.	Audit Paragraph	Reply Furnished by Government
1	2	3
1	4.1.4	**Introduction** There has been considerable enhancement in working days of the Corporation during the years 2005-2006 to 2011-2012, when compared to that of previous years. The Corporation provided 282 days work during 2010-2011, which is an achievement in the history of the Corporation. A statement showing the number of working days of the Corporation since inception is enclosed. **Summarised Financial Results** The procurement price of Raw Nuts and selling price of kernels are governed by International price which the Corporation cannot alleviate. In the cost of production a major component is Labour cost. The wage of Labourers is decided in the Cashew Industrial Relations Committee meetings for the Cashew Sector as a whole and is not decided for the Kerala State Cashew Development Corporation alone. Therefore the high rate of labour cost cannot be absorbed in the sales revenue. Hence high cost of procurement is not the only reason for loss. **Functioning of the Board of Directors** In Cashew Development Corporation the decisions on Purchase, Sales and employee related issues is taken by the entire Board of Directors. Hence the Board has not constituted an Audit Committee. The measure of Internal Control System envisaged for the Audit Committee is looked after by the Board.

1	2	3
		Operational Inefficiencies In a traditional industry like Cashew, the major investment is in the recurring cost, such as raw material cost and labour cost as rightly pointed out by Audit. The price of raw materials and Kernels are determined by International Market and wages of Labourers are decided by Cashew I.R.C. for the sector as a whole. As the majority of the workers are below the poverty line Cashew Development Corporation is acting as a model employer, carrying out processing activities by giving all statutory benefits including Minimum Wages etc; whereas majority of the Private Processors are not giving all statutory benefits to workers. **Procurement of Raw Cashew Nuts, Dilution of Tender Process** In the Raw Nut tenders, the tenderers may join together and in such situations post tender negotiation with L1 will not be advantageous to the Corporation. In order to avert this, negotiation is made with all bidders and order is placed with the lowest negotiated tenderer. Realising this Government have issued orders vide G.O. (Ms.) No. 74/96/10 dated 26-3-1996 "Giving Freedom with Responsibility" to the Board for purchase of Raw Nuts keeping in mind the general interest of the organization. (Copy Enclosed). **High rate of procurement** Directorate of Cashew and Cocoa Development is not in Cashew processing. The rate published by them is based on statistics collected by them; which may not reflect the actual price of Raw Nuts. The price shown by them is not on the basis of outturn guaranteed in each purchase/import.

1	2	3
		It is true that a single supplier had supplied majority of Raw Nuts required for the period from 2008-2009 to 2011-2012. The tenders are open and the Corporation purchased from the lowest quoted party M/s JMJ Traders, who have the capacity to give the Raw Nuts on credit also. Taking in to consideration the above facts the Corporation awarded the contract of supply to the party. **Low rate of Sales realization** The conventional method of sale of Cashew Kernels is followed in Cashew Industry. Cashew Development Corporation is following this system for the past 43 Years. The selling price of Kernels is decided by International Market which varies day by day and intra day also. Offer is made by the Buyers every day and is finalized then and there by negotiation if needed. The offer is made to M.D. who is the authorised person and the finalization of Contract is made, between M.D. and the Party and in-turn it is reported to the Board. As in the case of other commodities a sale by inviting quotation cannot be made applicable here in the case of Kernels. The major consumers of Cashew kernels are Foreign Countries and the Kernels purchased by them are converted as value added items as per their recipe. Cashew Development Corporation has entered the field of value added products and has introduced CDC branded products in the market. Any newly introduced product will take time to capture the Market. Therefore the observation that the company marketed only 3% under its brand name may be taken in the above perspective. As in the case of Raw Nut Price published by Directorate of Cashew and Cocoa Development, the Kernel price is also published by them by collecting data from various processors. The published price varies from actual price of Kernels.

