



SIXTEENTH KERALAM LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2026-2028)**

SECOND REPORT

14th
(Presented on October 2026)

**SECRETARIAT OF THE KERALAM LEGISLATURE
THIRUVANANTHAPURAM**

2026

SIXTEENTH KERALAM LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2026-2028)**

SECOND REPORT

On

**Malabar Cements Limited
Kerala Financial Corporation
Kerala State Backward Classes Development Corporation Limited
&
Kerala State Development Corporation for Scheduled Caste and
Scheduled Tribe Limited**

**(Based on the audit para 5.4 contained in the Report of the Comptroller and
Auditor General of India for the year ended 31st March, 2018)**

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COMMITTEE ON PUBLIC UNDERTAKINGS

(2026-2028)

COMPOSITION

Chairperson:

Prof. Abid Hussain Thangal

Members:

Shri G. R. Anil

Shri I. C. Balakrishnan

Shri Chandy Oommen

Shri Jyothikumar Chamakkala

Shri C. R. Mahesh

Shri P. Mammikutty

Shri A. C. Moideen

Shri Kurukkoli Moideen

Smt. Uma Thomas

Shri Vishnu Mohan

Legislature Secretariat:

Shri Shaji C. Baby, Secretary-in-Charge

Smt. Reena V. R., Joint Secretary

Smt. Mable Antony, Deputy Secretary

Shri Ratheeshmon P., Under Secretary

INTRODUCTION

I, the Chairperson, Committee on Public Undertakings (2026-28) having been authorised by the Committee to present the Report on its behalf, present this Second Report on Malabar Cements Limited, Kerala Financial Corporation, Kerala State Backward Classes Development Corporation Limited & Kerala State Development Corporation for Scheduled Caste and Scheduled Tribe Limited, based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2018 relating to the Public Sector Undertakings of the State of Kerala.

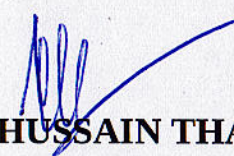
The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 24.8.2020. The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2023-2026) at its meeting held on 19.12.2024.

This Report was considered and approved by the Committee (2026-2028) at its meeting held on 16.09.2026.

The Committee places on record its appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit paragraphs included in this Report.

The Committee wishes to express thanks to the officials of the Industries Department, Finance Department, Backward Classes Development Department, Scheduled Caste & Scheduled Tribe Department of the Secretariat, Malabar Cements Limited, Kerala Financial Corporation, Kerala State Backward Classes Development Corporation Limited & Kerala State Development Corporation for Scheduled Caste and Scheduled Tribe Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, the officials of the Malabar Cements Limited, Kerala Financial Corporation, Kerala State Backward Classes Development Corporation Limited & Kerala State Development Corporation for Scheduled Caste and Scheduled Tribe Limited who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,
14th October 2026.


Prof. ABID HUSSAIN THANGAL
Chairperson,
Committee on Public Undertakings.

**REPORT
ON
MALABAR CEMENTS LIMITED
KERALA FINANCIAL CORPORATION
KERALA STATE BACKWARD CLASSES DEVELOPMENT
CORPORATION LIMITED
&
KERALA STATE DEVELOPMENT CORPORATION
FOR SCHEDULED CASTE AND
SCHEDULED TRIBE LIMITED**

Audit Report : 2017-18

Audit Paragraph : 5.4 - Investment of surplus funds by Public Sector Undertakings

Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with scheduled/co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of ₹5.68 crore due to such deposit in banks.

According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds/ profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 per cent per annum for periods ranging from 180 days to less than one year and 9 per cent for a period of one year and above with effect from 1 May 2015¹.

During the three years from 2015-16 to 2017-18, out of 136 PSUs in the State, 64 PSUs registered profits as per their latest finalised accounts. In order to examine compliance of

1 Revised to 7.00 per cent and 8.50 per cent respectively with effect from 01/03/2017.

PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit making PSUs.

