REPORT OF THE
COMPTROLLER AND AUDITOR GENERAL
OF INDIA

FOR THE YEAR ENDED 31 MARCH 2000

COMMERCIAL

GOVERNMENT OF KARNATAKA

TABLE OF CONTENTS

PREFACE

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

(i) Government companies,
(ii) Statutory corporations and
(iii) Departmentally managed commercial undertakings.

2. This Report deals with the results of audit of Government companies and Statutory corporations including Karnataka Electricity Board and has been prepared for submission to the Government of Karnataka under Section 19 A of the Comptroller and Auditor General's (CAG) (Duties, Powers and Conditions of Service) Act, 1971, as amended from time to time. The results of audit relating to departmentally managed commercial undertakings are included in the Report of the Comptroller and Auditor General of India (Civil) - Government of Karnataka.

3. Audit of accounts of Government companies is conducted by Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. There are, however, certain companies which, in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government hold less than 51 per cent of their share capital. A list of such companies in which Government investment by way of share capital was more than Rs.10 lakh as on 31 March 2000 is given in Annexure 1.

4. In respect of Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North West Karnataka Road Transport Corporation and the Karnataka Electricity Board which are Statutory corporations, the Comptroller and Auditor General of India is the sole auditor. In respect of Karnataka State Financial Corporation and Karnataka State Warehousing Corporation, he has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants appointed by the State Government in consultation with CAG. The Audit reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 1999-2000 as well as those which came to notice in earlier years but were not dealt with in the previous Reports. Matters relating to the period subsequent to 1999-2000 have also been included, wherever necessary.

PREFACE

Government commercial enterprises, the accounts of which are subject to audit by the Comptroller and Auditor General of India, fall under the following categories:

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4. [illegible] Karnataka State Road Transport Corporation [illegible] [illegible] [illegible] [illegible] Karnataka Electricity Board which are [illegible] [illegible] the [illegible] Audit [illegible] [illegible] Financial Corporation [illegible] [illegible] [illegible] [illegible] [illegible] the State Government.

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OVERVIEW

1. General view of Government companies and Statutory corporations

State of Karnataka had 71 Government companies (including 13 subsidiaries) and 6 Statutory corporations as on 31 March 2000. Of the Government companies, 58 were working. Out of 13 non-working companies, 8 were under process of liquidation/closure/merger.

(Paragraphs 1.1 and 1.2.1)

The aggregate investment in 77 companies and corporations was Rs.16,641.26 crore (equity Rs.3,951.18 crore; long term loans Rs.11,866.36 crore and share application money Rs.823.72 crore). During the year 1999-2000, the State Government's contribution in the form of equity, loans and subsidy was to the extent of Rs.618.07 crore and Rs.1,103.90 crore in Government companies and Statutory corporations respectively.

(Paragraphs 1.2and 1.4)

The State Government had guaranteed the repayment of loans amounting to Rs.1,715.40 crore obtained by 11 companies (Rs.1,198.78 crore) and 4 Statutory corporations (Rs.516.62 crore) during the year 1999-2000. The guarantees amounting to Rs.5,299.61 crore against 28 companies (Rs.3,065.36 crore) and 6 Statutory corporations (Rs.2,234.25 crore) were outstanding at the end of 31 March 2000.

(Paragraph 1.4)

Out of 28 companies, which finalised their accounts for the year 1999-2000, 17 earned an aggregate profit of Rs.179.88 crore. Of these profit making companies only 4 had declared dividend amounting to Rs.1.11 crore. Further according to the latest available accounts, 22 out of 32 loss incurring companies had accumulated losses of Rs.329.44 crore, which had far exceeded their paid up capital of Rs.75.89 crore.

(Paragraphs 1.6.1.1 and 1.6.1.2)

According to the latest available accounts, out of 4 Statutory corporations, the accumulated loss in respect of 2, aggregating to a loss of Rs.554.51 crore had far exceeded their aggregate paid up capital of Rs.488.36 crore.

(Paragraph 1.6.2.2)

2 Reviews on Government companies

2.1 Working of Mysore Sales International Limited

The Mysore Sales International Limited was incorporated in March 1966 mainly to act as the selling and distributing agent of products of State/Central Government industrial concerns.