1	2	3
		Insufficient Value Addition-impact of high procurement cost and low sales value. This is a big problem in Cashew Industry. There is no parity between Price of Raw Nuts and Kernel Price. Both are decided in international market. The Private processors are making profit by exploiting labourers. Hence their cost of production is comparatively low. The publication of the Directorate of Cashew & Cocoa Development do not show the real purchase price and sale price. It is an average of Statistics collected by them. In Cashew Development Corporation the Purchase is made by the Board of Directors and sales done as per norms approved by Board. Regarding the system of streamlining the system of procurement of Raw Nuts it may be noted that raw nuts are being purchased by Cashew Development Corporation at competitive price in the respective season of each raw nut producing country in order to get it at lowest price. Measures will be taken by the Corporation to reduce the cost of production in the areas where ever it can be done. **Government Assistance** Regarding the equity position of the Corporation amounting to ₹ 200.64 Crore as on 31-3-2007, it may be kindly be taken note of the fact that the loans and advances given to the Corporation for various purposes were converted as equity and the equity level was raised to ₹ 200.64 Crore as on 31-3-2006 and this has been counting on 31-3-2007 also. The loans and advances converted as equity includes the amount given to the Corporation by Government for implementation of Government Policies such as take over of 36 Cashew factories from Private owners and also for Raw Nuts procured under monopoly procurement at exorbitant price, which the private processors were reluctant to take.

1	2	3
		These have also contributed for the accumulated loss of the Corporation. Reckoning the whole amount of ₹ 176.4 Crore against sales vis-a-vis salary and wages for the period from 2006-2007 to 2010-2011 may be re-examined in light of the purpose for which the amount was sanctioned by Government.

Annexure 18

Statement showing the loss on account of under recovery of exportable grade kernel from the RCN of Kerala origin supplied by local parties in The Kerala State Cashew Development Corporation Limited

(Referred to in paragraph 4.1.3.3)

Year	Total bags of RCN processed (in Nos)		Average EWN obtained from processing each bag of RCN (in KG)		Under recovery in the processing RCN supplied by traders (in KG)		Average per KG selling price of EWN (₹)	Total loss due to under recovery (₹)	Average EBN obtained from processing each bag RCN (in KG)		Excess recovery in processing RCN supplied by traders (in KG)		Average per KG selling price of EBN (₹)	Total additional gain due to excess recovery (₹)	Net loss (₹)
	RCN supplied by traders	RCN directly procured	RCN directly procured	RCN procured through traders	From each Bag	From all bags			RCN directly procured	RCN procured through traders	From each Bag	From all bags			
A	B	C	D	E	F = D-E	G = F x B	H	I = H x G	J	K	L = K-J	M = L x B	O	P = O x B	Q = I - P
2012-13	46679.5	4538.5	14.59	11.56	3.03	141439	388	54878287	4.86	5.61	0.75	35010	258	9032483	45845804
2011-12	55007	740	15.24	11.84	3.4	187024	419	78362972	4.53	5.27	0.74	40705	238	9687833	68675139
2009-10	65255.5	2371	16.27	12.76	3.51	229047	261	59781216	4.14	5.15	1.01	65908	152	10018024	49763192
2008-09	38017.5	3121	16.36	14.57	1.79	68051	264	17965550	4.22	4.85	0.63	23951	141	3377095	14588455
Total Loss															178872591

In 2010-11 Kerala origin RCN was not procured through private parties

Legends : RCN - Raw Cashew Nuts, EWN- Exportable grade Whole Nuts, EBN- Exportable grade Broken Nuts, Bag- each bag of 80 Kg RCN

Annexure 19

Statement showing the total profit earned by the intermediaries and consequent avoidable extra expenditure to The Kerala State Cashew Development Corporation Limited

(Referred to in paragraph 4.1.3.4)

Purchase agreement No.	Name of the supplier	Bill of lading No	Total delivered quantity (in MT)	Invoice value of the RCN at which the intermediary supplier purchased it from international traders ($)	Exchange rate per USD (₹)	Actual purchase price of the intermediary supplier (₹)	The value paid by the company to the supplier (₹)	Profit earned by the local supplier (₹)	percentage of profit earned by intermediary	The profit charged by STC for direct import (ie 2.25 % of actual value) (₹)	Excess expenditure due to procurement through Local suppliers (₹)
CDC/COM/IRN/HSS/C3/5/2011-12 dt 23/8/11	JMJ Traders	554764893	239.005	$4,01,238	49.32	19789058	21100006	1310948	7	494726	816221
		554764884	237.76	$3,97,463	49.43	19646596	21036977	1390381	7	491165	899216
		554764900	236.075	$3,95,076	49.43	19528607	20827805	1299198	7	488215	810983
		554649120	155.978	$2,25,567	50.27	11339253	14035436	2696183	24	283481	2412702
CDC/COM/IRN/HSS/C3/04/2011-12 IVC origin dt 23-8-11	JMJ Traders	09L005615	112.066	$1,32,797	49.28	6544236	7124170	579934	9	163606	416328
		09L006052	112.507	$1,34,296	49.01	6581847	7113032	531185	8	164546	366639
		09L005898	16.305	$19,469	49.01	954176	1030861	76685	8	23854	52831
		09L005618	187.655	$2,22,723	49.28	10975789	11930089	954300	9	274395	679905
		09L005614	125.756	$1,31,201	49.175	6451809	7977429	1525620	24	161295	1364325
		09L005610	111.021	$1,15,745	49.175	5691760	7042701	1350941	24	142294	1208647

