TWELFTH KERALA LEGISLATIVE ASSEMBLY

COMMITTEE
ON
PUBLIC ACCOUNTS
(2006-2008)

FORTY FOURTH REPORT

On

Paragraphs relating to Industries Department, contained in the Reports of the Comptroller and Auditor General of India for the year ended 31st March 2000 (Civil) 31st March 2001 (Civil) and 31st March 2004 (Civil)

1146/2008.

CONTENTS

COMMITTEE ON PUBLIC ACCOUNTS (2006-2008)

Chairman :

Shri Aryadan Muhammed

Members :

Shri C. T. Ahammed Ali
" Alphons Kannanthanam
" P. Jayarajan
" K. M. Mani
" K. P. Mohanan
" C. K. P. Padmanabhan
" M. Prakashan Master
" Thiruvanchoor Radhakrishnan
" N. Rajan
" A. K. Saseendran

Legislature Secretariat :

Dr. N. K. Jayakumar, Secretary
Shri K. Gireesa Kumar, Joint Secretary
Smt. A. Achamma, Under Secretary

INTRODUCTION

I, the Chairman, Committee on Public Accounts, having been authorised by the Committee to present this Report on their behalf, present the Forty Fourth Report on paragraphs relating to Industries Department contained in the Report of the Comptroller and Auditor General of India for the years ended 31st March 2000 (Civil), 31st March 2001 (Civil) and 31st March 2004 (Civil).

The Report of the Comptroller and Auditor General of India for the Years ended 31st March 2000 (Civil), 31st March 2001 (Civil) and 31st March 2004 (Civil), were laid on the Table of the House on July 2, 2001 March 15, 2002 and July 20, 2005 respectively.

The Committee considered and finalised this report at the meeting held on September 10, 2007.

The Committee place on record their appreciation of the assistance rendered to them by the Accountant General in the examination of the Audit Report.

ARYADAN MUHAMMED,

Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
17th September, 2007.

REPORT

INDUSTRIES DEPARTMENT

AUDIT PARAGRAPH

Unfruitful outlay on establishment of motorised spinning units under Integrated Coir Development Project.

In 1994, Government of Kerala approved the scheme for establishment of 'Motorised Spinning Units' in Coir Co-operative Societies under Integrated Coir Development Project. The Kerala State Co-operative Coir Marketing Federation Limited (COIRFED) was the implementing agency of the scheme. The scheme envisaged establishment of 100 'motorised treadle ratts' in each co-operative society (unit) capable of spinning superior yarn of uniform quality and of varieties required for products manufacture and exports. National Co-operative Development Corporation (NCDC) was to provide 75 *per cent* finance for the scheme as loan to State Government and Government in turn was to disburse 25 *per cent* as subsidy and 50 *per cent* as loan to COIRFED on behalf of the Society. The balance project cost was to be met by subsidy from GOI (20 *per cent)* and Societies' own contributions (5 *per cent).*

In Kollam District, 18 Coir Co-operative Societies were selected for implementation of the scheme and these societies were paid an assistance of Rs. 3.12 crore* (including the cost of ratts) during November 1994 to March 1997. COIRFED arranged the supply of motorised ratts through other firms. Out of 1399 ratts supplied to the 16 societies during the period 1994 to 1998, only 460 (33 *per cent)* were in working condition (June 2000). Balance 939 ratts were either damaged or not in working condition. No ratts were supplied to two societies under the scheme.

Though the loan was to be utilised within 3 months, utilisation certificates for Rs. 68.40 lakh in respect of only 4 societies were submitted by the Project Officer (PO) (Coir), Kollam to the Director of Coir Development as of May 2000. The societies failed to repay either the principal or the interest so far (June 2000) which were due from the second anniversary of the date of receipt of power connection or after expiry of sanctioned utilisation period whichever was earlier. The scheme also, failed miserably due to failure on the part of implementing agency to ensure quality of ratts supplied. The PO attributed the poor implementation of the scheme to high cost of production in the mechanised ratts, poor output, scarcity of skilled labour and sale of yarn below production cost. The above facts revealed that the scheme was conceived without proper planning and Rs. 3.12 crore spent on the scheme was by and

---

* NCDC loan : Rs. 164 lakh, Government of India Subsidy : Rs. 65.60 lakh and State Government Subsidy Rs. 82 lakh.

large unfruitful. Moreover, the Government was saddled with the responsibility of repayment of loan availed from NCDC to finance the scheme.

Government stated (August 2000) that the project had been conceived as a pilot project with a long term objective of modernisation of coir industry through systematic mechanisation. This is not tenable as the scheme failed in achieving its objectives mainly due to failure of Government to monitor the progress and take appropriate and timely corrective action.

[Paragraph 3.19 contained in the Report of the C & AG of India for the year ended 31 March 2000 (Civil)]

Note furnished by Government on the above audit paragraph is included in Appendix II.

The witness, informed the Committee that the scheme for establishment of 'Motorised Spinning Units' in Coir Co-operative Societies under Integrated Coir Development Project had 3 main components viz. land, building and machinery. Out of these, providing two components viz. land and building faced not much problem. But the last component 'machinery' ie. mechanised ratts had met with serious problems. Around 45% of the funds for the scheme was spent on the ratts. But it was found in actual implementation that the ratts supplied to the societies were not suited to the coir workers as the speed of the ratts and the speed of the workers in spinning did not synchronise. Because of this the workers were not able to produce good quality yarn and the output was also very low. Due to the poor quality of the yarn Coirfed also showed reluctance to buy from the societies. Constant monitoring was done at all levels to solve the problem but till now no break through had been made. In 2004 a decision was taken to give ¼ HP motorised ratt which were being widely used to the two societies which were not given ratts earlier. It was in the light of this decision that the scheme 'establishment of motorised spinning units' was extended upto 31-12-2005. A survey of the societies to which ratts were supplied in 1994 would be conducted by a technical Committee and all possible measures would be taken for rectification of the defects.

2. Enquired whether the scheme implemented in the northern districts also met with the same fate as that in the southern districts, the witness stated that in northern districts Coir workers were not using motorised ratts and in such societies the ratts were accepted. But it could not be stated that those societies were functioning profitably.

3. The Committee opined that the basic problem for the failure of the scheme was the unsuitability of the ratts. The Committee wanted to know as to

who had determined the technical specification. The witness answered that Coir Board had implemented the scheme and Coirfed purchased the ratts.

4. The Managing Director, Coirfed informed the Committee that when a new technology was launched it should be implemented on a massive scale only after successfully experimenting its prototype. Since this was entirely a new venture nobody from the private sector had invested in the area for fear of ending up in loss. Hence Government had to venture out with the scheme. So, as the first phase Keltron was requested to procure 4000 ratts and supply it to the Coirfed.

5. The Committee pointed out that Keltron was basically an electronic development agency and asked why the supply of ratts was entrusted to them. The witness could not give a satisfactory reply to the question except that Keltron was a public sector undertaking.

6. The Committee wanted to know whether Coirfed had ascertained whether mechanised ratts were being used successfully in other States. The witness stated that Kerala was selected for the first phase of mechanisation of coir industry under the intensive coir development project. In Kerala itself yarns produced were of different variety according to the area of production and the speed with which it was spun. Hence it was difficult to manufacture ratts with speed control for production of the different varieties of yarns. Hence a common ratt for all the workers was designed and the workers were given training. But since the varieties of yarn produced were of specialised nature specific to the area where it was being produced the acceptance of the ratt was rather poor.

7. The Committee pointed out that for different varieties of yarns produced, the spin wheel of the ratt should be different and very important. Hence when ratts are manufactured and supplied, it should be ascertained that they were suited to the special variety of yarn produced at that particular area where ratts were supplied. The Committee also pointed out that either 5 or 6 prototypes should have been made and experimented with before going in for supply of 8000 ratts to the entire societies. The Committee wanted to know why Coirfed was in a hurry to mechanise the whole State in a single sweep and what was the motive behind introducing the untried and untested machinery. The witness stated that there was compulsion from the Central Monitoring Agency to implement the scheme and Coirfed was being pressurised for the supply of the machinery. The Committee pointed out that Central Monitoring Agency or Government were not experts in the field whereas Coirfed was a specialised agency and hence it should have ascertained the suitability of the ratts before distributing them on a large scale after experimenting the prototypes.

8. The Additional Secretary, Industries Department informed the Committee that it was in the circumstance in which the task force Committee found out that modernisation of coir industry was essential to increase productivity and improve the working condition of the women workers. The task force studied the various aspects of coir industry in the State and sent their report to the Central Government for modernisation programme. Since coir spinning was one of the traditional industries of Kerala, the State got the lion's share of the funds alloted by the Central Government. A technical Committee was set up for the implementation of the scheme and they recommended that a ratt which could produce uniform yarn should be designed and developed with the help of Coir Board. But till now such a ratt could not be developed. IIT Madras had tried through the Keltron to develop a new generation type ratt. But it became a failure. Then a reward of Rs. 1 lakh was declared for those who could bring out a good design for ratt. But no one came forward.

9. The Committee stated that it did not want to debate on the necessity of mechanisation of the coir industry. But the Committee pointed out that the supply of untried and untested ratts under the intensive coir development scheme had made the coir co-operative societies bankrupt and that the societies were virtually strangulated by the debt trap the scheme had dragged them into. The Committee opined that the main reason for the failure of the scheme was the unsuitability of the ratts supplied and hence the societies should not be held responsible for the loans they were sanctioned under the scheme. The Committee asked the witness to examine the feasibility of writing off of the loan amount.

Conclusion/Recommendation

10. The Committee views seriously the failure of the scheme for establishment of 'Motorised Spinning Units' in Coir Co-operative Societies under Integrated Coir Development Project. The coir sector, a traditional industry of Kerala follows age old methods of coir yarn production. Systematic research and analysis of the prevailing condition in the sector and proper knowledge about the interest of the workers is necessary before mechanising such a traditional sector.

11. Different varieties of yarn are produced here according to the area of production and the speed with which the yarn is spun. Motorised ratts distributed lacked speed control for producing varieties of yarn specific to different areas of the state. It is only natural that the workers showed reluctance to accept such ratts. Moreover, the machinery were introduced in a hurry. The Committee cannot accept the argument that the agencies had to supply the ratts in a hurry as they were under pressure from Central

Monitoring Agency. Coir Board and Coirfed being agencies specialised in the coir sector should have developed prototypes of ratts suitable for producing special varieties of yarn spun in different areas and ascertained its acceptability among the workers before supplying it to the societies on a large scale. Instead, Keltron, an electronic development agency with no credentials in the coir sector was entrusted with the development and supply of ratts, just because it was a public sector undertaking . The Committee suggests that due weightage be given to the practical knowledge of the workers in the sector while developing machinery like ratts. The Committee is of the opinion that the implementing agency needs to consider tie up with premier research institutions in the country for developing ratts and other machinery.

12. The Committee is convinced that the supply of untested ratts distributed under the scheme had affected the quality of the output from the societies. The difficulty in marketing low quality yarn naturally affected the stability of the societies, dragging them on into debt trap. In such a situation societies cannot be held responsible for the loans they had availed. The Committee therefore recommends to examine the feasibility of writing off the loan amount provided to the societies.

AUDIT PARAGRAPH

State Investment subsidy

Introduction

A scheme of Central Investment Subsidy (CIS)was in operation from 1971 for industrial units in the seven* industrially backward districts in the State. In the districts where CIS was not in operation, a State Investment Subsidy Scheme (SIS) was in operation. Government of India discontinued the CIS with effect from September 1988. Since December 1991 a modified SIS came into effect with the announcement of New Industrial Policy (September 1991) covering new industrial units set up in the State and starting commercial production on or after 23 September 1991. Units undertaking expansion/diversification/ modernisation from 23 September 1991 were also covered under this scheme. This scheme was aimed at promoting industrialisation by giving incentive by way of subsidy to new entrepreneurs and also for existing units for diversification, expansion etc.

Secretary to Government, Industries Department is in overall charge and the Director of Industries and Commerce is the implementing authority of the scheme in respect of Small Scale Industries (SSI). Managers of District Industries Centre were responsible for the implementation at district level. In

* Alappuzha, Idukki, Kannur, Malappuram, Thiruvananthapuram Thrissur and Wayanad.

respect of SSIs financed by Kerala Financial Corporation (KFC) the scheme was implemented by the KFC and Kerala State Industrial Development Corporation (KSIDC) was implementing the scheme in respect of large and medium industries.

As decided by government in January 1994, the subsidy was to be paid at the rate of 15 per cent of Fixed Capital Investment (FCI) subject to a ceiling of Rs. 15 lakh to Rs.20 lakh per unit depending on type of industries. In respect of Information Technology (IT) units set up in the State on or after 28 May 1998 rate of subsidy was 20 per cent subject to a ceiling of Rs 25 lakh per unit. During the period 1995-2000, 6581 units were given assistance under the scheme. A test-check (January-April 2001) of records relating to the period 1995-2000 of Directorate of Industries and Commerce, 6 District Industries Offices* and offices of KFC at Kollam and Thiruvananthapuram and KSIDC at Thiruvananthapuram revealed the following.

Budget provision

The budget provision and expenditure for payment of subsidy for the period from 1995-96 to 1999-2000 were as under:

Year	SSI Units (DIC & KFC)			Large & Medium units (KSIDC)		
	Budget provision	Expenditure	No. of units assisted	Budget provision	Expenditure	No. of units assisted
	(Rs. in crore)			(Rs. in crore)		
1995-96	20.09	20.13	1625	1.00	1.00	21
1996-97	14.00	14.00	1437	5.00	5.00	37
1997-98	13.09	13.09	1381	3.00	3.00	27
1998-99	10.91	10.91	1024	4.00	4.00	37
1999-2000	12.90	12.90	936	4.35	4.35	56
Total	70.99	71.03	6403	17.35	17.35	178

The provision made for SSI units declined during 1995-2000 whereas provision for large and medium industrial units sharply increased during the same period. Due to inadequate provision of funds in the budget, payment of subsidy of Rs 31.73 crore for 2171 SSI units and Rs. 2.04 crore for 23 large and medium units sanctioned during the period 1995-96 to 1999-2000 was in arrears as of January 2001.

* Alappuzha, Ernakulam, Kottayam, Palakkad, Thiruvananthapuram and Thrissur

Delay in sanction and payment of subsidy

Claims for subsidy are to be disposed of within three months. But there were delays varying from 3 to 31 months in 50 cases out of 829 test checked units due to paucity of funds. This resulted in the entrepreneurs approaching the courts to get the benefits. In Ernakulam district, subsidy of Rs. 52.82 lakh was paid to 8 units based on court orders.