(Paragraph 2A.1)

Failure to devise a suitable mechanism to ensure routing of entire liquor sales in Karnataka through the Company resulted in belated claim of commission of Rs.122.97 crore.

(Paragraph 2A.7.1.1to 2A.7.1.4)

Suo motu revision of selling price of lottery tickets during 1996-97 by the State Government resulted in loss of Rs.4.76 crore to the Company.

(Paragraph 2A.8.2)

Incorrect production plan of notebooks resulted in inventory carrying costs and avoidable loss of interest of Rs.1.18 crore on locked up money.

(Paragraph 2A.9.2)

In respect of three persistently loss (accumulated to 6.23 crore) incurring branches for the last five years, the Company did not take any measures to make them viable or close them down to avoid further loss.

(Paragraph 2A.14.2)

2.2 Implementation of Raichur Thermal Power Station Stage II and III of Karnataka Power Corporation Limited

Units 3 and 4 were commissioned after a delay of 30 and 36 months with a cost over run of Rs.104.85 crore and Rs.484.15 crore respectively. Even though Units 5 and 6 were completed ahead of schedule there was generation loss of Rs.23.17 crore on account of forced shutdown of Unit 5 and Rs.100.62 crore on account of vibration problem in Unit 6.

(Paragraph 2B.3)

Units 1 to 3 were operated at lesser loads due to delay in execution of evacuation system resulting in loss of generation of Rs.94.17 crore.

(Paragraph 2B.5.1.2)

Incorrect estimates of quantities due to adoption of Unit 3 quantities for Unit 4 and Unit 4 quantities for Unit 5 and 6 resulted in extra expenditure of Rs.3.51 crore.

(Paragraphs 2B.6.1 and 2B.6.2.2)

Incorporation of term "commissioning schedule" in place of "completion period" in the agreement for construction of station building resulted in additional liability of Rs.2.82 crore in the form of end point bonus.

(Paragraph 2B.6.4)

Entrustment of work for construction of ash bund without proper study and consequent change in design of ash bund resulted in additional expenditure of Rs.4.16 crore.

(Paragraph 2B.6.6)

Motoring action of generator rotor due to failure of circuit breaker in Unit 4 resulted in extra expenditure of Rs.4.41 crore besides loss of generation of Rs.71.45 crore.

(Paragraph 2B.7.2)

2.3 Funds management in Krishna Bhagya Jala Nigam Limited

The Krishna Bhagya Jala Nigam Limited was formed in May 1994 with the main object of executing Upper Krishna Project before May 2000 by mobilising resources.

(Paragraph 2C.1)

Not obtaining competitive offers in appointing trustees for issue of bonds and agreeing to pay arrangers fee at a higher rate resulted in extra liability/expenditure of Rs.3.35 crore.

(Paragraph 2C.4.1 and 2C.4.2)

Loss of interest to the Company on account of depositing Rs.30 crore in personal deposit account at the instance of the State Government, amounted to Rs.0.95 crore. Further due to delay on the part of the Government in the release of funds to the escrow account resulted in loss of Rs.2.82 crore to the Company.

(Paragraph 2C.4.4 and 2C.4.5)

By not ensuring investment of surplus funds in short term deposit by project offices as well as investing surplus funds in high yielding deposits by the Head office, the Company suffered a loss of Rs.5.07 crore.

(Paragraph 2C.7.1 and 2C.7.2)

Drawal of funds in excess of requirement by project offices for payment to contractors resulted in extra expenditure of Rs.1.14 crore.

(Paragraph 2C.7.3)

3. Besides the reviews mentioned above, test check of the records of Government companies and Statutory corporations in general disclosed the following irregularities

Payment of ex-gratia of Rs.1.34 crore by **Hutti Gold Mines Limited** was made without prior approval of Government and in contravention of guidelines of Karnataka State Bureau of Public Enterprises.

(Paragraph 3A.1.2)

Failure of **Karnataka Power Corporation Limited** to adopt correct method while calculating the fuel escalation charges resulted in short recovery of Rs.5.43 crore.

(Paragraph 3A.2.1)

Construction of 220 kV double circuit line by **Karnataka Power Transmission Corporation Limited** in anticipation of execution of Units which were only at conceptual stage led to an idle investment of Rs.24.25 crore.

