

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

UNSTARRED QUESTION NO:525
ANSWERED ON:09.07.2004
WAREHOUSE AT KAKINADA PORT
Singh Shri Prabhunath

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether C&AG in its Report No. 3 of 2003 (PSUs) in Para 6.4.2 on page 35 has brought out that an infructuous expenditure of Rs. 5.11 crore was incurred on the construction of a warehouse at Kakinada Port at a time when the export of commodities had been falling;
- (b) whether the management went ahead with the construction of the warehouse on the ground that surrendering the plot midway would have resulted not only in financial loss but would also create an adverse image of STC;
- (c) whether the Ministry replied that since the transaction under scrutiny related to business/commercial activity of the company, it was not in a position to offer any comment;
- (d) whether C&AG did not accept the contention of the Ministry stating that they should have suspended the work to restrict further losses with regard to the financial prudence; and
- (e) if so, the action Government propose to take in the matter against the Board of Directors/Management?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY (SHRI E.V.K.S. ELANGO VAN)

a) Yes, Sir. b) After receipt of a Detailed Project Report from M/s Rail India Technical & Economic Services (RITES) and in view of the then booming commodity market, Board of Directors of STC approved undertaking of construction of warehouse at Kakinada Port. However, a conscious decision was taken by the management of STC to restrict construction of warehouse to 50% of the available area. Thus, the amount of investment was restricted and kept under control. The management also decided that STC would operate this warehouse on commercial lines so as to make the project viable in the event of decline in commodities export. c) Yes, Sir. d) Yes Sir, C&AG did not accept the contention of the Ministry/ Management. However, STC has now reported that till June, 2004 outgoing in the form of lease charges to Kakinada Port Trust and property tax to Kakinada Municipality were to the extent of Rs. 34.97 lakhs against which the revenue generated (till June 2004) by way of renting out the warehouse has been Rs. 46.40 lakhs, thereby generating a surplus of Rs. 11.43 lakhs. e) No final decision has been taken by Government on this.