Irregular sanction of subsidy

Industrial units were to apply for investment subsidy within 4 months of commencement of commercial production or completion of expansion/ diversification/modernisation. The District Level Committee (for amounts upto Rs. 7.50 lakh) and State Level Committee (for amounts upto Rs. 7.50 lakh) were the competent authority to condone delay in individual cases on merits. In 50 cases subsidy to the tune of Rs. 62.68 lakh was paid by the General Manager of District Industries Centres without condonation of the delays ranging from 3 months to 4 years.

Incorrect computation of subsidy

(i) Land: Land in the name of the unit, as proved by title deeds and possession certificates and considered essential to the running of the unit should alone be considered for investment subsidy. However, it was seen that ineligible subsidy of Rs. 79.89 lakh was paid to 176 units during 1995-2000. Land in excess of the requirement of the unit was also reckoned for calculation of FCI resulting in grant of excess subsidy of Rs. 8.13 lakh to eight units.

Subsidy Manual stipulates that building actually required by the unit and situated in free hold land in the name of the unit or on land on lease to the unit for atleast 10 years shall be eligible for investment subsidy. However, 12 units that did not satisfy the above condition and had executed lease deeds after the submission of application/commencement of commercial production were paid subsidy of Rs. 9.22 lakh as detailed in the Appendix III.

(ii) Building : Subsidy on building was subject to a cost ceiling of Rs. 2000 per square metre of plinth area. Cost of compound walls, office show rooms, canteen, quarters, guest houses or any other civil structures not essentially related to production would not be eligible for investment subsidy. Test-check revealed that area in excess of the requirement for production purposes was also considered for computation of subsidy resulting in excess payment to the tune of Rs. 8.13 lakh in 20 cases.

(iii) Plant and Machinery: Investment on new identifiable plant and machinery should be eligible for subsidy and investment on plant and machinery after the commencement of commercial production should not be considered for investment subsidy. Test check revealed that subsidy of Rs. 6 lakh was paid to 11 units on old plant and machinery and subsidy of Rs. 11.04 lakh was paid to 51 units where plant and machinery items were installed after commencement of commercial production. Expenditure on several ineligible items (like freight charges, installation charges, loading and unloading charges, erection charges, consumables etc.) were included towards capital cost of plant and machinery and subsidy was calculated on this inflated cost. Test check revealed payment of Rs. 8.11 lakh towards ineligible excess subsidy to 44 units.

Sanction of subsidy to ineligible units

Small Scale Service and Business establishments were not eligible for receiving investment subsidy. However, subsidy of Rs. 6.58 lakh was paid to 13 such ineligible units. Non-manufacturing units were not entitled to subsidy. Government clarified in January 1999 that 'purifying of water and filling it in bottles will not amount to manufacture'. Subsidy of Rs. 9.61 lakh was, however, paid to 3 mineral water units in violation of Government orders.

Inadmissible subsidy on expansion/diversification/modernisation of units

Units claiming subsidy for investment on expansion/diversification/ modernisation taken up on or after 23 March 1991 should have carried out such activities as per definite project report over a pre-defined period of time and these should be different from routine replacement. According to Manual, subsidy on investment was payable only in cases where there was at least 25 per cent increase in plant and machinery in Gross Block terms and at least 25 per cent increase in production capacity.

Test-check revealed that in 19 cases, inadmissible subsidy amounting to Rs. 28.10 lakh was paid in cases where there were prima facie violation of conditions prescribed for payment of subsidy as shown in Appendix IV.

Subsidy on installation of generator sets

All diesel generator sets installed on or after 23 September 1991 were eligible for 15 per cent subsidy subject to a ceiling of Rs. 5 lakh. The rate of subsidy was enhanced from 15 per cent to 50 per cent subject to a ceiling of Rs. 7.5 lakh with effect from 1 June 1997 for a period of 2 years. Government clarified (January 1998) that subsidy at the enhanced rate would be admissible only to generator sets having KEL alternator. Despite Government clarification, subsidy at the enhanced rate was paid (June 1999 to August 2000) to five SSI units* on generators with alternator other than KEL resulting in excess payment of subsidy of Rs. 8.48 lakh.

Though enhanced rate of subsidy on generator was applicable on the cost of generators, the rate was wrongly applied on investment made on electrification also resulting in payment of excess subsidy of Rs. 1.57 lakh during 1995-2000.

Lack of clarity in Manual provision

For payment of subsidy in respect of units engaged both in manufacturing and service activities the Manual does not contain any provision. Different norms had been followed in different districts in this regard. While in Palakkad and Kottayam districts, only 50 per cent of the Fixed Capital Investment was reckoned for calculation of subsidy, in the other four districts, the entire investment was reckoned as FCI without obtaining approval of the higher authority. Test-check revealed that a total sum of Rs. 62.17 lakh was paid to 83 such industrial units. The actual eligible amount of investment subsidy to such units could not be ascertained by audit in the absence of the relevant provisions in the manual.

Performance of the subsidised units not watched

According to the Manual, the industrial units which received subsidy must continue working for five years from the date of receipt of the subsidy failing which subsidy paid should be recovered with an interest of 14 *per cent* per annum. The department was to watch the performance of such units for 5 years through visit of the units and watching the receipt of annual accounts of the units prepared and certified by the Chartered Accountants. However, no verification reports were made available to Audit in any of the offices test-checked. Scrutiny revealed that none of the General Managers of District Industries Centres and District Managers of KFC was in receipt of the annual audited accounts for five years. Failure of the department to monitor the functioning of the units resulted in non-assessment of achievements of the scheme.

Non-evaluation of the scheme

Though the schemes had been under implementation in the State from 1971 onwards no evaluation study was conducted to assess the impact of the scheme on industrial production, growth rate, employment generation, reduction in production cost etc.

The matter was reported to Government in July 2001. No reply has been received (October 2001).

[Paragraph 3.12 contained in the Report of the Comptroller & Auditor General of India for the year ended 31st March 2001 (Civil)]

---

* M/s Akash Frame Works, Wadakara M/s Roto Print. Peringandoor, M/s Gandhigram Rubbers Kuruvilangad. M/s Western India Cotton Ltd. Pappinisserri and M/s Popular Oil Mills, Thrissur.

Note furnished by Government on the above audit paragraph is included as Appendix II.

13. In reply to Committee's enquiry, the witness, Principal Secretary, Industries & Commerce, informed that Government provided investment subsidy to District Industries Centres (DIC) to be distributed among industrial units. Earlier, due to treasury ban and delay in processing, subsidy could not be distributed in time. In the latter half of 90's, there had been financial constraints also. As per rules, a unit had to continue working for five years from the date of receiving subsidy which made it difficult for the entrepreneurs to repay the loans. But the rules had since been changed and as per the present condition the units had to function for 5 years from the date of starting production. Processing of applications had also been speeded up.

14. The witness admitted that there had been instances of sanctioning inadmissible subsidies and of providing subsidy to ineligible units. There had been genuine cases where entrepreneurs could not make repayment due to the peculiarities in the system prevalent at that time. Pointing out the cases which the Audit had shown as ineligible units the witness clarified that many of those cases had since been ruled as eligible in the wake of the notification issued by GOI. The witness added that in the case of manufacturing of mineral water no manufacturing but only value addition was being done.

15. It was further informed that a Committee consisting of the Head of the Department and Deputy Accountant General was there to take up each case according to its merit and to decide on the measures to be taken. Step had already been taken to recover the excess subsidy given in certain cases and to write off the loan amount in certain other cases. The Committee observed that if the department had given the reply earlier, the para would have been dropped.

16. In reply to the Committee's query the witness, M.D. Coirfed informed that subsidy amount varied according to the area selected for production. Thrust area like food processing units were provided with subsidy upto Rs. 15 lakhs and 10% subsidy was alloted to units engaged in non-thrust area. A total no. of 6403 small scale units & 178 large and medium units had been given subsidy till 1991.

17. When enquired about the assessment of the performance of the industrial units the witness, Director, Industries & Commerce replied that monitoring was done at the district level. Monthly review was also being done. Details of defunct units had already been collected. Within a period of 5 years,

93 units have become defunct, failing to complete the '5 year period of production'. Those units had availed Rs. 88 lakhs as subsidy. Of the total number of 2,56,000 SSI units which had availed subsidy, about half had been closed down. Only 1,46,000 SSI units were functional. The witness assured to conduct a survey on the details of the SSI units which had availed subsidy in the past 5 years and which were still functioning.

18. The Committee expressed surprise that only 6000 SSI units had applied for subsidy in the ten year period upto year 2000. The witness replied that registering for subsidy was not mandatory. Most of the units preferred to avoid registering due to various reasons. Subsidy was given to manufacturing units only and not to service units. In the previous year only 4600 units had registered and only less than 1500 units had availed of the subsidy.

Conclusion/Recommendation

19. The Committee learns that the performance of the industrial units availing subsidies under the SIS scheme are evaluated at the district level. The Committee desires to know whether the department had enquired during the evaluation of the performance of the units about the reason for the closing down of many SSI units registered under the scheme. Out of the 2,56,000 SSI units which had availed subsidy under the scheme only 1,46,000 were functioning now. Such large scale closure of industrial units indicate an unhealthy trend in the industrial growth of the State. The Committee notes that SSI units prefer to avoid registering under SIS scheme. In such a situation the department may not get a true picture of the industrial development of the State. Progress of industrial sector of a state is an indication of its economic stability. It is, therefore, essential to have a correct idea of the current situation in the sector. The Committee points out that the witness had agreed to conduct a survey on the details of the SSI units which had availed subsidy in the past 5 years and which were still functioning. The Committee recommends to conduct an in depth study of the cause of the large scale closing down of the industrial units in the state and also to enquire into the reasons for the reluctance to register under SIS scheme.

Audit Paragraph

Unnecessary release of funds for a scheme

Under the Integrated Coir Development Project, Government of Kerala approved (November 1997) a scheme for payment of financial assistance to Coir Co-operative Societies, in the form of 50 per cent loan and 50 per cent subsidy for setting up of Diesel Generator sets in the Societies where motorised spinning units/mechanised defibering mills were installed. The loans were to be repaid in 10 instalments starting from the first anniversary of the date of drawal of loans. The scheme was to be implemented through Kerala State Co-operative Coir Marketing Federation Limited (COIRFED), Alappuzha. Government made provision of Rs. 2.06 crore for financial assistance, both loan and subsidy, during the year. The Director drew Rs. 2.18 crore on 31st March 1998 and handed over the amount to COIRFED in April-May 1998.

A State Level Committee (SLC) under the chairmanship of Special Secretary, Industries Department was to sanction the financial assistance to the societies under the scheme. SLC accorded sanction in November 1999 for payment of financial assistance to eight Co-operative Societies for purchase and installation of 75 KV diesel generator sets through COIRFED at a cost of Rs. 38.22 lakh. Out of this amount, cost of 3 generator sets (Rs. 13.22 lakh) already purchased and installed in 3 societies were met by COIRFED. COIRFED has not yet procured and installed diesel generators in the remaining five societies as of March 2001.

Thus, even after two years of drawal of Rs. 2.18 crore, only Rs. 13 lakh was utilised while Rs. 2.05 crore was lying unspent with COIRFED. A High Level Committee constituted to review the progress of the project observed that the envisaged production with diesel generator was not economically viable. The hasty release of Rs. 2.18 crore to the COIRFED by the Director even before the beneficiary societies could be identified and other formalities completed for disbursement was totally unjustified. The funds actually helped the COIRFED to shore up its finances at Government cost than the intended beneficiaries. The Director failed to get the unutilised amount of the grant refunded to Government with interest as provided in the scheme.

The matter was referred to Government in April 2001. No reply has been received (October 2001).

[Paragraph 3.13 contained in the Report of the Comptroller & Auditor General of India for the year ended 31st March 2001 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

20. The witness, Additional Secretary, Industries (Coir) Department informed that the scheme for providing diesel generator sets to the Coir Co-operative Societies was started on the basis of the recommendation of a sub Committee formed for the purpose of reviewing the implementation of the Integrated Coir Development Project (ICDP). Director, Coir Development, Joint Secretary to Government, Deputy Regional Director, NCDC, M.D., Coirfed,

Alappuzha and Deputy Director in charge of Coir Board, Kochi and General Manager, (Projects, Coirfed Alappuzha) were members of the sub Committee. The decision to procure diesel generator sets was made as the ICDP scheme could not be continued due to power scarcity. It was realised only later that the operational expenses and cost of the diesel generator would be exorbitant. Hence it was decided to use the sets as standby till electricity supply could be provided on a regular basis.

21. The Committee pointed out that the Sub Committee which took the decision for buying the generators consisted of neither any electrical engineers nor appropriate cost consultant as members to make sure that the scheme would be cost effective. All aspects relating to the scheme should have been reviewed by the Committee and the cost factor calculated before hand.

22. The witness then informed that a high power Committee had reviewed the decision to buy generator sets and had decided to use the sets only where there was no power connection. As per the decision, 3 units had been supplied with the sets. Generator sets had been alloted to 4 societies under Coirfed also.

23. The Committee understood that the Industries Department has taken up the matter of electricity arrears with the Power Department. The Committee therefore recommended that relief should be given to the Coir Co-operative Societies under minimum guarantee programme and the Power Department should consider the matter favourably and pass proper orders.

24. When enquired about the fund earmarked for the scheme, the witness replied that the amount was in the T.P. Account. Though 80% of the funds had been alloted, full amount could not be utilised. Proposal to use the balance amount for other aspects of the scheme had been sent to the Finance Department for approval.

25. Pointing out the impropriety of keeping public money locked up in T.P. Account, the Committee enquired how long the money had been in the account and also whether any interest had been received. The witness replied that the money had been in the Treasury for the past 6 years and that the department was waiting for Government decision for using it for other components in the scheme.

Conclusion/Recommendation

26. The Committee understands that though an amount of Rs. 2.18 crore was drawn for setting up diesel generators in the coir cooporative societies, Coirfed, the implementing agency did not fully utilise the money for the

intended purpose. The Committee takes exception to the stand that the scheme could not be fully implemented as the generator sets were un economical. It is surprising that the implementing agency realised this half way through the scheme. The Committee is convinced that the sub-committee which took the decision for buying the generator sets failed to take into account the cost-effectiveness of the scheme. The Committee points out that before implementing a scheme, care needs to be taken to consider all its aspects including its cost-effectiveness by utilising the services of technical experts.