(Paragraph 3B.1.1)

Failure of **Visveswaraya Vidyuth Nigam Limited** to rectify the Static Frequency Convertor rendered the investment of Rs 1.59 crore infructuous besides revenue loss of Rs.29.43 crore. Further, failure to replace defective thyristor in another Static Frequency Convertor resulted in loss of revenue of Rs.1.02 crore.

(Paragraph 3B.2.1)

Karnataka State Road Transport Corporation ignored the lowest offer of Sriram Piston Rings despite satisfactory performance resulting in avoidable expenditure of Rs.0.93 crore.

(Paragraph 3B.3.1)

CHAPTER I

1. General view of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 2000, there were 71 Government companies (including 13 subsidiaries) and 6 Statutory corporations as against 66 Government companies (including 13 subsidiaries) and 6 Statutory corporations as on 31 March 1999 under the control of the State Government. The accounts of Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors appointed by Government of India on the advice of the Comptroller and Auditor General of India (CAG) in accordance with the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG under the provisions of Section 619 of the Companies Act, 1956. The audit of the Statutory corporations is conducted under the provisions of the respective Acts as detailed below:

Sl. No.	Name of the Corporation	Authority for audit by the CAG	Audit arrangement
1.	Karnataka Electricity Board (KEB)	Section 69(2) of the Electricity (Supply) Act, 1948	Sole audit by CAG
2.	Karnataka State Road Transport Corporation (KSRTC)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
3.	Bangalore Metropolitan Transport Corporation (BMTC)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
4.	North West Karnataka Road Transport Corporation (NWKRTC)	Section 33(2) of the Road Transport Corporation Act, 1950	Sole audit by CAG
5.	Karnataka State Financial Corporation (KSFC)	Section 37(6) of the State Financial Corporation Act, 1951	Chartered Accountants and Supplementary audit by CAG.
6.	Karnataka State Warehousing Corporation (KSWC)	Section 31(8) of the State Warehousing Corporation Act, 1962	Chartered Accountants and Supplementary audit by CAG

During the year, 3 companies namely Karnataka Power Transmission Corporation Limited, Visveswaraya Vidyuth Nigam Limited and Karnataka Road Development Corporation Limited were incorporated. The audit of Karnataka Renewable Energy Development Corporation Limited was entrusted during the year 1999-2000. Besides, Mysore Lamp Works Limited which was a deemed Government company under section 619 B of the Companies Act, 1956 became a Government Company during the year 1999-2000.

1.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March 2000, the total investment in 77 Public Sector Undertakings (71 Government companies including 13 subsidiaries and 6 Statutory corporations) was Rs.16,641.26 crore (equity: Rs.3,951.18 crore; long-term loans*: Rs.11,866.36 crore; and share application money: Rs.823.72 crore) as against a total investment of Rs.15,081.03 crore (equity: Rs.3,492.96 crore; long term loans: Rs.10,908.70 crore; and share application money: Rs.679.37. crore) in 72 PSUs (66 Government companies including 13 subsidiaries and 6 Statutory corporations) as on 31 March 1999. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Total investment in 71 companies (including 13 subsidiaries) as on 31 March 2000 was Rs.10,969.26 crore (equity: Rs.2,963.65 crore; long term loans Rs.7,206.19 crore, share application money: Rs.799.42 crore) as against a total investment of Rs.9,743.54 crore (equity: Rs.2,528.81 crore, long term loans: Rs.6,567.36 crore, share application money: Rs.647.37 crore) as on 31 March 1999 in 66 Government companies (including 13 subsidiaries).

