



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)**

**SECOND REPORT
(Presented on 27th October, 2016)**

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2016

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)**

SECOND REPORT

On

**The Action Taken by Government on the Recommendations contained
in the Fourth Report of the Committee on Public Undertakings
(2011-2014) relating to Kerala Garments Limited, based on
the Report of the Comptroller and Auditor General of India
for the year ended 31 March, 2006 (Commercial)**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)
COMPOSITION

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Shri C. Divakaran.

Members:

Shri T. A. Ahammed Kabeer

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" Raju Abraham

" Sunny Joseph

" C. F. Thomas

" P. Unni.

Legislature Secretariat:

Shri V. K. Babu Prakash, Secretary

Smt. P. K. Girija, Additional Secretary

" Manju Varghese, Deputy Secretary

" Deepa V., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2016-2019) having been authorised by the Committee to present this Report on their behalf, present this Second Report on the action taken by Government on the recommendations contained in the 4th Report of the Committee on Public Undertakings (2011-2014) relating to the Kerala Garments Limited under Industries Department.

The statement of action taken by the Government on the recommendations of 4th Report of the Committee on Public Undertakings (2011-2014), included in this Report was considered by the Committee constituted for the year 2014-2016 in its meeting held on 9-9-2015.

This Report, incorporating the recommendations of the Committee and the replies furnished by the Government, was considered and approved by the Committee (2016-2019) at its meeting held on 17-10-2016 with remarks.

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

Thiruvananthapuram,
27th October, 2016.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

REPORT

This report deals with the action taken by Government on the recommendations contained in the Fourth Report of the Committee on Public Undertakings (2011-2014) relating to Kerala Garments Limited based on the Report of the Comptroller and Auditor General of India for the year ended 31st March, 2006 (Commercial).

The Fourth Report of the Committee on Public Undertakings (2011-2014) was presented to the House on 21st June, 2012. The Report contained 4 recommendations in Para Nos. 4, 5, 6 & 7 relating to Kerala Garments Limited and the Government furnished replies to all of them on 9-1-2015.

The Committee accepted the replies to the recommendations in Para Nos. 4, 5 and 6 without remarks. The recommendations of the Committee and their corresponding replies from the Government form Chapter I of the Report.

The Committee accepted the reply to the recommendation in Para No. 7 with remarks. The recommendation of the Committee, its reply from Government and remarks of the Committee form Chapter II of the Report.

CHAPTER I

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE
WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITHOUT REMARKS

Sl. No.	Para No.	Department Concerned	Conclusion/ Recommendation	Action taken by Government
1	2	3	4	5
1	4	Industries Department	The decision of the Company to produce shirts in a deal based on an invalid MOU which did not contain the official seal of ESE was injudicious. The Company should have taken steps to make the MOU a legally binding document before proceeding to production of 'Hanstyle' shirts and insisted for a valid contract to support the same. It is surprising to see that the Company did not care to see whether the required stipulations as to quality, price, schedule of delivery, etc. were incorporated in the MOU.	The Company 'Kerala Garments Ltd.' was lockedout on 10-1-2007. As recommended by the Committee, directions have been given to all PSUs under this Department to strictly observe the required stipulations in executing MOUs.
2	5	"	The Committee is of the opinion that lack of flexibility in operation with regard to Public Sector Undertakings should have been foreseen before making such an attempt. The Company recognised shirt manufacturing and marketing it in a highly competitive field only after leaping into the deal and thereby suffered loss.	The Company was lockedout on 10-1-2007.

3	6	Industries Department	The Company ought to have been more vigilant in its endeavour to exploit the commercial opportunity, especially when a revival-cum-modernisation project was being implemented to patch up its huge accumulated loss. The Company being in its winding up process, the Department should hereafter give strict direction to all Public Sector Undertakings to handle such deals with utmost care and vigilance to avoid loss.	Strict direction has been given to all Public Sector Undertakings to handle such deals with utmost care and vigilance to avoid loss.
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CHAPTER II

REPLIES FURNISHED BY GOVERNMENT ON THE RECOMMENDATIONS OF THE COMMITTEE WHICH HAVE BEEN ACCEPTED BY THE COMMITTEE WITH REMARKS

Sl. No.	Para. No.	Department Concerned	Conclusion/ Recommendation	Action taken by Government
1	7	Industries Department	The Committee concludes that the huge accumulated loss of Kerala Garments Ltd. must have been the outcome of several such imprudent decisions in the past which should not have been allowed to get repeated.	Government have transferred all assets and liabilities of Kerala Garments Ltd. (KGL) to Kerala State Handloom Development Corporation (Hanveev) and issued NOC for Kerala Garments Ltd. to apply under Easy Exist Scheme 2010 of Government of India. Government have issued directions to avoid loss of Public Sector Undertakings.
<p><i>Remarks:—</i> The Committee directs to furnish the details regarding the assets and liabilities of the Company at the time of liquidation.</p>				

Thiruvananthapuram,
27th October, 2016.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

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