27. The Committee feels that factors like power scarcity should not be a deterrent in the growth of industrial sector in the State. Issues like electricity arrears should be cleared by the department by reaching an agreement with the Power Department. The Committee recommends that relief be given to coir co-operative societies under minimum guarantee programme. The Committee requires the Power Department to consider the matter favourably and to pass proper orders to that effect.

28. The Committee expresses concern over the impropriety of locking up a large part of the alloted funds in the T.P. account for six years without utilising it for the intended purpose. The Committee requires the department to inform whether the proposal to use the balance amount for other aspects of the scheme has been approved by the Finance Department. The Committee directs the department to inform the present position of the implementation of the scheme.

29. The Committee is of the opinion that the trend of introducing new schemes without any planning or insight is on the increase, leading to the wastage of money from public exchequer. Before introducing new schemes the administrative departments need to set the objectives of the schemes clearly after thoroughly considering all aspects related to it, especially that economic viability. The Committee also directs the department to monitor the implementation of the schemes regularly to ensure that public money alloted for the purpose is properly utilised. The Committee directs Finance Department to scrutinise all the proposals for new schemes in detail before they are approved and also to check whether the schemes are feasible. The Committee also requires the Finance Department to insist on periodic monitoring and review of the implementation of the schemes.

AUDIT PARAGRAPH

Unfruitful outlay on defibering mills

In October 1994, Government approved the scheme for establishing defibering mills of combing machine type in Co-operative Societies (Societies) under Integrated Coir Development Project for extracting fibre from green coconut husk. Under the scheme, the Societies were eligible for financial assistance of 95 per cent of the project cost in the pattern of 50 per cent as loan, 25 per cent as State Government subsidy and 20 per cent as Central Government subsidy. The loan and the State Government subsidy were met out of NCDC loans to State Government. The balance of project cost was to be borne by beneficiary Societies. The Kerala State Co-operative Coir Marketing Federation Limited (COIRFED), was the implementing agency. The Societies were required to refund the loan with interest from the second anniversary of the date of receipt of power connection or on expiry of sanctioned period of utilisation, whichever was earlier.

A test check of the accounts of Project Officer (Coir), Kozhikode revealed (September 2000) that Director, Coir Development disbursed financial assistance of Rs.1.87 crore to 10 Societies during the period April 1994 to June 1999 through COIRFED. Of the 10 Societies, 8 Societies to which Rs. 1.49 crore was paid between March 1996 and March 1999, did not start mechanised defibering due to non-installation of machines, want of power connection etc., as of May 2001. None of the ten Societies made any repayment to Government towards instalments of loan or interest so far (May 2001), which were due between November 1996 and April 1999. The financial assistance of Rs. 1.49 crore provided to the eight Societies was therefore rendered unfruitful due to non-commissioning of the projects. The scheme intended to benefit the Coir industry thus failed to take off.

The Project Officer failed to ensure timely utilisation of funds and regular repayment of loans by the Societies as provided in the scheme rules. He also failed to monitor the implementation of the scheme through progress reports from the Societies and Utilisation Certificate. The Director of Coir Development also failed to effectively monitor and timely intervene to ensure successful implementation of the scheme.

The matter was reported to Government in June 2001; reply has not been received (October 2001).

[Paragraph 3.16 contained in the Report of the Comptroller & Auditor General of India for the year ended 31st March 2001 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

30. The witness informed that the scheme for establishing defibering mills of combing machine type in Co-operative Societies for extracting green coconut

husk was started in 1993-94 under ICDP, with a view to improve husk utilisation in the State. Mainly societies from northern Kerala had been selected for the scheme. The societies were to provide land, building and electrification and the Coirfed was to supply machinery. After the erection of the machinery, the societies were to run it. But all societies could not provide the necessary infrastructure in time. In the 56 societies selected Coirfed had erected machinery in all except two. Forty six of them had been commissioned in 1995-96 itself. The witness added that in the project cost, there was ceiling for the cost of each item like machinery, land etc. Hence finding out land for the establishment of the units with the funds provided became difficult and this caused delay in starting the units.

31. In some cases the units could not be started due to the protest of the local people who feared pollution that would be caused by the units.

32. When enquired about the loan repayment the witness informed that the societies were to make repayment after commissioning. But there was a moratorium of two years on repayment.

33. The Committee pointed out that there had been a delay of 10 years in the implementation of the scheme and that this had led to the accumulation of interest making the project unviable. It was clear that no proper planning was done before implementing the scheme. The societies seemed to be not interested in the scheme. The committee enquired whether proper follow up had been done on the performances of the societies. The committee also wanted to know the steps that the department was planning to take in the case of the defunct societies.

34. The witness informed that the societies were reluctant to use the technology provided, as there was a complaint that the fibre from the husk lost its colour during the process. The societies also had to solve the issue of pollution due to the accumulation of pith. To overcome the accumulation of pith a scheme for manufacturing bricket from the pith had been worked out. The K.S.E.B. had been approached for supply of power on a concessional rate. There was also a proposal to give membership to the workers only.

35. When enquired about the option of leasing societies, the witness informed that the societies were not willing to accept the proposal. The Committee suggested that steps for utilising the full capacity of the machinery was necessary. Those societies which were not functioning had to be revived. If necessary, steps had to be taken for leasing the facilities available.

Conclusion/Recommendation

36. The Committee expresses dissatisfaction over the lack of planning before introducing the scheme. The problem of pollution, issues related to power supply etc. which arose during the implementation could have been prevented or solved easily had there been prior planning. Proper planning and research would have given the implementing agency a clear idea about the ground realities and the need of the workers. Thus delay in implementation could have been avoided.

37. The Committee is convinced that the delay has led to the accumulation of interest making project unviable. The Committee enquires whether the societies have started repaying the loan amount and directs the department to furnish the details regarding repayment.

38. The Committee understands that issues related to power supply and electricity charge dues have affected the performance of the societies. The Committee suggests that necessary steps be taken by the Power Department to settle the issue in societies favour. The Committee requires the Industries Department to take urgent measures to supply machinery to those societies to which machinery has not yet been supplied. The department is to ensure that full capacity of machinery is utilised.

39. The Committee notices that the performance of the societies were not upto the mark. The officials of the department should have ensured timely utilisation of fund and regular repayment of loans by the societies. There was lapse in the monitoring of the implementation of the scheme also. The Committee desires to know about the action taken against the officers responsible for the lapse.

40. The Committee requires the department to give emphasis for reviving defunct societies. If necessary, steps are to be taken for leasing the facilities of the societies.

AUDIT PARAGRAPH

Blockage of funds in setting up of an Industrial Development Area

Government accorded sanction (June 1993) for setting up of a 200 acre (80.97 hectares) Industrial Development Area at Puzhakkalpadam in Thrissur district. Notification for acquisition of land was published (October 1994) under the Kerala Land Acquisition Act (Act). But as the declaration under Section 6 of the Act was not made before the expiry of one year from the date of issue of notification, the notification lapsed and Government had to issue the administrative sanction again in January 1998 for the purchase of land invoking urgency clause of the Act. The revised notifications were issued between July 1999 and July 2000.

District Industries Centre paid Rs. 1.65 crore* between February 1996 and October 2002 to the Special Tahsildar, Land Acquisition, (General) (LAO), Thrissur towards cost of the land and other incidental charges . Of this, Rs. 1.02 crore was irregularly drawn before issuing the notification for acquisition of land. The LAO credited the entire amount under 8443 – Civil Deposits. The acquisition of land was started in December 2001 and 20.81 hectares only were acquired at a cost of Rs.1.38 crore.

Even after ten years of sanctioning of the project only one fourth of the land required could be acquired and the acquired land has not yet been developed. Consequently the acquired land could not be allotted to the prospective entrepreneurs. The department stated (June 2004) that Government decided (December 2002) to drop further acquisition of land. This would indicate that the project was conceived without proper planning and a definite time schedule. The lackadaisical approach of the department and Government led to abnormal delay in setting up the Industrial Development Area and resulted in blocking up of Government money to the extent of Rs. 1.65 crore.

The matter was referred to Government in May 2004; reply has not been received (November 2004).

[Paragraph 4.5.4 contained in the Report of the Comptroller & Auditor General of India for the year ended 31st March 2004 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

41. The witness, Principal Secretary, Industries & Commerce informed the Committee that when the project for Industrial Development Area at Puzhakkalpadam in Thrissur district was started, the plan was to acquire 200 acres of land. But due to financial constraints only 50 acres of land could be acquired. Of that, 40 acres had been alloted to KINFRA, DIC had developed the rest of the lands. When enquired about the development activities, the witness informed that discussions were on for starting a printing village and a Gems Jewellery Park. When enquired about the original plan for acquiring 200 acres, the witness informed that the entire 200 acres of land could not be acquired due to paucity of funds. He expressed hope that Government would be able to generate income from the land it had already acquired.

* February 1996-Rs. 0.25 lakh; March 1997-Rs. 101.32 lakh; October 2002-Rs. 61 lakh.

Conclusion/Recommendation

42. The Committee learns that out of the amount of Rs. 1.65 crore paid to the special Tahsildar Land Acquisition (General) LAO, Thrissur, Rs. 1.02 crore was drawn before issuing the notification for acquisition of land. The Committee enquires whether the department has enquired into the issue of irregular drawal of money before issuing the Notification of Land Acquisition. The Committee requires the department to furnish a report on action taken in this regard.

43. The Committee wants to know whether the plan for starting a printing village and Gems Jewellery Park in the acquired land has been materialised. The Committee requires the department to inform about the present condition of the industrial development area at Puzhakkalpadam in Thrissur District.

AUDIT PARAGRAPH

Release of grants for a scheme without considering its viability

Government approved (January 2001) a project for establishment of a High Tech Coir Park at Perumon in Kollam District. The objective of the park was to provide the environment and infrastructure required to promote high technology coir manufacturing, research, design, development and training establishment. The project envisaged setting up of six coir manufacturing units by Co-operative societies, dyeing unit, a unit for designing and manufacturing of coir machinery, testing and quality control unit and a Research and Development Centre at an investment of Rs.18.48 crore to be met from various sources. The project was to be implemented by the Centre for Development of Coir Technology (C-DOCT), a State autonomous body.

Government released (January 2001) Rupees one crore to C-DOCT for the project. However, C-DOCT deposited the entire amount of Rupees one crore in the current account of Indian Overseas Bank (IOB), Main Branch, Thiruvananthapuram upto 17th November 2002 and thereafter Rs.89 lakh was transferred to term deposits. C-DOCT had purchased (December 2001) only one Geo-textile making powerloom and accessories spending Rs.7.49 lakh which is lying idle as of May 2004.

C-DOCT stated (May 2004) that the Governing Body had since decided to establish a National Coir Research and Management Institute at Thiruvananthapuram and to maintain the unit at Perumon as a Training Institute and pilot project location. It was also opined that if the proposed High-Tech Coir Park was established as such, it would lead to the creation of another Public Sector Undertaking in coir and as per the policy of the Government this was not acceptable.

Government stated (September 2004) that they do not agree with the opinion of the Governing Body. Government added that steps for implementation of the High Tech Coir Park were initiated and building for Research and Training Institute for Coir Geo-textiles had been constructed with MPLAD fund and trial run of the powerloom purchased for coir Geo-textiles production had been conducted between January-December 2003. Government further stated that activities for the establishment of the proposed National Coir Research and Management Institute at Thiruvananthapuram were in progress. The reply of Government is not acceptable as none of the components of the High-tech Coir Park had been fully established even after three years of sanctioning the project and allotment of funds. Thus, Rupees one crore released to C-DOCT did not serve any purpose and resulted in unnecessary retention of funds outside Government account for more than three years, thereby entailing avoidable interest payment of approximately Rs.20 lakh* on the financing of working capital requirements of the Government.

[Paragraph 4.5.5 contained in the Report of the Comptroller & Auditor General of India for the year ended 31st March 2004 (Civil)].

Note furnished by Government on the above audit paragraph is included as Appendix II.

44. The project for establishing a 'high tech –Coir Park' at Perumon was approved by Government in 2001. C-DOCT was to be the implementing agency. The project envisaged a Coir park, a training centre for development in the Coir Sector. Later the project was modified to include a National Coir Research and Management Institute (NCMRI) an autonomous body. The institute was to be started at Thiruvananthapuram and the Perumon unit was to be maintained as a Training Institute and pilot project location. The department planned to develop the institute into a comprehensive research centre, collaborating with other research institutes at the national level.

45. The Committee observed that financial constraints was a major drawback, when such an ambitious programme involving large investments were planned. The witness, Additional Secretary, Industries (Coir) Department replied that the State Government had already approached GOI for the development and research in the sector. Other natural fibres like jute and cotton get more importance at national level as there were more research centres concentrating on those sectors. Research and value addition has been very low in the coir sector. Coir Board was supporting mostly traditional products in the sector. Hence the department was planning to involve ICAR in order to identify areas for research in the sector. The Committee then observed that if ICAR was to be involved it

* Calculated at the bank rate of interest.

would be better to make the research institute a part of Agricultural University. The witness replied that the department had earlier planned like that but it was felt necessary that the research institute should be developed in an industry oriented manner. This was essential for developing machinery in the sector. It was envisaged to develop the institution as an autonomous body like ICAR, with external funding, training facility, consultancy and management. The project was to be headed by C-DOCT. Research projects involving IIT and RRL were also being taken up.

46. When enquired about the project report of the Coir Park, the witness replied that detailed report had not been prepared. Since Geo-textiles attract much export market potential and with the intention to promote its export, three looms were installed and they were functioning as training units. Coir Board had developed this as a special scheme called 'Anugraha' for women.

47. The Committee enquired about the detailed project of NCRMI. The witness replied that an amount of Rs. 5 crores for the next five year and Rs. 19 crore in the 11th Five year plan were in the proposal as investment.

48. The Committee suggested that to make the project cost-effective the investment should be used for specific projects with RRL, and other research institutes, keeping C-DOCT as the nodal agency.

49. The Committee also made a suggestion to stop recovery from the societies in the sector and required the department to take steps to solve issues relating to electric connection to these coir societies. The Committee recommended to set up a total research institute with all facilities in the coir sector in the state.

50. The witness informed the Committee that the department was also developing the concept of coir village. A proposal was also there to convert the loan of the societies as share of the members.