The classification of the Government companies was as under:

Status of companies	Number of companies[$]		Investment (Rupees in crore)				Number of companies referred to BIFR
			Paid up capital		Long term loans		
(a) Working companies	58	(54)	3725.27	(3142.76)	7173.45	(6545.42)	8[e]
(b)Non working Companies							
(i) under liquidation	2[a]	(2)	6.38	(6.38)	0.98	(0.98)	1[f]
(ii) under closure	5[b]	(4)	15.68	(11.30)	27.55	(16.77)	3[g]
(iii) under merger	1[c]	(1)	1.25	(1.25)	2.66	(2.66)	-
(iv) others	5[d]	(5)	14.49	(14.49)	1.55	(1.53)	1[h]
Total	71	(66)	3763.07	(3176.18)	7206.19	(6567.36)	--

(Figures in bracket are previous year figures)

As 13 companies were non-working or under process of liquidation/closure under section 560 of the Companies Act/merger, for 1 to 14 years and substantial investment of Rs.70.54 crore is involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

The summarised financial results of Government companies are detailed in Annexure 2 and 3. Due to increased financial assistance in the form of equity to companies engaged in area development, the debt equity ratio of

* Long term loans mentioned in Paragraph 1.2,1.2.1 and 1.2.2 are excluding interest accrued and due on such loans.

$ Reference to Sl.No. in Annexure 2.

a-3,24 b-5,7,19,33,58 c-39 d-10,17,20,21,40 e-11,13,18,23,26,27,33,41 f-24 g-19,33,58 h-21

Government companies as a whole decreased from 2.1:1 in 1998-99 to 1.9:1 in 1999-2000.

Sector wise investment in Government companies

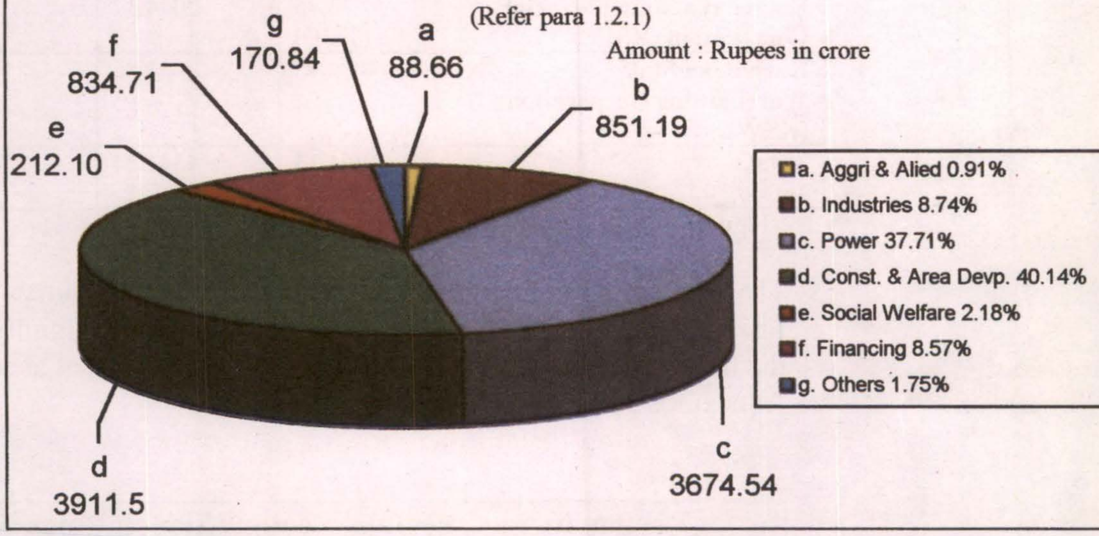
As on 31 March 2000, in total investment of Government companies, 34.31 per cent comprised equity capital and 65.69 per cent comprised loans compared to 32.60 per cent and 67.40 per cent respectively as on 31 March 1999.

The sector wise investment (equity including share application money and long term loans) in Government companies as on 31 March 1999 and 31 March 2000 is given below in two pie diagrams.

SECTOR-WISE INVESTMENT BY WAY OF PAID UP CAPITAL AND LONG-TERM LOANS IN GOVERNMENT COMPANIES AS ON 31 MARCH 1999

(Refer para 1.2.1)

