THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

PUBLIC UNDERTAKINGS
(2014-2016)

91st Report

(Presented on -7-2015)

SECRETARIAT OF THE KERALA LEGISLATURE

THIRUVANANTHAPURAM

2015

FCPII/AV/PUC/ MAL CEM/25-6-15

THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

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(2014-2016)

91st Report

On

The action taken by Government on the Recommendations contained in the Thirty Seventh Report of the Committee on Public Undertakings (2006-08) relating to Malabar Cements Ltd based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2002 (Commercial)

FCPII/AV/PUC/ MAL CEM/25-6-15

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INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this …........................... Report on the action taken by Government on the recommendations contained in the 37th Report of the Committee on Public Undertakings (2006-08) on the working of the Malabar Cements Limited based on the Report of the Controller and Auditor General of India for the year ended 31st March, 2002 (Commercial)

The Statement of action taken by the government included in this Report was considered by the committee constituted for the years (2011-14) and (2014-16)

This Report was considered and approved by the Committee at the meeting held on 19-6-2015.

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

K.N.A. KHADER,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
02-7-2015.

FCPII/AV/PUC/ MAL CEM/25-6-15

REPORT

The Report deals with the Action taken by Government on the recommendations contained in the Thirty Seventh Report of the Committee on Public Undertakings (2006-08) relating to Malabar Cements Limited, based on the reports of the Comptroller and Auditor General of India for the year ended on 31st March 2002 (Commercial). The Thirty seventh Report of the Committee was presented to the house on 19th September 2007.

The Report contained eight recommendations and the Government furnished replies to all the recommendations. The Committee considered the replies received from the Government at it's meetings held on 08.08.2012, 30.09.2013 and 14.01.2015.

The Committee accepted the replies to the recommendations Nos. (1) 34, (2) 36, (3) 37 without any remark. These recommendations and the replies furnished by the Government form Chapter I of the Report.

The Committee accepted the replies to the recommendations Nos.(1) 35, (2)38 (3) 39, (4)40, (5)41 with remarks. These recommendations, their reply furnished by the Government and the remarks of the Committee form Chapter II of the report.

CHAPTER - I

Reply furnished by Government on the Recommendations of the Committee which have been accepted by the Committee without remarks				
Sl. No.	Para No.	Department concerned	Recommendations /Conclusions	Action taken by the Government
(1)	(2)	(3)	(4)	(5)
1	34	Industries	The Committee expresses surprise over the fact that the profit is going down though the price of cement is going up and concludes this is because of the huge increase in production costs. There are a number of areas where the company has incurred wasteful expenditure due to lack of vision and planning and slack management. The committee recommends that the company should explore all areas where cost cutting can be implemented and ensure that no avoidable expense is incurred by the company. The committee wish to be informed of the steps taken for this.	Cement manufacturing industry, in general, is a highly energy intensive process industry wherein electrical energy for the running of the machines and thermal energy for the chemical process. During the period 1997-98 to 2001-02 in spite of the achievement of increased capacity utilization and turnover, the profit showed a declining trend on account of the increase in the cost of main raw materials. In the referred period in the report, it may be noted that there was steady increase in the power tariff, cost of diesel that lead to rise in the extraction and transportation of the lime stone, cost of coal and the transportation rates of the raw materials & cement, cost of steel which establish the hike in the spares cost etc.

				All along the year of operation since 1984 and the consequent ageing of the equipment also paved way to increase in maintenance cost. Company had initiated several measures to reduce the production cost and to increase the profitability. Initially, the major emphasis was given to attain reduction in electrical energy per MT of cement production. Accordingly, the company could bring down the specific electrical energy to 107.5 KWH/MT in 2001 from 125.5 Kwh/MT in 1997. The modifications adapted for the saving of electrical energy are • Replaced the energy intensive pneumatic conveying system with that of Belt bucket Elevators in Raw Mill and Kiln feed system. • Installed variable speed drive for cement mill fan. • Improved the power factor from 0.92 to 0.94 • Belt conveyor and air slide replaced two nos. of screw conveyors. In the year 2006-07, the company