Conclusion/Recommendation

51. The Committee observes that the move to modify the project of a High Tech Coir park by establishing a National Coir Research and Management Institute for the development and comprehensive research in the coir sector is an appreciable step considering the lack of scientific research in the sector. But the department has the responsibility to plan the project meticulously before implementing it. The Committee remarks that the implementation of the project for 'coir park' was undertaken without any proper planning or any feasibility study. Though Rs. 1 crore was released to C-DOCT, the implementing agency in January 2001, an amount of Rs. 7.49

lakh only had been spent for the purchase of one Geo-Textile making powerloom till May 2004. The Committee enquires whether the department has checked the progress of the work or has received any report from C-DOCT regarding the work. The Committee opines that the department should ensure that the modified project is properly planned and its implementation regularly monitored and reviewed.

52. The Committee points out that as the implementation of such projects involve huge investment, financial constraints constitutes the main problem. The Committee suggests that steps be taken to make the project cost effective. For that purpose co-operation from research institute like RRL, ICAR etc. are to be sought and their participation be ensured in specific projects, keeping C-DOCT as the nodal agency. The Committee enquires whether any assistance has been received from the Government of India for the development and research in the sector.

53. The Committee feels that Kerala is losing its monopoly in the coir sector due to a variety of reasons. Unless an earnest effort is initiated to bring forth an over all development in the sector, the coir sector, one of the traditional sectors in the State will lose its significance in future. As there is lack of research, value addition is not taking place and mostly traditional items are produced and marketed. The implementing agency should realise the demand for value added products both in the domestic and international markets. Comprehensive research, adoption of latest technology and awareness of the demands of the market are essential for the overall development of the sector. The Committee therefore recommends for setting up of a comprehensive research institute with all facilities necessary for the development of coir sector.

54. The Committee appreciates the move for the adoption of coir villages and conversion of the loan of the societies as their share. The Committee suggests that the recovery procedure started against the societies in the sector be stopped. The Committee also suggests to take steps to solve issues relating to power connection to the societies.

ARYADAN MUHAMMED,

Chairman,
Committee on Public Accounts.

Thiruvananthapuram,
17th September, 2007.

APPENDIX I

SUMMARY OF MAIN CONCLUSION/RECOMMENDATION

Sl. No	*Para No.*	*Department concerned*	*Conclusions/Recommendations*
(1)	(2)	(3)	(4)
1	10	Industries	The Committee views seriously the failure of the scheme for establishment of 'Motorised Spinning Units' in Coir Co-operative Societies under Integrated Coir Development Project. The coir sector, a traditional industry of Kerala follows age old methods of coir yarn production. Systematic research and analysis of the prevailing condition in the sector and proper knowledge about the interest of the workers is necessary before mechanising such a traditional sector.
2	11	,,	Different varieties of yarn are produced here according to the area of production and the speed with which the yarn is spun. Motorised ratts distributed lacked speed control for producing varieties of yarn specific to different areas of the state. It is only natural that the workers showed reluctance to accept such ratts. Moreover, the machinery were introduced in a hurry. The Committee cannot accept the argument that the agencies had to supply the ratts in a hurry as they were under pressure from Central Monitoring Agency. Coir Board and Coirfed being agencies specialised in the coir sector should have developed prototypes of ratts suitable for producing special varieties of yarn spun in different areas and ascertained its acceptability among the workers before supplying it to the societies on a large scale. Instead, Keltron, an electronic development agency with no credentials in the coir sector was entrusted with the development and supply of ratts, just because it was a public sector undertaking. The Committee suggests that due weightage be given to the practical knowledge of the workers in the sector while developing machinery like

(1)	(2)	(3)	(4)
			ratts. The Committee is of the opinion that the implementing agency needs to consider tie up with premier research institutions in the country for developing ratts and other machinery.
3	12	Industries	The Committee is convinced that the supply of untested ratts distributed under the scheme had affected the quality of the output from the societies. The difficulty in marketing low quality yarn naturally affected the stability of the societies, dragging them on into debt trap. In such a situation societies cannot be held responsible for the loans they had availed. The Committee therefore recommends to examine the feasibility of writing off the loan amount provided to the societies.
4	19	”	The Committee learns that the performance of the industrial units availing subsidies under the SIS scheme are evaluated at the district level. The Committee desires to know whether the department had enquired during the evaluation of the performance of the units about the reason for the closing down of many SSI units registered under the scheme. Out of the 2,56,000 SSI units which had availed subsidy under the scheme only 1,46,000 were functioning now. Such large scale closure of industrial units indicate an unhealthy trend in the industrial growth of the State. The Committee notes that SSI units prefer to avoid registering under SIS scheme. In such a situation the department may not get a true picture of the industrial development of the State. Progress of industrial sector of a state is an indication of its economic stability. It is, therefore, essential to have a correct idea of the current situation in the sector. The Committee points out that the witness had agreed to conduct a survey on the details of the SSI units which had availed subsidy in the past 5 years and which were still functioning. The Committee recommends to conduct an in depth study of the cause of the large scale closing down of the industrial units in the state and

(1)	(2)	(3)	(4)
			also to enquire into the reasons for the reluctance to register under SIS scheme.
5	26	Industries	The Committee understands that though an amount of Rs. 2.18 crore was drawn for setting up diesel generators in the coir co-oporative societies, Coirfed, the implementing agency did not fully utilise the money for the intended purpose. The Committee takes exception to the stand that the scheme could not be fully implemented as the generator sets were un-economical. It is surprising that the implementing agency realised this half way through the scheme. The Committee is convinced that the sub-committee which took the decision for buying the generator sets failed to take into account the cost-effectiveness of the scheme. The Committee points out that before implementing a scheme, care needs to be taken to consider all its aspects including its cost-effectiveness by utilising the services of technical experts.
6	27	Industries & Power	The Committee feels that factors like power scarcity should not be a deterrent in the growth of industrial sector in the State. Issues like electricity arrears should be cleared by the department by reaching an agreement with the Power Department. The Committee recommends that relief be given to coir co-operative societies under minimum guarantee programme. The Committee requires the Power Department to consider the matter favourably and to pass proper orders to that effect.
7	28	Industries	The Committee expresses concern over the impropriety of locking up a large part of the alloted funds in the T.P. account for six years without utilising it for the intended purpose. The Committee requires the department to inform whether the proposal to use the balance amount for other aspects of the scheme has been approved by the Finance Department. The Committee directs the department to inform the present position of the implementation of the scheme.
8	29	Industries, Finance	The Committee is of the opinion that the trend of introducing new schemes without any planning or

(1)	(2)	(3)	(4)
			insight is on the increase, leading to the wastage of money from public exchequer. Before introducing new schemes the administrative departments need to set the objectives of the schemes clearly after thoroughly considering all aspects related to it, especially that of economic viability. The Committee also directs the department to monitor the implementation of the schemes regularly to ensure that public money alloted for the purpose is properly utilised. The Committee directs Finance Department to scrutinise all the proposals for new schemes in detail before they are approved and also to check whether the schemes are feasible. The Committee also requires the Finance Department to insist on periodic monitoring and review of the implementation of the schemes.
9	36	Industries	The Committee expresses dissatisfaction over the lack of planning before introducing the scheme. The problem of pollution, issues related to power supply etc. which arose during the implementation could have been prevented or solved easily had there been prior planning. Proper planning and research would have given the implementing agency a clear idea about the ground realities and the need of the workers. Thus delay in implementation could have been avoided.
10	37	”	The Committee is convinced that the delay has led to the accumulation of interest making project unviable. The Committee enquires whether the societies have started repaying the loan amount and directs the department to furnish the details regarding repayment.
11	38	Industries, Power	The Committee understands that issues related to power supply and electricity charge dues have affected the performance of the societies. The Committee suggests that necessary steps be taken by the Power Department to settle the issue in societies favour. The Committee requires the Industries Department to take urgent measures to supply machinery to those societies to which machinery has not yet been supplied. The department is to ensure that full capacity of machinery is utilised.

(1)	(2)	(3)	(4)
12	39	Industries	The Committee notices that the performance of the societies were not upto the mark. The officials of the department should have ensured timely utilisation of fund and regular repayment of loans by the societies. There was lapse in the monitoring of the implementation of the scheme also. The Committee desires to know about the action taken against the officers responsible for the lapse.
13	40	”	The Committee requires the department to give emphasis for reviving defunct societies. If necessary, steps are to be taken for leasing the facilities of the societies.
14	42	Industries, Revenue	The Committee learns that out of the amount of Rs. 1.65 crore paid to the special Tahsildar Land Acquisition (General) LAO, Thrissur, Rs. 1.02 crore was drawn before issuing the notification for acquisition of land. The Committee enquires whether the department has enquired into the issue of irregular drawal of money before issuing the Notification of Land acquisition. The Committee requires the department to furnish a report on action taken in this regard.
15	43	Industries	The Committee wants to know whether the plan for starting a printing village and Gems Jewellery Park in the acquired land has been materialised. The Committee requires the department to inform about the present condition of the industrial development area at Puzhakkalpadam in Thrissur District.
16	51	”	The Committee observes that the move to modify the project of a High Tech Coir park by establishing a National Coir Research and Management Institute for the development and comprehensive research in the coir sector is an appreciable step considering the lack of scientific research in the sector. But the department has the responsibility to plan the project meticulously before implementing it. The Committee

(1)	(2)	(3)	(4)
			remarks that the implementation of the project for 'coir park' was undertaken without any proper planning or any feasibility study. Though Rs. 1 crore was released to C-DOCT, the implementing agency in January 2001, an amount of Rs. 7.49 lakh only had been spent for the purchase of one Geo-Textile making powerloom till May 2004. The Committee enquires whether the department has checked the progress of the work or has received any report from C-DOCT regarding the work. The Committee opines that the department should ensure that the modified project is properly planned and its implementation regularly monitored and reviewed.
17	52	Industries	The Committee points out that as the implementation of such projects involve huge investment, financial constraints constitutes the main problem. The Committee suggests that steps be taken to make the project cost effective. For that purpose co-operation from research institute like RRL, ICAR etc. are to be sought and their participation be ensured in specific projects, keeping C-DOCT as the nodal agency. The Committee enquires whether any assistance has been received from the Government of India for the development and research in the sector.
18	53	„	The Committee feels that Kerala is losing its monopoly in the coir sector due to a variety of reasons. Unless an earnest effort is initiated to bring forth an over all development in the sector, the coir sector, one of the traditional sectors in the State will lose its significance in future. As there is lack of research, value addition is not taking place and mostly traditional items are produced and marketed. The implementing agency should realise the demand for value added products both in the domestic and international markets. Comprehensive research, adoption of latest technology and awareness of the demands of the market are essential for the overall

(1)	(2)	(3)	(4)
			development of the sector. The Committee therefore recommends for setting up of a comprehensive research institute with all facilities necessary for the development of coir sector.
19	54	Industries	The Committee appreciates the move for the adoption of coir villages and conversion of the loan of the societies as their share. The Committee suggests that the recovery procedure started against the societies in the sector be stopped. The Committee also suggests to take steps to solve issues relating to power connection to the societies.

APPENDIX II

REMEDIAL MEASURES TAKEN STATEMENT ON PARA 3.19 OF THE C & AG's REPORT FOR THE YEAR ENDED 31-3-2000 (CIVIL)

Para No.	*Title of the para*	*Remedial measures taken*
(1)	(2)	(3)
3.19	**Unfruitful Outlay on establishment of motorised spinning units under Integrated Coir Devpt. Project.** *Failure of the scheme for establishment of motorized spinning units in Coir Co-op. Societies rendered govt. subsidy and loan of Rs. 3.12 crore unfruitful.* In 1994 Govt. of Kerala approved the scheme for establishment of 'Motorised Spinning Units' in Coir Co-op. Societies under Integrated coir Development Project. The Kerala State Co-op. coir marketing Federation (COIRFED) was the implementing agency of the scheme. The scheme envisaged establishment of 100 'motorised treadle ratts' in each Co-op. society (unit) capable of spinning superior yarn of uniform quality and of varities required for products manufacture and exports. National co-op. development Corpn. (NCDC) was to provide 75% finance for the scheme as loan to State Govt.	In 1994 govt. of Kerala approved the scheme for establishment of 'Motorised spinning Units' in Coir Co-op. Socities under ICDP. The COIRFED was the implementing agency of the scheme. The scheme envisaged establishment of 100 'motorised treadle ratts' in each Co-op. Society (unit) capable of spinning superior yarn of uniform quality and of varities, required for products manufacure and exports. National Co-op. Development Corpon. was to provide 75% finance for the scheme as loan to State Govt. and Govt. in turn was to disburse 25% as subsidy and 50% as loan to coirfed on behalf of the Society. The balance project cost was to be met by subsidy from Govt. of India (20%) and Societies own contribution (5%). The NCDC, New Delhi had conveyed its sanction for the establishment of the total 125 spinning units under the ICDP (12 Nos. in 1993-94, 82 Nos. in 1994-95, 30 Nos. in 1995-96 & 1 No. in 1996-97). The main problem with the motorised spinning ratts is that the coir produced by the ratts is not in demand in the market on the excuse

(1)	(2)	(3)
	and govt. in turn was to disburse 25% as subsidy and 50% as loan to COIRFED on behalf of the society. The balance project cost was to be met by subsidy from GOI (20 per cent) and societies own contributions (5%). In Kollam district, 18 coir Co-op. societies were selected for implementation of the scheme and these societies were paid an assistance of Rs. 3.12 crore (including the cost of ratts) during Nov. 1994 to March 1997. COIRFED arranged the supply of motorized ratts through other firms. Out of 1399 ratts supplied to the 16 socities during the period 1994 to 1998, only 460 (33%) were in working condition (June 2000). Balance 939 ratts were either damaged or not in working condition. No ratts were supplied to two societies under the scheme. Though the loan was to be utilised within 3 months, utilisation certificates for Rs. 68.40 lakh in respect of only 4 socities were submitted by the P. O. (coir), Kollam to the DCD as of May 2000. The Societies failed to repay either the Principal or the interest so far (June 2000) which were due from the second anniversery of the date of receipt of power connection or after	of poor quality. The procurement and supply of motorised coir ratts for spinning units were since stopped, waiting for improved designs with better output. Coirfed has also taken steps for the development of motorised Coir ratts with the help of National level Institutions like IIT Madras and also through manufactures/suppliers. The meeting of the Technical Committee has been postponed twice due to various reasons. The technical committe has since met and the capacity of the ratts was tested. However the DCD has now recommended that the ratts may be purchased only from the panel of firms registered and included in the panel of Coir Board may be selected and Govt. have accepted the recommendation. Govt. have also requested Coir Board to assess the performance of the ratts already supplied. The service of Senior Experts Services (SES) was also utilised for identifying technical problems. As in the case of defibering units, ICDP units face the same problems of electricity dues, minimum gurantee arrears and shortage of working capital. Govt. are taking necessary steps to solve these problems. A high level meeting was convened in the office of the M (A&C) on 28-10-2003 with the Chairman, KSEB, DCD etc. A proposal was sent to power Dept. on 6-3-2004 to realize only the actual electricity charge for the electricity