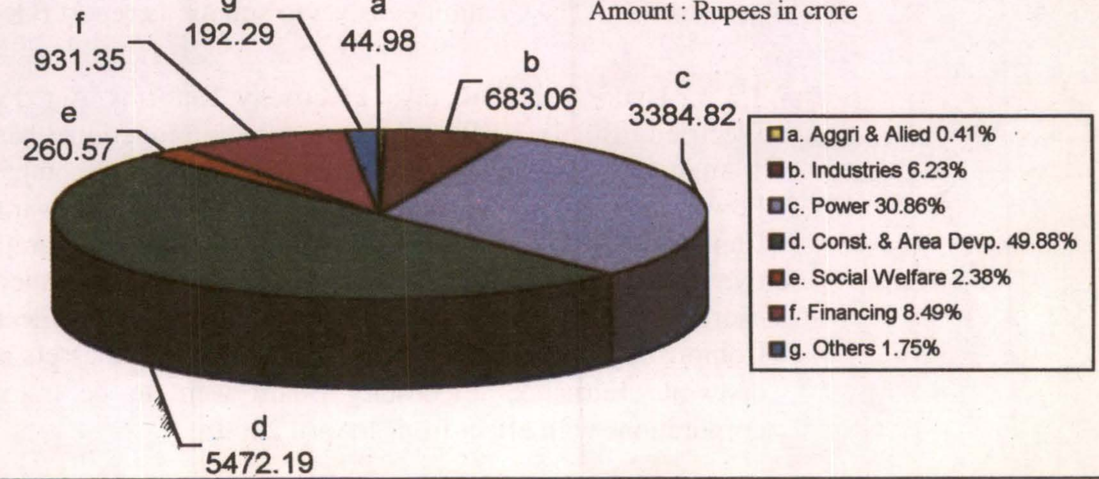
Amount : Rupees in crore



SECTOR-WISE INVESTMENT BY WAY OF PAID UP CAPITAL AND LONG-TERM LOANS IN GOVERNMENT COMPANIES AS ON 31 MARCH 2000

(Refer para 1.2.1)

Amount : Rupees in crore



1.2.2 Statutory corporations

The total investment in 6 Statutory corporations at the end of March 2000 and March 1999 was as follows:

(Rupees in crore)

Name of the Corporation	1998-99		1999-2000	
	Capital	Loan	Capital	Loan
Karnataka Electricity Board (KEB)	436.01	2018.50	436.01	2452.58
Karnataka State Road Transport Corporation (KSRTC)	289.77 (1.30)	163.05	287.77 (1.30)	198.94
Bangalore Metropolitan Transport Corporation (BMTC)	64.53	17.03	64.53	26.25
North West Karnataka Road Transport Corporation (NWKRTC)	93.64	66.78	93.64	94.11
Karnataka State Financial Corporation (KSFC)	73.95 (32.00)	2074.17	98.28 (23.00)	1888.12
Karnataka State Warehousing Corporation (KSWC)	6.95	1.81	7.30	0.17
Total	**964.15 (33.30)**	**4341.34**	**987.53 (24.30)**	**4660.17**

(Figures in bracket indicate share application money)

The summarised financial results of all the Statutory corporations and financial position and working results of individual Statutory corporations for the three years upto 1999-2000 as per the latest finalised accounts are given in Annexures 3,5 and 6 respectively.

1.3 Restructuring of Public Sector Undertakings in Karnataka

1.3.1 Government of Karnataka constituted (December 1999) a Committee to study the performance of PSUs and to make suitable recommendations regarding restructuring through rationalisation, closure, disinvestment, merger and privatisation of some of the sick units in the context of low return on huge investments. The Committee is yet to submit its report (October 2000).

1.3.2 Under the Karnataka Electricity Reforms Act 1999, the Karnataka Electricity Board (KEB) was restructured on functional basis with effect from 1 August 1999 into two wholly owned Government companies viz, Karnataka Power Transmission Corporation Limited and Visveswaraya Vidyuth Nigam Limited for transmission and distribution, and for generation of electricity at two generating stations viz, Sivasamudram and Jog respectively. In order to exercise the regulatory functions, Karnataka Electricity Regulatory Commission was formed on 6 October 1999. The assets and liabilities of the erstwhile Karnataka Electricity Board were to be transferred to the new corporations with effect from 1 April 2000.

1.4 Budgetary outgo, subsidies, guarantees and waiver of dues

The details of budgetary outgo, subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to Government companies and Statutory corporations are given in Annexures 2 and 4.

