FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

PUBLIC UNDERTAKINGS
(2023-26)

SIXTY SECOND REPORT

(Presented on 17th September, 2025)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2025

FIFTEENTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE

ON

PUBLIC UNDERTAKINGS
(2023-26)

SIXTY SECOND REPORT

On

The Kerala State Civil Supplies Corporation Limited

(Based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2017)

CONTENTS

COMMITTEE ON PUBLIC UNDERTAKINGS
(2023-26)

COMPOSITION

Chairperson:

Shri E. Chandrasekharan

Members:

Shri A.P. Anilkumar

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

Smt Sheeba Varghese, Joint Secretary

Shri Anil Kumar B., Deputy Secretary

Shri Mohanan O., Under Secretary

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2023-26) having been authorised by the Committee to present the Report on its behalf, present this 62nd Report on The Kerala State Civil Supplies Corporation Limited based on the report of the Comptroller and Auditor General of India for the year ended 31st March, 2017 relating to the Public Sector Undertakings of the State of Kerala.

The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 19-06-2018. The consideration of the audit paragraphs included in this report and examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2021-2023) at its meeting held on 06.12.2023.

This Report was considered and approved by the Committee (2023-26) at its meeting held on 06.08.2025.

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 Food and Civil Supplies Department of the Secretariat and The Kerala State Civil Supplies 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, Food and Civil Supplies Department and Finance Department and the officials of The Kerala State Civil Supplies Corporation Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

E. CHANDRASEKHARAN,
Chairperson,
Committee on Public Undertakings.

Thiruvananthapuram,
17th September, 2025.

Report

on

The Kerala State Civil Supplies Corporation Limited

Audit Paragraph 4.2(2016-17)

4.2 Centralised purchase of essential commodities

Introduction

4.2.1 The Kerala State Civil Supplies Corporation Limited (Company) was incorporated (June 1974) with the objective of procurement and retailing of essential commodities. The Company procures commodities centrally and sells 13 commodities[1] at subsidised rates fixed by Government of Kerala (GoK) with quantity restriction and 13 commodities[2] at non-subsidised prices, through its 56 depots and more than 1,500 outlets falling under five regional offices[3].

The Company floats monthly e-tenders through www.tenderwizard.com[4], an e-tendering website, for procurement of above commodities[5] centrally for all 56 depots. The Company uses a Least Cost Solution (LCS) software into which price as well as quantities offered by bidders in the e-tender are fed. LCS generates a purchase plan which gives the list of lowest bidders (L1) for each depot to meet their quantity requirement while keeping the overall purchase cost to the minimum. Head Office Management Committee consisting of functional heads of major departments of the Company finalises the purchase plan. Based on the purchase plan, Purchase Orders (POs) are issued separately for each commodity for supply at various depots. Purchase Manual 2005 and Purchase Policy 2010 approved by GoK govern the procurement process of the Company.

1 Bengal gram bold, black gram washed whole, chillies, coconut oil, coriander, green gram, jaya rice, kuruva rice, lobia, matta rice, raw rice, sugar and toor dhal.
2 Bodhana rice, cumin seed, green peas, methi, mustard, peas dhal, ragi, red piriyan chilly, split green gram, toor dhal fatka quality, black gram split, white gram and black gram dal (washed).
3 Regional offices at Thiruvananthapuram, Kottayam, Ernakulam, Palakkad and Kozhikode.
4 E-tendering solution provided by Karnataka State Electronics Development Corporation Limited.
5 Except coconut oil as the Company procures and sells coconut oil under its own brand name ‘Sabari’.

During 2014-15 to 2016-17, the Company floated 48 e-tenders. Since the aggregate demand of the depots could not normally be met by a single supplier, more than one PO had to be issued for a single commodity. The Company issued 4,842 POs valued at ₹3,836.80 crore for procurement of various commodities. In order to assess economy in centralised procurement of essential commodities and compliance with applicable manuals, rules and procedures, Audit selected 2,624 POs valuing ₹3,091.98 crore (80.59 *per cent* of total purchase order value) covering eight subsidised commodities[6] as shown in **Table 4.4** :

Table 4.4: Details of sample selection

Year	No. of Tenders (Nos.)	Total			Sample selection			Percentage of selection
		Items (Nos.)	POs (Nos.)	Value (₹crore)	Items (Nos.)	Pos (Nos.)	Value (₹ crore)	
2014-15	15	25	1,669	1,133.72	8	881	930.47	82.07
2015-16	16	25	1,526	1,127.41	8	815	910.66	80.77
2016-17	17	26	1,647	1,575.67	8	928	1,250.85	79.39
Total	**48**		**4,842**	**3,836.80**		**2,624**	**3,091.98**	**80.59**

Audit findings

4.2.2 Audit findings are discussed in succeeding paragraphs.

Finalisation of tenders

Evaluation of bids which were ineligible due to non-furnishing of Earnest Money Deposit

4.2.3 As per the Purchase Manual of the Company and the tender conditions, each bidder must remit Earnest Money Deposit (EMD) at specified rate[7] for each of the commodity bidded for. Collection of EMD was aimed at preventing non-serious or frivolous bids and was to be forfeited if the bidders withdrew offer, modified the

6 Black gram washed whole, chillies, green gram, jaya rice, kuruva rice, matta rice, sugar and toor dhal.
7 Amount of EMD of various commodities ranged from ₹5,000 to ₹1,00,000.

terms and conditions in any manner or did not furnish the security deposit after awarding the tender. EMD can be remitted either by way of Demand Draft issued by a Scheduled Bank or through Electronic Transfer to the accounts of the Company. Bids not supported by EMD would be invalid unless exempted. The Company followed a system of retaining the EMD after e-tender on permanent basis unless the vendor requested for refund.

Though it was mandatory for the suppliers to enter the details of EMD in the tender documents, many bidders failed to comply with the tender condition. The e-tender solution of the Company also did not enable automatic detection of status of remittance of EMD by bidders before opening bids. Due to this limitation of e-tender solution, the status of EMD was being watched through manual registers. Audit, however, observed that due to lack of system/control, bids unaccompanied by EMD were reaching the stages of bid evaluation and getting purchase orders as is evident from the following instances.

- EMD remitted by Anitha Modern Rice Mill on 09 June 2015 for supply of matta rice was forfeited by the Company in April 2016 for violation of tender condition in one of the e-tenders. Despite this, the bids of Anitha Modern Rice Mill were opened and purchase orders issued against three[8] other tenders even though the bids were submitted without required EMD of ₹1 lakh each.
- Though Global Trade Corporation, another supplier, did not submit required EMD of ₹1 lakh each against two tenders[9] for green gram, the Company evaluated the bids submitted by the supplier and placed purchase order for the supply of green gram.
- The EMD remitted (May 2016) by Khadeeja Agencies in one e-tender[10] for supply of black gram washed (whole) was forfeited by the Company for

8 Tender Nos. P10-19147-16 (August 2016), P10-31446-16 (January 2017) and P10-31446-16-Retender (January 2017).

9 Tender Nos. P10-6801-16 (April 2016) and P10-26230-16 (November 2016).

10 e-tender number P10-9309-16 floated in May 2016

violation of tender conditions. However, the supplier participated in another e-tender[11] floated in July 2016 without submitting EMD of ₹1 lakh and the bid was evaluated along with other bidders.

GoK replied (February 2018) that the instances pointed out by Audit were exceptions which happened due to clerical errors. GoK also stated that attempts to modify the software for automatic verification of EMD through the software providers was unsuccessful.

The reply was not acceptable as the cases pointed out by Audit highlighted the deficiencies of the existing manual system of EMD verification of the Company and reinforced the need for a software enabled system to guard against the recurrence of such lapses.

Procurement through negotiation with bidders other than L1

4.2.4 According to the provisions of Stores Purchase Manual (SPM) of GoK and guidelines[12] issued by Central Vigilance Commission (CVC), negotiations for public procurement can be conducted only in exceptional circumstances and that too with L1 bidders. Purchase Manual of the Company also provided that negotiations should be conducted only with L1 bidders.

Audit, however, observed that:

- The purchase plan prepared through Least Cost Solution gave the list of L1 bidders for each depot. Despite this, the Company conducted post tender negotiations in 215 instances out of a total 308 purchase decisions[13] (70 *per cent*) indicating that post tender negotiations were routine and not an exception. Moreover, during negotiations, the Company allowed L1 bidder in a depot to quote for other depots including those for which the supplier did not quote originally. This led to exclusion of original L1 bidders. Analysis of 215

11 e-tender number P10-15265-16.
12 Circulars dated 03 March 2007 and 20 January 2010.
13 Purchase decision is a decision to purchase one of the many commodities in an e-tender.

negotiations revealed that the number of L1 suppliers in the purchase plan came down from 12 to 8 on an average after each negotiation, indicating ouster of four L1 suppliers after negotiations. Instances of replacement of L1 bidders by other bidders in Thiruvananthapuram depot[14] along with the L1 rate and corresponding post negotiation rate is given in ***Appendix 12***. Audit also observed that two bidders were not L1 in any of the depots while others were L1 in other depots.

- Due to expulsion of original L1 bidders after negotiations, other bidders were able to increase the quantity and number of depots up to 59 times and 44 depots respectively. The total value of additional purchase orders received by 50 suppliers who bagged maximum quantity in a tender amounted to ₹297.37 crore.

- Similarly, based on the decision (March 2010) of the Board of Directors, the Company conducted negotiations with all the participants in 24 tenders[15]. Based on these negotiations, 18 suppliers bagged purchase orders worth ₹21.70 crore even though they were not L1 in any of the 56 depots. Details of purchase orders bagged by these suppliers were as given in ***Appendix 13***. Audit observed that the above decision of the Board was against the Purchase Manual of the Company and directions of CVC and resulted in undue benefit to these suppliers. Deviation from the Purchase Manual did not have the approval of GoK.