Audit noticed that:

- Out of the 14 PSUs, seven PSUs² deposited their surplus funds of ₹554.37 crore in 570 fixed deposits (FDs) with scheduled/co-operative banks when the rate of interest was lower than the rate offered by Treasury Fixed Deposits. This resulted in foregoing additional interest income of ₹5.68 crore.

Four PSUs namely, Malabar Cements Limited (MCL), Kerala State Industrial Development Corporation Limited (KSIDC), The Kerala State Financial Enterprises Limited (KSFE) and The Plantation Corporation of Kerala Limited (PCKL) replied (February/September 2018, May 2019) that there were difficulties in getting funds released from the Government Treasury due to temporary restriction on withdrawal limits etc. KSFE also replied that funds were parked in banks for period less than 180 days only while MCL stated that FDs had to be prematurely closed on several occasions to meet working capital requirements. Kerala Financial Corporation (KFC) replied (May 2019) that the amount was deposited as security for an Execution Petition as directed by Hon'ble High Court of Kerala. The

² The Kerala State Financial Enterprises Limited (KSFE) – 186 FDs (₹181.74 crore), Kerala State Industrial Development Corporation Limited (KSIDC) – 275 FDs (₹272.55 crore), Malabar Cements Limited- 54 Fds (₹40 crore), Kerala Financial Corporation – 2 FDs (₹0.46 crore), Kerala State Development Corporation for Scheduled Castes and Scheduled Tribes Limited – 2 FDs (₹0.04 crore), The Plantation Corporation of Kerala Limited – 37 FDs (₹46.50 crore) and The Kerala State Backward Classes Development Corporation Limited - 14 FDs (₹13.08 crore).

replies of KSIDC, KSFE and MCL were endorsed (January/July/August 2019) by GoK.

The replies were not acceptable as treasury restrictions were not applicable for deposit of amount below ₹10 crore. The deposits made by KSFE, MCL and KSIDC were below ₹10 crore. All the FDs maintained by MCL in banks were for a period of one year or more and hence, cannot be considered as kept to meet working capital requirements. Further, premature closure facility was available for Treasury Fixed Deposits as well. The reply of KFC was not acceptable as the High Court did not specify that the deposit was to be made in bank.

The Finance Department, GoK replied (July 2019) that the PSUs were directed (August 2018) to deposit their own funds either in treasury or any scheduled bank according to their choice. The reply was not acceptable as the direction of GoK in August 2018 was not effective retrospectively and the deposits pointed out by Audit were made prior to it.

Thus, seven PSUs deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of the directions of the GoK and incurred loss of interest of ₹5.68 crore.

[Audit Paragraphs 5.4 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2018]

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

Discussion and Findings of the Committee**Malabar Cements Limited**

To a query regarding the reason for depositing the surplus funds in fixed deposits with scheduled banks in violation of directions of the Government, the Managing Director replied that the amount of ₹40 crore mentioned in the audit observation was intended for operational expenditure of the Company and the amount was deposited in 54 different accounts in the scheduled bank. The witness also added that in order to make bulk purchase, the Company needed large amount of funds at a time and there were difficulties in getting funds released from Government treasury due to temporary restrictions.

He added that the Company generally did not have surplus funds to be deposited and the entire amount would be required as working capital. In 2018, when the audit was conducted the deposit had diminished to ₹27 crore and sometimes loans were taken against the fixed deposits. In short, the funds were deposited the funds in Scheduled/Co-operative banks to provide flexibility for their use as working capital.

The Senior Audit Officer opined that Malabar Cements Limited had made fixed deposits for a tenure of more than one year when there were no restrictions in the treasury on the withdrawal of fixed deposits of less than ₹10 crore. The witness

replied that there were restrictions on the withdrawal of amount exceeding ₹50 lakh from the treasury.

The Managing Director informed the Committee that in 2016, when they submitted a bill to withdraw ₹52 lakh, the treasury returned the bill citing financial crisis. He added that the interest rate of bank was 7.4% whereas the treasury interest rate was 7.6%. The witness requested the Committee not to consider that difference as a loss since it was adopted as a measure to run the Company without affecting its day to day business.