The budgetary outgo from the State Government to Government companies and Statutory corporations for the 3 years upto 1999-2000 in the form of equity capital, loans, grants and subsidy is given below:

(Amount: Rupees in crore)

	1997-98				1998-99				1999-2000			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount	No	Amount
Equity capital	13	153.47	1	0.20	13	336.51	5	5.59	11	500.75	2	10.15
Loans	6	40.77	--	--	7	43.96	1	1.05	8	66.22	-	-
Grants	8	19.51	--	--	8	32.02	--	--	9	33.82	-	-
Subsidy towards (i) Projects/ Programme/ Schemes	4	5.56	--	--	5	6.72	--	--	7	14.00	-	-
(ii) Other subsidy	3	17.45	3	432.15	2	11.59	4	910.61	3	3.28	4	1093.75
Total subsidy	7	23.01	3	432.15	7	18.31	4	910.61	10	17.28	4	1093.75
Total outgo*	**26**	**236.76**	**4**	**432.35**	**26**	**430.80**	**6**	**917.25**	**26**	**618.07**	**6**	**1103.90**

During the year 1999-2000 the Government had guaranteed loans aggregating Rs.1,715.40 crore obtained by 11 Government companies (Rs.1,198.78 crore) and 4 Statutory corporations (Rs.516.62 crore). At the end of the year guarantees amounting to Rs.5,299.61 crore against 28 Government companies (Rs.3,065.36 crore) and 6 Statutory corporations (Rs.2,234.25 crore) were outstanding. There was no case of default in repayment of guaranteed loans during the year. Government has foregone Rs.44.32 crore by way of loans written off or interest waived in 5 companies during 1999-2000. The Government also converted its loans amounting to Rs.56.18 crore into equity capital in 3 companies during the year. The guarantee commission paid/payable to the Government by Government companies and Statutory corporations during 1999-2000 was Rs.5.87 crore and Rs.13.84 crore respectively.

* These are the actual number of companies/corporations which have received budgetary support in the form of equity, loans, grants and subsidy from the Government during respective years.

1.5 Finalisation of accounts by PSUs

1.5.1 The accounts of the companies for every financial year should be finalised within six months from the end of the relevant financial year, under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of the financial year. Similarly, in case of Statutory Corporations their accounts are to be finalised, audited and presented to the legislature as per the provisions of the respective Acts.

However, as could be noticed from Annexure 3, only 28 out of 71 Government Companies and none of the 6 Statutory corporations have finalised their accounts for the year within the stipulated period. During the period from October 1999 to September 2000, 54 Government companies finalised 61 accounts for the year 1999-2000 or previous years (33 accounts for previous years by 26 companies and 28 accounts for 1999-2000 by 28 companies). Similarly during this period, 4 Statutory corporations finalised 5 accounts for previous years (5 accounts for previous years by 4 corporations).

The accounts of the other 43 Government companies and 6 Statutory corporations are in arrears for periods ranging from one year to four years as on 30 September 2000, as detailed below:

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	No. of companies/corporations		Reference to serial no. of Annexure 3	
			Government companies	Statutory corpora-tions	Government companies	Statutory corporat-ions
1.	1996-97	4	1	-	A:63	-
2	1998-99	2	2	2	A:20,41	B:2,4
3	1999-2000	1	40	4	A:1,3,5,6,7,9,10,11,12,18,19,24,26,27,30,31,33,34,36,37,39,42,43,44,45,46,47,48,50,51,52,53,55,56,57,58,61,62,66,71,	B:1,3,5,6,

Of the above 43 Government companies whose accounts were in arrears, 9 companies were non working companies (Sl. Nos. 3,7,10,19,20,24,33,39 and 58 of Annexure 3).

1.5.2 Status of placement of Separate Audit Reports of Statutory corporations in Legislature

The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by the Comptroller and Auditor General of India in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to Government	Reason for delay in placement in Legislature
1.	KEB	1997-1998	1998-1999	7-7-2000	Assembly session not held
2.	BMTC	--	1998-1999#	1-6-2000	Assembly session not held
3	KSRTC	1997-1998	1998-1999	Audit under progress	--
4.	KSFC	1998-1999	1999-2000	Audit under progress	--
6.	NWKRTC	--	1998-1999#	Audit under progress	--
5.	KSWC	1998-1999	1999-2000Σ	--	--

1.6 Working results of Public Sector Undertakings

According to latest finalised accounts of 68* Government companies and 5 Statutory corporations, 32 companies and 2 corporations had incurred an aggregate loss of Rs.156.60 crore and Rs.114.25 crore respectively, and 28 companies and 3 corporations earned an aggregate profit of Rs.200.54 crore and Rs.73.97 crore, respectively. Out of the remaining companies, 4 companies did not prepare profit and loss account as there were no activities since incorporation and 4 companies capitalised the excess of expenditure over income.