		09L005620	189.206	$2,24,334	49.175	11031624	12002410	970786	9	275791	694995
		09L005810	99.55o	$1,25,258	50.27	6296720	6497337	200617	3	157418	43199
		09L005811	96.164	$1,17,801	48.97	5768715	6109911	341196	6	144218	196978
		09L005539	96.126	$92,123	49.31	4542585	6126775	1584190	35	113565	1470625
		09L005537	96.126	$91,681	49.31	4520790	6052201	1531411	34	113020	1418391
		09L005623	98.509	$1,17,051	49.175	5755983	6248978	492995	9	143900	349096
CDC/COM/IRN/HSS/C3/08-2011-12 (CDJKL origin 10000 MT @ $1583) dt 24-11-11	JMJ Traders	.110000308	105.847	$1,43,573	51.4	7379652	8514438	1134786	15	184491	950294
		110000309	107.26	$1,45,184	51.4	7462458	8628101	1165643	16	186561	979082
		110000310	106.545	$1,44,640	51.4	7434496	8570586	1136090	15	185862	950228
		110000311	107.495	$1,45,083	51.4	7457266	8647005	1189739	16	186432	1003307
		110000312	105.977	$1,43,494	51.4	7375592	8524895	1149303	16	184390	964914
		110000294	106.052	$1,43,533	51.4	7377596	8530928	1153332	16	184440	968892
		110000295	106.122	$1,43,298	51.4	7365517	8536559	1171042	16	184138	986904
		110000296	105.78	$1,42,803	51.4	7340074	8509049	1168975	16	183502	985473
		110000297	105.824	$1,43,371	51.4	7369269	8512588	1143319	16	184232	959087
		110000298	105.417	$1,42,385	51.4	7318589	8479848	1161259	16	182965	978294
		120000092	104.876	$1,38,961	51.69	7182879	8538539	1355660	19	179572	1176088
		120000093	104.805	$1,38,867	51.69	7178016	8579149	1401133	20	179450	1221682
		120000094	104.866	$1,38,947	51.69	7182194	8540668	1358474	19	179555	1178919

		120000095	104.394	$1,38,322	51.69	7149867	8522000	1372133	19	178747	1193387
		120000096	105.303	$1,39,526	51.69	7212124	8557370	1345246	19	180303	1164943
		120000097	104.475	$1,38,429	51.69	7155415	8461167	1305752	18	178885	1126867
		120000098	104.922	$1,39,022	51.69	7186029	8545335	1359306	19	179651	1179655
		120000099	104.91	$1,39,006	51.69	7185207	8484256	1299049	18	179630	1119419
		120000100	105.59	$1,39,907	51.69	7231780	8498502	1266722	18	180794	1085928
		120000101	105.003	$1,39,129	51.69	7191577	8486712	1295135	18	179789	1115346
		120000103	104.586	$1,38,576	51.69	7163017	8453552	1290535	18	179075	1111460
		120000146	103.483	$1,31,061	52.03	6819115	8458143	1639028	24	170478	1468550
		120000160	103.631	$1,31,249	52.03	6828868	8527783	1698915	25	170722	1528194
		120000161	104.029	$1,31,753	52.03	6855095	8515833	1660738	24	171377	1489361
		120000162	104.883	$1,32,834	52.03	6911370	8468032	1556662	23	172784	1383878
		120000163	103.313	$1,30,846	52.03	6807913	8460450	1652537	24	170198	1482339
		120000164	103.362	$1,30,908	52.03	6811142	8527371	1716229	25	170279	1545951
		120000165	103.515	$1,31,102	52.03	6821224	8403338	1582114	23	170531	1411583
		120000166	103.915	$1,31,608	52.03	6847582	8515585	1668003	24	171190	1496813
		120000167	103.724	$1,31,366	52.03	6834996	8455670	1620674	24	170875	1449799
		120000168	103.762	$1,31,415	52.03	6837500	8450396	1612896	24	170938	1441958
CDC/COM/IRN/HSS/C3/IVC-12-13 IVC origin dt 17/5/12	JMJ Traders	CH252388	100.424	84858.28	55.39	4700300	5710475.8	1010176	21	117508	892668
		CH252660	97.97	73478	56.31	4137546	5270454.4	1132908	27	103439	1029470