Above methods of negotiation followed by the Company resulted in expulsion of 897 original L1 bidders in 184 cases.

Thus, the existing mode of negotiation adopted by the Company undermined the cornerstone of e-tender mechanism namely, secrecy of bids since negotiations were

14 One e-tender of the Company involves procuring for 56 depots. Hence, for the benefit of readability instances are limited to one depot.

15 P10-31511-14, P10-35267-14, P10-5375-15, P10-10124-15, P10-17269-15, P10-19559-15, P10-23168-15, P10-25784-15, P10-27566-15, P10-33310-15, P10-1594-16, P10-6801-16, P10-9309-16, P10-12060-16, P10-15265-16, P10-17463-16, P10-19147-16, P10-26230-16, P10-26230-16-Re-tender, P10-31446-16, P10-31446-16-Re-tender, P10-1982-17, P10-1982-17-Re-tender and P10-5810-17.

conducted with the bidders after open publication of initial bids. Thus, there was the risk of bidders holding back their best rates, waiting for negotiations, assessing the competitor's rates and capturing major share of purchase orders through marginal reduction in offer rates.

GoK replied (February 2018) that e-tender was conducted for meeting the requirements of the Company as a whole and hence, negotiation with all the suppliers and consequent change in L1 supplier in depots was not a violation of the approved procedures. GoK further stated that negotiations were carried out only in exceptional circumstances and the method of negotiation was as per approved purchase policy.

The reply was not acceptable because the system of negotiation compromised secrecy of bids and resulted in elimination of L1 bidders. The contention that the method of negotiation was as per approved Purchase Policy was factually incorrect because the Purchase Policy, 2010 was silent on post tender negotiations. Further, the Purchase Manual 2005 and the guidelines of Central Vigilance Commission authorised negotiations only with L1 bidder that too in exceptional cases. Negotiations were also pervasive rather than an exception since it was resorted to in finalising 70 *per cent* of the selected tenders. Thus, the action of the Company in negotiating with bidders other than L1 needs to be investigated, followed by appropriate remedial measures to guard against repetition of such practices.

Non-formation of Vendor Development Cell

4.2.5 Paragraph 3.1.1 of the Purchase Manual of the Company stipulated maintenance of a pre-qualified vendor list by the Purchase Department. Paragraph 3.1.2 and Annexure III B of the Manual called for formation of a Vendor Development Cell, headed by the Managing Director. This Cell was to be set up for continuous updation of the pre-qualified vendor list and also for regular monitoring of vendor performance. This Cell was also to disseminate information about requirements of the Company among major suppliers and liaise with Civil Supplies Corporations of other states in order to encourage them and their vendors to participate in the tenders floated by the Company. Audit, however, observed that such a dedicated cell was not in existence during the audit period.

In the absence of a Vendor Development Cell, there was no systematic effort to widen the vendor base as envisaged in the purchase policy. GoK replied that action for formation of a vendor development cell was initiated.

Economy in procurement

Non-diversification of supply sources

4.2.6 According to the guiding principles of Purchase Manual, the Company should avoid commission agents, middlemen, monopolies, cartel of suppliers, benami tenderers, etc., while procuring commodities. Further, as per Purchase Policy, 2010, the Company was to consider rates from all possible sources of supply, like, commodity exchanges, regional markets and producing centres (mandies) in order to ensure that the purchases were made at the least possible cost. To ensure fairness, such rates had to be evaluated through Least Cost Solution so as to ensure objectivity in selection. In accordance with the Purchase Policy, the Company had been deputing its officials to mandi markets to collect offers and terms from suppliers up to the year 2012. After obtaining rates from mandies, etc., the Company compared these offers with the e-tender rates and placed orders on the suppliers at mandies whenever their rates were lowest.

In June 2012, GoK directed that all purchases having value above ₹25 lakh by Government agencies should be finalised only through e-tender. Citing the above order, the Company stopped collecting competitive rates from suppliers at mandies.

Audit observed that:

- Four suppliers supplied 24.21 per cent value of purchases made by the Company during 2015-16. Audit test checked purchases and sales transactions[16] of these vendors[17]. The audit analysis revealed that two vendors[18] who had supplied green gram and chillies against six purchase orders[19] sourced the items from outside the State and charged trade margins ranging from 3.20 *per cent* to 5.77 *per cent* while supplying to the Company. Involvement of these intermediaries in the above transactions resulted in extra expenditure of ₹49.94 lakh to the Company (worked out based on the trade margins mentioned).

GoK stated (October 2016) that five *per cent* margin charged by suppliers was not on the higher side considering the terms of supply like security deposit, guarantee of three months on supplies and payment terms.

The fact, however, remains that the Company could have saved this margin (₹49.94 lakh) by avoiding intermediaries to the extent possible.

- Three subsidised commodities namely, chillies, black gram bold and toor dhal suffered maximum price escalation during 2014-15 to 2016-17. Analysis of average purchase price of these commodities with rates[20] in mandi markets like Guntur (Andhra Pradesh) and Gulbarga (Karnataka) after considering transportation and other costs revealed that procurement cost of the Company was higher than the mandi rates by ₹25.67 crore.

Thus, failure of the Company to follow the guiding principles of Purchase Manual regarding avoidance of commission agents, middlemen, etc., and non- consideration of rates from all possible sources including mandi rates was resulting in uneconomical procurement of centralised commodities.

16 Using data sourced from Sales Tax Department.
17 Hafsar Trading Company, Karthika Trading Company, Sampoorna Traders and Sri Vigneswara Traders.
18 Hafsar Trading Company and Sampoorna Traders.
19 Purchase orders No.16990, 17790, 17937, 17976, 18192 and 18149.
20 Sourced from www.agmarknet.gov.in.

GoK replied (February 2018) that a detailed proposal for direct procurement from production centres was under its consideration.

Deficiency in evaluation of offer rates through Least Cost Solution

4.2.7 As per Purchase Policy, 2010, local market wholesale rates collected through Regional Managers were to be evaluated through Least Cost Solution (LCS) before purchase orders were placed on the local wholesale dealers. Evaluation through LCS ensured that the GoK directive (June 2012) to procure all items with value above ₹25 lakh only through e-tender was complied with.

Review of e-tenders during the period 2014-15 to 2016-17 revealed that the Company gave permission to various Regional Managers to purchase subsidised commodities locally[21] based on offers sourced from the respective regions without evaluating them through LCS, as detailed in **Table 4.5**:

Table 4.5: Details of local purchases

Sl. No.	Tender No.	Item purchased	Region/depot which were allowed to purchase locally
1	P10-2795-15	Toor dhal	Thiruvananthapuram and Kozhikode
2	P10-11395-15	Chillies	Thiruvananthapuram
3	P10-14148-15	Toor dhal	Palakkad
4	P10-19559-15	Black gram Washed (Whole)	Kottayam
5	P10-28650-15	Chillies	Kozhikode
6	P10-7367-15	Raw Rice	Thiruvananthapuram

(Source: Minutes of Head Office Management Committee)

Audit also observed that in three (serial numbers 4, 5 and 6 of **Table 4.5**) out of above six tenders, the quotes from Regional Offices were received after opening of e-tender.

GoK replied (February 2018) that the rates offered by Regional Managers were considered along with the e-tender evaluation and the Regional Managers were given

21 Purchase Policy recommended this mode of local purchase as a means of breaking any formation of cartel.

necessary sanction to purchase when the offered rate was lower than the e-tender rate. The reply was not acceptable because in the above cases, the rates offered were not evaluated along with the e-tender rates. Acceptance of offers after opening of e-tenders led to bypassing of the system and all the controls it was meant to introduce.

Short-procurement of commodities

4.2.8 Purchase Policy, 2010 required the stock level at depots to be always maintained between a minimum of 15 days and a maximum of 55 days so that there was neither shortage nor excess of stock. Accordingly, the indenting system of the Company was so designed that the above stock levels could consistently be maintained at depots if procurement was made as per indents raised by them.

Audit, however, observed that during the period 2014-15 to 2016-17, the total quantity purchased was only 70 *per cent* to 94 *per cent* of the total indented quantity as shown in **Table 4.6**:

Table 4.6: Total quantity purchased against the total indented quantity

Quantity in quintals

Sl. No.	Commodity	Indented quantity	Purchased Quantity	Percentage of indented quantity purchased
1	Black gram	6,03,286	4,41,162	73
2	Chillies	2,46,382	2,06,359	84
3	Green gram	4,38,365	3,71,203	85
4	Jaya rice	20,28,140	15,00,665	74
5	Kuruva rice	10,61,621	9,37,028	88
6	Matta rice	13,47,580	10,90,113	81
7	Sugar	30,99,236	29,11,517	94
8	Toor dhal	3,51,171	2,46,722	70

(Source: Minutes of Head Office Management Committee and purchase orders)

Analysis of stock registers maintained in eight depots[22] also revealed that the stock level in these depots fell below the prescribed 15 days stock level in 45 *per cent* to 67

22 Cherthala, Ernakulam, Kochi, Kozhikode, Perinthalmanna, Punalur, Vadakara and Wadakkancheri.

per cent of the days during the period 2014-15 to 2016-17. Due to non-maintenance of prescribed stock levels, eight selected commodities other than sugar were out of stock[23] on an average of 5 *per cent* to 16.82 *per cent* of the days in selected eight depots. The stock out days ranged up to 55 days at a stretch, as given in the **Table 4.7:**

Table 4.7: Details of stock level position in eight selected depots during the period 2014-15 to 2016-17

Sl. No.	Commodity	Stock level position		Stock-out position	
		Average number of days below prescribed stock level	Percentage of days below prescribed stock level	Average number of stock out days	Percentage of average number of stock out days
1	Black gram	623	57	130	11.82
2	Chillies	569	52	129	11.74
3	Green gram	491	45	72	6.57
4	Jaya rice	734	67	55	5.00
5	Kuruva rice	708	65	76	6.91
6	Matta rice	654	60	162	14.80
7	Sugar	712	65	37	3.40
8	Toor dhal	554	51	184	16.82

(Source: Stock registers of the Company)

It was observed that many of these stock out periods overlapped times of highest price rise of essential commodities[24], which was exactly when the Company was expected to intervene in the market to stabilise the market prices.

The Company did not maintain sustained levels of stock at prescribed levels due to financial constraints brought about by non-revision of subsidy prices as detailed below:

- As per orders issued by GoK (August 2013) regarding Market Intervention Operations (MIO), price of subsidised commodities were to be fixed at 20 per

23 Quantity less than one bag is considered as stock out in depots.
24 Pulses and chillies.

cent below market price or procurement cost, whichever was lower. The reimbursement of MIO loss was also to be limited to lower of net loss of the Company as per the audited financial statements and actual MIO loss.

- GoK refixed price of six subsidised commodities (except sugar and matta rice) in November 2014 and the price of sugar and matta rice in July 2015 at rates, which were lower than the ones at which these should have been fixed as per MIO norms prescribed in August 2013. This price mismatch continued in the subsequent years 2015-16 and 2016-17 as well and in case of commodities like pulses, the difference was substantial as shown in **Table 4.8:**

Table 4.8: Details showing gap between procurement cost and subsidy prices

(₹per Kg)

Sl. No	Commodity	2014-15		2015-16		2016-17	
		Weighted average procurement cost	**Subsidy price as of March 2015**	**Weighted average procurement cost**	**Subsidy price as of March 2016**	**Weighted average procurement cost**	**Subsidy price as of March 2017**
1	Blackgram washed whole	69.72	66.00	116.66	66.00	108.73	66.00
2	Chillies	75.74	75.00	109.41	75.00	109.90	75.00
3	Greengram	80.92	74.00	84.11	74.00	64.36	66.00
4	Jaya rice	30.89	25.00	24.87	25.00	30.39	25.00
5	Kuruva rice	28.72	25.00	23.99	25.00	27.11	25.00
6	Matta rice	28.38	24.00	23.38	24.00	28.94	24.00
7	Sugar	30.87	22.00	27.22	22.00	38.83	22.00
8	Toor dhal	67.76	65.00	114.31	65.00	97.56	65.00

(Source: Minutes of Head Office Management Committee and Government Orders)

Despite the wide gap in procurement and selling prices, GoK did not release the MIO loss suffered by the Company in full during any of the years under audit. The amount pending reimbursement from GoK for the previous three years period towards MIO loss stood at ₹569.59 crore (as of March 2017). GoK also did not accede to requests of the Company to periodically re-fix the selling rate of subsidy items as stipulated in the Government Order of August 2013.

Thus, gap between purchase and selling price of essential commodities coupled with partial reimbursement of loss by GoK was the major reason for procurement of lesser quantity of commodities against the indented requirements submitted by depots leading to low/nil stock levels.

GoK agreed (October 2016) with the audit observation that the entire claim of the Company was not reimbursed and stated that the financial position and profit/ loss implication with regard to sales of subsidy commodities were also considered by the Company while taking purchase decision. The fact, however, remains that the financial position of the Company did not allow it to maintain required minimum level of stock. Consequent stock out situations, thus, undermined the purpose of market intervention.

Deficiencies in quality control mechanism

Non-adherence to prescribed procedures

4.2.9 Quality Manual of the Company envisaged a seven-tier system of quality checks. In this mechanism, the second tier consisting of Depot Manager (DM) and the Stock Custodian had the primary responsibility to accept or reject commodities based on quality, packing and labelling. The Quality Assurance Committee (QAC) comprising of DM, Junior Manager (Marketing) and Junior Manager (Quality Assurance) formed the third tier and was to be convened whenever the DM had any doubt in quality of supplied goods. These depot level checks consisted of evaluation of physical properties of the commodity through visual judgement and use of physical tools like sieves to test parameters like damaged/immature grains, inorganic foreign matter, size, etc. All the goods supplied were to compulsorily pass the quality control check by either or both of second and third tier quality control mechanism. The other five tiers of quality control mechanism essentially acted as a counter checking mechanism to ensure strict implementation of the prescribed quality checks in second and third tiers.

Six samples of five varieties[25] of commodities from one depot and four outlets[26] were collected by the officials of the Company at the instance of Audit. These samples were thereafter analysed through an independent external agency[27] with respect to specifications approved by the Company and also those prescribed by Food Safety and Standards Authority of India. Test results of three out of six samples revealed that varietal admixture, total sound grains and size of grains deviated negatively from the permissible limits set by the Company. Since these commodities passed quality checks and were ready to be sold to consumers, the test results pointed to the fact that the seven tier mechanism was ineffective.

Audit observed the following deficiencies in implementation of the quality control procedures, including the seven tier quality assurance system:

- Employees of the Company formed the first tier of quality assurance. They were entitled to purchase unlimited quantities of subsidised commodities from Company's outlets on the expectation that they would give unbiased and timely feedback on quality. However, there was no system or norm for collecting feedback from the employees who purchased subsidised commodities.

- Retailers' Quality Watch Committee, the fourth tier Quality Control Mechanism, was non-functional.

- The requirements regarding inspection by senior officers of the Company with special emphasis on quality[28] was not being watched and followed up by the Quality Assurance Wing at the Head Office.

25 Black Gram (washed whole), Bengal gram Bold, Matta Rice, Toor Dal and Lobia.
26 Kochi depot and four outlets at Chullickal, Cheruvannur, Panambukadu and Paruthippara.
27 Council for Food Research and Development, Konni.
28 As per Circular No.28/2008 dated 19 November 2008.

GoK stated that action was being taken to rectify the existing lacunae in various tiers of the quality control mechanism.

Traceability

4.2.10 A key tenet in assuring quality is the traceability of commodities sold. Traceability refers to identification of the channel of procurement including details like the source, date of receipt and related Purchase Order. Traceability of goods is important to identify the source of procurement in case quality issues were noticed at the customer level. To achieve this objective, Chapter 14 of the Quality Manual prescribed that when the food items were repacked at the outlet, the packing slip should include the name of the supplier also to ensure traceability of origin.

Test check conducted by Audit at Kochi and Kozhikode depots and the outlets under them, however, revealed that the traceability of items was lost immediately on their issue to the outlets from the depots. This was happening because of the fact that as per present procedures followed by depots, goods accepted under different Goods Receipt Sheets (GRS)/ different suppliers were being forwarded to the outlets under a single common Goods Issue Sheet[29] and thus, the supplier details included in GRS were getting lost. Thus, the requirement in the Quality Manual as to inclusion of name of supplier in the packing slip when the commodities are repacked at the outlets could not be complied with.

The above-mentioned deficiency can be addressed by making it compulsory (through suitable amendment in the Quality Manual) to mark the respective GRS number on the gunny bags before they are issued to the outlets and noting the same in the packing slip when they are repacked in the outlets.

GoK replied (February 2018) that the suggestion of Audit was being considered for inclusion in the Quality Manual.

29 Used for issue to the outlets.

Internal control

4.2.11 Following observations are made in respect of internal control over e-tendering process:

- Tender Wizard, the online software used by the Company for e- tendering purposes delivered only the rates and quantity offered for various depots of the Company and Least Cost Solution, developed in-house was used to carry out the complex analysis of this data and prepare the best possible purchase plan.

  As per best practices prescribed by CVC (September 2009) in respect of e-tendering solutions, sensitive data should be encrypted prior to transmission to other components to ensure security in data storage and communication. Audit observed that Tender Wizard and Least Cost Solution (LCS) were standalone systems and e-tender data was being manually extracted from Tender Wizard and fed into LCS without any such encryption.

- The Purchase Manual of the Company envisaged preparation of an e-tender manual specifying the procedures to be followed during the e-tendering process. However, the manual was yet to be prepared (November 2017).

- BoD decided (4 July 2014) to conduct third party certification of the e-tender procedure to ensure that there were no inherent vulnerabilities in the process. The decision was yet to be implemented (November 2017).

GoK stated (February 2018) that the existing system of e-tendering was in practice for the past twelve years and no error was reported yet. GoK also replied that detailed instructions regarding the e-tender procedure were published in the e-tender website. GoK/Company also stated that steps would be taken to implement the decision of the BoD regarding third party certification.

Audit observed that security guidelines are required to be followed even in the absence of prior history of security violations. Also, the e-tender procedures uploaded in the website were merely a set of instructions to the suppliers and did not satisfy the requirement of an e-tender manual which was meant to be an internal document guiding the e-tender process of the Company. Third party certification, along with preparation of a manual will address any vulnerability in the existing e-tendering mechanism.

Conclusion

E-tendering was envisaged as a mechanism to ensure complete transparency in the procurement process, avoiding human intervention. But, the system of negotiation followed by the Company exposed it to the risk of manipulation by bidders by holding back their best rates, capturing major share of purchase orders after knowing the competitors' rates. Non-diversification of supply sources resulted in excessive dependence on intermediaries and consequent purchases at higher costs. The Company was not able to maintain optimum stock levels in depots due to restriction of purchase quantities, which even resulted in stock-out situations during times of price rise. Quality assurance mechanism of the Company also called for stronger monitoring and control.

[Audit paragraph 4.2 contained in the Report of the C&AG on Public Sector Undertakings for the year ended 31st March 2017]

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

Discussion and findings of the Committee

Para 4.2 – Centralised Purchase of essential commodities.

4.2.3 - Evaluation of bids which were ineligible due to non-furnishing of Earnest Money Deposit

The Committee enquired about the three cases mentioned in the audit report in which the bidders were allowed to participate and opened their bids even though they did not remit the EMD. The Managing Director replied that the three cases were exceptions and happened only due to clerical errors. An EMD register has been maintained and verified manually from January 2019 onwards and steps were being taken to avoid such lapses. He added that though the Company requested the Karnataka Government owned E- tender solution provider to modify the software for automatic verification of EMD, it has not been modified yet. He assured the Committee that they will develop a system internally to modify the software unless the e-tender solution provider does not respond to the demand of Supplyco.

Recommendations/ Conclusions of the Committee

1. The Committee observes that though the Company has requested the Karnataka Government owned E-tender solution provider to modify the software for automatic verification of EMD, it has not been modified yet. So the Committee recommends to accelerate the steps needed to modify the system.

Para 4.2.4 Procurement through negotiation with bidders other than L1

The Committee enquired about the audit observation that the Company conducted post tender negotiations in many instances leading to exclusion of original L1 bidders which in turn enabled the other bidders who got the bid to increase the quantity of commodities and number of depots. The Managing Director agreed with the audit observation and informed that till 2019 the tenders were conducted for the requirement of the Company as a whole and not depot wise. As a result the L1 bidders were not able to supply the required quantity and other bidders supplied commodities at low rates. He added that now the tenders are being invited for depot wise supply and L1 bidders could supply the required quantity and in exceptional cases a Management Committee including the Heads of Finance and Purchase Divisions, after evaluating market prices, negotiates with L1 bidders and purchase the commodities at lower price.

To a query of the Committee, the Managing Director admitted that till 2019 there were flaws in the tender procedures and now they are rectified. He added that when the Company switches on to ERP system, they could perform the tender procedures by automatically evaluating the sales of previous year and quantity of stock in hand.

Recommendations/ Conclusions of the Committee

2. The Committee observes that post tender negotiations with all bidders led to expulsion of L1 bidders and also compromised the secrecy of bids. Moreover, after negotiation and making slight compromise in prices, bidders other than L1 bagged huge offers to supply items. It became customary not to quote the least price initially and await the opportunity for post negotiation and secure large contracts by slight changes in prices. Hence the Committee recommends that appropriate remedial measures should be taken prohibiting post tender negotiations. If any situation warrants such negotiation, they should be conducted only with L1 bidders by strictly adhering to e-tender system. Further, it should be strictly in accordance with the Purchase Policy and guidelines issued by CVC.

Para 4.2.5- Non formation of Vendor Development Cell

The Committee enquired whether a Vendor Development Cell has been constituted in the Company. The witness informed that a Vendor Development Cell has been formed under the leadership of the Managing Director.

The witness added that the number of suppliers has increased and now commodities are being purchased from NAFED (National Agricultural Co-operative Marketing Federation of India Limited) and NCCF (National Co-operative Consumers Federation of India Limited). He added that a discussion regarding the purchase of commodities from Andhra Pradesh has been conducted with a team including the Minister of Food and Civil Supplies, Andhra Pradesh. He informed the Committee that for such procurements, full amount should be paid in advance.

The Committee enquired about different kinds of rice and their price which are bought from other states. The witness replied that Jaya rice is mainly available and it is produced in Godavari basin of Andhra Pradesh and the demanded quantity of rice to Kerala is supplied only after the remittance of full price in advance. He added that Jaya rice is also imported from Andhra Pradesh, Karnataka and Odisha. He further added that high quality matta rice is procured from the farmers of Palakkad and distributed through Supplyco. He assured the Committee that ‘Kuruva’ rice will be supplied through Supplyco after the month of December 2023.

The Committee accepted the reply. Hence no remarks.

Para 4.2.6 - Non diversification of supply sources

The Committee enquired about the audit observation that the involvement of intermediaries in the transactions resulted in extra expenditure of ₹49.94 lakh to the Company. The witness responded that the Company cannot purchase the commodities directly from the production centres. It could be purchased only by inviting tenders. He added that the Suppliers / Intermediaries take loans from banks/financial institutions and procure the commodities. Supplyco owed ₹800 crore in that way. The Company is well aware that suppliers increase the rate of commodity in tender. But in the present situation the Company has no other way to procure but to depend on the suppliers/distributors. If the arrears from the Government are received, the financial crisis of the Company will be overcome and everything will be resolved.

The Committee enquired whether the farmers could take part in the bids directly. The witness replied that the farmers have to register in the Supplyco platforms to take part in the bids. He added that last year Supplyco purchased Jaya rice from a farmer of Andra Pradesh who is a large scale producer of the State. Meanwhile farmers who produce rice in small scale could not supply the large quantity of rice required by Supplyco.

The witness informed the committee that Supplyco provides Jaya rice to the consumers at a rebate of ₹6 or ₹7 as compared to market prices. He added that

Supplyco is facing huge financial crisis and as a result the suppliers are not ready to take part in tenders.

Recommendations/ Conclusions of the Committee

3. The Committee observes that eventhough the Company is well aware about the extra expenditure incurred due to the involvement of intermediaries in the transactions, they are still following/forced to follow the current procurement method of depending on distributors/intermediaries. So the Committee recommends that the Government and the Company should formulate a way for the direct procurement of commodities from production centres avoiding the interference of middlemen, commission agents etc.

4. The Committee observes that the suppliers quote high rates in the tender assuming that they will get the amount only after six months. And also the Company has to give about ₹800 crore to the suppliers. So the Committee recommends that the Government have to pay off the arrears to Supplyco in order to overcome the crisis.

5. The Committee also recommends to examine the possibility of including the small scale farmers in the tender by modifying its procedures.

Para 4.2.7 Deficiency in evaluation of offer rates through Least Cost Solution

The Committee enquired about the audit observation that during the period 2014-15 to 2016-17 the Company gave permission to various Regional Managers to purchase subsidised commodities locally based on offers sourced from the respective regions without evaluating them through Least Cost solution. The witness responded that in the case of some commodities which are needed locally, the regional level Depot Management Committee purchases the commodities. He added that the rates offered by Regional Managers are considered along with the e-tender evaluation and commodities are purchased when the offered rate is lower than the e-tender rate.

The witness informed the Committee that an agency headed by Civil Supplies Commissioner analyses the market rates and publishes the rates after evaluating it and the Head Office Management Committee scrutinizes the rates and purchases the commodities.

The Committee enquired about the complaints of the consumers regarding the quality of the commodities. The witness admitted that there were quality issues and added that they can check the quality only when the stock arrives. The Committee suggested that the Consumers should get quality products. So action should be taken by the Company to provide quality products to the consumers.

Recommendations/ Conclusions of the Committee

6. The Committee observes that the Company checks the quality of the products only when the stock arrives which often results in poor quality. So the Committee recommends to check the quality of the products before packing and thereby ensuring quality products to the consumers.

Para 4.2.8 –Short procurement of commodities.

The audit observation was that as per Purchase Policy, 2010, the stock level of the depots always to be maintained between a minimum of 15 days and maximum of 55 days so that there will be neither shortage nor excess of stock. But during the period 2014-15 to 2016-17 the total quantity purchased was only 70 percent to 94 percent of total indented quantity. The Committee sought explanation regarding the observation.

The witness informed that in 2013, the Government had fixed the price of the subsidised items at 20 percent below market price or procurement cost whichever was lower and ensured the Company that the loss would be compensated by the

Government. But Government of Kerala did not accede to the request of the Company to periodically re-fix the selling rates of subsidy items. Meanwhile the market prices increased about 40 to 50 percent and the total arrears of Company from Government of Kerala has now increased to ₹500 crore and they can procure only 300 tonnes of commodities instead of 1000 tonnes. Considering all these facts the Company is planning to supply 4 or 5 commodities in full quantity instead of decreasing the quantity of commodities in subsidized rate.

The Committee enquired whether any study has been conducted to reduce the procurement expenditure. The witness replied that the administrative expenditure related to procurement was lower and the number of employees had not increased within 10 years. He added that there was wide difference in the rates of commodities like chilli (1Kg-Supplyco -₹75, open market - ₹180 to ₹280) Chickpea (1Kg-supplyco-₹43, open market- ₹110)etc. He further informed that Supplyco provides commodities worth ₹688 per month which cost about ₹1499.21 in open market.

The Secretary, Food & Civil Supplies Department informed the Committee that a three member Committee comprising Planning Board Member as Chairman and Secretary for Food & Civil Supplies Department and CMD, Supplyco has been constituted to prepare a proposal to overcome the situation. The Committee also recommended to modify the subsidy rates in order to meet the requirement of the consumers.

<u>Recommendations/ Conclusions of the Committee</u>

7. ***The reason why people rely on Supplyco is because they get quality products at cheaper prices than in the open market. The Committee observes that the gap between the purchase and the selling price of essential commodities coupled with partial reimbursement from GoK led to consequent stock out situations. So the Committee suggests that proper periodical review of the selling price of commodities comparing with the then market price should be done and steps are to***

be taken to ensure adequate stock level in order to meet the requirements of the consumers. The Committee also urges Government to allow Supplyco for periodic increase in selling prices of commodities if market prices increases abnormally.

<u>Para 4.2.9- Deficiencies in quality control mechanism</u>

<u>Non-adherence to prescribed procedures</u>

The Committee pointed out about the audit observation that the seven tier quality check mechanism was ineffective. The witness informed that quality check has been strengthened by appointing Quality Assurance Officers for each district and strict direction has been issued to reject the stock that does not conform to the specification. He added that separate officers were appointed for quality check for the items that are distributed through Supplyco and by NFSA.

The Committee accepted the reply. Hence no remarks.

<u>Para 4.2.10 – Traceability</u>

The Committee enquired about the audit observation that the requirement in the Quality Manual as to inclusion of name of supplier in the packing slip when the commodities are repacked at the outlets were not complied with. The witness informed that the system to mark the respective Goods Receipt Sheet numbers on the Goods Issue Sheet and in the gunny bags has been implemented successfully. He added that this system enabled Supplyco to trace out the supplier who delivered the commodities with cheap quality.

The Committee accepted the reply. Hence no remarks.

<u>Para. 4.2.11- Internal Control</u>

The Committee enquired about the audit observation that an e-tender manual specifying the procedures to be followed during e-tendering process was not prepared yet and the Board decision to conduct a third party certification of the e-tender procedure to ensure that there were no inherent vulnerabilities in the process was yet to be implemented.

The witness informed that all the directions in this regard has been implemented and all are now being followed by the Company and intimated to the Accountant General Office through D.O letter on 09.11.2023.

The Committee accepted the reply. Hence no remarks.

General Recommendations

8.The Committee observes that if Supplyco purchases the essential commodities directly from the stake holders of other states or farmers, it can sell them at affordable prices compared with market rates without giving any subsidy. Hence the Committee recommends that purchase of essential commodities should be streamlined accordingly.

9. The Committee also recommends that a market analysis study should be conducted and a policy for selling items to high end consumers also be looked into for making the Company to tide over the crisis.

Thiruvananthapuram,
17th September, 2025.

E. Chandrasekharan,
Chairperson,
Committee on Public Undertakings.

APPENDIX-I SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS			
Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1	1	Food and Civil Supplies	The Committee observes that though the Company has requested the Karnataka Government owned E-tender solution provider to modify the software for automatic verification of EMD, it has not been modified yet. So the Committee recommends to accelerate the steps needed to modify the system.
2	2	Food and Civil Supplies	The Committee observes that post tender negotiations with all bidders led to expulsion of L1 bidders and also compromised the secrecy of bids. Moreover, after negotiation and making slight compromise in prices, bidders other than L1 bagged huge offers to supply items. It became customary not to quote the least price initially and await the opportunity for post negotiation and secure large contracts by slight changes in prices. Hence the Committee recommends that appropriate remedial measures should be taken prohibiting post tender negotiations. If any situation warrants such negotiation, they should be conducted only with L1 bidders by strictly adhering to e-tender system. Further, it should be strictly in accordance with the Purchase Policy and guidelines issued by CVC.
3	3	Food and Civil Supplies	The Committee observes that eventhough the Company is well aware about the extra expenditure incurred due to the involvement of intermediaries in the transactions, they are still following/forced to follow the current procurement method of depending on

			distributors/intermediaries. So the Committee recommends that the Government and the Company should formulate a way for the direct procurement of commodities from production centres avoiding the interference of middlemen, commission agents etc.
4	4	Food and Civil Supplies	The Committee observes that the suppliers quote high rates in the tender assuming that they will get the amount only after six months. And also the Company has to give about ₹800 crore to the suppliers. So the Committee recommends that the Government have to pay off the arrears to Supplyco in order to overcome the crisis.
5	5	Food and Civil Supplies	The Committee also recommends to examine the possibility of including the small scale farmers in the tender by modifying its procedures.
6	6	Food and Civil Supplies	The Committee observes that the Company checks the quality of the products only when the stock arrives which often results in poor quality. So the Committee recommends to check the quality of the products before packing and thereby ensuring quality products to the consumers.
7	7	Food and Civil Supplies	The reason why people rely on Supplyco is because they get quality products at cheaper prices than in the open market. The Committee observes that the gap between the purchase and the selling price of essential commodities coupled with partial reimbursement from GoK led to consequent stock out situations. So the Committee suggests that proper periodical review of the selling price of commodities comparing with the then market price should be done and steps are to be taken to ensure adequate stock level in order to meet the

			requirements of the consumers. The Committee also urges Government to allow Supplyco for periodic increase in selling prices of commodities if market prices increases abnormally.
8	8	Food and Civil Supplies	The Committee observes that if Supplyco purchases the essential commodities directly from the stake holders of other states or farmers, it can sell them at affordable prices compared with market rates without giving any subsidy. Hence the Committee recommends that purchase of essential commodities should be streamlined accordingly.
9	9	Food and Civil Supplies	The Committee also recommends that a market analysis study should be conducted and a policy for selling items to high end consumers also be looked into for making the Company to tide over the crisis.

ACTION TAKEN REPORT ON AUDIT REPORT OF C&AG FOR THE YEAR ENDED 31st MARCH 2017 ON PARA No. 4.2 RELATED TO KERALA STATE CIVIL SUPPLIES CORPORATION LIMITED

Sl. No.	Para No.	C & AG Report	Action Taken Report
1	4.2.1	The Kerala State Civil Supplies Corporation Limited (Company) was incorporated (June 1974) with the objective of procurement and retailing of essential commodities. The Company procures commodities centrally and sells 13 commodities at subsidized rates fixed by Government of Kerala (GoK) with quantity restriction and 13 commodities at non-subsidized prices, through its 56 depots and more than 1500 outlets falling under five regional offices. The Company floats monthly e-tenders through www.tenderwizard.com, an e-tendering website, for procurement of above commodities centrally for all 56 depots. The Company uses a Least Cost Solution (LCS) software into which price as well as quantities offered by bidders in the e-tender are fed. LCS generates a purchase plan which gives the list of lowest bidders (L1) for each depot to meet their quantity requirement while keeping the overall purchase cost to the minimum. Head Office Management Committee consisting of functional heads of major departments of the Company finalizes the purchase plan. Based on the purchase plan, Purchase Orders (POs) are issued separately for each commodity for supply at various depots. Purchase Manual 2005 and Purchase Policy 2010 approved by Government of Kerala govern the procurement process of the Company. During 2014-15 to 2016-17, the company floated 48 e-tenders. Since the aggregate demand of the depots could not normally be met by a single supplier, more than one PO had to be issued for a single commodity. The Company issued 4,842 POs valued at Rs.3,836.80 crore	No remarks to offer.

for procurement of various commodities. In order to assess economy in centralised procurement of essential commodities and compliance with applicable manuals, rules and procedures, Audit selected 2,624 POs valuing Rs.3,091.98 crore (80.59 per cent of total purchase order value) covering eight subsidised commodities as shown in Table 4.4.

Year	No. of Tenders (Nos.)	Total			Sample selection			Percentage of selection
		Items (Nos.)	POs (Nos.)	Value (Rs. crore)	Items (Nos)	POs (Nos)	Value (Rs. crore)	
2014-15	15	25	1669	1133.72	8	881	930.47	82.07
2015-16	16	25	1526	1127.41	8	815	910.66	80.77
2016-17	17	26	1647	1575.67	8	928	1250.85	79.39
Total	**48**		**4842**	**3836.8**		**2624**	**3091.98**	**80.59**

2 | 4.2.3

<u>Evaluation of bids which were ineligible due to non-furnishing of Earnest Money Deposit</u>

As per the Purchase Manual of the Company and the tender conditions, each bidder must remit Earnest Money Deposit (EMD) at specified rate for each of the commodity bidded for. Collection of EMD was aimed at preventing non-serious or frivolous bids and was to be forfeited if the bidders withdrew offer, modified the terms and conditions in any manner or did not furnish the security deposit after awarding the tender. EMD can be remitted either by way of Demand Draft issued by a Scheduled Bank or through Electronic Transfer to the accounts of the Company. Bids not supported by EMD would be invalid unless exempted. The Company followed a system of retaining the EMD after e-tender on permanent basis unless the vendor requested for refund.

Though it was mandatory for the suppliers to enter the details of EMD in

In every e-tender conducted by the company normally 60 to 100 registered suppliers participate. The EMD submitted by them are retained by the company since the vendors are registered vendors and they usually participate continuously in every tender. The three occasions pointed by the audit has arisen only because the corporation forfeited the EMD for various reasons. Though the decision to forfeit EMD was taken the procedure to complete the forfeiture including the issue of notice and other formalities take time and in the mean time next tender will also be held. The supplier as in the normal case participates in the tender and offers the

		the tender documents, many bidders failed to comply with the tender condition. The e-tender solution of the Company also did not enable automatic detection of status of remittance of EMD by bidders before opening bids. Due to this limitation of e-tender solution, the status of EMD was being watched through manual registers. Audit, however, observed that due to lack of system/ control, bids unaccompanied by EMD were reaching the stages of bid evaluation and getting purchase orders as is evident from the following instances. EMD remitted by Anitha Modern Rice Mill on 09 June 2015 for supply of matta rice was forfeited by the Company in April 2016 for violation of tender condition in one of the e-tenders. Despite this, the bids of Anitha Modern rice Mill were opened and purchase orders issued against three other tenders even though the bids were submitted without required EMD of Rs.1 lakh each. Though Global Trade Corporation, another supplier, did not submit required EMD of Rs.1 lakh each against two tenders for green gram, the Company evaluated the bids submitted by the supplier and placed purchase order for the supply of green gram. The EMD remitted (May 2016) by Khadeeja Agencies in one e-tender for supply of black gram washed (whole) was forfeited by the Company for violation of tender conditions. However, the supplier participated in another e-tender floated in July 2016 without submitting EMD of Rs.1 lakh and the bid was evaluated along with other bidders. Government of Kerala replied (February 2018) that the instances pointed out by Audit were exceptions which happened due to clerical errors. Government of Kerala also stated that attempts to modify the software for automatic verification of EMD through the software providers was unsuccessful.	rates which were analyzed. Three occasions pointed out by the audit are exceptions and happened only due to clerical errors. The modification of software for automatic identification of the EMD was not possible as the software providers failed to modify the software accordingly citing various reasons. The corporation is maintaining an updated manual register and manual verification of the EMD submitted is duly done to avoid such mistakes in future. Supplyco released all EMDs submitted by the vendors for the e-tenders till December 2018 and started a new EMD register with details of EMDs accounted from 01.01.2019.

		The reply was not acceptable as the cases pointed out by Audit highlighted the deficiencies of the existing manual system of EMD verification of the Company and reinforced the need for a software enabled system to guard against the recurrence of such lapses.	
3	4.2.4	<u>Procurement through negotiation with bidders other than L1</u> According to the provisions of Stores Purchase Manual (SPM) of GoK and guidelines issued by Central Vigilance Commission (CVC), negotiations for public procurement can be conducted only in exceptional circumstances and that too with L1 bidders. Purchase Manual of the Company also provided that negotiations should be conducted only with L1 bidders. <u>Audit, however, observed that:</u> The purchase plan prepared through Least Cost Solution gave the list of L1 bidders for each depot. Despite this, the Company conducted post tender negotiations in 215 instances out of a total 308 purchase decisions (70 per cent) indicating that post tender negotiations were routine and not an exception. Moreover, during negotiations, the Company allowed L1 bidder in a depot to quote for other depots including those for which the supplier did not quote originally. This led to exclusion of original L1 bidders. Analysis of 215 negotiations revealed that the number of L1 suppliers in the purchase plan came down from 12 to 8 on an average after each negotiation, indicating ouster of four L1 suppliers after negotiations. Instances of replacement of L1 bidders by other bidders in Thiruvananthapuram depot along with the L1 rate and corresponding post negotiation rate is given in Appendix 12. Audit also observed that two bidders were not L1 in any of the depots while others were L1 in other depots. Due to expulsion of original L1 bidders after negotiations, other bidders	The preparation of purchase plan through a software which selects the suppliers and the destination for each supplier so that the optimum cost of purchase based on the offers received in tender is as per the purchase manual and the purchase policy of the corporation approved by the Government. All the suppliers appeared in the purchase plan are L1 suppliers and negotiation is conducted with them for reducing the rates, increasing the quantity and giving more offers. These procedures are done as per the approved purchase plan of the company. The tender is conducted by the corporation for the requirement of the corporation as a whole and not on a depot wise. The L1 suppliers are selected for the entire requirement of the corporation and not on depot wise. Negotiation is also conducted for the corporation as a whole and not depot wise. Hence the change in L1 supplier in a depot is not violation of the approved procedures. The negotiations are not done regularly and only at exceptional circumstances considering the various facts. These decisions are done by

		were able to increase the quantity and number of depots up to 59 times and 44 depots respectively. The total value of additional purchase orders received by 50 suppliers who bagged maximum quantity in a tender amounted to Rs.297.37 crore. Similarly, based on the decision (March 2010) of the Board of Directors, the Company conducted negotiations with all the participants in 24 tenders. Based on these negotiations, 18 suppliers bagged purchase orders worth Rs.21.70 crore even though they were not L1 in any of the 56 depots. Details of purchase orders bagged by these suppliers were as given in Appendix 13. Audit observed that the above decision of the Board was against the Purchase Manual of the Company and directions of CVC and resulted in undue benefit to these suppliers. Deviation from the Purchase Manual did not have the approval of GoK. Above methods of negotiation followed by the Company resulted in expulsion of 897 original L1 bidders in 184 cases. Thus, the existing mode of negotiation adopted by the Company undermined the cornerstone of e-tender mechanism namely, secrecy of bids since negotiations were conducted with the bidders after open publication of initial bids. Thus, there was the risk of bidders holding back their best rates, waiting for negotiations, assessing the competitor's rates and capturing major share of purchase orders through marginal reduction in offer rates. GoK replied (February 2018) that e-tender was conducted for meeting the requirements of the Company as a whole and hence, negotiation with all the suppliers and consequent change in L1 supplier in depots was not a violation of the approved procedures. Government of Kerala further stated that negotiations were carried out only in exceptional circumstances and the method of negotiation was as per approved	a Committee of all division heads of the corporation after analyzing the various facts and circumstances at the time of purchases. The cost to the corporation can be reduced only through negotiations.

		purchase policy. The reply was not acceptable because the system of negotiation compromised secrecy of bids and resulted in elimination of L1 bidders. The contention that the method of negotiation was as per approved Purchase Policy was factually incorrect because the Purchase Policy, 2010 was silent on post tender negotiations. Further, the Purchase Manual 2005 and the guidelines of Central Vigilance Commission authorized negotiations only with L1 bidder that too in exceptional cases. Negotiations were also pervasive rather than an exception since it was resorted to in finalizing 70 per cent of the selected tenders. Thus, the action of the Company in negotiating with bidders other than L1 needs to be investigated, followed by appropriate remedial measures to guard against repetition of such practices.	
4	4.2.5	<u>Non-formation of Vendor Development Cell</u> Paragraph 3.1.1 of the Purchase Manual of the Company stipulated maintenance of a pre-qualified vendor list by the Purchase Department. Paragraph 3.1.2 and Annexure III B of the Manual called for formation of a Vendor Development Cell, headed by the Managing Director. This cell was to be set up for continuous updation of the pre-qualified vendor list and also for regular monitoring of vendor performance. This Cell was also to disseminate information about requirements of the Company among major suppliers and liaise with Civil Supplies Corporation of other States in order to encourage them and their vendors to participate in the tenders floated by the Company. Audit, however, observed that such a dedicated cell was not in existence during the audit period. In the absence of a Vendor Development Cell, there was no systematic effort to widen the vendor base as envisaged in the purchase policy. Government of Kerala replied that action for formation of a vendor development cell was initiated.	Based on the observation of the audit steps for formation of a Vendor development cell are already initiated. Detailed proposal for the same was placed before the Board of Directors and action being taken. As the Board of Directors suggested to develop online software internally necessary directions has been given to the MIS Division of Supplyco.

5	4.2.6	<u>Non-diversification of supply sources</u> According to the guiding principles of Purchase Manual, the company should avoid commission agents, middlemen, monopolies, cartel of suppliers, benami tenderers, etc. while procuring commodities. Further, as per Purchase Policy, 2010, the Company was to consider rates from all possible sources of supply, like commodity exchanges, regional markets and producing centres (mandies) in order to ensure that the purchases were made at the least possible cost. To ensure fairness, such rates had to be evaluated through Least Cost Solution so as to ensure objectivity in section. In accordance with the Purchase Policy, the Company had been deputing its officials to mandi markets to collect offers and terms from suppliers up to the year 2012. After obtaining rates from mandies, etc., the Company compared these offers with the e-tender rates and placed orders on the suppliers at mandies whenever their rates were lowest. In June 2012, Government of Kerala directed that all purchases having value above Rs.25 lakh by Government agencies should be finalised only through e-tender. Citing the above order, the Company stopped collecting competitive rates from suppliers at mandies. <u>Audit observed that:</u> Four suppliers supplies 24.21 per cent value of purchase made by the Company during 2015-16. Audit test checked purchases and sales transactions of these vendors. The audit analysis revealed that two vendors who had supplied green gram and chillies against six purchase orders sourced the items from outside the State and charged trade margins ranging from 3.20 per cent to 5.77 per cent while supplying to the Company. Involvement of these intermediaries in the above transactions resulted in extra expenditure of Rs.49.94 lakh to the Company (worked out based on the trade margins mentioned).	Company is following the procurement procedure as per the purchase manual and purchase policy approved by the Government and other modification in the purchase systems suggested by the Government. The company is taking steps for diversification of its purchase system with the approval of the Government. As suggested by audit a detailed proposal for direct procurement from production centres is prepared and submitted to Government for approval. The system of reverse auction through NCDEX has already started and through which many major traders in the country are offering the rates. With the permission of the Government we had also procured Rice directly from the millers outside the state. Thus the company is taking various steps for diversification of supply sources. Government has now provided sanction for direct procurement on an experimental basis and corporation is taking steps for the same. The Corporation started direct procurement of Toor, Chana, Urd and Moong through NAFED which is procuring directly from the farmers at Support Price fixed by the Government of India under subsidy scheme and DRP (Dynamic Reserve Price) Scheme.

		Government of Kerala stated (October 2016) that five per cent margin charged by suppliers was not on the higher side considering the terms of supply like security deposit, guarantee of three months on supplies and payment terms. The fact, however, remains that the Company could have saved this margin (Rs.49.94 lakh) by avoiding intermediaries to the extent possible. Three subsidized commodities namely, chillies, black gram bold and toor dhal suffered maximum price escalation during 2014-15 to 2016-17. Analysis of average purchase price of these commodities with rates in mandi markets like Guntur (Andhra Pradesh) and Gulbarga (Karnataka) after considering transportation and other costs revealed that procurement cost of the Company was higher than the mandi rates by 25.67 crore. Thus, failure of the Company to follow the guiding principles of Purchase Manual regarding avoidance of commission agents, middlemen, etc., and non-consideration of rates from all possible sources including mandi rates was resulting in uneconomical procurement of centralised commodities. Government of Kerala replied (February 2018) that a detailed proposal for direct procurement from production centres was under its consideration.	
6	4.2.7	<u>Deficiency in evaluation of offer rates through Least Cost Solution.</u> As per Purchase Policy, 2010 local market wholesale rates collected through Regional Managers were to be evaluated through Least Cost Solution (LCS) before purchase orders were placed on the local wholesale dealers. Evaluation through LCS ensured that the Government of Kerala directive (June 2012) to procure all items with	In the normal course the rates offered by Regional Managers are considered along with the e-tender evaluation and Regional Managers were given necessary sanction to purchase those items at the offered rates through RMC or DMC to purchase at rates given by them

value above Rs.25 lakh only through e-tender was complied with.

Review of e-tenders during the period 2014-15 to 2016-17 revealed that the Company gave permission to various Regional Managers to purchase subsidised commodities locally based on offers sourced from the respective regions without evaluating them through LCS, as detailed in Table 4.5:

Sl. No.	Tender No.	Item purchased	Region/ depot which were allowed to purchase locally.
1	P10-2795-15	Toor dhal	Thiruvananthapuram & Kozhikode
2	P10-11395-15	Chillies	Thiruvananthapuram
3	P10-14148-15	Toor dhal	Palakkad
4	P10-19559-15	Black gram washed (whole)	Kottayam
5	P10-28650-15	Chillies	Kozhikode
6	P10-7367-15	Raw Rice	Thiruvananthapuram

Audit also observed that in three (serial numbers 4, 5 and 6 of Table 4.5) out of above six tenders, the quotes from Regional Offices were received after opening of e-tender.

Government of Kerala (February 2018) that the rates offered by Regional Managers were considered along with the e-tender evaluation and the Regional Managers were given necessary sanction to purchase when the offered rate was lower than the e-tender rate. The reply was not acceptable because in the above cases, the rates offered were not evaluated along with the e-tender rates. Acceptance of offers after opening of e-tenders led to bypassing of the system and all the controls it was meant to introduce.

which are lower than the e-tender rates. Steps are taken on the basis of audit observation to ensure that the procedures as above are complied without failure.

Considering the objections raised by the C &AG Audit, from the month of December 2019, Supplyco has been mentioning the depot wise requirement in the offer sheet of the tender and L1 bidders are selected for each depot. Negotiation if required are done only with the L1 bidder of each depot and the necessary changes to this effect have been made in the tender conditions. Also currently Supplyco is not preparing the Least Cost Solution at present.

7	4.2.8	Short-procurement of commodities. Purchase Policy, 2010 required the stock level at depots to be always maintained between a minimum of 15 days and maximum of 55 days so that there was neither shortage nor excess of stock. Accordingly, the indenting system of the Company was so designed that the above stock levels could consistently be maintained at depots if procurement was made as per indents raised by them. Audit, however, observed that during the period 2014-15 to 2016-17, the total quantity purchased was only 70 per cent to 94 per cent of the total indented quantity as shown in Table 4.6. Table 4.6 : Total quantity purchased against the total indented quantity	The corporation is procuring the commodities based on the requirement received from the depots. The modification to the requirement is done purposefully considering the financial position of the corporation and the loss on sale of the commodities at the subsidized rate. Online management of subsidized sales is in position since August,2018. Various other steps are also now being introduced now to ensure that only eligible customers are availing the subsidy. The subsidy sale is now restricted and hence quantity modification is not being done except in few cases. Supplyco is closely monitoring the MIO claims with the Government and ensuring that the market intervention operation is carried out fully.

Sl. No.	Commodity	Indented quantity	Purchased Quantity	Percentage of indented quantity purchased
1	Black gram	6,03,286	4,41,162	73
2	Chillies	2,46,382	2,06,359	84
3	Green gram	4,38,365	3,71,203	85
4	Jaya rice	20,28,140	15,00,665	74
5	Kuruva rice	10,61,621	9,37,028	88
6	Matta rice	13,47,580	10,90,113	81
7	Sugar	30,99,236	29,11,517	94
8	Toor dhal	3,51,171	2,46,722	70

Analysis of stock registers maintained in eight depots also revealed that the stock level in these depots fell below the prescribed 15 days stock level in 45 per cent to 67 per cent of the days during the period 2014-15 to 2016-17. Due to non-maintenance of prescribed stock levels, eight selected commodities other than Sugar were out of stock on an average of 5 per cent to 16.82 per cent of the days in selected eight depots. The stock out days ranged up to 55 days at a stretch, as given in the Table 4.7:

Table 4.7 : Details of stock level position in eight selected depots during the period 2014-15 to 2016-17

Sl. No.	Commodity	Stock level position		Stock-out position	
		Average number of days below prescribed stock level	Percentage of days below prescribed stock level	Average number of stock out days	Percentage of average number of stock out days
1	Black gram	623	57	130	11.82
2	Chillies	569	52	129	11.74
3	Green gram	491	45	72	6.57
4	Jaya rice	734	67	55	5.00
5	Kuruva rice	708	65	76	6.91
6	Matta rice	654	60	162	14.80
7	Sugar	712	65	37	3.40
8	Toor dhal	554	51	184	16.82

It was observed that many of these stock out periods overlapped times of highest price rise of essential commodities, which was exactly when the

Company was expected to intervene in the market to stabilize the market prices.

The Company did not maintain sustained levels of stock at prescribed levels due to financial constraints brought about by non-revision of subsidy prices as detailed below :

As per orders issued by Government of Kerala (August 2013) regarding Market Intervention Operations (MIO), price of subsidized commodities were to be fixed at 20 per cent below market price or procurement cost, whichever was lower. The reimbursement of MIO loss was also to be limited to lower of net loss of the Company as per the audited financial statements and actual MIO loss.

Government of Kerala refixed price of six subsidized commodities (except sugar and matta rice) in November 2014 and the price of Sugar and Matta rice in July 2015 at rates, which were lower than the ones at which these should have been fixed as per MIO norms prescribed in August 2013. This price mismatch continued in the subsequent years 2015-16 and 2016-17 as well and in case of commodities like pulses, the difference was substantial as shown in Table 4.8

Table 4.8 : Details showing gap between procurement cost and subsidy prices

Sl. No	Commodity	2014-15		2015-16		2016-17	
		Weighted average procurement cost	Subsidy price as of Marc	Weighted average procurement cost	Subsidy price as of March 2016	Weighted average procurement cost	Subsidy price as of March 2017

			h 2015				
1	Black gram washed whole	69.72	66	116.66	66	108.73	66
2	Chillies	75.74	75	109.41	75	109.9	75
3	Green gram	80.92	74	84.11	74	64.36	74
4	Jaya rice	30.89	25	24.87	25	30.39	25
5	Kuruva rice	28.72	25	23.99	25	27.11	25
6	Matta rice	28.38	24	23.38	24	28.94	24
7	Sugar	30.87	22	27.22	22	38.83	22
8	Toor dhal	67.76	65	114.31	65	97.56	65

Despite the wide gap in procurement and selling prices, Government of Kerala did not release the MIO loss suffered by the Company in full during any of the years under audit. The amount pending reimbursement from Government of Kerala for the previous three years period towards MIO loss stood at Rs.569.59 crore (as of March 2017). Government of Kerala also did not accede to requests of the Company to periodically re-fix the selling rate of subsidy items as stipulated in the Government Order of August 2013.

Thus, gap between purchase and selling price of essential commodities coupled with partial reimbursement of loss by Government of Kerala was the major reason for procurement of lesser quantity of commodities against the indented requirements submitted by depots leading to low/nil stock levels.

Government of Kerala agreed (October 2016) with the audit observation that the entire claim of the Company was not reimbursed and stated that

		the financial position and profit/ loss implication with regard to sales of subsidy commodities were also considered by the Company while taking purchase decision. The fact, however, remains that the financial position of the Company did not allow it to maintain required minimum level of stock. Consequent stock out situations, thus, undermined the purpose of market intervention.	
8	4.2.9	<u>Deficiencies in Quality Control Mechanism</u> <u>Non-adherence to prescribed procedures</u> Quality Manual of the Company envisaged a seven-tier system of quality checks. In this mechanism, the second tier consisting of Depot Manager (DM) and the Stock Custodian had the primary responsibility to accept or reject commodities based on quality, packing and labelling. The Quality Assurance Committee (QAC) comprising of Depot Manager, Junior Manager (Marketing) and Junior Manger (Quality Assurance) formed the third tier and was to be convened whenever the Depot Manager had any doubt in quality of supplied goods. These depot level checks consisted of evaluation of physical properties of the commodity through visual judgement and use of physical tools like sieves to test parameters like damaged/ immature grains, inorganic foreign matter, sixe, etc. All the goods supplied were to compulsorily pass the quality control check by either or both of second and third tier quality control mechanism. The other five tiers of quality control mechanism essentially acted as a counter checking mechanism to ensure strict implementation of the prescribed quality checks in second and third tiers. Six samples of five varieties of commodities from one depot and four outlets were collected by the officials of the Company at the instance of Audit. These samples were thereafter analysed through an independent external agency with respect to specifications approved by the Company and also those prescribed by Food Safety and Standards Authority of	The Quality check at the receiving point which is the most important point of quality check, has been strengthened by appointing Quality Assurance Officers for each District and strict direction has been issued to reject the stock that does not conform to the specification. Further random samples from Depots are collected and send to authorized labs for analysis. The inspection reports submitted by the Quality Assurance Officers are regularly monitored at Head Office.

		India. Test results of three out of six samples revealed that varietal admixture, total sound grains and size of grains deviated negatively from the permissible limits set by the Company. Since these commodities passed quality checks and were ready to be sold to consumers, the test results pointed to the fact that the seven tier mechanism was ineffective. Audit observed the following deficiencies in implementation of the quality control procedures, including the seven tier quality assurance system : Employees of the Company formed the first tier of quality assurance. They were entitled to purchase unlimited quantities of subsidised commodities from Company's outlets on the expectation that they would give unbiased and timely feedback on quality. However, there was no system or norm for collecting feedback from the employees who purchased subsidised commodities. Retailers' Quality Watch Committee, the fourth tier Quality Control Mechanism, was non-functional. The requirements regarding inspection by senior officers of the Company with special emphasis on quality was not being watched and followed up by the Quality Assurance Wing at the Head Office. Government of Kerala stated that action was being taken to rectify the existing lacunae in various tiers of the quality control mechanism.	
9	4.2.10	<u>Traceability</u> A key tenet in assuring quality is the traceability of commodities sold. Traceability refers to identification of the channel of procurement including details like the source, date of receipt and related Purchase	Directions have been issued to the Depot Managers and Outlet Managers based on the audit suggestion to mark the respective Goods Receipt Sheet (GRS) numbers on the Goods Issue Sheet (GIS) while issuing each item and noting the

		Order. Traceability of goods is important to identify the source of procurement in case quality issues were noticed at the customer level. To achieve this objective, Chapter 14 of the Quality Manual prescribed that when the food items were repacked at the outlet, the packing slip should include the name of the supplier also to ensure traceability of origin. Test check conducted by Audit at Kochi and Kozhikode depots and the outlets under them, however, revealed that the traceability of items was lost immediately on their issue to the outlets from the depots. This was happening because of the fact that as per present Procedures followed by depots, goods accepted under different Goods Receipt Sheets (GRS)/ different suppliers were being forwarded to the outlets under a single common Goods Issue Sheet and thus, the supplier details included in GRS were getting lost. Thus, the requirement in the Quality Manual as to inclusion of name of supplier in the packing slip when the commodities are repacked at the outlets could not be complied with. The above-mentioned deficiency can be addressed by making it compulsory (through suitable amendment in the Quality Manual) to mark the respective GRS number on the gunny bags before they are issued to the outlets and noting the same in the packing slip when they are repacked in the outlets. Government of Kerala replied (February 2018) that the suggestion of Audit was being considered for inclusion in the Quality Manual.	same in the packing slip when they are repacked in the outlets. There are already instructions to affix the suppliers name and address in the gunny bags as per tender conditions and the Depots are accepting stock with these details on the bags. So the noting of GRS number in the GIS and packing slip will provide adequate traceability of each packet sold.
10	4.2.11	<u>Internal control</u> Tender Wizard, the online software used by the Company for e-tendering purposes delivered only the rates and quantity offered for various depots of the Company and Least Cost Solution, developed in-house was used to carry out the complex analysis of this data and prepare the best possible purchase plan. As per best practices prescribed by CVC (September 2009) in respect of e-tendering solutions, sensitive data should be encrypted prior to transmission to other components to ensure security in data storage and	Tender wizard is a software used for conducting e-tender. The required procedure of closing the bids, opening the bids and preparation of an evaluation sheet is done in the tender wizard. The data evaluated from the tender site consisting of the rates and quantities offered by the vendors are analyzed using a LINDO

		communication. Audit observed that Tender Wizard and Least Cost Solution (LCS) were standalone systems and e-tender data was being manually extracted from Tender Wizard and fed into LCS without any such encryption. The Purchase Manual of the Company envisaged preparation of an e-tender manual specifying the procedures to be followed during the e-tendering process. However, the manual was yet to be prepared (November 2017). BoD decided (4 July 2014) to conduct third party certification of the e-tender procedure to ensure that there were no inherent vulnerabilities in the process. The decision was yet to be implemented (November 2017). Government of Kerala stated (February 2018) that the existing system of e-tendering was in practice for the past twelve years and no error was reported yet. GoK also replied that detailed instructions regarding the e-tender procedure were published in the e-tender website. GoK/Company also stated that steps would be taken to implement the decision of the BoD regarding third party certification. Audit observed that security guidelines are required to be followed even in the absence of prior history of security violations. Also, the e-tender procedures uploaded in the website were merely a set of instructions to the suppliers and did not satisfy the requirements of an e-tender manual which was meant to be an internal document guiding the e-tender process of the Company. Third party certification, along with preparation of a manual will address any vulnerability in the existing e-tendering mechanism.	software and purchase plan is prepared according to our requirement. The system is in practice for the last 12 years and no error is reported yet. The efforts to streamline the two software were not successful for various reasons. A detailed instruction regarding the procedures to be followed during e-tender is already published in the website as 'Registration and Detailed suppliers help manual' and 'Offer sheet upload manual'. Necessary steps will be initiated to implement the decision of the Board of Directors.

പ്രവീൺ എസ്.
അഡീഷണൽ സെക്രട്ടറി
[illegible] ഡിപ്പാർട്ടുമെന്റ്
ഗവ: സെക്രട്ടേറിയറ്റ്
തിരുവനന്തപുരം

Appendix 12

Statement showing instances of L1 bidders replaced by other bidders in Thiruvananthapuram depot after conducting negotiations
(Referred to in Paragraph 4.2.4)

Quantity in quintals

Sl. No.	Tender No	Item	Quantity	Name of L1 bidder before negotiation	Rate (₹)	Name of the supplier after negotiation	Rate (₹)
1	P10-4723-16	Jaya rice	2000	Khadeeja agencies	2518	Hafsar trading co.	2517
2	P10-6801-16	Matta rice	300	Marimatha modern rice mill	2195	S and S Agro Product	2190
3	P10-1594-16	Jaya rice	4000	Khadeeja agencies	2489	Hafsar trading co.	2483
4	P10-4723-16	Matta rice	700	Thekkekara rice mill	2179	Hafsar trading co.	2169
5	P10-18104-14	Sugar	3000	Bannari amman sugars limited	3298	Dharani sugars and chemicals limited	3287
6	P10-1982-17	Chillies	200	Karthika trading co	6650	Samyumayaltraders	6636
7	P10-31511-14	Sugar	2000	Dharani sugars and chemicals limited	3169	Bannari amman sugars limited	3150
8	P10-31483-15	Jaya rice	910	Navin trading co.	2466	Hafsar trading co.	2446
9	P10-14148-15	Jaya rice	6000	Kripa traders	2575	Hafsar trading co.	2540
10	P10-13501-14	Jaya rice	1465	Al ameen traders	3080	Hafsar trading co.	3040
11	P10-15265-16	Matta rice	950	Hafsar trading co.	2650	Bharath traders	2610
12	P10-9309-16	Matta rice	300	Khadeeja agencies and S and S agro product	2430	Marimatha Modern Rice Mill	2380
13	P10-5810-17	Matta rice	1200	Hafsar trading co. and Arunnachala impex Pvt.Ltd	3497.85	Keerthi agro mills	3442
14	P10-19952-14	Toor dhal	200	Ashik traders	6471	Samyumayal traders	6411
15	P10-26230-16	Jaya rice	1000	Hafsar trading co.	3150	Bharath traders	3085
16	P10-1982-17	Green gram	400	Shree vardhaman industries	5825	Samyumayaltraders	5726
17	P10-4723-16	Sugar	1500	Madras Sugars Ltd.	3530	Bharath traders	3429
18	P10-1594-16	Green gram	500	Bharath traders	7990	MP traders	7866
19	P10-26476-14	Chillies	100	Sampoorna traders	7832	Samyumayal traders	7686
20	P10-1982-17	Toor dhal	300	V traders	6270	Samyumayaltraders	6116
21	P10-35267-14	Toor dhal	200	Sampoorna traders	7249	Global trade corporation	7050
22	P10-31446-16	Chillies	400	Sampoorna traders	8749	Samyumayal traders	8539
23	P10-29081-16	Toor dhal	300	C Nagarathinam and sons and Ashik traders	8332.9	Sri Vigneswara Traders	7999
24	P10-31446-16	Toor dhal	400	C Nagarathinam and sons	6595	Samyumayal traders	6233

Appendix 13
Statement showing details of Purchase Orders bagged by suppliers who were not L1 in any of the depots through negotiations
(Referred to in Paragraph 4.2.4)

Sl. No.	PO No.	Tender No.	Commodity	Name of the supplier	PO value (₹ *in lakh)*
1	15960	P10-31511-14	Sugar	Bannari amman sugars Ltd.	1,020.31
2	15965			Ponni sugars Erode limited	56.65
3	15972	P10-31511-14	Kuruva rice	Abdul latheef co	95.83
4	17267	P10-19559-15	Chillies	Navin trading company	89.64
5	17488	P10-25784-15		Velu traders	158.79
6	18141	P10-1594-16		M P traders	50.93
7	19789	P10-1982-17	Green gram	Paresh trading co	40.13
8	19782			Risvan traders	11.61
9	19791			Sreeji enterprises	2.86
10	19786			Sreenivasan trading company	28.33
11	19788			Velu traders	7.01
12	19806	P10-1982-17	Toor dhal	BTC industries	21.10
13	19815			Jeet corporation	9.53
14	19808			Minnu enterprises	8.14
15	19809			RS associates	12.27
16	19811			Samyumayal traders	107.05
17	19817	P10-1982-17	Chillies	BTC industries	54.12
18	19818			Falcon agro foods	71.58
19	19822			Sreenivasan trading company	18.60
20	18651	P10-12060-16	Blackgram whole washed	Kripa traders	132.20
21	19094	P10-19147-16	Toor dhal	C Nagarathinam and sons	173.35
Total					**2,170.03**