To a query of the Committee the witness replied that the Company could not deposit the amount in savings account according to the direction of the Audit Department. So they had deposited the amount in several fixed deposit accounts in order to reduce the loss of interest.

The Committee enquired whether it was mandatory to deposit the amount as a fixed deposit. In response, the Senior Audit Officer replied that the Companies were required to maintain current accounts only. However, as current accounts carry no interest, it was beneficial, to deposit in fixed deposits, even for shorter period.

Then the Committee enquired how the Company could meet its daily expenses if it is directed not to deposit the amount

in current account. In response, the Senior Audit Officer replied that the Company could deposit small amounts in different accounts by lowering the tenure period. He added that the banks have started flexy fixed deposit schemes in which the amount in the current account is automatically swiped and converted into fixed deposit even for a single day.

When the Managing Director informed that the Companies could invest their surplus funds either in treasury or in nationalised banks as per the rules applicable in 2018, the Senior Audit Officer contradicted the statement by stating that as per the order of 2023, the Companies were required to invest their surplus funds in treasury, if the interest rate was higher in treasury. To this the Managing Director replied that MCL had only working capital and no surplus fund.

The Committee enquired whether there would be a loss if half of the amount were deposited in banks and the other half in treasury. The Managing Director replied that the amount had to be deposited in a single account in the treasury. The Committee then opined that the Company should deposit half the amount in the treasury and the other half in Scheduled/Co-operative banks so that the received amount could be withdrawn from the bank if there was restriction in treasury. The Committee observed that the Company incurred a loss due to low interest rate and premature withdrawal of amount from the banks.

The Committee enquired whether the Company could deposit the amount for 30-60 days, 90 days or one year in treasury in order to avoid loss. The witness replied that if the amount was deposited for 90 days in treasury, only 4% interest would be obtained but if it was deposited in banks, 7% interest could be obtained. He added that even if the fixed deposit was prematurely terminated 4.5 to 5% of interest could be obtained.

The Committee observed that since the Company was depositing the amount in Scheduled/Co-operative banks, the Government money were being utilised by such banks without benefiting the Government or the PSU. So the Committee recommended to analyse particulars such as the amount that can be deposited in treasury, the possibility of depositing the amount in Kerala bank, their interest rate and the priority given to PSUs by Kerala Bank.

To another query of the Committee the witness replied that the Company operating with an overdraft and had a market share of 7% only, which in turn affected the turnover of the Company.

Observation/Recommendation of the Committee

1) The Committee observes that MCL deposits its funds in Scheduled/Co-operative banks allowing these banks to utilize the Government money without providing any direct benefit either to the Government or to the PSU. So the Committee recommends that an analysis be made of particulars such as the amount that could be

deposited in the treasury, the possibility of depositing the amount in Kerala bank and the interest rate and the priority given to PSUs by Kerala Bank.

Discussion and Findings of the Committee

Kerala Financial Corporation

To the query of the Committee about the audit objection that KFC deposited ₹45 lakh in bank instead of treasury, the witness replied that this amount was not a surplus fund and was deposited in the bank as security for an execution petition as per the High Court order. He further stated that the amount was deposited in the bank for one year to earn a higher rate of interest. He added that after the audit reference, the deposit was transferred to the treasury with the permission of the Court.

The Committee accepted the reply.

The Senior Audit Officer opined that KFC had deposited some amount in banks like HDFC and Bandhan Bank as Fixed Deposit, in violation of the Government Order of December 2023. The Committee agreed to the statement made by the Senior Audit Officer.

Observation/Recommendation of the Committee

2) *The Committee observes that KFC had deposited some amount in banks like HDFC and Bandhan Bank as fixed deposit violating the Government Order of December 2023. So the Committee recommends to avoid such practices in future.*

Discussion and Findings of the Committee**Kerala State Backward Classes Development Corporation Limited**

To a query of the Committee, the Managing Director of Kerala State Backward Classes Development Corporation Limited replied that the Corporation received funds through three central agencies and in 2018 there were two such agencies. The funds were borrowed from these agencies at an interest rate of 1 to 3 percent and utilised to provide loans to backward classes and minorities.