				could accomplish 88Kwh/MT of cement, almost at par with the national and international standards with the same type of equipments. Over a period of last 15 years there has been advancement in Cement manufacturing technology and Company is in the process of implementing the state of the art projects in a phased manner. The cost of coal is rising at an alarming level and therefore it is prudent to give more thrust on the projects that will reduce the thermal energy for the manufacture of cement and realize increased profits. The major projects that are completed and in the anvil to achieve reduction in the cost of manufacture of cement and to improve upon the productivity, profitability are: ✓ Procured modern fuel efficient mining machineries worth 400 Lakh and replaced the old earth moving equipments that are uneconomical to operate. ✓ Project of close circuiting cement mill system was commissioned in the year 2004 to enhance the usage

				of fly ash in the manufacture of Portland Pozzolana Cement and increased the rate of production of cement mill from 80 TPH to 110 TPH ✓ Replacement of old reciprocating clinker cooler with the new generation coolers. Cost of coal is skyrocketing and the major emphasis is given to minimize the thermal energy consumptions to move at par with the international standards. Accordingly, Company had invited offers for the replacement of the old clinker cooler with the latest energy efficient clinker coolers available in the market that can result in saving in electrical energy, thermal energy, reduction in maintenance cost & time and increased productivity thereby increase in profits, ✓ Replaced the old technology multi cyclone, a pollution control equipment with the cooler Electro Static precipitator in the year 2006 that protects not only the

				environment but also prevents wastage 0f value added product clinker. ✓ Implementation of In-pit Crushing system to reduce the diesel consumption of the haulage equipments and the maintenance cost. Apart from the major projects, Company is taking steps to derive better-cost effectiveness.
2	36		The Committee understands that the Company was using lesser quantities of chemical gypsum due to lack of availability and hence had to use larger quantities of the high cost clinker. This has increased the cost of production and resulted in loss of Rs.6,41 crore during the five years up to 2001-02. The Company can save about Rs.100 lakh per year if it can obtain sufficient quantities of chemical gypsum. Therefore the Committee recommends that the company should take earnest measure to obtain chemical gypsum from other sources to reduce the cost of production. The committee desires to be informed of the measures taken in this regard	The Company is using chemical gypsum purchased from FACT, a Government of India Enterprise. The purity of gypsum is above 90% and the balance quantity is not harmful ingredients. The gypsum is added to control the setting time. Hence only a specified quantity can be added, Increased consumption of gypsum containing other elements will have detrimental effect on the quality of cement. So the company are adding high quality gypsum from FACT for getting optimum setting time as per BIS specification. In order to get continued and high quality

			and the percentage of gypsum being used at present.	gypsum, the company had c\entered into MoU with FACT which has added bonus of reduced MoU prices. Moreover, this is in line with the Government policy of PSUs helping each other for their raw material requirements. The percentage of gypsum being used at present is 3.5%. Hence it is submitted that the company is taking all possible steps to ensure supply of quality gypsum at optimum level permitted by BIS.
3	37	Industries	The Committee find that though the large scale production of Portland Pozzolana Cement (PPC) started in 1991-92 and increased steadily from 34% of total production in 1995-96 to 90% in 2001-02 and the company was deriving sufficient internal accruals, no step was taken to modify the Cement Mill and use more quantity of fly ash instead of costlier clinker. There was great delay in submitting the proposal for modification, which was submitted to Government only in December 2001. The	The production of Portland Pozzolana Cement (PPC) was taken up by MCL in the year 1989-90, on a small scale of about 5% of total production. Then this product was new to the market, technology was in its very infancy stage. The production level improved to still larger level by 1991-92. The Bureau of Indian Standard (BIS) specification in force was IS 1489 (Part I): 1991, which stipulated that the fly ash

			cash profit of Rs.26.33 crore which the company could have made, had the modification been done 5 years earlier, more than covers the modification cost of Rs.21.70 crore. The committee sees not justification for the delay in submitting the modification proposal to Government and feels this is a serious lapse. The Committee recommends that responsibility be fixed and action taken to ensure that such lapses do not recur. The committee further recommends that steps be taken to obtain sufficient quantities of fly ash. The Committee wish to be informed of the present levels of consumption of fly as and clinker.	constituent shall not be less than 10% and not more than25% by mass of PPC. The Pozzolana material like broken tiles, bricks etc along with wet fly ash were used along with clinker during those days. In order to facilitate this, the company installed a dedicated crusher along with belt conveyor system, However, the addition of wet fly ash could be possible only to the level of 10-15% due to operational as well as technology constraints. By late nineties 'semi-dry' fly ash was sparingly available, which was transported in closed tippers. This type of material transportation and unloading was short lived due to heavy pollution problems. In 2000-01, closed fly ash tankers, which were non-polluting were slowly introduced into the market and gained acceptance. The thermal power plants, which were finding disposal of dry fly ash a nuisance, took advantage of the situation and started encouraging the practices and facilities started coming up suitable for

