



**FIFTEENTH KERALA LEGISLATIVE ASSEMBLY**

**COMMITTEE  
ON  
PUBLIC UNDERTAKINGS  
(2023-2026)**

**TWENTY SEVENTH REPORT**  
(Presented on 25<sup>th</sup> June, 2024)

**SECRETARIAT OF THE KERALA LEGISLATURE  
THIRUVANANTHAPURAM  
2024**

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

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ON  
PUBLIC UNDERTAKINGS  
(2023-2026)**

**TWENTY SEVENTH REPORT**

**On**

**Kerala Feeds Limited**

**(Based on the Reports of the Comptroller and Auditor General of India  
for the years ended 31<sup>st</sup> March, 2017 and 2018)**

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## COMMITTEE ON PUBLIC UNDERTAKINGS (2023-2026)

### COMPOSITION

#### *Chairperson:*

Shri E. Chandrasekharan.

#### *Members :*

Shri A.P.Anil Kumar

Shri Anwar Sadath

Shri Ahammad Devarkovil

Shri T. V. Ibrahim

Shri P. Mammikutty

Shri K. P. Mohanan

Shri D. K. Murali

Shri P. Nandakumar

Shri Kadakampally Surendran

Shri P. Ubaidulla.

#### *Legislature Secretariat :*

DR. N. Krishna Kumar, Secretary

Shri Venugopal R., Joint Secretary

Shri Anil Kumar B., Deputy Secretary

Shri Mohanan O., Under Secretary.

## INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-2026) having been authorised by the Committee to present the Report on its behalf, present this Twenty Seventh Report on Kerala Feeds Limited based on the reports of the Comptroller and Auditor General of India for the years ended 31<sup>st</sup> March, 2017 and 2018 relating to the Public Sector Undertaking of the State of Kerala

The aforesaid Reports of the Comptroller and Auditor General of India were laid on the Table of the House on 19-6-2018 and 24-8-2020 respectively. The Reports, besides other things in their findings, brought to light some functional irregularities relating to the Kerala Feeds Limited. The Committee, in connection with the perusal of 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 Undertaking.

This Report was considered and approved by the Committee (2023-2026) at its meeting held on 20-6-2024.

The Committee place on record its appreciation for the assistance rendered to them 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 Animal Husbandry department of the Secretariat and the Kerala Feeds 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, Animal Husbandry and Finance Department and the officials of the Kerala Feeds Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

E. CHANDRASEKHARAN,

Thiruvananthapuram,  
25th June, 2024.

*Chairperson,  
Committee on Public Undertakings.*

## REPORT

### Kerala Feeds Limited

#### 4.7 Avoidable loss (2016-17)

##### **Loss due to non-adherence to instructions of Reserve Bank of India on e-payments.**

In order to facilitate quick money transfer and to avoid risk of handling huge amount of currency notes, Finance (Streamlining) Department, Government of Kerala (GoK) allowed (January 2013) Public Sector Undertakings (PSUs) to carry out individual transactions exceeding ₹2 lakh through Real Time Gross Settlement (RTGS<sup>1</sup>) system. GoK also instructed all PSUs to adhere to the detailed safety instructions issued by Reserve Bank of India (RBI) on RTGS transactions. According to the guidelines issued (October 2010) by RBI on electronic fund transfer, PSUs were responsible to provide correct inputs in the payment instructions, particularly the beneficiary account number. Further, for making electronic fund transfer, PSUs should obtain mandate from customers containing sufficient information for verification of account particulars including Account Number, Name of Account Holder, Name of Bank, Name of branch, IFS Code<sup>2</sup>, etc. PSUs should also communicate with the parties about the details of credit that is being afforded to their account, indicating the proposed date of credit, amount and related particulars of the payment. The parties can match the entries in the passbook/account statement with the advice received by them from the PSUs.

Kerala Feeds Limited (Company) purchases raw material from suppliers across the country. Kaleesuwari Refinery Private Limited (KRPL), Chennai was one such supplier. Correspondence with KRPL was usually made through email and payments for raw material were made through RTGS to their bank account maintained with Axis Bank.

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1 Real Time Gross Settlement is the continuous (real-time) settlement of funds transfers individually on an order by order basis (without netting).

2 The Indian Financial System Code is an alphanumeric code that facilitates electronic funds transfer in India.

The Company received (23 January 2015) an email requesting to make all further payments to KRPL in a new Bank Account maintained with State Bank of India (SBI), West Marredpally Branch, Hyderabad. Based on the email, the Company transferred ₹1.38 crore between 24 January 2015 and 18 February 2015 in seven tranches to the new Bank Account from its Bank Account maintained with State Bank of Travancore, Chalakkudy Branch. On non-receipt of credits into its bank account, KRPL contacted Finance Manager of the Company on 18 February 2015. The Company informed (18 February 2015) KRPL about transfer of funds to the new Bank Account maintained with SBI. KRPL clarified (18 February 2015) the Company that the new account number was not related to them and the email address through which the change of account number was informed, was not their email address. On subsequent verification, the Company found that the email address through which the change of account number was informed was fake. Hence, the Company directed (18 February 2015) SBI, West Marredpally Branch to block the account number and freeze all transactions done in the said account number. The Company, thereafter, lodged (19 February 2015) complaints with Police including Superintendent of Police (cyber cell), Crime Detachment Bureau, Thrissur and requested (21 February 2015) SBI Administrative Office, Secunderabad for giving necessary directions to SBI, West Marredpally Branch to transfer the amount back to Company's account. After continuous follow up by the Company, the SBI, West Marredpally Branch returned (3 March 2015) ₹1.14 crore to the Company and the balance ₹24 lakh.<sup>3</sup> was not yet returned (December 2017) as this amount was withdrawn by some hacker.