The witness informed that in order to sanction loans to public on time, the Corporation could invest the amount only for a period of about seven days. In 2018, it was not possible to invest the amount as a fixed deposit for a period of 180 days in treasury and hence the amount was invested in bank. She added that the Corporation had to remit the amount to the agencies with quarterly interest and if it is not done, the interest rate would be increased to 6% leading to loss in terms of rebate. She added that currently the Corporation has ₹64 crore in fixed deposit and it has to remit ₹108 crore by December 31, 2025.

The Managing Director informed that the central agencies allotting the funds specifying the interest rate and the period of implementation. Hence the funds were deposited for short period and released as per loan applications. There were very few instances where fixed deposits were held for more than 7 to 14 days. But the Senior Audit Officer contradicted the statement by

pointing out that all the 14 fixed deposits pointed out in the audit were deposited for 366 days. The Managing Director replied that the amount ₹13.08 crore referred in audit might have been deposited more than once repeatedly and may have been reflected as two fixed deposits. But the Senior Audit Officer stated that the amount was deposited for a full year. The Managing Director replied that in the finalised audit report of the Corporation there was only one FD of ₹2 crore as on 31.3.2018 and the figure of ₹13.08 crore could not be traced. The Senior Audit Officer assured the Managing Director that he would share the details with them. The Committee opined that the Corporation violated the existing rules by depositing the fund in banks.

To a query of the Committee regarding the budget allocation, the Managing Director replied that the Corporation got only ₹1.13 crore against the paid up share capital of ₹200 crore and ₹16 crore was obtained for the year 2021-2022. During the periods 2022-23, 2023-24 and 2024-25, though the amount had been allocated in the budget and administrative sanction was issued, the funds had not yet been received.

To a query of the Committee regarding the current financial position of the Corporation, the Managing Director replied that the Corporation was operating at a profit and the profit earned was utilised for the implementation of the schemes intended for

Backward Communities with low income and minorities. She added that the Corporation does not have fixed deposit above 180 days and short-term fixed deposits are being made in SBI which offered 0.25% more interest than treasury.

The Committee enquired why the Corporation did not select Kerala Bank for making fixed deposit. The witness replied that since the accounts of the Corporation is in SBI, they were depositing the amount there to avoid the loss while transferring the fund.

To a query of the Committee regarding the major source of income of the Corporation, the witness replied that the central agencies provided funds at an interest rate of 1 to 3% with a direction to grant loans to the beneficiaries at an interest rate not lower than 5%. Generally the Company, based on the decision of the Board of Directors, funds received at 1% interest was granted as loans to the beneficiaries at an interest rate of 2 to 3% and this difference in the interest rate was the main source of income to the corporation.

To another query of the Committee the witness replied that the NPA of the Corporation was 12% and they were granting education loan, housing loan, personal loan etc at different interest rates ranging from 3.5% to 6%. She added that the Corporation was registered under RBI and hence was required to follow all the guidelines of the RBI and submitted quarterly and monthly reports to the RBI. She also informed that self

employment loan of ₹30 lakh given to minorities was the largest loan given by the Corporation.

Observation/Recommendation of the Committee

3) The Committee opines that the Corporation violated existing rules by depositing funds in banks contrary to prescribed procedures. Hence the Committee recommends that Corporation should strictly adhere to the existing rules regarding fund deposits and ensure transparent reporting and compliance with prescribed financial procedures to prevent misuse or mismanagement of funds.