				handling dry fly ash. Taking cue from the developments, BIS also amended the ISI 1489 Part I: 1991. The amendment No.3 stipulates that the fly ash constituent shall not be less than 15% and not more than 35% by mass of PPC' While dry fly ash supply through tankers were introduced, in order to take advantage of the situation, technological requirements were foreseen by the company and necessary modifications like unloading and pumping systems, collection hoppers, feed systems were installed by the company. Due to this company could utilize dry fly ash along with whatever quantity of dry fly ash available simultaneously. In the year 2001, company has placed orders for setting up of a 600 TPD cement grinding unit in Cherthala, Alappuzha District. Though the plant was envisaged for producing Slag based PSC cement plant, owing to the amendment issued by

				BIS for Fly ash based cement, the company has immediately given amendments and the Cherthala unit was set up with facilities for producing PPC with higher levels of fly ash. It may be kindly appreciated that though fly ash was most cherished, the availability of dry fly ash through pollution free tankers were slowly improving during the period of 2000-2005. There were very few players and the prices and terms were there by not attractive. Seeing the potential market many people entered the market and also the thermal power plants also encouraged setting up of collection transport facilities during the period and by 2004-2005, the dry fly ash position improved, thoug not to expected levels. In between period, the company was able to get fly ash from the secondary market or whenever there was surplus material available with cement majors who were incidentally owning and operating the fly ash silos of the thermal power plants. Hence it is submitted that the supply of dry

				fly ash was always difficult and not much opportunity was lost by the company due to delay in setting up of major facilities. When the company was set up in the early eighties, it was with the best and latest technology, ie, dry process with 4 stage suspension pre-heater kiln system. Over the years, company has systematically embraced latest and the best technology in its all spheres of activity. There were substantial improvement in its mining and plant activities. The expenses for the same were met mainly from the internal accruals. Company has also utilized the services of reputed cement plant consultants for identifying the potential areas of modernization. It is worth mentioning that during the year 1998-2000 company has made substantial investment for setting up of a 2.5 MW captive power plant, introducing of belt – bucket elevator system for Kiln & Raw mill, modernization of packing plant, truck unloader system etc. Also there were investments in mines for replacing old

				heavy earth moving machinery. In the year 2000-2001, company started activities of setting up of a 600 TPD Cement Grinding unit. The project was commissioned in the year 2003 August with a capital investment of about 32 crores, met from internal accruals. All these investment resulted in heavy drain of resources. However, in order to take advantage of the emerging situation company submitted a proposal for introducing close circulating of cement mill, a modification proposal with substantial investment. The activities could only be taken up by 2004. since the company was having resource constraints both money and labour due to pre occupation with the setting up of Grinding Unit. The available dry fly ash along with wet ash were utilized in Walayar during 2000-2005 and by the year 2003 end Cherthala unit also was operational with substantial fly ash utilization facility. When there was

				an opportunity for receiving substantial quantity of fly ash from Tuticorin Thermal Power Plant (TTPS) in the year 2004, the company seized the opportunity and penned a long term agreement for fly ash while going ahead with the building up of necessary additional infrastructure in Walayar. It is therefore submitted that the company was always alive to the situation in the fly ash market and very much receptive to the changes. Since the building of a new facility at Cherthala was underway, the modification at Walayar was taken up subsequently, though the necessary proposals were submitted in advance. It is worth mentioning that the company had to resort to external borrowings to materialize the modification due to the difficult resource crunch situation after heavy investments in CGU.

				Steps being taken to ensure fly ash It is submitted that the fly ash situation has undergone major changes in the decade. Now the power plants have also realized the market potential of fly ash and instead of disposal menace now it is considered as an additional source of substantial revenue by the power plants. Therefore there has been substantial upward revision in fly ash prices from the power plants itself. Therefore the earlier attraction, vis-à-vis clinker is slowly getting neutralized. Also there is stiff competition between cement majors, who have either augmented their plant capacities and or have set up many new plants. Company is now meeting its requirements through Public tender. Company also is persistently approaching the power plants for direct allocation of fly ash. Company also is utilizing the secondary sources and sources other than power plants, as and when necessary.

				The present levels of consumption of fly ash and clinker The present level of fly ash consumption is 25-27% and the consumption of clinker is 69-71%. It is submitted that the consumption levels are dependent on the availability of dry fly ash, quality of clinker, which in turn is dependent on the quality of other raw materials and coal etc. The endeavor is to improve the levels against all odds. ***Future plants for timely modernization*** The company, realizing the fast paced technology advancement, trends in energy and operational efficiency has undertaken focused studies encompassing all spheres of activity through reputed consultants. Their recommendations are rigorously followed up and being implemented one by one after due approvals. A Committee of senior officials oversees the activities so that no opportunity is lost and pro-active voluntary initiatives are in place. A proposal for setting up a 4000 MT per day

				fly ash silo and another proposal for setting up a fly ash drying system so that wet fly ash can also be made is under way which is in consideration of the Board. It is once again submitted that though the company had been receptive and responsible to the situations during the period under review the delays were as a result of the prevailing difficult situation and the company was in fact ready with the required facilities when the market situation of fly ash improved. There was no deliberate individual or system failure. It is also submitted that in future there shall take all precautions to prevent any aberrations and shall put a pro-active and vibrant system in force.

CHAPTER II

REPLY FURNISHED BY GOVT. ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No	Para No.	Dept Concerned	Recommendations/Conclusions	Action taken by Govt.
1	2	3	4	5
1	35	Industries	The Committee finds that the company decided to use imported coal instead of the indigenous variety, and that too bought from private agencies, without even once going in for direct import. The committee is not satisfied with the explanation given by Government, such as risks of quality and quantity and difficulties of transportation, as these are applicable to the private companies who import coal and sell it on profit and also there are large number of companies throughout India who import coal for their own use. The Company has never gone in for direct import of Coal and the loss incurred on this account for the period from 07.02.1998 to 14.11.2000 alone, is Rs. 5.12 crore. The	Under the delivered Contract (Purchase of Imported Coal), the buyer is totally protected from all uncertainties and risks, whereas in case of High Seas Sale (Direct import of coal) all the risks are to buyer's account. It may be noted that in addition to the above, MCL does not have infrastructure to handle coal in bulk at its yard at Walayar. If direct import of coal is done the entire quantity has to be discharged from the vessel and brought to the Walayar and stored. Payment has to be made in advance by means of Irrevocable Letter of Credit. Whereas in case of purchase of imported coal, MCL can go

			committee concludes that huge amounts can be saved by the company by importing coal directly and recommends that the company should do so.	for staggered delivery as the order is placed for supply in installments. Payment is also paid only after receipt and acceptance of each instalment at our site. Further, it may kindly be noted that MCL has a bitter experience with direct import of coal during the year 1988. MCL had placed an order for direct import of 7,000 MT + 10% of coal of Chinese original on M/s Hansen Neuerburg, GMBH, West Germany in the year 1988. The material was to be delivered at Madras Port. Though the quantity ordered was 7,000 MT + 10%, the actual receipt was 6298 MT only as per the Survey Report dated 14.10.1988. For the Survey also, MCL had to incur extra expenditure. MCL had to arrange stevedoring and clearing at the Madras port through engaging M/s. Saco Trans Limited, Madras, paying extra charges. MCL also deputed two of their officers exclusively to oversee the port operations connected with the consignment

				Further the company had also to arrange yard at Madras, paying wharfage, transportation of the material through wagons, paying freight to the Railways etc. incurring additional supervision and extra expenditure. Finally when the material was brought to Walayar by wagons, there was lot of contamination coal received, as lot of sand (in one of the wagons the sand content was as high as 25% of the total quantity). As regards the quality parameters, the coal received was not meeting the specifications in respect of Useful Heat Value (UHV), Moisture, Volatile Matter etc. The material was not even matching with the test results mentioned in the Draft Survey Report also. A Comparison of High Sea Purchase (Direct import) of coal and Delivered Contract (purchase of Imported Coal) may kindly be seen in the following TABLE:

				Table - 1	
				High Seas (Direct Import of Coal)	**Delivered Contract (Purchase of impo rted coal)**
				Sale completes on delivery of Documents.	Sale will be completed only on delivery of Cargo
				Purchaser will bear the ship waiting charges in USD	Seller has to bear the waiting charges
				Purchaser will pay the Customs Duty/Post charges, in advance	Seller will pay the Customs duty
				Purchaser has to arrange Clearing agent and Discharge the material from the Port.	Seller has to take full responsibility.

	Purchaser has to arrange his competent person to oversee the entire operations at the port.	Seller has to arrange his person to over-see the entire operations at the port.
	Since the entire material has to be discharged all at once and can be taken to destination in a staggered manner, storage at the Port to be arranged by Purchaser for which wharfage has to be paid by him.	Wharfage to the Seller Account
	Transportation (Rail/Road) from the port to the destination has to be Arranged by the Purchaser	Transportation (Rail/Road) from the port to the destination has to be Arranged by the seller.

	Purchaser will bear the shortage upon discharge	Seller will bear the shortage upon discharge
	Quality as per the Load Port Certificate is Final	Quality to be ensured at Purchasers Laboratory.
	Quantity will be as per the Load Port Draft Survey	Purchaser's site will determine the final weight
	Exchange fluctuations to purchaser's account	Exchange fluctuations to seller's account
	Transit shortage to Buyer's Account	Transit shortage to Sellers's Account
	All Statutory compliances To Purchaser	All Statutory compliances to Seller
	Insurance to Purchaser's Account	Insurance to seller's Account

	Overheads/Supervision/pilferage/Accidents and All other liaisoning will be To high seas purchaser's Account	Everything will be on Seller's Account
	Payment of huge money For plot rent, security, Insurance etc.	Goes to Seller's Account
	No Sales tax	Applicable Sales tax to Buyer's account
	Needs inviting Global Tender No need for Global Tender	
	Payment has to be made or opening of irrevocable Letter of Credit in Foreign Currency	No need for advance payment or opening of Letter of Credit

	Staggered delivery Not possible	Staggered delivery possible at the same rate
	Staggered payment not possible	Staggered payment possible
	Payment has to be made in advance by irrevocable letter of credit	A payment need to be paid only after receipt and acceptance by the purchaser
	Therefore, it is once again submitted that considering the lack of experience in pre-shipment, inspection and quality assurance, international commercial practices, legal issues, all other elements of import, the nature credentials and sources of material to be imported, the volume to be considered, the prevailing industry practices for the companies size of cement plant, the existing practice of import through experienced import house in public/private sector through public tender is feasible.	
Remarks:- The committee suggested to conduct a comparative study regarding the procedure followed for the import of coal by other Indian Companies.		

2	38		The Committee finds that the Company failed to demand an increase in price from Kerala State Electricity Board, corresponding to the increase in ex-factory cost in October and November 2001, when it supplied an additional quantity of 4351 MT cement in December 2001. Since the rates quoted by private parties at that time was much higher and the price preference of 10 percent was applicable to the company, the company should have demanded a higher price and it could have obtained the same, thus avoiding the loss of Rs. 21.04 lakh.	The main contention of the Committee, after reviewing the operation for the periods 2000-01, 2001-02 relates to the purported loss of revenue to the company to the tune of Rs. 21.04 lakh by offering additional quantity of 4,156 MT of cement to the kerala State Electricity Board, over and above the tendered quantity of 15,000 MT without asking for any enhancement in prices. The cement industry as such was going through a very severe depression during the period 2001 to 2003 without a phenomenal increase in production and drastic reduction in demand. As a result, the price of cement in the open market was coming down day by day each of the manufacturers vying with other to better their participation in the market, by a price war. MCL, being a high cost unit, was not able to compete with the cement companies in the private sector, by cutting down the cost of production nor in offering competitive and attractive in terms to the sale to the dealers. The main dealers were also trying to fully exploit the situation by bargaining for better terms with the cement companies. MCL could not compete with these companies because of increased cost in production, lack of adequate infrastructure

				for extensive coverage in the market and by lot offering credit to the dealers. The Company was balancing their sales with the institutional orders giving occasional credit to the Government Department and Public Undertaking and taking advantage of 10% price preference by venturing into Public Sector orders. The open market prices in Kerala in the year 2000 December was around Rs 140/- to Rs 145/- per bag for supply on FOR basis in which the freight element is approximately 10% and incentive offered to the dealers is around 3 to 5 % on the selling prices. It was in this context the company thought it apt and appropriate to have some institutional workable orders in hand so that the company may not be forced to cut its selling prices drastically in the open market. The company was giving credit to the Government Department and Public Sector Undertakings. But these institutions due to lack of funds could not make payments in time. So, MCL was forced to stop supply to such institutions and departments. In the case of Kerala State Electricity Board, the

				company have the flexibility of adjusting the value of cement supplied, from the monthly electricity charges payable to them and KSEB had permitted the MCL to such adjustment immediately after the supply is effected. There was therefore, no problem of creating outstanding on supplies to KSEB. As a Public Sector Undertaking, KSEB was not authorized to accept supply of cement from open market for such a quantity (4,144MT) without open tender procedure or to give any price escalation over the existing price of cement at which they were getting supplies. Their requirement were very urgent. MCL being the leading consumer of electricity, it was necessary to have rapport and cordial relationship with KSEB because quite often the company have to seek their help on various issues. When all these factors were evaluated in the list of declining trend in demand and falling price of open market cement, it was found prudent to take the order for the additional quantity of 4,144 MT from KSEB It will also be revealed from verifying the cement stock and the clinker stock in the

				factory that the company was really struggling for increasing sales. The capacity utilization in 2001 was 104 % compared to 103.80% in 1999-2000 and the quantity of cement available for sale during the year 2001 was 4.48 lakh tons compared to 4.40 lakh tons in 1999-2000. The quantity of cement and clinker left over in March 2001 were as follows. **November 2001** **December 2001** Clinker 14,028 MT 17,905 MT Cement 5,287 MT 5,668 MT Compared to 1999-2000, the open market price of cement was kept high by articulated demand during the period, cutting down the production by all private sector companies to almost 50% so that the quantity of cement that would be available for sale would be considerably reduced. This clearly indicated the prevailing depression in the cement market. MCL could anticipate the declining trend in the market from the regular feed back it was getting from the field force. Hence the order for the additional quantity of 4,144 MT was accepted for execution without asking for any enhancement in prices. The

				profit in the financial year 2000-01 at Rs. 19.46 Crore is much higher than the profit made in the year 2001-02. Therefore, it is not wrong to conclude that the decision to offer an additional quantity to KSEB at the tendered rate was beneficial to the company. The situation prevailing in 2000-2001 was far-far being ideal for cement demand and this will be very clear from the closing stock of clinker and cement given above In the circumstances, it is very fair and reasonable to conclude that the decision of the Company to give an additional quantity of 4144 MT at the tendered rate was keeping the larger interest of the company and had only helped to better the company's realizations in the financial year compared to the previous financial year.

Remarks:- The Committee opined that it is a serious lapse from the part of the company to sell cement at low rate to Kerala State Electricity Board without conducting a market study and recommended to seek explanation from the officials responsible for the loss and to fix liability against those who found guilty.

<table>
<tr>
<td>3</td>
<td>39</td>
<td>Industries</td>
<td>The Committee is dissatisfied with the company's explanation for keeping huge amounts in it's current account and feels that the management should be able to ascertain with reasonable exactness, the amount it will need at each point of time. The Committee therefore recommends that an estimate should be made based on previous experience, and all surplus fund should be converted into short term deposits. The Committee desires to be informed of the average daily balance kept in current accounts during the years 2004-05, 2005-06, and 2006-07</td>
<td>A statement showing month wise balance for the years 2004-05, 2005-06 and 2006-07 is shown below:-
Fund position
<table>
<tr><th>Month</th><th>2004-05 (Rs. in lakhs)</th><th>2005-06 (Rs. in lakhs)</th><th>2006-07 (Rs. in lakhs)</th></tr>
<tr><td>April</td><td>-738.99</td><td>-613.98</td><td>399.80</td></tr>
<tr><td>May</td><td>-780.64</td><td>-517.03</td><td>632.21</td></tr>
<tr><td>June</td><td>-602.43</td><td>-341.79</td><td>590.52</td></tr>
<tr><td>July</td><td>-745.96</td><td>-449.85</td><td>622.20</td></tr>
<tr><td>August</td><td>-972.68</td><td>-845.09</td><td>955.84</td></tr>
<tr><td>September</td><td>-1,056.54</td><td>-1,095.12</td><td>949.65</td></tr>
<tr><td>October</td><td>-1,277.90</td><td>-1,256.71</td><td>914.74</td></tr>
<tr><td>November</td><td>-1,197.70</td><td>-1,206.59</td><td>1170.89</td></tr>
<tr><td>December</td><td>-881.75</td><td>-1,023.35</td><td>957.62</td></tr>
<tr><td>January</td><td>-1,110.45</td><td>-506.85</td><td>1551.22</td></tr>
<tr><td>February</td><td>-1,214.21</td><td>-109.45</td><td>1,968.92</td></tr>
<tr><td>March</td><td>-1,323.95</td><td>180.82</td><td>935.42</td></tr>
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				Kindly note that company has implemented the recommendation fully in the subsequent years. This is evident from the interest earned by the company during the years 2007-08,2008-09, 2009-10 & 2010-11. During the years, company received interest on short term deposit to the tune of Rs. 273.34 lakhs, Rs. 505.53 lakhs, Rs. 470.45 lakhs, and Rs 536.75 lakh respectively. It can be seen from the table above that MCL has been utilizing the Cash Credit Limit during the years 2004-05 and 2005-06 and only during 2006-07 the company got surplus funds. It may be mentioned that as and when sufficient funds are available, the company has cleared the working capital loan of Rs. 10 crores with Syndicate bank and out of the balance, Rs.6 crores was paid to SBI against the loan amount of Rs. 642.48 lakhs as on 27-2-2007, taken for Close Circuiting, thereby the balance loan amount could be brought down to Rs. 42 lakhs as at the end of the year. Considering the nature of business, the balance amount maintained by MCL are just sufficient for meeting statutory payments

				under the following heads Figures Rs. In lakhs Monthly salary to employees : 250.00 Central Excise duty : 200.00 Sales -tax : 250.00 Creditors for raw materials & Freight payment : 200.00 Total : 900.00 ===== Further, apart from the revenue expenditure, all the project expenditures were also met by internal generation without any budgetary support. Since project activities need on time payment for timely completion, it was necessary to keep funds with short-term deposits. In view of the above, it may not be realistic to work on an average daily balance basis and to convert the surplus funds to short-term deposits.
Remarks:- The committee directed to furnish a detailed report showing the balance amount kept in the current account along with the details of term deposits made by the company.				

4	40	Industries	The committee also wish to know whether the amount pending recovery viz.Rs. 3.93 lakh from M/s Industrial Security Force and Rs. 43.58 lakh from the canteen contractor and also Rs. 1.50 lakh from the Standing Counsel have been recovered.	(a) Recovery of Rs. 3.93 lakhs from M/s. Industrial Security Force O.S.324/2001 filed against M/s. Industrial Security Force before the Sub-Court, Palakkad is dismissed. (b) Irregular payment to Canteen Contractor Domestic Enquiry completed and report of Enquiry officer is awaited (c) Recovery of Rs. 1.50 lakhs from Standing counsel O.S. 196/2002 filed against Shri S.Sivadas, Advocate before the Sub-Court, Palakkad and Appeal No. AS 277/05 filed before Dist.Court, Palakkad were dismissed.
Remarks:-The Committee recommended to recover the amount from the contractor and to submit a detailed report to the committee. The committee sought the reason for not moving appeal in the case.				
5	41	Industries	The Committee recommends that the Management should be more vigilant in all matters and take measures to increase efficiency. The responsibility of each official should be fixed so that each unit functions at maximum efficiency. The Committee wish to be informed of the steps taken in this direction.	All Department Heads of the Company were directed to prepare a draft of their own responsibilities and the responsibilities of each one of the officials coming under their control and forward the same to the Managing director, Malabar Cements Limited. The Heads of Departments submitted draft duties and responsibilities on various dates which were consolidated and

				modified in line with the existing duties and responsibilities and revised duties and responsibilities in respect of each category post of officers were prepared. The above duties and responsibilities shall come into force with immediate effect. The officers concerned shall also continue to attend the duties and responsibilities presently attended by them and also attend any other duties and responsibilities assigned by the management from time to time.
Remarks:- The Committee sought a more elaborate explanation regarding the duties and responsibilities assigned to various officials in order to streamline the activities of the Company.				

K.N.A KHADER,
Chairman,
Committee on Public Undertakings.

Thiruvananthapuram,
7 -2015