The summarised financial results of Government companies and Statutory corporations as per latest finalised accounts are given in Annexure 3. Besides, working results of individual corporations for the latest 3 years for which accounts are finalised are given in Annexure 6.

first year accounts after incorporation.

Σ Accounts not received.

* 3 companies (Karnataka Renewable Energy Development Corporation Limited, Visveswaraya Vidyuth Nigam Limited and Karnataka Power Transmission Corporation Limited) are yet to finalise their first accounts.

1.6.1 Government companies

1.6.1.1 Profit earning companies and dividend

Out of 28 companies (including 6 subsidiaries) which finalised their accounts for 1999-2000 by September 2000, 17 companies earned an aggregate profit of Rs.179.88 crore and only 4 companies (Sl.No.15,59,69 and 70 of Annexure 3) declared dividend aggregating Rs.1.11 crore. The dividend as percentage of share capital in the above 4 profit making companies worked out to 3.53 per cent. The remaining 13 profit making companies did not declare any dividend. The total return by way of dividend of Rs.1.11 crore, worked out to 0.04 per cent in 1999-2000 on total equity investment of Rs.2,924.85 crore by the State Government in all Government companies as against the return of 0.03 per cent in the previous year.

Similarly, out of 26 companies which finalised their accounts for previous years by September 2000, 6 companies earned an aggregate profit of Rs.16.87 crore and only one company earned profit for two successive years.

1.6.1.2 Loss incurring companies

According to the latest available accounts, out of 32 loss incurring companies, 22 companies had accumulated losses aggregating Rs.329.44 crore that had far exceeded their aggregate paid up capital of Rs.75.89 crore.

Inspite of poor performance leading to complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government by way of equity, loans, grants and conversion of loans into equity during 1999-2000 to 8 companies out of these 32 companies amounted to Rs.110.88 crore.

1.6.2 Statutory corporations

1.6.2.1 Profit earning Statutory corporations and dividend

Out of 4 statutory corporations, which finalised their accounts for previous year by September 2000, 3 corporations earned aggregate profit of Rs.73.97 crore and one of the such 3 corporations declared dividend of Rs.0.34 crore. The dividend as a percentage of share capital of the Statutory corporation worked out to 4.88 per cent. The total return by way of dividend of Rs.0.34 crore worked out to 0.04 per cent in 1999-2000 on total equity investment of Rs.906.13 crore by the State Government in all the Statutory corporations.

1.6.2.2 Loss incurring Statutory corporations

Out of 2 loss incurring Statutory corporations, one Statutory corporation (Karnataka State Road Transport Corporation) finalised accounts for 1997-98 and another (Karnataka State Financial Corporation) for 1998-99 and had accumulated losses aggregating Rs.554.51 crore which had far exceeded their aggregate paid up capital of Rs.488.36 crore.

1.6.2.3 Operational performance of Statutory corporations

The operational performance of the Statutory corporations is given in Annexure 7. There was substantial increase in the transmission and distribution losses in Karnataka Electricity Board during 1999-2000 which stood at 38.16 per cent compared to 18.56 per cent during 1997-98 and 30.20 per cent during 1998-99.

1.7 Return on Capital Employed

During 1999-2000 the capital employed worked out to Rs.10,263.66 crore in 60[Ψ] companies and total return[∞] thereon amounted to Rs.448.57 crore which is 4.37 per cent as compared to total return of Rs.528.43 crore (5.7 per cent) in 1998-99. Similarly during 1999-2000, the capital employed and total return thereon in case of Statutory corporations amounted to Rs.5,453.88 crore and Rs.351.14 crore (6.44 per cent) respectively against the total return of Rs.366.61 crore (7.4 per cent) for 1998-99. The details of capital employed and total return on capital employed in case of Government companies and Statutory corporations are given in Annexure 3.