(1)	(2)	(3)
	expiry of sanctioned utilization period whichever was earlier. The schme also, failed miserably due to failure on the part of implementing agency to ensure quality of ratts supplied. The P. O. attributed the poor implementation of the scheme to high cost of production in the mechanised ratts, poor output, scarcity of skilled labour and sale of yarn below production cost. The above facts revealed that the scheme was conceived without proper planning and Rs. 3.12 crore spent on the scheme was by and large unfruitful. Moreover, the Govt. was saddled with the responsibility of repayment of loan availed from NCDC to finance the scheme. Govt. stated (August 2000) that the project had been conceived as a pilot project with a long term objective of modernization of coir industry through systematic mechanization. This is not tenable as the scheme failed in achieving its objectives mainly due to failure of Govt. to monitor the progress and take appropriate and timely corrective action.	consumed, instead of minimum gurantee and not to provide connection of minimum gurantee basis in the units where electric connection is not yet provided and to take speedy steps to get these units electrified. In this contest, it is to be pointed out that the Integrated Coir Devpt. Project has been taken up as a pilot project as there was great resistance from the work force to introduce mechanisation in the coir sector. There are about 2.68 lakhs workers engaged in the traditional coir spinning in the state. Out of this only 20000 workers which is less than 10% were planned to be included for the mechanisation programme under ICDP. In the initial stage only about 10000 workers were included in the project under implementation. The concept of motorised spinning ratts with minimum labour displacement was a novel one at that stage and most of the manufactures involved in the development of motorized ratt had to undertake extensive research and proto type development. In order to evolve a commercially viable motorized spinning ratt, real performance evaluations was essential. As stated earlier that the scheme was implemented as a pilot project based on the policy of the Govt. to introduce gradual mechanisation in

(1)	(2)	(3)
		the coir sector. Therefore the remark of AG that the scheme was ill conceived is not correct, due to the following reasons.
		Motorised ratts were introduced for the first time in the country. Therefore it is quite natural that a realistic estimate of the production out put and cost of production could not be made in advance based on past experience. The estimates on the above were made based on theoretical calculations. The pilot project proved that drastic changes in the design of motorised ratts are required to make it technically and economically viable. The coir Devpt. Dept. and the Govt. are initiating necessary action for the development of a motorized ratt of superior design.
		Pilot projects are liable to be a failure very often. But this does not mean that the amount spent on such pilot projects is unfruitful. The experience gained by such projects are invaluable and can lead to future innovations. Year wise breakup of the outstanding loan and interest under different schemes are incorporated by the DCD in the defaulted loan statement for each year. DCD is also taking earnest efforts to recover the dues from the societies. Considering the above facts, the para may be dropped.

REPLY TO PARA 3.12 OF TIIE.C&AG REPORT FOR THE YEAR ENDED 31st MARCH, 2001

(STATE INVESTMENT SUBSIDY)

1. Para.3.12.1 Introduction

Remarks: No comments

2. Para 3.12.2 Budget provision

Remarks: At that time, due to financial constraints of Government, sufficient funds could not be provided. All efforts are being made to clear the arrears.

3. Para 3.12.3 Delay in sanction and payment of subsidy

Remarks: A master checklist and procedures to be followed was forwarded to all General Managers, Dist. Industries Centre/KFC/KSIDC to ensure that such instances of delay is minimized. The pendancy of cases of State Investment Subsidy in the Districts is reviewed in every Plan Review Meeting. The new procedure is being implemented in the districts and no instance of delay is reported till date.

4. Para 3.12.4 Irregular sanction of subsidy

Remarks : The power delegated to SLC/DLC to condone delay in submission of application is provided in clause (16), of the Manual for State Investment Subsidy published vide G.O. (Ms.)No.4/94/ID dated 4-1-1994. All eligible subsidies were sanctioned by the DLC/SLC only and not by General Managers, Dist. Industries Centre.

5. Para : 3.12.5 Incorrect computation of subsidy

(i) Land:—As per the Manual of State Investment Subsidy, the clause that deals with Land is clause 8. As per this clause the land considered essential to the running of the unit by the General Manager, District Industries Centre/KFC/ KSIDC shall be admitted to investment subsidy. Clause 10 of the manual deals with the building, in which it is specified that any other civil structures not essentially related to production shall not be eligible for investment subsidy. Hence the observation of the Accountant General that as per clause 10 of the Manual of State Investment Subsidy, only land used for production purpose alone qualifies for subsidy is incorrect. Government as per G.O(Rt.) 203/2003/ID dated 27-2-2003 has clarified that investment on land and building will be admitted for computing investment for the purpose of Sales Tax Exemption and State Investment Subsidy, if the land is purchased in the name of the Proprietor/

Proprietrix, Managing Director, Partner/Partners, provided the investment on land shall be reflected in the Books and Accounts of the Unit/Company/Firm. This clarification is applicable to the relevant Government Orders of the Manual of State Investment Subsidy and Manual of Sales Tax Exemption with retrospective effect from the date of such orders. Hence the objection may be dropped.

(ii) Bulding : The details of 20 units mentioned in the Report are furnished below:—

1. M/s. Loom Craft, Mayithara

For admitting investment on building, the cost of ceiling as per rule is Rs. 2000 per square meter. These investments have be to supported by a certificate of valuation of Assistant Executive Engineer/Chartered Engineer. The investment on building admitted for subsidy is based on the actual investment made by the unit subject to the cost ceiling and not based on the value given in the project report. As per Project Report the cost of the building is Rs. 20.00 lakhs for a plinth area of 2000 m^2. Assistant Executive Engineer had certified an area of 1954.54 m^2 as essential to unit and valued it at Rs. 58,03,900. As per rule applying the cost ceiling, this comes to Rs. 39,09,080 and hence this was admitted. Hence there is no excess payment and the objection may be dropped.

2. M/s. Asan Hollowbricks, Neendakara, Kollam

Factory shed of 115.10 Sq. metre @ Rs. 1,000 per Sq. metre and machine room of 8.5 sq. metre @ Rs. 1,552 per sq. metre only were considered for computation of subsidy. These civil structures are directly linked with production and the cost reckoned is less than the permisible ceiling of Rs. 2,000 per sq. metre. Hence there is no excess payment and the audit objection may be dropped.

3. M/s. Maria Engineering, Keechery

The valuation of the building was certified by Chartered Engineer and countersigned by the Superintending Engineer of PWD. Total area certified by the Engineer is 58.81 m^2. After deducting the office area, 51.40 m^2 was admitted and limiting to the cost ceiling of Rs. 2000 per square metre, Rs . 1,20,800 was admitted for subsidy. This is regular and hence the objection may be dropped.

4. M/s. St. Paul's Hollow Bricks Industries, Ramankary

In the valuation certificate, 108 sq. metre for factory building and 82 sq. metre for godown was reported. Together, the plinth area essential to the unit is

190 sq. metre chartered accountant has valued this at Rs. 2,69,175. Assistant Executive Engineer at Rs. 3,08,240 and as per the cost ceiling this come to 3,80,000. Since the value of CA was the lowest ie. Rs. 2,69,175. This was admitted.

5. M/s. M.S.G. Food (P) Limited, Palakkad

As per the Manual of State Investment Subsidy, civil structures not related to production only are ineligible for subsidy. Godown is essential to the unit and can be considered for subsidy based on merit. When the original application for SIS was prefered the unit had not claimed the investment on building. Subsequently, on production of the necessary certificate, this was admitted and SIS sanctioned.

6. M/s. Periyar Poly films, DA, Edayar

As per Clause (10) of the manual of State Investment Subsidy building actually required by the unit and essentially related to production process can be admitted for subsidy. It is not insisted that a certificate of Chartered Engineer or AEE or any such authority is needed. Hence it is implied that the recommending authority ie. General Manager, District Industries Centre is competent enough to admit the building, if it is essential to the unit and admitted by Chief Engineer/AEE for valuation purpose. This unit is producing polythene sheets and bags. The raw materials are finished products and needs proper stocking facilities. General Manager, District Industries Centre has considered this essential to the unit and hence admitted for subsidy.

7. M/s. Komerla Hatcheries, Aluva

The Plinth area of building admitted is 337 sq. metre ie. Factory building: 2181 sq. metre, Pump house : 28 sq. metre and Generator room : 28 sq. metre. Pump house and generator rooms are essential to the unit and hence admitted. Investment is limited to the cost ceiling of Rs. 2,000 per sq. metre, which comes to Rs. 6,74,000 for 337 sq. metre and this is regular.

8. M/s. JAS Industries, Madakkampoyil

It is observed that an excess payment of Rs. 20, 757 was made to the unit as stated in the audit report. General Manager, DIC, Kannur has been directed to initiate action to recover the excess subsidy amount sanctioned.

9. M/s. Three star stone crushing and Hollow Bricks Industries, Elampara

It is observed that an excess payment of Rs. 32,007 was made to the unit as stated in the audit report. General Manager, DIC, Kannur has been directed to initiate action to recover the excess subsidy amount sanctioned.

10. M/s. Vinisha Flour and Oil Mills, Paropadi

As stated in the audit report, an excess payment of Rs. 4,512 was made to the unit. Steps have been initiated to recover the excess subsidy amount sanctioned to the unit.

11. M/s. Padma Cement Works, North Beypore .

Total Plinth area certified by the Chief Engineer is 119.23 sq. metre. An area of 8.5 sq. metre utilised for office purpose was excluded by the General Manager, DIC while admitting the investment on building. This comes to Rs. 2,21,460 on applying the cost ceiling of Rs. 2000 per m^2 for 110.73 sq. metre (119.23-8.5) and this is regular.

12. M/s. Aiswarya Baking Centre, Kasaragod

As observed by the Accountant General, an excess payment of Rs. 21,507 was made to the unit. Notice was served to the unit to refund the excess subsidy amount sanctioned on 4-9-2002.

13. M/s. AKG Memorial Printing and Publishing Co. Pallikunnu, Kannur

A total plinth area of 1000 sq. metre was reckoned for SIS excluding bedroom, office building and dormitory. Applying the cost ceiling of Rs. 2000 per sq. metre this comes to Rs. 20,00,000. Hence there is no excess payment.

14. M/s. Sadhoo Pan Products, Kolmatta

As per the certificate of the Engineer, Plinth area of 355 sq. metre was used for factory building and 31 sq. metre for the office. Physical verification was made and an area of 355 sq. metre was only reckoned for SIS. Applying the cost ceiling of Rs. 2000 per sq. metre the investment comes to Rs. 7,10,000 only which was admitted. There is no excess payment.

15. M/s. Sakthi Treads, Payyanad

The General Manager, DIC, Malappuram has been directed to recover the excess subsidy amount of Rs. 7,020 sanctioned to the unit.

16. M/s. Aiswarya Fibre Products, Anamangad

The General Manager, DIC, Malappuram has been directed to recover the excess subsidy amount of Rs. 5,910 sanctioned to the unit.

17. M/s. Jalaliya Ice Plant, Ponnani South

The General Manager, DIC, Malappuram has been directed to recover the excess subsidy amount of Rs. 6,604 is sanctioned to the unit.

18. M/s. Pullenchery Granite Industries, Malappuram

The General Manager, DIC, Malappuram has been directed to recover the excess payment of Rs. 2,27,838 made to the unit as observed by the Accountant General.

19. M/s. Thomson Graphites

The district/address of the unit of disbursing agency is not provided in the C&AG report and hence it is difficult to locate the unit. However, all General Managers have been addressed.

20. M/s. Malliya Cream Palance, Kasaragod

Para-I (C) had remitted the excess State Investment Subsidy amount of Rs. 7,659 in full into Government account by way of chalan No. 3 dated 21-8-2003 at District Treasury, Kasaragod.

(iii) Plant & Machinery

Machinery procured after the date of commencement of commercial production is not admitted now. However, in the past, in the absence of any specific directions to the contrary in the SIS Manual, in some cases such items of machinery were considered for reckoning FCI. The logic followed in these cases is that such machinery are found essential for the completion of the project and those investments are endorsed in the Permanent Registration Certificate. Normally, the enterprenure starts commercial production with the bare minimum machinery and later adds other essential ones. It needs to be emphasized that the current practice has been to eliminate such items for calculating the eligible FCI. Corrective and preventive action has already been initiated at this end.

A copy of the letter giving instructions/directions to all General Managers, DIC/KFC/KSIDC to strictly adhere to roles is enclosed.

3.12.6 : Sanction of subsidy to ineligible units.

1. M/s. Capital Automobile Pollution Testing Centre, Marappalam

The unit was registered on 11-11-1993 and commenced production on 26-5-1994. SSSBEs are brought into the negative list only on 31-12-1993. But units which had taken provisional registration prior to 31-12-1993 are eligible for subsidy as per G.O.(Ms.)149/93/ID dated 26-11-1993.

2. M/s. Pentagon Communications, Kochi

The unit is engaged in the production of printg matter. As per existing norms, printing units are eligible for subsidy and hence, the objection may be dropped.

3. M/s. A. J. Automobiles & Engineering Works, Thiruvananthapuram

The unit was originally registered under SSDBE engaged in repairing and servicing of automobiles. Subsequently the unit under took manufacturing of trolley wheels, front guard blocks spacers bushed etc. The status of the unit was changed SSI/Tiny and got permanent registration on 27-7-1995 (PMT No. 0910-15440). Hence the unit is eligible for subsidy.

4. M/s. Positive Engineering Works, Kodumba

The unit is provisionally registered on 11-12-92, which is prior too 31-12-93, the cut off date for inclusion in the negative list as per G.O. (Ms.) 149/93/ID dated 26-11-1993. This unit is eligible for SIS.

5. M/s. Malik Engineering works, Pudussery

The unit was originally registered under SSSBE for the production of Turned components (job works). Subsequently the unit undertook manufacturing of Turned components and other general engineering work with effect from 12-4-1994 and endorsement made in the PMT Registration Certificate. The status of unit was changed to SSI/Tiny w.e.f. 12-4-1994 and hence eligible for SIS.

6. M/s. V.J. E1ectricals, Tiruvallor P.O., Cherthala

The unit is engaged in the manufacture of transformers. Hence, it is registered as SSI unit, eligible for SIS.