CDC/COM/IRN/HSS/C3/6/12-13 CDJKL dt 28-1-13	JMJ Traders	MWTUT13000044	107.441	136266	54.72	7456476	10643737	3187261	43	186412	3000850
		MWTUT13000045	69.966	89540	55.07	4930981	5294061	363080	7	123275	239806
CDC/COM/IRN/HSS/C3/5/12-13 GB dt 7/8/12	JMJ Traders	09TRBXO	391.862	303430	54.79	16624930	25564773	8939843	54	415623	8524220
		07TRBXO	391.862	309421	54.79	16953177	25582353	8629176	51	423829	8205347
		08TRBXO	391.862	303430	54.79	16624930	22928915	6303985	38	415623	5888362
CDC/COM/HSS/C3/4/09-10 (2000 MT MOZ @ $1015) dt 12/1/10	JMJ Traders	OOHOOO705	188.416								
		OOHOOO708	205.602								
		OOHOOO707	188.415								
		OOHOOO683	33.817								
		OOHOOO709	204.795	790000	45.6	36024000	46578472	10554472	29	900600	9653872
Total available extra expenditure											87734269

Annexure 20

Statement showing the undue benefit to suppliers due to delay in supply of Tanzanian RCN after delivery period in The Kerala State Cashew Development Corporation Limited

(Referred to in paragraph 4.1.3.4)

Year	Name of the Supplier	Date of the P.O	Qty ordered in MT	Ordered rate per MT (USD)	Last date for the completion of the supply as per agreement	Total quantity supplied (KG)	Total quantity supplied during the agreed delivery period (KG)	Belated Supply (ie supplied during March to May) in KG	Percentage of belated supply to total supply	Actual Rate for purchase per KG (₹)	Average import rate per KG during March to May (₹)	Extra Expenditure (₹)
2012-13	JMJ	28-Jan-13	5000	$1,374	28-Feb-13	5406010	0	5406010	100	75.21	71.00	22759302
2011-12	JMJ	24-Nov-11	10000	$1,585	29-Feb-12	10988248	7148373	3839875	34.95	82.60	68..00	52606288
2010-11	JMJ	07-Jan-11	9000	$1,760	31-Mar-11	8323292	7280422	1042870	12.53	79.92	76.27	3806475
2009-10	JMJ	12-Jan-10	2000	$1,180	28-Feb-10	2144711	1558658	586053	27.33	54.45	48.00	3780042
Total undue advantage												82952107

374/2017.

Annexure 21

Statement showing the avoidable expenditure incurred due to the untimely procurement of Guinea Bissau Origin Raw Cashew Nuts in The Kerala State Cashew Development Corporation Limited

(Referred to in paragraph 4.1.3.4)

Year	Name of the supplier	Agreement Date	Last date stipulated for completion of delivery	Total ordered quantity in MT	Total supplied quantity in MT	Ordered rate per MT (₹/ $)	Total amount paid	Actual rate paid per KG (₹)	Average import rate per KG during the months from March to June (₹)	Total Extra Expenditure (₹)
2012-13	JMJ	7-Aug-12	30-Sep-12	4000	1848.967	$1,235	125018971.3	67.62	64.39	5972163
	JMJ	23-Aug-11	30-Sep-11	3000	3269.434	82250	279774948.7	82.25	68.73	44202748
2011-12	JMJ	23-Aug-11	30-Sep-11	1000	1087.839	$1,790	97180815.71	89.33	68.73	22409483
	JMJ	29-Sep-10	12-Nov-10	500	455.709	$1,430	29599246	64.96	45.47	8881768
	JMJ	8-Nov-10	30-Nov-10	1500	1486.298	70000	108244110.7	70.00	45.47	36458890
	JMJ	30-Sep-10	31-Oct-10	2000	1994.711	64500	133856677.4	64.50	45.47	37959350
2010-11	JMJ	14-Jul-10	30-Sep-10	5000	4508.010	$1,175	248190044	55.06	45.47	43231816
Total Extra Expenditure										**199116219**

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