1.8 Results of audit by Comptroller and Auditor General of India

The summarised financial results of all the 71 Government companies and 6 Statutory corporations based on the latest available accounts are given in Annexure 3. During the period from October 1999 to September 2000 the audit of accounts of 54 companies and 4 corporations were selected for review. As a result of the observations made by CAG, 8[$] companies and 2 corporations revised their accounts.

In addition, the net impact of the important audit observations as a result of review of the remaining PSUs were as follows:

i) Karnataka Electricity Board (1998-99) - The profit of Rs.66.99 crore is overstated by Rs.202.37 crore.

[Ψ] 3 companies yet to finalise first accounts, 8 companies did not prepare profit and loss account

[∞] for calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

[$] **Government Companies:** Karnataka Soaps & Detergents Limited (1999-2000),Karnataka Vidyut Karkhane Limited (1999-2000),Karnataka Scheduled Castes & Scheduled Tribes Development Corporation Limited (1998-99), Mysore Sales International Limited (1999-2000), Mysore Minerals Limited (1998-99), Hutti Gold Mines Company Limited (1998-99), Karnataka Leather Industries Development Corporation Limited (1997-98) and Karnataka Cashew Development Corporation Limited (1998-99)

Statutory Corporations : Karnataka Electricity Board (1998-99) and Bangalore Metropolitan Transport Corporation (1998-99)

ii) Bangalore Metropolitan Transport Corporation (1998-99) - The profit of Rs.3.97 crore is overstated by Rs.1.46 crore.

A few important comments on the accounts of Statutory corporations noticed during the course of audit conducted during the period October 1999 to September 2000 are detailed below:

1. Karnataka Electricity Board (1998-99)

(a) Expenditure is understated by Rs.110.25 crore due to short provision of interest on belated payments of power purchase bills of Karnataka Power Corporation Limited.

(b) Revenue from sale of power is understated to the extent of Rs.50 lakh due to short accountal of revenue compared with actual demand raised in April 1999.

2. Bangalore Metropolitan Transport Corporation (1998-99)

(a) Non provision of Rs.55.84 lakh for Karnataka Sales Tax payable on bus body building.

(b) Over statement of debtors Rs.17.85 lakh.

(c) Over statement of contingent advance Rs.29.37 lakh.

B.1 Audit assessment of the working results of Karnataka Electricity Board

Based on the audit assessment of the working results of the KEB for three years upto 1998-99 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual accounts of the SEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed and capital invested of the SEB will be as given below:

(Rupees in crore)

Sl. No.	Particulars	1996-97	1997-98	1998-99
(1)	(2)	(3)	(4)	(5)
1.	Net surplus as per books of accounts	54.07	58.47	66.99
2.	Subsidy from the State Government	705.92	380.24	914.79
3.	Net deficit before subsidy from the State Government (1 – 2)	(-)651.85	(-)321.77	(-) 847.80
4.	Net increase/decrease in net surplus/(-) deficit on accounts of audit comments on the annual accounts of the SEB	(-) 33.15	(-)89.07	(-)202.38
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3 – 4)	(-)685.00	(-)410.84	(-)1050.18
6.	Total return on capital employed[o]	(-)441.59	(-)124.94	(-)709.77
7.	Percentage of total return on capital employed	-	-	-

[o] Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)

C. Persistent irregularities and system deficiencies in financial matters of PSUs

The following persistent irregularities and system deficiencies in the financial matters of PSUs had been repeatedly pointed out during the course of audit of their accounts but no corrective action was taken by these PSUs so far.

C.1 Government company

The Mysore Sugar Company Ltd., Mandya (year of accounts–1998-99)

i) Non-disclosure of the liabilities of Rs.9.17 crore towards sales tax, purchase tax, turn over tax, and other cess claimed by Commercial Tax Department for the years 1991-92 to 1995-96.

C.2 Statutory corporation

Karnataka Electricity Board

i) Under Account heads 31, 37 and 39, 36 and 32 balances amounting to Rs.149.49 crore (credit), