



THIRTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2011-2014)**

THIRTY THIRD REPORT

(Presented on 28th January, 2014)

SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM
2014

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(2011-2014)**

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On

**The Action Taken by Government on the Recommendation contained in the
Sixty Fifth Report of the Committee on Public Undertakings (2008-11)
relating to Kerala Feeds Ltd., based on the Report of the
Comptroller and Auditor General of India for the year
ended 31-3-2006 (Commercial)**

384/2014.

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COMMITTEE ON PUBLIC UNDERTAKINGS (2011-2014)

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„ K. S. Anas, Joint Secretary

„ S. Prasannakumar, Deputy Secretary

Smt. Lima Francis, Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to present the Report on their behalf, present this Thirty Third Report on the Action Taken by Government on the recommendation contained in the Sixty Fifth Report of the Committee on Public Undertakings (2008-11) on the working of the Kerala Feeds Ltd., based on the Report of the Comptroller and Auditor General of India for the year ended 31-3-2006 (Commercial).

The Statements of Action Taken by the Government included in this Report were considered by the Committee constituted for the year (2011-14).

This Report was considered and approved by the Committee at the meeting held on 27-11-2013.

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

Thiruvananthapuram,
28th January, 2014.

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

REPORT

The Committee on Public Undertakings (2008-11) in the Sixty Fifth Report presented to the House on 25th February, 2009, have made a single recommendation relating to the Kerala Feeds Ltd., based on the Report of the Comptroller and Auditor General of India for the year ended 31-03-2006 (Commercial) which was presented to the House on 28-03-2007.

The Government have furnished reply to the recommendation of the Committee and the Committee on Public Undertakings (2011-14) considered the reply at its meeting held on 05-12-2012.

The Committee accepted the reply to the recommendation 1 (3) with remarks. This recommendation its reply and the remarks of the Committee form Chapter I of the Report.

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

<i>Sl. No.</i>	<i>Para No.</i>	<i>Department concerned</i>	<i>Conclusion/ Recommendation</i>	<i>Action Taken by Government</i>
(1)	(2)	(3)	(4)	(5)
1	3	Agriculture	<p>The Committee finds that Kerala Feeds Limited incurred an extra expenditure of ₹ 15.56 lakh due to the indiscrete decision of the Company to purchase wheat at higher price even though there was sufficient stock of its substitute maize which was also available at cheaper rates. The Committee does not accept the explanation given by Government that the higher grade wheat was purchased for quality improvement because the company made no effort for the same later. The Company had purchased the higher grade wheat only once and also the selling price of the improved variety was not higher than the normal rate as the company did not intend</p>	<p>Board of Directors of Kerala Feeds Ltd., have constituted a Subcommittee of the Board to investigate into the findings in the 65th report of COPU. The meeting of the Subcommittee was held on 23-09-2009. The Subcommittee concluded that the purchase of wheat had been for the purpose of improving the quality of the Cattle Feed. The advantages of using the wheat are as follows:</p> <p>The production rate, during the period of consumption of the said wheat was found to be high. This is mainly due to the efficiency of pelleting process due to the glutinous nature of wheat in the formula and high pellet quality value. The pellet mills could be operated at higher feed rates since the wheat in the formula would ease the pressing process, thereby increasing the output. During the period of consumption of the said wheat (April 2004 to August 2004), production rate per shift hour was 17.35 MT as compared to the period November 2003 to</p>

(1)	(2)	(3)	(4)	(5)
			<p>to make value addition to fetch higher price from the market.</p> <p>The Committee therefore recommends that action should be taken against those responsible for the purchase and the amount lost should be recovered from them. The Committee also desires to be informed of the steps taken during the last 3 years by the Company to reduce losses and increase profit.</p>	<p>March 2004 in which it was only 16.55 MT. Hence the production rate per shift hour had increased by 0.80 MT per hour. The increase in the quantity of production based on the production rate is 2336 MT during April 2004 to August 2004.</p> <p>Total additional contribution is calculated as follows:</p> <p>Increase in production rate= 0.80 MT per shift hour</p> <p>Total increased production (April to August 2009)=2336 MT</p> <p>Contribution per MT = ₹ 1007 per MT (As computed based an internal Auditors Report for April to August 2004)</p> <p>Hence Additional contribution: 2336 MT x ₹ 1007=₹ 23.52 lakh.</p> <p>By using the good quality wheat, the company noticed an improvement in the physical quality of the product by way of lesser spewing of dust and lesser incidence of broken pellet on the bagging section; as reflected in relevant records of the Company.</p> <p>The Company did not make any further attempts to procure the wheat because the formula cost showed an increasing trend and the price of the wheat in the market also increased.</p>

(1)	(2)	(3)	(4)	(5)
				<p>The Subcommittee of the Company concluded that the Company has in fact effected a net saving by using the wheat in the form of additional contribution and there is no reason to recover any amount from the concerned officials.</p>
				<p>Following are the steps taken by the Company (Kerala Feeds Ltd.) during the last three years to reduce losses and to increase the profit.</p>
				<p>1. The Company made steady profits year after year till 2005-06. The sole reason for the company recording loss in the year 2006-07 and 2007-08 is the abnormal and unprecedented increase in the cost of raw materials. Being a Public Sector Undertakings and owing to the Government policy of controlling the price of cattle feed, the Company could not increase the selling price in tune with the increase in the raw material cost. The purchase committee constituted in the Company as per the Government direction for spot purchase is taking utmost care, diligence and maximum efforts to procure raw materials at the lowest possible rates without compromising the quality. Even in the midst of sky rocketing of ingredient prices, procurement rates of the</p>

(1)	(2)	(3)	(4)	(5)
				<p>Company are most competitive and are comparable with the prevailing all India market rates.</p> <p>2. In view of the increasing trend of raw materials, Company has taken maximum possible efforts to reduce other expenditure through various cost control and cost reduction measures. The Company managed to contain the same within the budgetary limits. Items of expenditure other than raw material cost which was 19.99% of the turn over in 2005-06 was reduced to 19.78 % in 2006-07, 18.50 % in 2007-08 and to 16.99 % in 2008-09. For the five months ended 31st August, 2009 of the current financial year these expenses are further reduced to 16.43%. Details are given in annexure.</p> <p>3. To reduce the losses and to increase the profits, company was forced to increase the selling price.</p>

REMARKS OF THE COMMITTEE

The Committee seeks explanation regarding the constitution of Subcommittee and also the fact that whether the Kerala Feeds Ltd., has any such power to constitute such a Committee.

Thiruvananthapuram,
28th January, 2014.

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

ANNEXURE I

COMMON SIZE INCOME STATEMENT OF PROFITABILITY FOR THE
YEARS 2005-06, 2006-07, 2007-08, 2008-09 AND 2009-10 TILL AUG. 2009

	<i>2005-06</i>	<i>2006-07</i>	<i>2007-08</i>	<i>2008-09</i>	<i>2009-10</i>
					Till Aug. 2009
Turnover	100.00	100.00	100.00	100.00	100.00
Raw Material Consumed	74.57	83.60	84.48	82.74	80.18
Other Expenses					
Manufacturing Expenses	8.15	8.65	8.01	6.75	5.92
Selling and Distribution Expenses	8.13	7.30	6.98	6.89	7.30
Personnel Expenses	2.42	2.91	2.78	2.50	2.43
Administration Expenses	1.29	0.92	0.73	0.85	0.78
Total of other Expenses	19.99	19.78	18.50	16.99	16.43
Profit Before Depreciation and other Income	6.44	-3.38	-2.98	0.27	3.39
Depreciation	1.67	1.70	1.63	1.55	1.04
Other Income	2.09	2.33	2.14	1.24	1.49
Net Profit After Depreciation and other Income	5.86	-2.75	-2.50	-9.04	3.84