7. M/s. Mouse House A. R. Rahman Complex, M.G. Road, Cochin

The unit is engaged in the activity of DTP. Composing layout and graphics w.e.f. 1-1-1993. The PMT Registration of the unit was given on 30-9-1993. As this is a date prior to 31-12-93, as per G.O. (Ms.)149/93/ID dated 26-11-1993, the unit is eligible for SIS.

8. M/s. PMD Timbers and Saw Mills, Allapra, Perumbavoor

This unit is engaged in the manufacture of packing case and furniture. This is activity comes under the purview of SSI, eligible for SIS.

9. M/s. Marangatte Saw Mills and Industries, Adooparambu, Muvattupuzha

This unit is engaged in the activity of timber size job work w.e.f. 20-4-1992. This is registered under SSSBE. The provisional registration of the unit was obtained prior to 31-12-1993. As per G.O(Ms.)149/93/ID dated 26-11-2003. SSSBE are eligible for subsidy if they had taken provisional registration prior to 31-12-1993.

10. M/s. Tyre Precured Retreads, Ernakulam

This unit is engaged in the activity of retreading tyre w.e.f. 1-4-1991. The date of provisional registration is 11-1-1991. Hence the unit is eligible for SIS as per G. O. (Ms.) No.149/93/ID dated 26-11-1993.

11. M/s. Raju Timbers and Wood Industries, Thiruvananthapuram

The unit mainly engaged in the manufacture, of wooden furniture including sawing of timber. This activity comes under the purview of SSI and got SSI provisional registration on 11-5-1993 (No.09/10/TVM/07287/SSI/PROV dated 11-5-1993). The unit obtained permenant SSI registration vide No.09/10/15442 dated 24-7-1995. Hence the unit is eligible for SIS and the objection of the audit may be dropped.

3.12.7 : Inadmissible Subsidy on expansion/diversification/Modernalisation State Investment Subsidy

Government of Kerala introduced State Investment Subsidy w.e.f. 1-4-1979 as per G.O. (P) No.194/79/ID dated 11-4-1979. All units, manufacturing and non-manufacturing, otherwise eligible for Central Investment Subsidy and included in the List notified for the same is eligible for the new State Investment Subsidy. As per G.O. (Ms.) No.104/90/ID dated 13-7-1990 Government had clarified that for sanctioning state investment subsidy, the differentiation of units as ‘manufacturing’ and ‘non manufacturing’ is not essential. As per the Manual of State Investment Subsidy issued vide G. O. (Ms.) No.4/94/ID dated 4-1-1994, all new industrial units which had commenced commercial production on or after 23-9-1991 are eligible for State Investment Subsidy, subject to the condition that they should be a seperate legal entity. Hence as per the above provisions/rules/guidelines all industrial units of separate legal entity are eligible for State Investment Subsidy except for those included in the ‘Negatives List’.

The details of units objected in the audit report is given below:—

1. Kizhakke Fishnet Industries, Karunagappally, Kollam

The unit undertook an expansion programme during the year 1996. This programme was carried out as per definite project report over a predefined period of time. The pre expansion fixed capital investment in Plant & Machinery in Gross Block term was Rs. 50.00 lakhs. Fixed Capital Investment for expansion was Rs. 29.71 lakhs. Pre-expansion capacity was 24 tonnes and the capacity on expansion workout to 144 tonnes. There is an increase of above 25% in Fixed Capital Investment as well as in capacity creation. Hence there is no violation of conditions prescribed for payment of subsidy for expansion of projects.

2. M/s. Bharati Rubber Industries Manvila, Thiruvananthapuram.

The unit undertook expansion programme during 1993-96. There was more than 25 % increase in plant and machinery in Gross Block terms of more than 25% increase in production capacity. The application for subsidy was placed before the Committee on 3-2-1997, which was deferred for conducting a joint inspection. Based on the joint inspection report the case was placed before the SIS Sanction Committee on 20-3-1997 and eligible subsidy was sanctioned to the unit.

3. M/s. Freelance DTP Systems, Thiruvananthapuram

The unit carried out an expansion programme during the year 1995 as per definite project report over a pre-defined period of time. SIS was sanctioned for the expansion in two phases ie. in March 1995 and October 1995. The pre-expansion Fixed Capital investment in plant & machinery was Rs. 3.07 lakhs and the pre-expansion production capacity was Rs. 3.50 lakhs. Fixed Capital investment in plant & machinery admitted for expansion comes to Rs. 3.86 lakhs. Land post expansion production capacity increased to Rs. 9.66 lakhs. There is an increase in value of more than 25% in Plant and Machinery as well as in production capacity. Hence only admissible subsidy was paid to the unit.

4. M/s. Perumchery Foundry, Chingavanam

The unit undertook an expansion cum diversificaiton programme during the year 1995 to 1996. Necessary endorsement was made in the PMT Registration Certificate. This programme was carried out as per definite project report over a pre-defined period of time. Bank also accepted the scheme for expansion/ diversification and sanctioned loan. All the machinery and equipments were purchased before 26-12-1996 ie. before the completion of the programme. Hence the subsidy sanctioned is in order.

5. M/s. Sudheer Enterprises, Thrissur

The unit was sanctioned Rs. 34, 500 towards subsidy on expansion. Pre expansion fixed capital investment is Rs. 3,85,759 in terems of Gross Block of plant and machinery. Investment admitted for subsidy on expansion is Rs. 2,30,360. Percentage increase is more than 25%. The pre-expansion capacity of the unit is 90,000 litres of paint and post expansion capacity is 125,000. The increase is above 25%. Expansion period is 20-6-1999 to 25-7-1999 and endorsed in the PMT Registration Certificate. Hence the subsidy given is in order.

6. M/s. Sension Appliances, Koratty.

The unit was sanctioned Rs. 54,600 towards subsidy on expansion. The pre-expansion Fixed Capital Investment on plant and machinery in Gross Block terms is Rs. 1,89,411. Rs. 1,49,832 was admitted as Fixed Capital Investment on expansion. The increae is above 25% pre expansion capacity is 1800 numbers of stoves and the post expansion capacity is 2950 numbers of stoves. Increase is above 25%. Period of expansion is 97 to 98 and endorsed in the PMT Registration Certificate. Hence the subsidy given is in order.

7. M/s. Kairali Polly Urethane Products (P), Kanjikode.

The amount objected in the audit which come to Rs. 32,991 is related to the investment in plant and machinery and generator. Since generator set is eligible for SIS independently this can be considered. The diversification programme was taken up based on a definite report and applicant had furnished Trading Profit and Loss Account. SIS sanctioned is regular.

8. M/s. Bhagavathy Textiles Ltd. Chittoor

The unit had been sanctioned state investment subsidy of Rs. 5 lakhs under expansion scheme at the State Level Committee for subsidy held on 11-1-2000. This amount was in addition to an amount of Rs. 10 lakhs sanctioned to the unit earlier for the original project. The total amount of subsidy the unit was eligible for under Fixed Capital investment (FCI) was 15% of FIC, subject to a maximum of Rs. 15 lakhs.

The expansion programme of the unit had satisfied the criteria stated down in the subsidy manual as may be noted from the following facts :

1. Capacity :

Pre-expansion capacity	..	25.528 spindles
Post-expansion capacity	..	40,000 spindles
% of increase in capacity after expansion	..	56.7% (required—25%)

2. Increase in fixed capital investment :

Pre-expansion investment already considered	..	Rs. 1362. 54 lakhs
Investment admitted under expansion scheme	..	Rs. 757.16 lakhs
% of increase in FCI after expansion	..	55% (required—25%)

9. M/s. V. S. Plywood Industries, Kallara

The unit had purchased plant and machinery on 23-4-1998 and commenced production on 11-7-1998. The period of expansion shown in the application is a mistake.

10. M/s. Roshini & Renjith Enterprises .

The period of expansion of the unit is from 14-6-1999 to 30-6-1999. Due to expansion, the capacity increased by the addition of new machinery.

Il. M/s. Bylarc Industries, Uzhamalackal

The period of expansion is endorsed in the PMT Registration Certificate.

I2. M/s. Roshini Electronics, Pappanamcode

The productivity of the unit was assessed after expansion and this was endorsed in the PMT Registration Certificate.

13. M/s. Nandini Printers, Kannammoola

The expansion programme of the unit was based on a project report Further, this was endorsed in the MT Registration Certificate.

14. M/s. Aiswarya Plastics, Piravusala

The expansion programme of the unit was based on a project report. There was increase on plant and machinery and production capacity. In both case, the increase was above 25%. The SIS was sanctioned after proper verification of the documents and the subsidy given was in order.

15. M/s. Jojo Industries, Ettumanoor

The unit carried out the modernization programme over a particular defined period of time as planned earlier. There was 25% increase in investment in Gross Block terms as required. The SIS sanctioned is a per rule.

16. M/s. Ponmudi paper Mills (P) Ltd. Thiruvananthapuram

The Company undertook expansion during 1997. The application for subsidy, placed before the DLC found that the company is eligible for subsidy as the post expansion increase in Plant & Machinery is more than 25% of the original investment and the post expansion increase in capacity creation is also more than 25% of the original capacity.

17. M/s.Poab Granite (P) Ltd., Thiruvananthapuram

Kerala Financial Corporation is the disbursing agency. As per circular 34986/B2/91/ID dated 15-11-1991. KFC has to answer the audit.

18. M/s. Nazeem Ice Plant, Thiruvananthapuram

The Unit carried out is its expansion programme during the period August 1995 to February 1996. The pre-expansion investment in fixed asses was Rs. 11.71 lakhs. Additional Investments for expansion was assessed at Rs. 14.83

lakhs and the total fixed investments come to Rs. 26.62 lakhs. The production capacity also increased from 15 tonnes to 25 tonnes. since there is more than 25% increase in fixed investments as well as in capacity creation there is no violation of conditions prescribed for sanction of subsidy for expansion of units.

19. M/s. Mehraj Industries Peringala

The Pre-expansion fixed Capital Investment of plant and machinery in Gross Block term is Rs. 2,36,040. Fixed Capital Investment admitted for expansion is Rs. 1,43,904. There is an increase of above 25%. The capacity increase is also above 25%.

Para: 3.12.8:— Subsidy on installation of generator sets

The norms regulating grant of subsidy on DG sets is clarified in circular FC2/3510/98 dated 22-5-1998 from Director of Industries & Commerce. As per this order from 1-6-1997 to 12-1-1998, generators of all makes were entitled for 50% subsidy. From 13-1-1998 to 31-5-1999 only generators of KEL make were entitled for 50% subsidy. Furthermore, the subsidy is for 'installing' the DG set and not on the cost of the DG set. Installing also includes the electrical charging of the equipment or electrification/installation. Without this, the equipment cannot function. The. matter regarding installation has been clarified in the circular above and the rate of 50% is applicable for 'installing' the DG set which includes the electrification also. Hence the application of this rate of 50% for electrification also is in order.

Para: 3.12.9 Lack of clarity in Manual Provision

Many units registered as SSI units may be undertaking both manufacturing activities and job works/service activities. It has been the practice hitherto to sanction State Investment Subsidy to those investments which are directly related only to the manufacturing process. In case, the investment on manufacturing process is no separable the quantum of this investment on the basis of turnover of sales, production etc. is arrived at the proportionate investment is considered for State Investment Subsidy. This had been ratified by many DLC/SLC on State investment Subsidy and Sales Tax Exemption. Since this quantum varies from case to case, and this procedure is uniformly being followed in our state from 1971(Central Investment Subsidy started in this year). a separate provision was not included in the manual.

Para:3.12.10: Performance of the Subsidized units not watched.

DICs are inspecting the units to which incentives such as SIS are given, as and when required. The Department had initiated steps and directed GMs to file reports in this regard. Instructions have also been passed to ensure inspection of these units on regular basis. This is being done by the DICs at Field Officer level. As a result of this exercise, there have been cases where the department has been able to initiate Revenue Recovery action and some court cases are also pending in this regard. Instructions have been issued to take action against all closed down units. .

The details of all units which were sanctioned subsidy from 1994-95 to 1999-2000, but which had failed to function continuosly for the stipulated 5 years were collected from the districts and directions were given to all General Managers to recover the amount due to Government in this regard.

Para: 3.12.11 Non-evaluation of the scheme.

Implementation aspects are regularly discussed in the Plan Review Committee meetings that are normally held every month. The officials from Directorate of Industries & Commerce and GMs of various DIC participate in the meeting and targets are fixed and progress monitored effectively.

Since the SIS scheme aims at, supporting and sustaining industries, no specific survey has been conducted to assess the growth of industry as a result of implementation of this scheme alone. Feedback from various DICs has been sought to monitor the performance of the units to which SIS has been disbursed.

A part of a Central Government study, a sample survey was undertaken. But it has been noted that the number of SSI units obtaining registration within the state has been steadily on the increase in the last 5 years with about 97,000 units being registered during the period 1997-2001. This points to the fact that the incentive scheme, of which State Investment subsidy is also a part, has been fairly successful in its objectives.

On the basis of the above, the following points are brought out :—

1. The rules as laid down in the SIS Manual are being strictly adhered to and there are no cases of major deviation from the prescribed norms.

2. Areas that require streamlining have already been taken up for initiating corrective action and putting standard practices in place.

3. Issues requiring further clarification/formulation of new guidelines shall be taken up and settled/implemented.

4. In cases where anomalies were detected, corrective and preventive action has already been taken by the department in order to ensure strict control and better monitoring.

In view of the above clarifications all the objections raised regarding State Investment Subsidy in para 3.12 of the C&AG Report (Civil) for the year 31-3-2001 may kindly be dropped.

REMEDIAL MEASURES TAKEN STATEMENT ON PARA 3.13 OF THE C & AG'S REPORT FOR THE YEAR ENDED 31-3-2001 (CIVIL)

Para No.	*Title of the para*	*Remedial measures taken*
(1)	(2)	(3)
3.13	**Unnecessary release of funds for a scheme** *Rs.* 2.05 crore released unnecessarily by Govt. to COIRFED for installation of diesal generator sets in Coir Co-operative Societies remained unutilised for two years. Under the Integrated Coir Development Project, Govt. of Kerala approved (November 1997) a scheme for payment of financial assistance to Coir Co-operative Societies, in the form of 50% loan and 50% subsidy for setting up of Diesal Generator sets in the Socities where motorized spinning units/ mechanised defibering mills were installed. The loans were to be repaid in 10 instalments starting from the first anniversary of the date of drawal of loans. The scheme was to be implemented through Kerala State Co-Op. Coir Marketing Federation Ltd. (COIRFED), Alappuzha. Govt. made provision of Rs. 2.06 crore for financial assistance, both loan and subsidy, during the year. The Director drew Rs. 2.18 crore on 31 March 1998 and handed over the amount to Coirfed in April-May 1998.	For the Development of Coir Sector, Govt. introduced ICDP Scheme with NCDC assistance during 1994. Under the scheme sanction was accorded for the setting up of 125 spinning units, 58 defibering units, 17 processing units and 84 godowns. The major impediment in commissioning of the units is the delay in setting power connection and appropriate machinery. This led to the necessity to purchase of Diesel Generator sets. As per the recommendations of the High Level Committee constituted by Govt. for monitoring the implementation of the ICDP scheme. State Govt. had introduced a scheme for payment of 50% loan and 50% subsidy to the unit set up under ICDP for the installation of Diesel generator sets and formulated the rules. Coirfed was the implementing agency for the schme. In addition to Rs. 12 lakhs sanctioed to ICDP units during 1997-98 for the purchase of diesel generators, Govt. later sanctioned Rs. 93 lakhs as subsidy and Rs. 95 lakhs as grant for the implementation of the scheme, thus providing assistance of Rs. 200 lakhs in total. Further the DCD has also sanctioed

(1)	(2)	(3)
	A State Level Committee (SLC) under the chairmanship of Special Secretary, Industries Dept. was to sanction the financial assistance to the societies under the scheme. SLC accorded sanction in November 1999 for payment of financial assistance to eight Co-operative societies for purchase and installation of 75 KV diesel gnerator sets through COIRFED at a cost of Rs. 38.22 lakh. Out of this amount, cost of 3 generator sets (Rs. 13.22 lakh) already purchased and installed in 3 societies were met by COIRFED. COIRFED has not yet procurred and installed diesel generators in the remaining five societies as of March 2001. Thus, even after two years of drawal of Rs. 2.18 crore, only Rs. 13 lakh was utilized while Rs. 2.05 crore was lying unspent with COIRFED. A High Level Committee constituted to review the progress of the project observed that the envisaged production with diesel generator was not economically viable. The hasty release of Rs. 2.18 crore to the COIRFED by the Director even before the beneficiary societies could be identified and other formalities completed for disbursement was totally unjustified. The funds actually helped the COIRFED to share up its finances at Govt.	Rs. 1,76,000 to Coirfed for implementation of the scheme. Out of the total sum of Rs. 281.76 lakhs, Coirfed has incurred on expenditure of Rs. 18,22,218 for installing 4 diesel generator sets in their own defibering units. The balance amount of Rs. 19,93,778 has been lying with the sub Treasury, Vellayambalam, Tvpm. (TP No. 115). The sub Committee constituted to study the viability to ICDP units had taken decision as follows: The production in spinning unit and defibering mills by utilizing the power with the diesel generator sets will not be economical. It will increase the cost of production and thus the unit will become non-viable. The units which have power supply (KSEB) need not have generator sets as stand by power source. The societies which have executed minimum gurantee for power connection with KSEB need not be given diesel generator sets. Due to the above reasons the scheme for installation of diesel generator sets could not be carried out in full swing. The DCD had requested Govt. for direction ro remit the unutilized portion of the assistance. In the meanwhile Govt. considered a proposal to utilize the amount for providing power to units by remitting the amounts to the power grid. But on further discussion with ANERT, it was not found to be a feasible proposal.

(1)	(2)	(3)
	cost than the intended beneficiaries. The director failed to get the unutilized amount of the grant refunded to Govt. with interest as provided in the scheme. The matter was referred to Govt. in april 2001. No reply has been received (October 2001).	Out of the sanctioned units, only 90 spinning units and 43 defibering units and 15 processed units bave been commissioned are nearing of completion. In respect of godown the work is halfway. Thus the scheme has not been implemented fully due to some practical problems like not getting power connection, high rate of power tariff huge arrears of minimum guarantee dues, non supply and non installation of machinery, shortage of working capital etc. Hence coirfed, the implementing agency and DCD have now forwarded proposals for reviving the scheme. The proposal includes payment of Rs. 30 lakhs for purchase of DG sets Rs. 62 lakhs for payment of KSEB dues and working capital assistance, Rs. 20 lakhs for reimbursement of 50% electric charge subsidy and Rs. 87.37 lakhs for modification of ratts supplied to the units, and the proposal is under consideration. However the unutilized fund has been kept in TP Account in Govt. treasury by Coirfed. The fact that the unutilized fund has been kept in the TP Account in the treasury proves that M/s. Coirfed is not in any way benefitted by the fund and hence the remarks by AG in this respect is unsustainable. The main objective of the ICDP Scheme is to introduce mechanization and skill development in the

(1)	(2)	(3)
		defibering spinning areas. Kerala coir industry which had a monopoly in the International market is slowly losing its position due to various factors like scarcity of fibre, lack of mechanization, research and development, technology upgradation etc. Govt is making earnest efforts to bring about comprehensive development of the coir sector by planning and implementing new schemes like setting up of NCRMI, Special investment subsidy to private DF units, pith utilization projects, Geotextile programme etc.

REMEDIAL MEASURES TAKEN STATEMENT ON PARA 3.16 OF THE C & AG'S REPORT FOR THE YEAR ENDED 31-3-2001 (CIVIL)

Para No.	*Title of the para*	*Remedial measures taken*
(1)	(2)	(3)
3.16	**Unfruitful outlay on defibering mills. Defibering mills set up in 8 Co-operative Societies were not put to use resulting in an unfruitful expenditure of Rs. 1.49 crore.** In October 1994, Govt. approved the scheme for establishing defibering mills of combing machine type in Co-operative Societies. (Societies) under Integrated Coir Development Project for extracting fibre from green coconut husk. Under the scheme, the Societies were eligible for financial assistance of 95% of the project cost in the pattern of 50% as loan, 25% as State Govt. subsidy and 20% as Central Govt. subsidy. The loan and the state Govt. subsidy were met out of NCDC loans to State Govt. The balance of	On the basis of the recommendations of the Spl. Task. Force, for implementation of ICDP, the Coir Devpt. Dept. proposed to set up 100 mechanised defibering mills and 200 motorised coir spinning units each with 100 ratts, in the co-operative sector in the existing societies. In October 1994 Govt. approved the scheme for establishing defibering mills of combing machine type in Co-operative Societies, under Integrated Coir Devp. Project for extracting fibre from green coconut husks. Under the scheme the societies are eligible for financial assistance of 95% of the project cost in the pattern of 50% as loan, 25% as State Govt. subsidy and 20% as central Govt. subsidy. The loan and the state Govt. subsidy were met out of NCDC Loans to State Govt. The balance project cost was to be borne by beneficiary societies. The COIRFED was the implementing agency. The societies were required to refund the loan with interest from the second anniversary of the date of receipt of power conncetion or on expiry of sactioned period of utilization, whichever was earlier. As per G.O. (Ms.) 194/94/ID dt. 31-10-1994 Govt. have approved the rules for the payment of loan to coir co-operative societies for the establishment of mechanized defibering mills and motorized spinning units under the integrated coir Devpt. Project implemented with financial assistance from NCDC and Govt. of India. As per the rules appended thereon, the DCD is competent to sanction extension of the period of utilization of the instalment upto 3 months at a time for a total period of one year within the

(1)	(2)	(3)
	project cost was to be borne by beneficiary societies. The Coirfed was the implementing agency. The societies were required to refund the loan with interest from the second anniversary of the date of receipt of power connection or on expiry of sanctioned period of utilization, whichever was earlier. A test check of the accounts of Project Officer (Coir), Kozhikode revealed (Sept. 2000) that Director, Coir Devpt. disbursed financial assistance of Rs. 1.87 crore, to 10 Societies during the peroid April 1994 to Rs. 1.49 crore was paid between March 1996 and March 1999, did not start mechanized defibering due to non-installation of machines, want of power conncection etc., as of May 2001. None of the ten societies made any	validity period of sanction of loan by NCDC or within the period further extended by NCDC. The NCDC also agreed to extend ways and means advance to State Govt. for payment of its share of 25% subsidy. Thus NCDC extended loan to State Govt. to the extent of 75% of the Project cost. Out of the 10 defibering units sanctioned under the jurisdiction of the P. O., Coir Devt., Kozhikode 6 units have been commissioned, in respect of 2 units, machinery has been erected but not commissioined and 2 units are waiting for power connection for their commission. Since there were remarkable technical improvement on design of plant and machinery required for ICDP units, the cost of machines has subsequently increased the Project Cost also. All commissioned units had not started commercial production due to various reasons. The main reasons for delay/non-commissioning of the defibering mills are as given under. Non-availability of machinery in required quantities at approved rates despite the fact that Coirfed had floated tenders several times for the same. There was delay in getting power connection. The two PSUs viz. M/s. Steel Industries Kerala Ltd., Kannur and the Metropolitan Engineering Co.Ltd., Tvpm. Failed to execute the orders placed with them for defibering machinery sets (6 sets and 17 sets respectively) satisfactorily and in time. Lethargic attitude on the part of certain promoter societies to complete their part of the work for commissioning the units ie. all civil works including the casting of the required machinery foundations, major portion of electrification work. etc., coming under their scope etc.

(1)	(2)	(3)
	repayment to Govt. towards instalments of loan or interest so far (May 2001), which were due between November 1996 and April 1999. The financial assistance of Rs. 1.49 crore provided to the eight Societies was therefore rendered unfuritful due to non-commissioning of the projects. The scheme intended to benefit the coir industry thus failed to take off. The Project Officer failed to ensure timely utilization of funds and regular repayment of loans by the Societies as provided in the scheme rules. He also failed to monitor the implementation of the scheme through progress reports from the Societies and Utilisation Certificate. The DCD also failed to effectively monitor and timely intervene to ensure successful implementation of the scheme.	Local problems related to environmental pollution, objection to drawing power lines involving property crossings, court cases/stay etc. Delay in getting the statutory clearance/approvals licenses etc., by the concerned societies. Without commencing commercial production these units are unable to repay the loan instalments due to Govt. inspite of the issuance of the demand notices to the units for the repayment of over due instalments. Taking into account of all the above aspects Govt. have taken the following remedial measures to rectify the defects. Introduced a scheme for giving Rs. 500 per ratt for necessary equipment improvement effects. Besides Coir Board implemented a scheme under UNDP assistance for converting the existing ratts into improved version whch can offer much better results in terms of quality and quantity. Introduced a new scheme to give subsidy for electricity charge to counter the hike in the tariff. The condition that the repayment should start from the second anniversary of the receipt of power connection on the data of expiry of sanctioned utilization period whichever is earlier is a recent amendment to the repayment stipulation. The earlier condition was second anniversary of the receipt of loan on sanctioned utilization period whichever is earlier. Recently a series of high level meetings were held to discuss the problems in the

(1)	(2)	(3)
		implementation of the project. DCD had conducted a field level meetings on 15-10-2003 at Kozhikode and as per his report the main problems identified are arrears of Electricity dues. Non supply of machinery by Coirfed, defective machinery supplied and lack of working capital. Coirfed invited tenders and accepted the lowest rate of Rs. 11 lakhs per DF set and placed orders for supply of 3 sets. Subsequently in 1996 Secretary (Inds) convened a meeting to discuss the question of supply the modernization machinery by the PSUs under the Industries Dept. Coirfed accordingly decided to give orders to M/s. SILK and M/s. Metropolitan Engg. Works at the rate of Rs. 11.5 lakhs per set. 15 sets were purchased from M/s. Metropolitan Engineering Co. purchase Orders were issued to M/s. SILK Azhikkal Kannur for the supply, erection, testing, commissioning and 3 months guarantee run of 10 defibering sets. M/s. Silk accepted the purchase order subject to the terms and conditions stipulated by the purchaser. As per clause IX (1) of the above purchase order 25% of the basic price of the mcahinery will be paid as advance after executing agreement and against necessary Govt. guarantee or Bank guarantee. But M/s. SILK produced a Govt. Lr. dt. 11-10-1996 directing Coirfed to accept the Corporate guarantee of M/s. SILK and to release the 25% advance due to the company for the performance of the order of Coirfed. Coirfed released 90% advance to M/s. SILK against supply. As per the terms and conditions M/s. SILK has to supply, erect and commission the DF machinery sets within a period of one year from the date of payment of advance. But M/s. SILK failed to supply the 10 sets of Defibering machinery and supplied only 6 sets. The order for the supply of balance four DF machinery was

(1)	(2)	(3)
		cancelled. Inspite of repeated requests by Coirfed. M/s. SILK did not execute the errection, testing commissioning and conducting the trial run of the DF machinery supplied to the 6 societies. Eventhough an amount of Rs. 1.50 lakh was paid to them for incidental expenses against bank guarantee based on the review meeting by the Secretary (Industries) they did not rectify the defects. Later this amount was recovered from M/s. SILK by revoking bank guarantee. Thus the federation had to complete the work of rectification of defects at a cost of Rs. 1,54,100 engaging M/s. Tamilnadu Coir Corpn. In these circumstances Coirfed decided to file a civil suit against M/s. SILK for the damages caused. As Govt. also has to be made a party Coirfed approached for Govt. Sanction. Coirfed moved Govt. for sanction. Since this was a dispute between two Govt. institutions it was decided to place it before the High Power Committee under the chairmanship of Addl. CS. The Committee heard at the case and has directed Coirfed to give some more details. Thus it may be seen that though Coirfed has taken action since the agreements were with another PSU, the efforts had not yielded much results. Regarding arrears of Electricity dues a high level meeting was held by Minister (A&C) on 28-10-2003 with the Chairman KSEB, DCD etc., On the basis of the meeting a proposal has been sent to power Dept. regarding minimum guarantee problems and this is under consideration of Power Dept. Consequent to the earnest efforts taken by the Dept. out of 53 units in the Co-operative Sector 43 have been commissioned 28 are in working condition. In the case of ten societies Coirfed has yet to supply/erect machinery for which Coirfed has been given direction to finalise the work on

(1)	(2)	(3)
		an urgent basis. Though commissioned, 14 units have stopped functioning due to lack of working capital and 1 unit is under liquidation. In the case of 5 units allotted to Coirfed the unit at Thavem, Thumbur and Mampetta are working satisfactorily. Effective steps are being taken to obtain electric power from KSEB for the commencement of commercial production of the unit in Kasaragod. The unit at vandoor will also be commissioned soon.
		Taking into consideration of the problems in the implementation of the scheme for setting up DF units in the Co-operative sector. Govt. have introduced a new scheme for payment of special investment subsidy to private DF units, in the 10th Five Year Plan. The question of setting up all the sanctioned DF units in the Co-operative Sector will be considered only after rectifying the defects of the units commissioned.
		It can be seen that the scheme was conceived with a long term objective of modernization of coir industry throgh systematic mechanisation. The drawbacks in the pilot project are noted and Govt. have been taking steps to rectify the defects.

STATEMENT ON THE REPORT OF THE COMPTROLLER & AUDIT GENERAL OF INDIA FOR THE YEAR ENDED 31ST MARCH 2004

Para No. of the report	*Dept. Concerned*	*Recommendation*	*Action taken Report by Govt.*
(1)	(2)	(3)	(4)
4.5.4	Industries	*Blockage of funds in setting up of an Industrial Development Area*	
		Government's inaction led to non acquisition of full extent of land required for an Industrial Development Area and the non-utilisation of even the acquired land resulted in blocking up of Rs. 1.65 crore. Government accorded sanction (June 1993) for setting up of a 200 acre (80.97) hectares) Industrial Development Area at Puzhakkalpadam in Thrissur district. Notification for acquisition of land was published (October 1994) under the Kerala Land Acquisition Act (Act). But as the declaration under Section 6 of the Act was not made before the expiry of one year from the date of issue of notification, the notification lapsed and Government had to issue	As per G.O. (Ms.) No. 70/93/ ID dated 8-6-1993 Government have accord sanction to acquire 200 acres of land at Puzhakkalpadam in Thrissur district for setting up of industrial development area. The proposal is deferred vide Govt. letter No. 22913/G3/95/ID dated 16-2-1996. Again the matter is taken with Govt. on 2-9-1996. Govt. vide Letter No. 32285/F1/95/ID dt. 28-11-1996 authorised Director of Industries and Commerce to acquire the land for setting industrial development area. Accordingly an amount of Rs. 1,01,32,290 has been sanctioned and disbursed to the District Industries Centre, Thrissur for the acquisition of land on 31-3-1997 being the advance. Administrative sanction is issued on 12-1-1998. Vide G.O. (Rt.) 34/98/ID dt.

(1)	(2)	(3)	(4)
		the administrative sanction again in January 1998 for the purchase of land invoking urgency clause of the Act. The revised notifications were issued between July 1999 and July 2000. District Industries Centre paid Rs. 1.65 crore between February 1996 and October 2002 to the Special Tahsildar, Land Acquisition (General), (LAO), Thrissur towards cost of the land and other incidental charges of this Rs. 1.02 crore was irregularly drawn before issuing the notification for acquisition of land. The LAO credited the entire amount under 8443, Civil Deposits. The acquisition of land was started in December 2001 and 20.81 hectares only were acquired at a cost of Rs. 1.38 crore. Even after ten years of sanctioning of the project only one fourth of the land required could be acquired and the acquired land has not yet been developed. Consequently the acquired land could not be allotted to the prospective entrepreneurs. The Department stated (June 2004) that Government decided (December 2002) to drop	12-1-1998. The land was taken advance possession by Revenue Authority by invoking urgency clause in section 17 (4) L.A. Act. As requested by General Manager, District Industries Centre, Thrissur, an amount of Rs. 63,00,000 has been additionally sanctioned as per G.O. (Rt.) No. 194/02/ID dt. 27-3-2002 to meet the acquisition charge of the above land during 2001-02 financial year. But the amount could not be disbursed due to the Treasury ban. Subsequently, Government issued revised order on 4-6-2002 vide G.O. (Rt.) No. 437/02/ID to disburse the amount and issued Demand Draft on 30-10-2002. Out of the 200 acres of land notified for acquisition for Development area only 51.41 acres of land has been acquired. The main reason for the delay for setting up the entire Industrial area was the scarcity of fund in budget provision. The land cost was very high and the fund was not adequate for acquiring the land fully. As the land already acquired (51.41 acres) was adequate for setting up of a Industrial Development Area, a decisioin was taken to drop further acquisition of land.

(1)	(2)	(3)	(4)
		further acquisition of land. This would indicate that the project was conceived without proper planning and a definite time schedule. The lackadaisical approach of the department and Government led to abnormal delay in setting up the Industrial Development Area and resulted in blocking up of Government money to the extent of Rs. 1.65 crore. The matter was referred to Government in May 2004, reply has not been recieved (November 2004).	As per G.O. (Ms.) No. 84/2005/ID dated 8-7-2005, Government have ordered to transfer 40 acres of land out of the 51.41 acres of land acquired for Industries Department at Ayyanthole Village, Thrissur District to Kerala Industrial Infrastructure Development Corporation (KINFRA) to implement on IIDC Project with the help of Government of India in accordance with the decisions taken in the meeting held on 9-3-2005 and 10-3-2005. The General Manager, District Industries Centre, Thrissur has taken steps to transfer the land to an extent of 40 acres to KINFRA after demarcating the area. As per the Government letter No. 17843/F1/02/ID dated 19-8-2005, Government have directed to forward revised proposal for declaring the balance area retained by Industries Department as DP (11.41. acres). The General Manager District Industries Centre, Thrissur has been asked to forward revised proposal with Sy.No. sketch of the 11.41 acres of land retained by Industries Department. An amount of Rs. 17,209 has also been sanctioned for survey charges and errection of concrete posts.

ACTION TAKEN STATEMENT ON PARA 4.5.5 OF THE C & AG'S REPORT FOR THE YEAR ENDED 31-3-2004 (CIVIL)

Para No.	*Title of the para*	*Remedial measures taken*
(1)	(2)	(3)
4.5.5	***Release of grants for a scheme without considering its viability.***	
	Failure to ensure viabilty of the project before releasing the assistance resulted in blocking of fund of Rs. One Crore. Govt. approved (January 2001) a project for establishment of a High Tech Coir Park at Perumon in Kollam District. The objective of the park was to provide the environment and infrastructure required to promote high technology coir manufacturing, research, design development and training establishment. The project envisaged setting up of six coir manufacturing units by Co-operative societies dyeing unit a unit for designing and manufacturing of coir machinery testing and quality control unit and a Research and Development Centre at an investment of Rs. 18.48 crore to be met from various sources. The project was to be implemented by the Centre for Development of Coir Technology (C DOCT) a State autonomous body. Government released (January 2001) Rs. One crore to C DOCT for the Project. However, C DOCT deposited the entire amount of Rs. One Crore in the current accoount of Indian Overseas Bank	Based on the proposal of Special Officer C DOCT submitted to Govt. vide No. Proj/2000-01/0423 dt. 23-8-2000 Govt. accorded sanction for Establishment of a High Tech Coir Park at Perumon and released Rs. 100 lakhs for establishment of High Tech Coir Park at Perumon, Kollam vide G.O. (Rt.) 19/2001/ID dt. 4-1-2001. The objective of the Park was to provide environment and infrastructure required to promote high technology coir manufacturing, research, design development and training. Accordingly 5.49 acres of land was acquired at Perumon, Kollam and steps initiated for implementation of High Tech Coir Park by constructing a research & training center for coir geo-textiles with MPLAD fund. One coir Geo-textile making powerloom & accessories were also purchased for Rs. 7.49 lakhs and installed in the building

(1)	(2)	(3)
	(IOB) Main Branch, Tvpm. Upto 17 November 2002 and thereafter Rs. 89 lakh was transferred to term deposits. C DOCT had purchased (December 2001) only one Geo-textile making powerloom and accessories spending Rs. 7.49 lakh which is lying idle as of May 2004. C DOCT stated (May 2004) that the Governing Body had since decided to establish a National Coir Research and Management Institute at Tvpm. And to maintain the unit at Perumon as a Training Institute and pilot project location. It was also opined that if the proposed High Tech Coir Park was established as such, it would lead to the creation of another PSU in coir and as per the policy of the Govt. this was not acceptable. Govt. stated (September 2004) that they do not agree with the opinion of the Governing Body. Govt. added that steps for implementation of the High Tech Coir Park were initiated and building for Research and Training Institute for Coir Geo-textiles had been constructed with MPLAD fund and trial run of the powerloom purchased for coir Geo-textiles production had been conducted between January-December 2003 Govt. further stated that activities for the establishment of the proposed NCRMI at Tvpm. were in progress, The reply of Govt. is not acceptable as none of the components of the High Tech Coir Park had been	during December 2001. By this time the Governing Body of C DOCT was reconstituted as per G.O. (Ms.) 66/02/ID dt. 20-6-2002 and in the budget speech of 2002, the Government declared the intention of establishing a Research Institute of National level reputation for coir in Kerala. Therefore the Governing Body decided to concentrate for the establishment of the proposd NCRMI at Tvpm. rather than going for establishing the High Tech Coir Park at Kollam. It was decided to maintain the Centre at Perumon as a training cum pilot project trial location (minutes of Govt. body meeting dt. 19-5-2003 enclosed). The objectives of NCRMI were broader than that of High Tech Coir Park at Perumon. The Governing Body was of the opinion that further expenses as per High Tech Coir Park proposal can be taken up subsequently and the immediate need of the hour is the establishment of a NCRMI at Tvpm. rather than at Kollam. Accordingly Director C DOCT addressed Govt. vide Lr. No. C DOCT/NCRMI-PWD/1073/05 dt. 13-10-2005 of

(1)	(2)	(3)
	fully established even after three years of sanctioning the project and allotment of funds. Thus Rs. One crore released to C DOCT did not serve any purpose and resluted in unnecessary retention of funds outside Govt. account for more than three years thereby entailing avoidable interest payment of approximately Rs. 20 lakh on the financing of working capital requirements of the Govt.	C DOCT to allow the balance fund of Rs. 80 lakhs available under High Tech Coir Park at Perumon to utilize for establishment of NCRMI at Kudappanakkunnu, Tvpm. which is being processed by Govt.

Appendix III

DETAILS OF UNITS THAT EXECUTED DEEDS AFTER THE DATE OF THE COMMENCEMENT OF COMMERCIAL PRODUCTION AND EXCESS SUBSIDY PAID

[*Reference: Paragraph 3.12.5.(i)*]

Sl. No.	*Name of Unit*	*Date of commencement of commercial production*	*Date of application*	*Date of lease deed*	*Fixed capital investment on Land/ Building (Rupees)*	*Excess subsidy (Rupees)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	M/s. K.M.P. Industries	15-4-1996	22-6-1995 (date of purchase of land)	13-5-1996	5,81,537	87,230
2.	M/s. Abhilash Hatcheries	22-10-1996	20-2-1997	7-8-1997	2,04,127	30,617
3.	M/s. Best Foods Ayyappankavu	31-3-1996	31-1-1997	25-11-1997	13,28,240	1,99,236
4.	M/s. R.K. Latex (P) Ltd., Kannambra	27-8-1997	24-1-1998	5-2-1998 (sale deed)	Purchaser & vendor same	2,21,736
5.	M/s. Davson's Rubbers DP, Poovanthuruthu	30-12-1996	5-2-1998	6-9-1997	1,70,276	25,540
6.	M/s. Are Why Bee Industries, Pudussery	24-11-1997	14-3-1998	13-3-1998	1,75,000	26,250
7.	M/s. Kattungal Coir Industries, South Aryad	30-4-1997	28-8-1997	26-5-1997	2,01,950	30,292

(1)	(2)	(3)	(4)	(5)	(6)	(7)
8.	M/s Cherukattu Industries, Aroor	27-11-1995	30-3-1996	12-12-1996	2,59,240	38,886
9.	M/s. Five Star Modern Rice Mill Njarakkal	1-9-1996	25-12-1996	23-9-1997	1,60,000	24,000
10.	M/s. Revathy Ceramics, Nandikkara	9-1-1998	4-5-1998	25-5-1998	12,53,462	1,88,019
11.	M/s. Omega Tex Kunnappilly	2-1-1998	25-5-1998	6-5-1998	2,08,800	31,320
12.	M/s. Stable Power Systems Kalimattom	3-2-1998	Not available	17-9-1998	1,26,140	18,921
				Total		9,22,047

APPENDIX IV

CASES OF INADMISSIBLE SUBSIDY TO UNITS FOR INVESTMENT ON EXPANSION/MODERNISATION/DIVERSIFICATION

[*Reference: Paragraph 3.12.7*]

Sl. No.	*Name of Unit*	*Name DIC/KFC*	*Amount of subsidy (Rupees)*	*Reasons*
(1)	(2)	(3)	(4)	(5)
1.	M/s. Kizhakke Fishnet Industries, Karunagappally	KFC, Kollam	5,27,400	Non observance of all clauses
2.	M/s. Bharathi Rubber Industries, Manvila	KFC, Tvpm.	3,98,031	Capacity before and after expansion ? No Project report
3.	M/s. Freelance DTP system	„	11,000	Expansion-Non fulfillment of condition
4.	M/s. Perumacheril Foundary, Chingavanam	DIC, Ktm.	1,10,200	No definite programme in project report
5.	M/s. Sudheer Enterprises	DIC, Tcr.	34,500	Violation of provision of EMD
6.	M/s. Sension Appliances, Koratty	„	54,600	Non observance of provision
7.	M/s. Kairali Polyurethene Products	DIC, Pkd.	32,991	Period of diversification prior to 23-9-1991
8.	M/s. Bhagavathy Textiles Ltd., Chittoor	„	5,00,000	No project report
9.	M/s. V. S. Plywood Industries, Kallara	DIC, Tvpm.	46,800	Purchase of Plant & Machinery before expansion programme
10.	M/s. Roshini & Renjith Enterprises	„	78,899	No mention about periods of expansion programmes and about old plant and machinery

(1)	(2)	(3)	(4)	(5)
11.	M/s. Bylane Industries, Uahamalakkal	DIC, Tvpm.	29,952	No project report prepared
12.	M/s. Roshini Electronics, Pappanamcode	„	13,173	Project report is not definite about post expansion productivity
13.	M/s. Nandini Printers, Kannanmmoola	„	2,10,948	The project report was prepared after the expansion programme was completed
14.	M/s. Aiswarya Plastics, Piravusala	DIC, Pkd.	41,357	project report is vague and not definite and complete in respect of plant and machinery and time schedule
15.	M/s. Jojo Industries, Attumanoor	DIC, Ktm.	1,38,080	No project report prepared and there was no change in production capacity
16.	M/s. Ponmudi Paper Mills (P) Ltd., Palode	KFC, Tvpm.	3,14,700	No project report, of expansion programme
17.	M/s. Poab Granites (P) Ltd., Mulappara	„	1,29,006	No project report, no definite time schedule
18.	M/s. Nazeem Ice Plant, Vizhinjam	„	1,18,200	No project report, no definite time schedule
19.	M/s. Mehraj Industries, Peringala	DIC, Ekm.	20,310	No project report prepared
		Total	28,10,147	