Discussion and Findings of the Committee

Kerala State Development Corporation for Scheduled Caste and Scheduled Tribe Limited

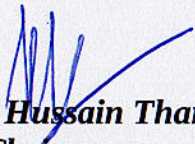
To the query of the Committee regarding the audit objection, the Managing Director replied that the two fixed deposits mentioned in the audit observation are one and the same. He added that the fund received from the central agency, National Scheduled Castes Finance Development Corporation (NSFDC), at an interest rate of 3% is given as loan to the beneficiaries and the Corporation has received an amount of ₹1,52,928 in 2013 as incentive on account of prompt loan repayment. This amount was deposited in Canara Bank since the rate of interest offered by the bank was 9% and that of treasury was only 7.5%. But in the year 2016 the interest rate of treasury increased by one percent compared to Canara Bank which remained unnoticed by the Corporation. Following the audit

observation the fixed deposit was withdrawn from the bank and utilised for the purchase of computer. He added that the amounts referred in the audit observation was arrived at by adding the amount deposited in 2013 and the cumulative amount with interest in 2018 and this has been clarified to the audit.

The Committee enquired whether the Corporation is getting any grant from the Government. The Managing Director replied that the Corporation has to get 49% capital support from the Central Government and 51% from the State Government. But unfortunately no grant has been received during the previous three years. The grant from the Central Government has been stopped in 2021 and this had been intimated to the State Government with a request to increase the capital support. However, no action had been taken so far and the Corporation is trying to raise the fund collection by accelerating the recovery proceedings. He added that the Corporation had earned profit in 2022-23 and 2023-24 and its current profit was ₹4 crore.

The Committee accepted the reply. Hence no remarks.

Thiruvananthapuram,
October 2026.


Prof. Abid Hussain Thangal
Chairperson
Committee on Public Undertakings

APPENDIX – I SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATION			
Sl. No.	Para. No.	Department Concerned	Conclusions/Recommendations
1	1	Industries	<i>The Committee observes that MCL deposits its funds in Scheduled/Co-operative banks allowing these banks to utilize the Government money without providing any direct benefit either to the Government or to the PSU. So the Committee recommends that an analysis be made of particulars such as the amount that could be deposited in the treasury, the possibility of depositing the amount in Kerala bank and the interest rate and the priority given to PSUs by Kerala Bank.</i>
2	2	Finance	<i>The Committee observes that KFC had deposited some amount in banks like HDFC and Bandhan Bank as fixed deposit violating the Government Order of December 2023. So the Committee recommends to avoid such practices in future.</i>
3	3	Backward Classes Development	<i>The Committee opines that the Corporation violated existing rules by depositing funds in banks contrary to prescribed procedures. Hence the Committee recommends that Corporation should strictly adhere to the existing rules regarding fund deposits and ensure transparent reporting and compliance with prescribed financial procedures to prevent misuse or mismanagement of funds.</i>

GOVERNMENT OF KERALA

INDUSTRIES DEPARTMENT

REMEDIAL MEASURES TAKEN REPORT ON PARA 5.4 IN THE REPORT OF
C&AG ON PUBLIC SECTOR UNDERTAKINGS FOR THE YEAR ENDED ON
31.3.2018

MALABAR CEMENTS LIMITED

Para No.	Audit Para	Remedial Measures Taken
5.4	Investment of surplus funds by Public Sector Undertakings Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with Scheduled/co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of Rs.5.68 crore due to such deposit in banks. According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds/ profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 per cent per annum for periods ranging from 180 days to less than one year and 9 per cent for a period of one year and above with effect from 1	Malabar Cements Ltd had availed a short term loan of Rs 50.00 Crore in January 2016 from Federal Bank to pay the Upfront Lease premium to Cochin Port Trust for the Land taken on long term lease at Ernakulam Wharf for the Bulk Cement and Allied Material Handling Project. The Fixed Deposit was on lien with Federal Bank against the above loan. Subsequently, the short term loan was repaid to Federal Bank in March 2017 on receipt of KVAT loan from the Government towards the project. However, the above Fixed Deposit with Federal Bank was to mature only in February 2018. The Capital Expenditure Budget of the company for F/Y 2016-17 was Rs.34.30 Crores and that of F/Y 2017-18 was Rs19.98 crores. The average monthly working capital requirement of the company had been in the range of Rs15.00 crores to Rs 18.00 crores. Further, the working capital

May 2015.

During the three years from 2015-16 to 2017-18, out of 136 PSUs in the State, 64 PSUs registered profits as per their latest finalised accounts. In order to examine compliance of PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit making PSUs.

Audit noticed that:

Out of the 14 PSUs, seven PSUs deposited their surplus funds of Rs.554.37 crore in 570 fixed deposits (FDs) with scheduled/co-operative banks when the rate of interest was lower than the rate offered by Treasury Fixed Deposits. This resulted in foregoing additional interest income of Rs.5.68 crore.

Four PSUs namely, Malabar Cements Limited (MCL), Kerala State Industrial Development Corporation Limited (KSIDC), The Kerala State Financial Enterprises Limited (KSFE), and The Plantation Corporation of Kerala Limited (PCKL) replied (February/September 2018, May 2019) that there were difficulties in getting funds released from the Government Treasury due to temporary restriction on withdrawal limits etc. KSFE also replied that

requirement had also shown wide variation due mismatch in cash flow on account of wide fluctuation in cement sales prices and volumes. Therefore the Fixed Deposit amount kept in bank was not surplus fund but funds maintained separately in bank earning interest to be utilized to meeting working capital and capital expenditure requirements.

The performance of company during the year F/Y 2016-17 & F/Y 2017-18 was adversely affected due to low sales volume and sales realization. This had in turn affected the fund position of the company and in order to meet the capital & working capital requirement Fixed Deposits had to be prematurely closed on several occasion. The Fixed Deposit amount as on 31.3.2018 dropped to Rs.27.00 crores from Rs.40.00 crores as on 31.3.2017.

Being a manufacturing unit dealing with bulk procurement, very often company needs to make high value payment including statutory payment at short notice. In this regards funds maintained with bank provides more operational flexibility.

funds were parked in banks for period less than 180 days only while MCL stated that FDs had to be prematurely closed on several occasions to meet working capital requirements. Kerala Financial Corporation (KFC) replied (May 2019) that the amount was deposited as security for an Execution Petition as directed by Hon'ble High Court of Kerala. The replies of KSIDC, KSFE and MCL were endorsed (January/July/August 2019) by GoK.

The replies were not acceptable as treasury restrictions were not applicable for deposit of amount below Rs. 10 crore. The deposits made by KSFE, MCL and KSIDC were below Rs. 10 crore. All the FDs maintained by MCL in banks were for a period of one year or more and hence, cannot be considered as kept to meet working capital requirements. Further, premature closure facility was available for Treasury Fixed Deposits as well. The reply of KFC was not acceptable as the High Court did not specify that the deposit was to be made in bank.

The Finance Department, GoK replied (July 2019) that the PSUs

were directed (August 2018) to deposit their own funds either in treasury or any scheduled bank according to their choice. The reply was not acceptable as the direction of GoK in August 2018 was not effective retrospectively and the deposits pointed out by Audit were made prior to it.

Thus, seven PSUs deposited their surplus funds in fixed deposits with scheduled/ co-operative banks in violation of the directions of the GoK and incurred loss-of interest of Rs. 5.68 crore.

Rajeena
M.A. RAJEENA BEEGUM
Additional Secretary
Industries Department
Govt. Secretariat

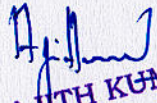
ACTION TAKEN REPORT ON THE SAMITI FOR THE YEAR (2023-26) AUDIT
PARA 5.4-RELATING TO KERALA FINANCIAL CORPORATION

AUDIT PARA 5.4	ACTION TAKEN
According to the directions (January 2012) issued by the Government of Kerala (GoK), PSUs should deposit their own funds/profits with banks only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 percent per annum for periods ranging from 180 days to less than one year and 9 percent for a period of one year and above with effect from 1 May 2015. Audit noticed that: Out of the 14 PSUs, seven PSUs deposited their surplus funds of Rs. 554.37 crore in 570 fixed deposits (FDs) with scheduled/cooperative banks when the rate of interest was lower than the rate offered by Treasury Fixed Deposits. This resulted in foregoing additional interest income of Rs. 5.68 crore. Kerala Financial Corporation (KFC) replied (May 2019) that the amount was deposited as security for an Execution Petition as directed by Hon'ble High Court of Kerala.	The audit observation made by the Comptroller and Auditor General (CAG) in paragraph 5.4 of their report for the year ended March 31, 2018, is related the investment of surplus funds by Public Sector Undertakings (PSUs). In the case of KFC, clarification was given that the deposited amount was not an investment but rather a Fixed Deposit (FD) placed as per the direction of the Principal Sub Court Ernakulam in relation to a loan account. The Hon'ble Court had directed to the Corporation to deposit a Fixed Deposit for Rs. 45.53 lakh as security. Corporation has noted, the audit observation and subsequently at the time of renewal of FD the amount was transferred to Treasury Savings Bank with District Treasury, Thiruvananthapuram, effective from December 29, 2020, for a period of one-year, with annual renewals thereafter. Currently the FD is with Treasury Savings Bank is renewed upto 31.12.2024. Considering this position, the audit Para may be dropped.


NELSON. J
PEN - 100412
Additional Secretary
Finance Department
Govt. Secretariat
Thiruvananthapuram

**ACTION TAKEN REPORT ON THE REPORT OF THE C&AG FOR THE
YEAR ENDED 31 MARCH 2018 - AUDIT PARA 5.4-RELATING TO
KERALA FINANCIAL CORPORATION**

AUDIT PARA 5.4	ACTION TAKEN
"According to the directions (January 2012) issued by Government of Kerala, PSUs should deposit their own funds/profits with banks, only if it fetched more interest than that on Treasury Fixed Deposits. Treasury Fixed Deposits carried interest at the rate of 7.50 percent per annum for periods ranging from 180 days to less than one year and 9 percent for a period of one year and above with effect from 1st May 2015. Audit noticed that Seven PSUs including Kerala Financial Corporation, deposited their surplus funds in fixed deposits with scheduled/Co-operative Banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of Rs.5.68 crore due to such deposit in banks".	Kerala Financial Corporation was instructed to rectify the error as reported by the C&AG. Now Kerala Financial Corporation has informed that, they have placed the Fixed Deposit of Rs.48,98,125/- (Rupees Forty Eight Lakhs Ninety eight Thousand One Hundred and Twenty Five only)(being maturity proceeds of old Fixed Deposit) in Treasury Savings Bank with District Treasury, Thiruvananthapuram on 29.12.2020 for a period of one year. The Fixed Deposit Certificate is also enclosed herewith.


AJITH KUMAR. A
 Joint Secretary
 Finance Department
 Govt. Secretariat
 Thiruvananthapuram



GOVERNMENT OF KERALA
SB FORM NO. 39



TREASURY SAVINGS BANK
TERM DEPOSIT (FIXED DEPOSIT) CERTIFICATE

RULE 57 KTC Vol. II

No. : **JL 0579263**

Certificate No: JL579263

Name(s) : **MD KERALA FINANCIAL CORPORATION**

Date : **29/12/2020**

Address : **KERALA FINANCIAL CORPORATION VELLAYAMBALAM**

KYC **37965**

TVM

TSB **701011400000290**

Received a sum of Rs. **4,898,125.00/-** (Rupees

Fourty Eight Lakh Ninty Eight Thousand One Hundred Twenty Five

Only
towards Treasury Fixed Deposit at District Treasury, Thiruvananthapuram. (101)

Account Number	Principal Amount	Term	Interest	Withdrawal due on
799010501336141	4,898,125.00	0-Year, 0-Month, 0-Week, 366-Day	8.50%	30-12-2021

Nominee(s) :

Seal

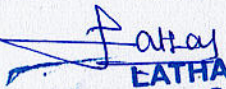
S.B. Passing Officer

Treasury Officer/SB PO

- 22 -
**REPORT OF THE COMPTROLLER AND AUDITOR
GENERAL OF INDIA ON PUBLIC SECTOR UNDERTAKING
FOR THE YEAR ENDED 31st MARCH 2018**

BACKWARD CLASSES DEVELOPMENT DEPARTMENT

<u>Para 5.4</u>	<u>Action taken</u>
<u>Investment of surplus funds by Public Sector Undertakings</u> Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with scheduled / co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of 5.68 crore due to such deposit in banks.	Kerala State Backward Classes Development Corporation Limited is a Non-Banking Finance Company registered with Reserve Bank of India which provides financial assistance by way-of-Loan to the OBCs and Minorities in the State of Kerala. There are 3 major sources of funds to carry on the objective of the Company viz:- Funds from National Agencies, State Government Budget Allocation towards Share Capital and Repayment collection. W.r.t. Funds from the State Government, it is retained in the Treasury Account and is now disbursed to the beneficiaries through Treasury Account itself. In this context, the following points are to be taken into account. 1. As per the General Clause Agreement executed with the National Agencies by the Company, the maximum time limit for utilization of funds received from them to implement their schemes is 90 days. 2. The Company also has to dispense the loan application requests from its various branches regularly. 3. Every-Quarter, the Company has to make repayment to its National Agencies from where the Company borrows, to implement various schemes to the OBCs and Minorities. 4. The excess funds are parked by the Company as Fixed Deposits in the range of 7-45 days and if these funds are not parked as Fixed Deposits with the Scheduled Banks, the funds would remain idle in the Current Accounts of the Company without fetching any interest income. Moreover, the funds are parked only after getting competitive quotes from the Banks to derive maximum interest. It is also reported that the minimum tenure of Fixed Deposits to be parked in Treasury is 180 days. Kerala State Backward Classes Development Corporation Limited can never keep surplus funds for such a long tenure with the Treasury.


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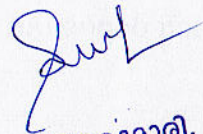


Action Taken on Para No.5.4 Contained in Audit Report of Public Sector Undertakings ended on 31/03/2018

Recommendations	Action Taken
Seven Public Sector Undertakings deposited their surplus funds in fixed deposits with Scheduled/Co-operative banks in violation of directions of the Government. Moreover, these PSUs incurred loss of interest of Rs.5.68 Crore due to such deposit in banks. According to the directions (January 2012) issued by the Government of Kerala, PSUs should deposit their own funds/ profit with banks only if it fetched more interest than that on Treasury Fixed Deposit. Treasury Fixed Deposits carried interest at the rate of 7.50 percent per annum for periods ranging from 180 days to less than one year and 9 percent for a period of one year and above with effect from 01/05/2015. During the three years from 2015-16 to 2017-18, out of 136 PSUs registered profits as per their latest finalised accounts. In order to examine compliance of PSUs with the directions of the GoK on investment of surplus fund, Audit selected 14 out of the 64 profit	Kerala State Development Corporation for SC/ST had deposited Rs.152928/- in the Canara Bank received from National Scheduled Castes Finance Development Corporation (NSFDC) on 17/07/2013 as incentive on account of prompt loan repayment. It becomes Rs.179806 during the year 2016-17 and Rs. 193016/- in 2017-18 including interest. In the Audit report, it is mentioned as 2 Fixed Deposits taking these two figures together as 4.00 Lakh (3.73 Lakh Only, 179806+ 193010=372816 ie 3.73 Lakh). Incentives from NSFDC can be utilized for accelerating repayment activities and it can be withdrawn as and when it is necessary. Hence it is withdrawn from Canara Bank on 29/11/2018 and transferred to incentive account maintained at Punjab National Bank and fully utilised.

making PSUs.

Audit noticed that, Out of the 14 PSUs, seven PSUs deposited their surplus funds of 554.37 Crore in 570 fixed Deposits (FDs) with Scheduled/ Co-operative banks when the rate of interest was lower than the rate offered by Trasury Fixed Deposits. This resulted in foregoing additional interest income of Rs.5.68 Crore.


ബീനാകുമാരി. എസ്
അഡീഷണൽ സെക്രട്ടറി
പട്ടികജാതി പട്ടികവർഗ്ഗ വികസന വകുപ്പ്
ഗവൺമെന്റ് സെക്രട്ടേറിയറ്റ്
തിരുവനന്തപുരം