Audit observed (November 2015) that the Company did not obtain mandates containing sufficient information for verification of account particulars including Bank Account Number, Name of Account Holder, Name of Bank, IFS Code of Bank, etc., from KRPL before payments were made through RTGS. The Company did not communicate to KRPL the proposed date of credit of funds either. Further, the Company never requested for confirmation of receipt of funds from KRPL even though e-payments were made seven times. Thus, non-adherence of the Company to the safety instructions issued by RBI resulted in loss of ₹24 lakh.

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<sup>3</sup> Exact amount to be recovered was ₹23,89,609

The Company replied (June 2016) that they introduced (April 2015) a control mechanism in which the parties to whom electronic payments are made, are required to submit duly filled up electronic payment mandate form along with a cancelled cheque. The Company also replied that the above case was under investigation of Police (Crime Branch) and hence, they did not release the amount of ₹24 lakh to KRPL although KRPL demanded (March 2016) the said amount.

Government of Kerala replied (December 2017) that they directed all PSUs to introduce a strong internal control mechanism by ensuring the safeguards prescribed by Reserve Bank of India to avoid financial loss under electronic fund transfers.

The fact remains that due to non-adherence to instructions of RBI relating to e-payments, the Company suffered a loss of ₹24 lakh and the chances of recovery were remote.

**[The Audit paragraph 4.7 contained in the report of the C &AG for the year ended 31 March 2017.]**

**The notes furnished by the Government on the audit paragraph are given in Appendix II**

### **Discussion and findings of the Committee**

The Committee noted that the Company transferred ₹ 1.38 crore to a fake account through RTGS after receiving an e-mail that seemed to be from M/s Kaleesuwari Refinery Private Limited (KRPL) requesting to transfer the amount to a new account, without proper verification of the e-mail address. The Committee also found that the Company managed to recover ₹1.14 crores from the bank but an amount of ₹24 lakh remained to be recovered, as it had already been withdrawn from account and observed that the Company failed to follow the safety instructions issued by RBI on electronic fund transfer. The Committee wanted an explanation on the non-adherence to the safety instructions issued by RBI on RTGS transactions and also the details of measures taken to recover the balance amount of ₹24 lakh .



The Managing Director, Kerala Feeds Limited, informed that the Company purchased raw material required for the manufacturing of cattle feeds from suppliers all over India through e-tender since its inception and M/s Kaleesuwari Refinery Private Limited (KRPL) was one such supplier who supplied raw materials for the production of cattle feed. The above mentioned fraudulence was occurred in the year 2015. When the Company got an e-mail from M/s Kaleesuwari Refinery Private Limited informing the change of bank account, amounts due to M/s Kaleesuwari Refinery Private Limited was transferred to the new account mentioned in the e-mail and acknowledged the receipt of the same. He also informed that it was only on 18-2-2015, days after the transactions were made, the M/s Kaleesuwari Refinery Private Limited informed that they had not received the amount. On verification, it was found that the said e-mail was from the e-mail ID of Smt. Aruna R., Senior Officer of M/s KRPL. The Assistant Manager (Purchase) informed that the logo on the e-mail was the same as the logo used in the e-mails of KRPL and the only difference was the change of one letter in the e-mail address which went unnoticed at first. The MD accepted fault on the company's part in identifying it. The Managing Director, Kerala Feeds Limited, informed that the company managed to recover ₹1.14 crore from the bank immediately after it identified the hoax. He added that the Company was of the view that it was a planned electronic fund extortion occurred within the M/s KRPL itself.

When the Committee asked the reason for such an assumption, the Managing Director replied that after each payment, a settlement sheet including the details of account number and the amount paid would be sent to the suppliers through courier on the same day. Accordingly the settlement sheets for the six payments made during 24-1-2015 to 18-2-2015 to M/s KRPL to the new bank account was also sent to them and they acknowledged the receipt of the same. If they had not received the amount, they should have reported it at the first instance and M/s KRPL took several days to report it. He also informed that when M/s KRPL demanded the said amount of ₹24 lakh, the Company responded that it could not be paid since the cyber fraud had been perpetrated through the fake email of KRPL and also acknowledged the receipt of the Payment Advice Letters from Kerala Feeds Limited. He also added that no response had been received from KRPL regarding this, which made them suspicious.

When the Committee asked whether Smt. Aruna had any role in the fraudulence, the witness informed that it was not confirmed even if the fake e-mail was sent after forging the e-mail ID of Smt. Aruna. It was evident from the enquiries that it was e-mail phishing scam creating a fake domain similar to that of original which was common in RTGS related scams. So the Company filed a criminal case. The witness added that no evidence was collected till date though investigations were conducted by Thrissur cyber cell on the complaint of Kerala Feeds Limited and Chennai cyber cell on the complaint of KRPL.

