



SIXTEENTH KERALAM LEGISLATIVE ASSEMBLY

COMMITTEE

ON

**PUBLIC UNDERTAKINGS
(2026-2028)**

FIFTH REPORT

(Presented on ^{14th} October 2026)

**SECRETARIAT OF THE KERALAM LEGISLATURE
THIRUVANANTHAPURAM**

2026

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On

The Kerala State Cashew Development Corporation Limited

**Based on the Audit para contained in the Compliance Audit Report of the
Comptroller and Auditor General of India for the year ended
31st March, 2022**

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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 Report on The Kerala State Cashew Development Corporation Limited Based on the Compliance Audit Report of the Comptroller and Auditor General of India for the year ended 31st March, 2022

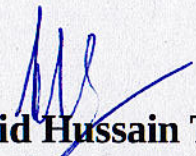
The aforesaid Report of the Comptroller and Auditor General of India was laid on the Table of the House on 11.07.2024 The consideration of the audit paragraphs included in this report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings (2023-2026) at its meeting held 12.12.2025

This Report was considered and approved by the Committee(2026-28) at its meeting held on 07.10.2026.

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

The Committee wishes to express thanks to the officials of the Industries Department of the Secretariat and the Kerala State Cashew Development Corporation Limited for placing the materials and information solicited in connection with the examination of the subject. The Committee also wishes to thank in particular the Secretaries to Government, Industries and Finance Department and the officials of the Kerala State Cashew Development Corporation 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

The Kerala State Cashew Development Corporation Limited

Audit Paragraph 3.3(2021-22)

3.3 *Extra expenditure*

Cancellation of tender in violation of the provisions of the Stores Purchase Manual entailed extra expenditure of ₹93.39 lakh.

As per Rule 1.2 of the Stores Purchase Manual (SPM) issued (June 2013) by the Government of Kerala, public procurement activities should be conducted in a transparent manner ensuring competition, fairness and elimination of arbitrariness in the system. In order to ensure the same, the tender document should clearly mention the eligibility criteria to be met by the tenderers and tenders should be evaluated in terms of the criteria already incorporated in the tender document. Any new condition, which was not incorporated in the tender document, should not be brought into consideration while evaluating the tenders. Rule 7.50 of the SPM also mandates that wherein two bid system is adopted in tendering, the technical bids are to be opened in the first instance and the same will be scrutinised and evaluated by the competent committee/ authority with reference to parameters prescribed in the tender documents. Thereafter, in the second stage, the financial bids of only the technically acceptable offers (as decided in the first stage above) are to be opened for further scrutiny, evaluation, ranking and placement of contract.

Kerala State Cashew Development Corporation Limited (Company) is engaged in purchase of raw cashew nuts (RCN) and selling of processed cashew nuts. The Company invited (December 2016) tender for purchase of 2,500 MT RCN of Tanzanian (CDJKL¹) origin on direct/ high seas sale² basis. Three firms submitted

1 CDJKL is a variety of cashew nut available in Tanzania.

2 High Sea Sales' is a trade practice whereby the original importer sells the goods to a third person before the goods are entered for customs clearance.

bids and the committee for evaluation of these bids reported (7 January 2017) that they were technically qualified. Accordingly, price bids were opened and it was found (7 January 2017) that Exolent Global Exim Company offered the lowest rate of USD 2,131 per MT of RCN. The Board of Directors (BoD) of the Company negotiated with the bidder who agreed to reduce the rate to USD 2,120 per MT. Subsequently, the BoD decided (16 January 2017) to cancel the tender citing that (i) the successful firm proposed to ship the RCN from Dar-es-Salam port whereas the tender conditions stipulated the same from Mtwara port in Tanzania, (ii) letter from Cashewnut Board of Tanzania submitted by the bidder was defective and; (iii) the firm would not be able to supply the RCN as per the supply schedule. Subsequently, the Company invited (8 February 2017) tender for purchase of imported RCN of Tanzanian (CDJKL) origin from Indian firms. Of the two firms that submitted bids, John Cashew Company offered the lowest price (₹159 per kg) and agreement was entered into (22 February 2017) for supply of 1,000 MT.

Audit observed that the reasons cited by the BoD for cancelling the tender were not justifiable. The tender document had not specified Mtwara or any other port in Tanzania for effecting shipment of the RCN. The BoD could not specify the defects in the letter produced by the bidder from Cashewnut Board of Tanzania approving transportation of RCN to Dar-es-Salam port. Further, there was nothing on record to justify the opinion of the BoD that the successful bidder would not be able to deliver RCN as per the committed schedule. The delivery schedule specified in the tender document was also ambiguous as it did not specify the exact days available for a bidder from the date of award of order for effecting the supply. Instead, it required that the supply should be made by 16 January 2017 which was later (23 December 2016) amended to 23 January 2017. It may be noted that in a similar transaction, one of the suppliers intimated (November 2016) that a period of 10 to 12 days was required to supply RCN from Tanzania. Hence, even if the order was placed immediately after the meeting (16 January 2017) of the BoD in which the tender was

considered, the successful bidder would have been able to deliver the RCN by the end of January 2017 as committed in the tender submission. On the other hand, by re-tendering for the purchase of RCN, the BoD effectively deferred the receipt of RCN from January 2017 to March 2017. The decision of the BoD was, therefore, not in accordance with the tender conditions and provisions of the SPM which entailed extra expenditure of ₹93.39 lakh due to purchase of RCN at a higher rate from local market.

The Government replied (November 2022) that the BoD took a considerate decision based on the facts presented to them and in discussion with the L1 bidder on the supply schedules and other facts of the case. It was further replied that the port of loading is usually Mtwara. Since the successful bidder had expressed his intention to load the shipment from Dar-es-Salam port, the BoD had suspicion as the two ports are more than 500 km apart and Mtwara was the major port of loading RCN. There was no lack of transparency in evaluation of bids as the whole tender was cancelled by the BoD and not by the Tender Committee.

The reply is not acceptable. Cancelling a tender citing technical reasons after completing the technical and commercial evaluation was in violation of the SPM and lacked transparency. The tender document did not specify Mtwara as port of loading for the RCN. Hence, rejecting the tender on the ground that port of loading was Dar-es-Salam was not in accordance with the provisions of SPM which provided that the tender document should clearly mention the eligibility criteria to be met by the tenderers and any new condition should not be brought into consideration while evaluating the tenders. Technical evaluation of the bids, which was carried out by a committee which included the Managing Director did not report any adverse remarks on the competency of the successful bidder. The reasons cited by the BoD for cancelling the tender, therefore, were not justifiable.

Thus, the faulty formulation of tender documents and non-compliance with SPM during tender evaluation processes led to extra expenditure of ₹93.39 lakh.

Recommendation: The Government should ensure that the Company specifically mentions all the technical parameters in the tender documents to avoid ambiguity leading to avoidable expenditure.

[Audit paragraph 3.3 contained in the Compliance Audit Report of the C&AG for the year ended 31 March 2022]

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

Discussion and findings of the Committee

3.3 Extra expenditure

When the Committee enquired about the audit reference, the Managing Director, KSCDC replied that Mtwara and Dar-es-salaam were the two ports for the import of RCN in Tanzania. He stated that Dar-es-salaam port was situated near Mozambique, where low quality raw cashewnuts are available at low rates. If the cashews are imported through Dar-es-salaam port, the quality cannot be assured as it would be from Mozambique. He added that the RCN from Mozambique yielded only 46 out-turns, ie. 22Kg of cashew kernels from one sack of RCN, whereas RCN from Mtwara yields 52 out-turns, ie 25kg cashew kernels from one sack of RCN and Mtwara quality is superior in nature compared to Dar-es-Salaam. He further informed that even though the bids were opened, no agreement was signed in this regard.

The Committee enquired the reason for not stipulating the conditions while inviting tender. The Managing Director replied that, usually, tender conditions are incorporated while preparing the agreement. He also informed that there is a general understanding that RCN from Tanzania implies that it is through Mtwara port.

The Committee criticized the decision of the Board of Directors to cancel the tender on the grounds that the condition to purchase RCN from Mtwara port was not included in the tender. The Committee enquired whether the technical committee had examined these matters before initiating the tender procedures. The MD replied that it was only mentioned in the tender that the purchase has to be done as per specification and the bid also did not mention about these matters and it was discussed only in the Board meetings.

In response to a query from the Committee, the MD replied that since the agreement was not executed, it was not possible to take legal action against the Company. The Senior Audit Officer informed that tender document did not specify the port through which the RCN should be purchased and the Board voluntarily decided that the Company could not distribute the RCN as per the distribution schedule. He added that there is no valid proof to substantiate this decision.

When the Committee enquired about the loss incurred, the Managing Director replied that the Audit Report of C&AG stated that there was a loss of ₹93 lakh and he added that a contract without an agreement could not be compared to a contract with an agreement.

The Senior Audit Officer clarified that the loss was estimated indicatively and the audit remark was primarily on the violation of tender conditions. He added that KSCDC cancelled the tender assuming that the suppliers would not be able to distribute RCN in a timely manner. However, since three subsequent tenders failed technically, the purchase was made through the fourth tender and as a result the purchase could not be carried out on time. The Managing Director informed that after 2016, no one participated in tenders and Cashew Board was formed in September 2017.

The Senior Audit Officer reported that the reasons cited by the Board lacks credibility and added that even though the tender was invited for 2500 MT of

cashews, only 1000 MT of RCN were purchased through subsequent tender. In response, the MD replied that if RCN had been purchased through Dar-es-Salaam port, there would have been comparatively a huge loss because there would be a decrease of 4kg per one sack of RCN and cumulatively there would be decrease of 50,000kg for 1000 metric ton of RCN after processing which would have eventually led to a loss of ₹ 2 crore. The Senior Audit Officer informed that only 90 percent of the amount will be released as first payment and there is a penalty clause to withhold 10 percent and this amount won't be given if the out-turn is less. The MD replied that if the loss exceeds 10 percent, this clause is not useful. The Committee opined that, from the discussion it is evident that the action taken by the Corporation was not in accordance with Stores Purchase Manual.

When the Senior Audit Officer enquired whether KSCDC now purchases RCN from Dar-es-salaam port, the MD replied that RCN is purchased from Mozambique. To a query of the Committee regarding the procurement of low quality RCN from Mozambique, the MD replied that the RCN is available at low rates from Mozambique and added that the availability of RCN from different countries varies with season.

When the Committee observed that all the drawbacks happened mainly due to the failure of the Corporation to strictly follow the Stores Purchase Manual, the MD replied that at present they are operating in accordance with the SPM. The Joint Secretary, Industries Department further informed that since KSCDC is currently inviting global tenders, following the Stores Purchase Manual is mandatory.

The Committee observed that KSCDC is now operating in accordance with Stores Purchase Manual and hence decided to drop the action on the audit para.

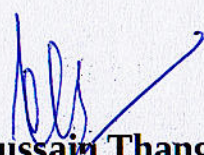
Observation

The Committee opines that it is clearly evident that all the drawbacks occurred mainly due to the failure of KSCDC to strictly follow the Stores Purchase Manual.

The Committee also observes that KSCDC is currently complying with the Stores Purchase Manual, since SPM has been made mandatory for inviting global tenders. Hence the Committee arrived at the conclusion that no action is required against the Company and decided to drop the Audit para.

Thiruvananthapuram,

07... October 2026


Prof. Abid Hussain Thangal,

Chairperson,

Committee on Public Undertakings.

APPENDIX-I SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS			
Sl No.	Para No.	Department Concerned	Conclusions/Recommendations
1	1	Industries	The Committee opines that it is clearly evident that all the drawbacks occurred mainly due to the failure of KSCDC to strictly follow the Stores Purchase Manual. The Committee also observes that KSCDC is currently complying with the Stores Purchase Manual, since SPM has been made mandatory for inviting global tenders. Hence the Committee arrived at the conclusion that no action is required against the Company and decided to drop the Audit para.

**REPLY TO PARAGRAPH NO 3.3 - 'EXTRA
EXPENDITURE' RELATED TO KSCDC IN THE REPORT
OF C&AG's COMPLIANCE AUDIT REPORT FOR THE
YEAR ENDED 31ST MARCH 2022 (REPORT NO.2 OF THE
YEAR 2024)**

Remarks of C&AG	Reply
The Kerala State Cashew Development Corporation Limited	In the particular e-tender, there were only three bidders (minimum participants) and moreover the previous tender was without any bidder. Usually due to limited participants in the tender, the tender committee (constituting of Managing Director, Finance Manager, Commercial Manager, Materials Manager & Production Manager) places the findings of the Tender Committee to Board for necessary direction.
<u>3.3 Extra expenditure</u> Cancellation of tender in violation of the provisions of the Stores Purchase Manual entailed extra expenditure of ₹93.39 lakh. As per Rule 1.2 of the Stores Purchase Manual (SPM) issued (June 2013) by the Government of Kerala, public procurement activities should be conducted in a transparent manner ensuring competition, fairness and elimination of arbitrariness in the system. In order to ensure the same, the tender document should clearly mention the eligibility criteria to be met by the tenderers and tenders should be evaluated in terms of the criteria already incorporated in the tender document. Any new condition, which was not incorporated in the tender document, should not be brought into consideration while	Board usually considers all the practical aspects before finalizing a tender taking into consideration the organization objective, employment, price factor, possibility of unwanted allegations, kernel market, Government policy etc. before finalizing the decision of a purchase. M/s.Exolent Global Exim Company was almost a new bidder in KSCDC e-tendering. On scrutiny by the Board, it seems that the letter from Cashew Board of Tanzania (CBT) was addressed to M/s Alpha Krust Ltd., Tanzania (which is a third party). Moreover, it states that the letter for

evaluating the tenders. Rule 7.50 of the SPM also mandates that wherein two bid system is adopted in tendering, the technical bids are to be opened in the first instance and the same will be scrutinized and evaluated by the competent committee/authority with reference to parameters prescribed in the tender documents. Thereafter, in the second stage, the financial bids of only the technically acceptable offers (as decided in the first stage above) are to be opened for further scrutiny, evaluation, ranking and placement of contract.

Kerala State Cashew Development Corporation Limited (Company) is engaged in purchase of raw cashew nuts (RCN) and selling of processed cashew nuts. The Company invited (December 2016) tender for purchase of 2,500 MT RCN of Tanzanian (CDJKL) origin on direct/ high seas sale basis. Three firms submitted bids and the committee for evaluation of these bids reported (7 January 2017) that they were technically qualified. Accordingly, price bids were opened and it was found (7 January 2017) that Exolent Global Exim Company offered the lowest rate of USD 2,131 per MT of RCN. The Board of Directors (BoD) of the Company negotiated with the bidder who agreed to reduce the rate to USD 2,120 per MT. Subsequently, the BoD decided (16 January 2017) to transportation of RCN is from Dar-es-Salaam Port instead of Mtwara Port, for which USD 100-150/ MT price difference would be there, normally which was discussed in the Board meeting. M/s Alpha krust Ltd., Tanzania is a third party holding stock of 3700 MT RCN in origin.

The presumption by the board that the bidder won't be able to supply RCN at the stipulated time is true to the facts to a great extent, because there are lot of factors influencing delivery during the period (vessel availability, port congestion, vessel arrival, loading time, shortage of container, anchoring of vessels etc.) which was ascertained by the Board during the interaction with the bidder and arrived at a decision.

With the *bona fide* intention of RCN purchase, in the 218th Board meeting of KSCDC held on 07/01/2017, M/s Exolent Global Exim Company was invited for negotiation and as a result bidder had reduced the price to USD 2120 per MT for 2500 MT Tanzanian Origin RCN. Our shipment term as per tender specification was on or before 16/01/2017. Whereas as per the e-tender form submitted by the bidder, the shipment period was split into two deliveries (1st week of March 2017 and 2nd week of March 2017) of 1200 MT & 1500 MT respectively. Further, as there was not much developments in the progress of contract, the Board in the 219th meeting held on 16/01/2017 discussed the point of loading Port from Mtwara (which is supposed to be

cancel the tender citing that (i) the successful firm proposed to ship the RCN from Dar-es-Salam port whereas the tender conditions stipulated the same from Mtwara port in Tanzania, (ii) letter from Cashew nut Board of Tanzania submitted by the bidder was defective and; (iii) the firm would not be able to supply the RCN as per the supply schedule. Subsequently, the Company invited (8 February 2017) tender for purchase of imported RCN of Tanzanian (CDJKL) origin from Indian firms. Of the two firms that submitted bids, John Cashew Company offered the lowest price (₹159 per kg) and agreement was entered into (22 February 2017) for supply of 1,000 MT.

Audit observed that the reasons cited by the BoD for cancelling the tender were not justifiable. The tender document had not specified Mtwara or any other port in Tanzania for effecting shipment of the RCN. The BoD could not specify the defects in the letter produced by the bidder from Cashew nut Board of Tanzania approving transportation of RCN to Dar-es-Salam port. Further, there was nothing on record to justify the opinion of the BoD that the successful bidder would not be able to deliver RCN as per the committed schedule. The delivery schedule specified in the tender document was also ambiguous as it did not specify the exact days

an implied condition) and which is known among the trade fraternity. In this context, during the Board's interaction with the bidder, the status of shipping schedule was evaluated and the Board concluded that the possibility of vessel arrival on the committed date is limited and moreover bidder being a new party prolonging the schedule with uncertainty was not accepted. So BoD unanimously decided to cancel the tender.

It is widely known on trade front that Mtwara quality is superior to Dar-es-salaam (DSM) quality. Hence price would vary. As a matter of fact, Port of loading is one of the factor ascertained by Board in the decision making process; otherwise it would have created a negative impact in the business. Being a first time bidder in Corporation, presume the trade guide lines were neglected as they were eager to associate with KSCDC somehow or the other. Usually in a full fledged contract, loading port clause is incorporated and it is reflected further in Bill of lading due to the controversies of the past.

In Tanzania, two major ports are there (Mtwara & Dar-es-Salaam). The trade fraternity knows that Mtwara quality is superior in nature compared to Dar-es-Salaam due to various factors including smuggled RCN from border areas of Mozambique and the possibility of quality getting mixed up cannot be ruled out. So the rate differs usually in tender document. Tanzania (CDJKL)-5 provinces is mentioned for

available for a bidder from the date of award of order for effecting the supply. Instead, it required that the supply should be made by 16 January 2017 which was later (23 December 2016) amended to 23 January 2017. It may be noted that in a similar transaction, one of the suppliers intimated (November 2016) that a period of 10 to 12 days was required to supply RCN from Tanzania. Hence, even if the order was placed immediately after the meeting (16 January 2017) of the BoD in which the tender was considered, the successful bidder would have been able to deliver the RCN by the end of January 2017 as committed in the tender submission. On the other hand, by re-tendering for the purchase of RCN, the BoD effectively deferred the receipt of RCN from January 2017 to March 2017. The decision of the BoD was, therefore, not in accordance with the tender conditions and provisions of the SPM which entailed extra expenditure of ₹93.39 lakh due to purchase of RCN at a higher rate from local market.

The Government replied (November 2022) that the BoD took a considerate decision based on the facts presented to them and in discussion with the LI bidder on the supply schedules and other facts of the case. It was further replied that the port of loading is

more participation and competitive pricing, but to be precise the port of loading (Mtwara) is normally specified in the contract (under shipment), which is a trade practice and which is binding to either parties and this is with the bona fide interest of the Corporation in the long term.

Audit may note that M/s. Exolent Global Exim Co., being a new bidder and based on several discussions with Chairman and Managing Director and with bona fide intention, made an attempt to procure RCN for continuous operations and employment. Hence negotiation was held on the basis, but due to uncertainty in delivery schedule the Board was not in a position to experiment. As a normal course, subsequent 4 tenders also could not be finalized due to technical reasons. The 4th tender was finalized almost after 2 months at the then market rate.

As pointed out in compliance Audit report, the subsequent purchase of RCN by the board was a normal procedure of the company for employment sake. In the minutes of 222nd Board meeting held on 21/02/2017 keeping in mind the operational scenario, the board negotiated the RCN price from ₹. 163.50/- per kg to ₹.159/- per kg (excluding tax) and the contract was entered into. Audit may also note that the aforesaid two tender had happened in between a gap of almost 60 days where the rate volatility and unforeseen fluctuations cannot be ruled out due to various internal and external

usually Mtwara. Since the successful bidder had expressed his intention to load the shipment from Dar-es-Salam port, the BoD had suspicion as the two ports are more than 500 km apart and Mtwara was the major port of loading RCN. There was no lack of transparency in evaluation of bids as the whole tender was cancelled by the BoD and not by the Tender Committee.

The reply is not acceptable. Cancelling a tender citing technical reasons after completing the technical and commercial evaluation was in violation of the SPM and lacked transparency. The tender document did not specify Mtwara as port of loading for the RCN. Hence, rejecting the tender on the ground that port of loading was Dar-es-Salam was not in accordance with the provisions of SPM which provided that the tender document should clearly mention the eligibility criteria to be met by the tenderers and any new condition should not be brought into consideration while evaluating the tenders. Technical evaluation of the bids, which was carried out by a committee which included the Managing Director did not report any adverse remarks on the competency of the successful bidder. The reasons cited by the BoD for cancelling the tender, therefore, were not justifiable.

Thus, the faulty formulation of

influencing factors considering the nature of commodity and phenomenon. Moreover, as mentioned in the audit report comparison of price for direct import of RCN with that of local supply of imported RCN is not a reasonable method due to below mentioned reasons for the aforesaid consignments.

a) In direct import of RCN, additional expenses to be incurred (Port terminal handling charges (THC), C&F charges, Loading charges and Transportation from Port to factories etc.) whereas in local supply of imported RCN, the consignments are delivered at various KSCDC factories at the seller's cost and the cost of gunny bags is also borne by the seller.

b) For direct import, KSCDC will make 90% payment directly to the supplier on CAD terms and balance 10% as per certificate of weight and quality from independent surveyor after adjusting for the quality and quantity as per final statement of settlement prepared by KSCDC whereas for local supply of imported RCN, the seller is entitled to get only 80% of the invoice value of RCN as per delivery at designated factories and on quality certification by surveyor and on production of weight/stock certificate issued by Production Manager of the buyer. Balance 20% will be settled after receiving the certificate of weight and quality from independent surveyor and after adjusting quality and quantity as per final statement of settlement.

tender documents and non-compliance with SPM during tender evaluation processes led to extra expenditure of ₹93.39 lakh.

Recommendation: The Government should ensure that the Company specifically mentions all the technical parameters in the tender documents to avoid ambiguity leading to avoidable expenditure.

Also Audit may note that since September 2017, KSCDC is procuring imported raw cashew nut only through Kerala Cashew Board (KCB) Ltd, a Special Purpose Vehicle (SPV) established by Government of Kerala for this sole purpose through global e-tender.

Thus understanding these actual facts, the query ascertained by Audit of ₹93.39 lakh may kindly be dropped. In case of any direct import of RCN by KSCDC in future, all technical parameters as per SPM and those required for ensuring quality and financial propriety would be incorporated in the tender document for avoiding any additional expenditure.

Hema.v

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