The Committee inquired about the control measures adopted by Kerala Feeds Limited to prevent such kind of frauds. The witness informed that the purchase department should collect the details of bank account of suppliers through electronic payment mandate forms (EPMF) which should be certified by the respective branch of the bank and a cancelled cheque leaf should also be included along with the EPMF. These details should be forwarded to Finance section and any payment to any bank account should be made only after receiving the same. The official email id of the Purchase Department is changed to [purchase@kerala.gov.in](mailto:purchase@kerala.gov.in) which is being maintained by NIC. Assistant Manager(EDP), the head of IT department of Kerala Feeds Limited has been designated as Information Security Officer as per the direction of Kerala State IT Mission and he is responsible for taking necessary measures for preventing cyber frauds in Consultation with KSITM. Moreover, he is also entrusted to conduct Information Technology security audit to prevent such frauds in future. In addition to the existing payment advice intimation, it was also decided to intimate details of payment to various suppliers to their email IDs and also such information is being sent on a day-to-day basis by the purchase department. The witness requested to drop the audit para in the light of corrective measures taken and as the Company had no financial loss relating the scam. In responding to a query of the Committee, the witness informed that the Company is now strictly following the RBI guidelines.

### Observations/Recommendations

***1. The Committee observes that the failure to understand the difference between the email ids was a lapse on the part of the Company and it was e-mail phishing scam creating a fake domain similar to that of original and wants to be more vigilant while doing electronic transactions. The Committee observes that a criminal case has been filed for the recovery of ₹24 lakhs and urges to furnish the details of the case and whether the convict has been identified and whether the amount has been recovered from him.***

#### **5.2 Failure in implementation of project (2017-18)**

**Failure of the Company to identify 7,204 women beneficiaries for free distribution of goats resulted in loss of GoI assistance amounting to ₹3.03 crore, besides non-achievement of the objective of the scheme, namely, equipping women to become self-employed/ entrepreneurs.**

Government of India (GoI) approved (March 2012) a goat-rearing project submitted by Kerala Feeds Limited (Company) under Support to Training and Employment Programme for Women (STEP) Scheme. The project envisaged giving one goat each, free of cost, to 10000 women beneficiaries belonging to economically and socially backward sections of the society, drawn from urban and rural areas. As per the approved project, the goat-rearing project was to be implemented over a period of two years, by April 2014. Total cost of the project was pegged at ₹6.25 crore, to be shared by GoI (₹5.63 crore <sup>4</sup>) and Government of Kerala (GoK) (₹0.62 crore<sup>5</sup>) by way of grants. GoI released (April 2012) ₹2.60 crore<sup>6</sup> towards the first instalment of its share.

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<sup>4</sup> ₹2.90 crore in first year and ₹2.73 crore in second year.

<sup>5</sup> ₹0.32 crore in first year and ₹0.30 crore in second year.

<sup>6</sup> Balance amount of ₹0.30 crore as second instalment of the first year was to be released on submission of audited statements of accounts, utilisation certificate, physical report of the project etc.

The Company did not implement the project within the stipulated period and based on the request (July 2014) of the Company, GoI extended (December 2014) the completion time for a further period of two years up to March 2016. The Company did not complete the project even within the extended time. As of June 2018, goats were given to only 749 beneficiaries instead of 10,000 beneficiaries as envisaged.

Audit noticed that:

- For the overall monitoring and implementation of the project, a project monitoring and implementation committee was to be immediately constituted. After the approval of the project, the Company constituted (May 2012) a sub-committee to examine whether the implementation of the project was permissible as per the object clause of its Memorandum of Association and to suggest a viable modus operandi for the project. Accepting (April 2013) the recommendations of the sub-committee (October 2012), the Company constituted the project monitoring and implementation committee in April 2013. The delay of one year in constitution of the committee was avoidable as issues like modus operandi, mandate for implementation of the scheme etc. were to be addressed at the time of submission of project report to the GoI.

- As per the approved project, beneficiaries were to be selected based on their income criteria and social status by convening meetings at public places after giving wide publicity. The Company, however, decided (April 2013) to select mothers of girl students studying in high schools as beneficiaries from 14 blocks, which was subsequently reduced to nine blocks. Thereafter, the Company invited applications from nine blocks for enlistment of beneficiaries and 22261 girl students of 64 schools responded (October 2013) to this. As criteria such as income and social status of students were not specified by the Company, beneficiaries were not selected out of these 22261 students. Subsequent action was taken by the Company only in July 2015 when it asked 30 out of 64 schools to filter information of students as belonging to Scheduled Caste/Scheduled Tribe categories and below poverty line. The basis of selection of 30 out of 64 schools was not on record. Based on the information furnished by 18 schools between July 2015 and December 2015, the Company selected 2796 eligible students. Thus, the

Company identified only 2796 eligible beneficiaries instead of the required 10000 beneficiaries, due to deviations from the approved project and frequent changes in the area for coverage.

- For distribution of goats to eligible beneficiaries, the Company issued (August 2015) purchase order to a contractor to supply 5000 goats. The Company was to provide supply schedule (at least 100 numbers in one lot) to the contractor seven days in advance.

Audit noticed that after the supply and distribution of the first lot of 84 goats in September 2015, the Company provided next supply schedule for 1156 goats only in January 2016. Against this, the contractor supplied only 665 goats during January and February 2016. Thereafter, no supply schedule was given to the contractor.

Thus, though the Company identified 2796 eligible beneficiaries and had a valid purchase order for supply of 5000 goats; it distributed goats to 749 beneficiaries only from September 2015 to March 2016, utilising ₹0.34 crore out of ₹2.60 crore released by the GoI.

- As per the terms and conditions of STEP Scheme, release of the balance share of GoI assistance amounting to ₹3.03 crore was dependent on timely completion of the project. Further, if a part of the grant was left unspent after expiry of the period, the Company was required to refund the balance amount along with interest at 10 per cent per annum.

As the Company distributed goats free of cost to 749 beneficiaries only as of June 2018, GoI did not release the balance share of ₹3.03 crore. Further, the Company is bound to refund the unspent balance of ₹2.26 crore along with interest of ₹0.51 crore <sup>7</sup>.

Thus, failure of the Company to identify 7,204 women beneficiaries for free distribution of goats resulted in loss of GoI assistance amounting to ₹3.03 crore, besides non-achievement of the objective of the scheme, namely, equipping women to become self-employed/ entrepreneurs.

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<sup>7</sup> ₹2.26 crore x 10 per cent per annum x 27 months (From April 2016 to June 2018).

GoK replied (September 2018) that a committee was constituted (September 2018) for studying the changes to be made to the existing project and submit a realistic and practical report to the Government at the earliest. After studying the said report, GoI would be requested to extend the completion time of the project up to 2020.

The reply was not acceptable as there was undue delay in constituting the committee considering that the project was to be completed by March 2016.

**[The Audit paragraph 5.2 contained in the report of the C &AG for the year ended 31 March 2018.]**

**The notes furnished by the Government on the audit paragraph are given in Appendix II**

### **Discussion and findings of the Committee**

The Committee noted with dismay that the failure of the company to identify 7204 women beneficiaries for free distribution of goats resulted in a loss of Central Government assistance amounting to ₹ 3.03 crore and repayment of ₹2.24 crore and wanted explanation. The witness replied that Kerala Feeds Limited was entrusted with the implementation of a project of Department of Women and Child welfare of Central Government, namely, 'Support to Training and Employment Programme' (STEP) which envisaged to distribute 10000 goats within a time span of two years with effect from 2011-12 to assist financially backward women. A total amount of ₹6.25 crore had been sanctioned to Kerala Feeds Limited for the purpose. As a first installment ₹ 259.88 lakh was released to the Company. The Board constituted an adhoc sub-committee in May 2012 with the Chairman of the Company as its Chairman in order to study the project and to discuss the *modus operandi*. A delay occurred in conducting the study on implementing the project befitting the conditions of the State as it was found difficult to implement the project likewise as per the guidelines of the Central Government. Finally the Company decided to implement the project by issuing goats to school students on April 2013. There was also a delay in getting representatives of various departments in the adhoc Committee.

At this juncture, the Committee inquired whether there was any direction in the guidelines of the Central Government to issue goats to school students. The concerned official replied that there was not such a direction in the guidelines but it was the Project Committee that took the decision. Managing Director further informed that a tender was notified in the newspaper for the procurement of goats on December 2013. Then the Company came to know that e-tendering was compulsory if the project's cost was above ₹ 5 lakh. As it was difficult to get suppliers through e-auction, the Company approached the government to get exemption. It took some delay for getting permission from government for direct purchasing. Meanwhile the Company send letter to the Central Government requesting to extend the tenure of the project and the Central Government extended the date of the completion of the project upto 2016.

The witness added that the Company decided to identify beneficiaries from the students belonging to the category of BPL and SC/ST from thirty schools of Alappuzha, Kozhikode, Ernakulam, Idukki, Kannur, Kasaragod, Kottayam, Thrissur and Wayanad to provide goats and fodder for one year. Consequent to that, the Company identified 2796 beneficiaries and 749 children who responded among them were distributed goats and free fodder.

The witness also informed that when a letter from Central Government asking the status of the project was received, it was decided to implement the project more effective and transparent. A meeting held on 17-9-2018 presided by the Secretary, Animal Husbandry Department formed a committee comprising the Director, Kerala Feeds Limited as its Chairman and Director of Animal Husbandry, Director of Dairy Development, Managing Director of KLDB and Managing Director, MPI as members to study the project and to implement it more realistic. The Committee decided to change the project suitable for meat export business in co-ordination with MPI and a project was submitted to the State Government on 11-2-2019. But in 2019, the Central Government informed that the project time elapsed and asked to repay the unutilized amount. The company repaid an amount of ₹ 2,24,00,000 in 2019. The Company sent a letter to Central Government requesting to waive the interest of the amount and no reply had been received yet.

The Committee expressed its dissatisfaction on the reply and commented that the reason for the delay was not justifiable since it was Kerala Feeds Limited who prepared and submitted the project and got approval from the Central Government. Then the Committee criticised the failure of the Company to implement the project even after five years which deprived financial assistance to women living below the poverty line. The Committee observed that though the Guidelines insisted immediate constitution of a Monitoring and Implementation Committee, the Company took one year for the Constitution and even then delayed to find the beneficiaries for the project.

Then the MD informed that when the project was approved by the Central Government, the Board discussed its viability as the conditions provided by the Central Government was not suitable for the State of Kerala and decided to change the project as such. The Board also had to examine whether the project was compatible to Company's memorandum of understanding and Articles of Association. Then the Committee asked the reason for saying why it was not suitable for the condition of Kerala. The witness replied that there were conditions such as forming Co-operative Societies for the supply of goats. He also added that when the Board decided to give its benefit to girl students the Women's Development Corporation objected and demanded to make women as beneficiaries since it was a scheme for women empowerment and it was decided to give the benefit of the scheme to their mothers. It was also informed that the Model Code of Conduct regarding Panchayat and Legislative Assembly elections, strike of veterinary doctors etc. caused delay in the implementation of the project. The Committee opined that since the project was envisaged by the Company, it should have gone into the details of its implementation well during the preparation stage itself and the reasons put forward by the witness is not at all acceptable. The Committee noted with dismay that even the constitution of Monitoring Committee was delayed for over an year.

The Committee sought explanation regarding the delay in constituting the Monitoring and Implementation Committee. The Managing Director informed that when the project was approved by the Central Government as per the order dated 29<sup>th</sup> March 2012, the Board Meeting held on 19-5-2012 constituted an Adhoc



Committee to study the project and its feasibility and also to examine whether it was permissible as per the MOU and Article of Association of the Company and to suggest a viable *modus operandi* for the project. The Committee submitted its report on the Board Meeting held on 1-10-2012. The Board Meeting made changes in the list of block panchayats selected for the project and authorised the MD of the Company for its implementation. In addition to that the meeting of the Board of Directors held on 5-4-2013, considering the transparency and the viability of its implementation, decided to find the beneficiaries from the girl students of High Schools and constituted a Monitoring and Implementation Committee for this purpose.

The Committee directed the department to submit the report of the Adhoc Committee.

The Committee noticed that the Company identified only 2796 eligible beneficiaries instead of the required 10000 beneficiaries and asked the reason for not identifying sufficient beneficiaries. The Managing Director explained that as it was decided to implement the project through schools, the Company got applications from schools in 2013 in response to the advertisement of the Company. After that, as per the decision of the Implementation Committee and Purchase Committee which met on 4-5-2015 and 23-6-2015, the Company requested the details of students belonging to BPL/SC/ST category from 30 schools of 7 districts and identified 2796 beneficiaries. The official added that the Company did not take further initiatives to find out more beneficiaries due to the inadequacy of the price fixed for a goat and the time frame for implementing the scheme.

To a query of the Committee regarding the criteria adopted for the selection of 30 schools from 64 schools which got applications and for the selection of Districts, the witness replied that it was the Monitoring and Implementation Committee which took such a selection considering the time limit for the project and the enforcement of Model Code of Conduct for Elections. Then Managing

Director informed that Model Code of Conduct regarding panchayat and Legislative Assembly elections, strike of veterinary doctors etc., delayed distribution of goats and in spite of all these, they distributed 749 goats. He added that the Company could not continue the distribution as the tenure of the project ended in 31-3-2016.

As the Committee was not satisfied with explanation on the distribution schedule, asked to furnish a detailed report.

Then Committee expressed its discontent on the failure of the Company to identify 7204 women beneficiaries for free distribution of goats resulted in a loss of Government of India assistance amounting to ₹ 3.03 crore and non-achievement of the objective of the scheme - equipping women to become self employed/entrepreneurs. To this, the Managing Director explained that the Company tried to implement the project within the stipulated time but many obstacles such as delay in getting Committee nominees, foot and mouth diseases in animals in Kerala, Implementation of Model Code Conduct for elections, delay in getting Government approval to avoid e-tender, delay in getting re-validation from Central Government, strike of veterinary doctors etc. delayed the project.

The Committee observed that Kerala Feeds Limited had severe lapse in the implementation of the project. Deviations from the approved project, undue delay in constituting the Monitoring and Implementation Committee, frequent changes in the area of coverage, lack of co-ordination and proper planning delayed the project. Hence the Committee directed that appropriate steps should be taken to prevent such lapses in future. The Committee remarked that the lackadaisical attitude of Government officials also affected the project implementation.

The Committee remarked that unutilising of such funds could not be tolerated as it adversely affect the overall development of the State and such action is not justifiable. The Committee is distressed to note that even after the extended period of two years, the project implementation was very slow and the percentage of implementation also stood much lower.

### Observations/Recommendations

*2. The Committee observes that the Government of India approved the goat rearing project submitted by Kerala Feeds in March 2012 and a Sub-Committee was constituted in May 2012 and as per the recommendation of the Sub Committee, the Company constituted a Project Monitoring and Implementation Committee only in April 2013 after a delay of one year. The Committee criticises the undue delay caused in constituting the Project Monitoring and Implementation Committee and recommends to furnish a report regarding the circumstances that led to the delay. The Committee also recommends to furnish a copy of the report of the Sub-Committee.*

*3. The Committee vehemently criticises the failure of the Company to find out 7204 beneficiaries thereby leading to non achievement of the objectives of the project. The Committee repudiate the reasons put forwarded by the officials for the delay in implementing the project. The Committee notices severe lapse on behalf of the Company in implementing the project. The Committee observes that deviations from the approved project, undue delay in constituting the Monitoring and Implementation Committee, frequent changes in the area of coverage, lack of co-ordination and proper plan delayed the project. Hence the Committee directs that appropriate steps should be taken to prevent such lapses in future and to furnish a detailed report regarding the matter.*

*4. The Committee is at an utter dismay that a massive project of selecting 10000 beneficiaries for issuing goats had been conceived by a public undertaking like Kerala Feeds Ltd. without having sufficient manpower and against MoU/Articles of Association of the Company.*

*5. The Committee believe that if the project was envisioned for distributing cattle feeds at subsidised rates to the poor farmers, it would have been a fruitful project and a great solace to the poor.*

*6. The Committee criticises the culpable silence of the Administrative Department in conniving with the Company for*

*implementing such a project and directs the department to be more vigilant while forwarding such projects to Government of India submitted by Public Sector Undertakings, which is against MoU and Articles of Association.*

Thiruvananthapuram  
25<sup>th</sup> June, 2024

E. CHANDRASEKHARAN  
*Chairperson,*  
*Committee on Public Undertakings*

## APPENDIX-I

## SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl. No	Para No.	Department concerned	Conclusions/Recommendations
1	1	Animal Husbandry	The Committee observes that the failure to understand the difference between the email ids was a lapse on the part of the Company and it was e-mail phishing scam creating a fake domain similar to that of original and wants to be more vigilant while doing electronic transactions. The Committee observes that a criminal case has been filed for the recovery of ₹.24 lakhs and urges to furnish the details of the case and whether the convict has been identified and whether the amount has been recovered from him.
2	2	Animal Husbandry	The Committee observes that the Government of India approved the goat rearing project submitted by Kerala Feeds in March 2012 and a Sub-Committee was constituted in May 2012 and as per the recommendation of the Sub Committee, the Company constituted a Project Monitoring and Implementation Committee only in April 2013 after a delay of one year. The Committee criticises the undue delay caused in constituting the Project Monitoring and Implementation Committee and recommends to furnish a report regarding the circumstances that led to the delay. The Committee also recommends to furnish a copy of the report of the Sub-Committee.
3	3	Animal Husbandry	The Committee vehemently criticises the failure of the Company to find out 7204 beneficiaries thereby leading to non achievement of the objectives of the project. The Committee repudiate the reasons put forwarded by the officials for the delay in implementing the project. The Committee notices severe lapse on behalf of the Company in implementing the project. The Committee observes

			that deviations from the approved project, undue delay in constituting the Monitoring and Implementation Committee, frequent changes in the area of coverage, lack of co-ordination and proper plan delayed the project. Hence the Committee directs that appropriate steps should be taken to prevent such lapses in future and to furnish a detailed report regarding the matter
4	4	Animal Husbandry	The Committee is at an utter dismay that a massive project of selecting 10000 beneficiaries for issuing goats had been conceived by a Public Undertaking like Kerala Feeds Ltd. without having sufficient manpower and against MoU/Articles of Association of the Company.
5	5	Animal Husbandry	The Committee believe that if the project was envisioned for distributing cattle feeds at subsidised rates to the poor farmers, it would have been a fruitful project and a great solace to the poor
6	6	Animal Husbandry	The Committee criticises the culpable silence of the Administrative Department in conniving with the Company for implementing such a project and directs the department to be more vigilant while forwarding such projects to Government of India submitted by Public Sector Undertakings, which is against MoU and Articles of Association.

**Remedial Measures Taken (RMT ) Statement**

**Report of the Comptroller and Auditor General of India on Public Sector Undertaking for the Year ended 31.03.2017-Para  
4.7-Kerala Feeds Ltd.**

No.	Para	Department	Audit Observation	Remedial Measures Taken
1	4.7	Animal Husbandry	<p><u>Avoidable loss</u></p> <p>Loss due to non-adherence to instructions of Reserve Bank of India on e-payments.</p> <p>In order to facilitate quick money transfer and to avoid risk of handling huge amount of currency notes, Finance (Streamlining) Department, Government of Kerala (GoK) allowed (January 2013) Public Sector Undertakings (PSUs) to carry out individual transactions exceeding ` 2 lakh through Real Time Gross Settlement (RTGS*) system. GoK also instructed all PSUs to adhere to the detailed safety instructions issued by Reserve Bank of India (RBI) on RTGS transactions. According to the guidelines issued (October 2010) by RBI on electronic fund transfer, PSUs were responsible to provide correct inputs in the payment instructions, particularly the</p>	<p>Kerala Feeds Limited has been purchasing the Raw Material required for the manufacturing of cattle feed from suppliers all over India through e tender/ e procurement system. In order to ensure the smooth conduct of business, the company is opting for e-mail communication with the suppliers and is making payments to the suppliers through Electronic Fund Transfer (RTGS/NEFT). According to the system which is in place in Kerala Feeds Limited, the Purchase Department is responsible for collection of details of bank account of the various suppliers into which the electronic fund transfer is to be made (ie. bank account number, name of bank and branch and IFSC code ). After confirming the same, the Purchase Department forwards the details to the Finance Department for the purpose of effecting the payment .</p> <p>M/s Kaleesuwari Refineries Private Limited (KRPL) has been supplying raw materials to Kerala Feeds Limited for the past many years and most of the</p>

	<p>beneficiary account number. Further, for making electronic fund transfer, PSUs should obtain mandate from customers containing sufficient information for verification of account particulars including Account Number, Name of Account Holder, Name of Bank, Name of branch, IFS Code', etc. PSUs should also communicate with the parties about the details of credit that is being afforded to their account, indicating the proposed date of credit, amount and related particulars of the payment. The parties can match the entries in the passbook/account statement with the advice received by them from the PSUs.</p> <p>Kerala Feeds Limited (Company) purchases raw material from suppliers across the country. Kaleesuwari Refinery Private Limited (KRPL), Chennai was one such supplier. Correspondence with KRPL was usually made through email and payments for raw material were made through RTGS to their bank account maintained with Axis Bank.</p>	<p>correspondence with the party is conducted through email. The company was transferring payments to the bank account of KRPL with Axis Bank ( account number 910020004646756 IFSC code UTIB00000006 Axis bank, Mylaporebranch Chennai). On 23/1/2015, an email was received to the email ID of the Purchase Department from the email ID of KRPL, providing details of a new bank account into which further payments should be made (ie Account number 33885373049 IFSC code SBIN0016432 State Bank of India West Maredappally branch) . These details were forward by the Purchase Department to the Finance Department and subsequently payments to M/s KRPL for the period from 23/1/2015 to 16/2/ 2015 were made by RTGS mode to the new bank account.</p> <p>It is pertinent to note that the details of the new bank account were received from the email ID of Smt Aruna R , Senior Officer (Finance and Accounts) of KRPL to the email ID of Purchase Department of Kerala Feeds Limited( <a href="mailto:purchase@kfl.com">purchase@kfl.com</a>). SmtAruna had contacted the Purchase Department regarding payments receivable from Kerala Feeds Limited during the third week of January 2015 and the said email was received soon afterwards. However, on 18/2/2015 Purchase Department had received an enquiry from KRPL stating that no payment have been received for the past few days. When the Purchase Department informed that</p>
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The Company received (23 January 2015) an email requesting to make all further payments to KRPL in a new Bank Account maintained with State Bank of India (SBI), West Marredpally Branch, Hyderabad. Based on the email, the Company transferred 21.38 crore between 24 January 2015 and 18 February 2015 in seven tranches to the new Bank Account from its Bank Account maintained with State Bank of Travancore, Chalakkudy Branch. On non-receipt of credits into its bank account, KRPL contacted Finance Manager of the Company on 18 February 2015. The Company informed (18 February 2015) KRPL about transfer of funds to the new Bank Account maintained with SBI. KRPL clarified (18 February 2015) the Company that the new account number was not related to them and the email address through which the change of account number was informed, was not their email address. On subsequent verification, the Company found that the email address

payments had in fact been made to the new bank account for the past few days, they replied that there is no change in their bank account details and that they had not given any communication to make payments to any new bank account. After receiving this information the email received by the Purchase Department regarding the change on bank account was examined more closely and in detail and the following observations were made:

- the said Email has been received from a fake account
- the actual email ID of Smt. Aruna R was raruna@kaleesuwari.com while the fake email was received from the ID raruna@kaleeswuari.com. It was observed that the difference between the two email IDs was only in one letter
- the profile picture of the actual email ID of Smt. Aruna R was used as profile picture in the fake email id also.
- The logo and email ID of KRPL was shown in the fake email exactly as it was usually shown in the emails received from the original email ID.
- Moreover the fake email was received soon after a telephone conversation with Smt. Aruna R in which there was a discussion about payments to be made to KRPL. The amount stated in the fake email as payable to KRPL was approximately

through which the change of account number was informed was fake. Hence, the Company directed (18 February 2015) SBI, West Marredpally Branch to block the account number and freeze all transactions done in the said account number. The Company, thereafter, lodged (19 February 2015) complaints with Police including Superintendent of Police (cyber cell), Crime Detachment Bureau, Thrissur and requested (21 February 2015) SBI Administrative Office, Secunderabad for giving necessary directions to SBI, West Marredpally Branch to transfer the amount back to Company's account. After continuous follow up by the Company, the SBI, West Marredpally Branch returned (03 March 2015) 21.14 crore to the Company and the balance 24 lakh was not yet returned (December 2017) as this amount was withdrawn by some hacker.

Audit observed (November 2015) that the Company did not obtain mandates

equal to the amount as discussed.

From the above observations it is clear that this fake email was sent with the deliberate intention of defrauding Kerala Feeds Limited.

Kerala Feeds Limited has a system of intimating the details of payments made through electronic fund transfer (RTGS) to the various suppliers by sending Payment Advice Intimation letters. Accordingly, Payment Advice Intimations for the payments made to M/s KRPL for the period from 23/1/2015 to 16/2/2015 to the new Bank account was also sent to them. They have also acknowledged the receipt of the same. However, only on 18/2/2015 did KRPL inform Kerala Feeds Limited that they have not given any directions to make payment to any new bank account.

Immediately upon receiving intimation from KRPL regarding the fake email, Kerala Feeds Limited has contacted SBI West Maredappally branch through to Company's bankers SBI Chalakudy and has succeeded in recovering an amount of Rs.1.14 crore, which was remaining in the said bank account. Kerala Feeds Limited has also lodged complaints with Police Station Kodakara and Cyber Cell Thrissur regarding this fraud. The Company has also informed erstwhile Home Minister and also Crime Branch regarding this fraud.

containing sufficient information for verification of account particulars including Bank Account Number, Name of Account Holder, Name of Bank, IFS Code of Bank, etc., from KRPL before payments were made through RTGS. The Company did not communicate to KRPL the proposed date of credit of funds either. Further, the Company never requested for confirmation of receipt of funds from KRPL even though e-payments were made seven times. Thus, non-adherence of the Company to the safety instructions issued by RBI resulted in loss of '24 lakh.

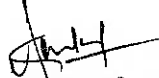
The Company replied (June 2016) that they introduced (April 2015) a control mechanism in which the parties to whom electronic payments are made, are required to submit duly filled up electronic payment mandate form along with a cancelled cheque. The Company also replied that the above case was under investigation of Police (Crime Branch) and hence, they did

The following control measures have been adopted by Kerala Feeds Limited to prevent this kind of frauds through emails in the future:

1. The Purchase Department shall collect details of bank account of Suppliers through Electronic Payment Mandate Forms (EPMF) which shall be certified by the respective branch of the Bank. A cancelled cheque leaf shall also be included along with the EPMF. These details shall be forwarded to Finance Department and any payments to any bank account shall be made only after receiving the same
2. The official email ID of the purchase department has been changed to email [purchase@kerala.gov.in](mailto:purchase@kerala.gov.in) which is maintained with NIC, Govt of India.
3. Crime Branch is currently investigating this case.
4. This matter has been reported to Kerala State IT mission. Asst. Manager (IT), the head of the IT Department of Kerala Feeds Limited has been designated as Information Security Officer as directed by Kerala state IT mission. He is responsible for taking necessary measures for preventing cyber frauds in consultation with Kerala State IT mission

		<p>not release the amount of `24 lakh to KRPL although KRPL demanded (March 2016) the said amount.</p> <p>Government of Kerala replied (December 2017) that they directed all PSUs to introduce a strong internal control mechanism by ensuring the safeguards prescribed by Reserve Bank of India to avoid financial loss under electronic fund transfers.</p> <p>The fact remains that due to non-adherence to instructions of RBI relating to e-payments, the Company suffered a loss of `24 lakh and the chances of recovery were remote.</p>	<p>5. The Information Security Officer has been directed to conduct Information Technology Security Audit immediately to prevent such frauds in future .</p> <p>6. In addition to the existing payment advice intimation, it was also decided to intimate details of payment the various suppliers to their email ids also such information is being sent on a day-to-day basis by the Purchase Department.</p> <p>7. Since the fake email ID in the name of KRPL has been used for this cyber fraud amounting to Rs.23.89 Lakhs, the company has requested them also to file a complaint with police and other Agencies regarding the same. (it may be noted that for the reason stated above the amount of Rs.23.89 lakhs has not been paid to KRPL by Kerala Feeds Limited)</p> <p>From the matter stated above it may be noted that the company has not suffered any loss due to the e-mail cyber fraud described above for the following reasons</p> <ol style="list-style-type: none"> <li>1. Since the cyber fraud has been perpetrated through fake email of KRPL, the company has withheld the payment of Rs. 23.89 Lakhs to KRPL.</li> <li>2. Even though the Kerala Feeds Limited has sent many Payment Advice Intimation letters to KRPL</li> </ol>
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				<p>and they have acknowledged receipt of the same, they have not informed promptly regarding non receipt of the amounts mentioned therein.</p> <p>3. The Crime branch is currently investigating the case company has requested KRPL also to file cases with police and cyber cell regarding this matter</p>

  
**ANIL KUMAR. C.**  
 Joint Secretary  
 Addl. PEN 101729  
 Agri (AH&DD) Department  
 Govt. Secretariat, Thiruvananthapuram  
 Phone 0471-2518289

**AGRICULTURE (AH-F) DEPARTMENT**

**Action Taken Report on Audit Report No.1 (PSUs), Kerala for the year ended 31<sup>st</sup> March 2018**

Para	Action Taken
<b><u>Kerala Feeds Limited</u></b>	Kerala Feeds Limited was entrusted with the implementation of a project of Department of Women and Child Welfare of Central Government, namely, 'Support to Training and Employment Programme' (STEP) which envisaged to distribute 10,000 goats for two years with effect from 2011-12, to financially backward women. A total amount of Rs. 650 lakhs was granted to Kerala Feeds Limited for the purpose. As a first installment Rs. 259.88 lakhs was released to the Company. Afterwards the project was extended upto March 2016, but the company could distribute only 749 goats till 01.03.2016 and only an amount of Rs. 36 lakhs was expended. Due to various reasons the company could not complete the project of Distribution of Goats, within the stipulated time.
<b>5.2 <u>Failure in implementation of project</u></b>	
Failure of the Company to identify 7,204 women beneficiaries for free distribution of goats resulted in loss of Govt. of India's assistance amounting to ₹ 3.03 crores, besides non-achievement of the objective of the scheme, namely equipping women to become self-employed /entrepreneurs.	<p>Audit report of the Accountant General stated that, Kerala Feeds Limited failed to fulfil the objectives of STEP (Support to Training and Employment Programme) and hence the Company has lost the Central Assistance supposed to be attained.</p> <p>Under these circumstances, for the furtherance of the project, a Modified Project Report including certain amendments, approved by the Hon'ble Minister for Animal Husbandry, was submitted to the Central Government. As per that project report it was proposed to distribute goats to 5,000 stakeholders within 2019 - 2021.</p>

But the Government of India, disapproved this modified project report with a direction to remit back the amount allotted to the Company towards STEP project. In the financial year 2018-2019 the unexpended fund in the Company, including this amount was transferred to State Government exchequer. From among the fund granted by the Department of Women and Child Welfare, Government of India, an amount of Rs. 2,83,97,117/- (Rupees Two Crore Eighty Three Lakhs Ninety Seven Thousand One Hundred and Seventeen only) which was withdrawn from the Company by the Government of Kerala was refunded to the Company vide G.O.(Rt.) No. 10035/2019/Fin dated 21.12.2019 and vide G. O. (Rt.) No.4004/2020/Fin dated 01.07.2020.

Balance amount of Rs. 2,24,14,562 /- left in the fund granted for STEP, by the Department of Women and Child Welfare is returned to the Central Government by means of Demand Draft by the Company.

*Seela*  
ഒപ്പ്. -  
ജനകീയ സേവന  
മുഖ്യ ട്രഷററിയുടെ വകുപ്പ്  
സെക്രട്ടറിയറ്റ്, തിരുവനന്തപുരം

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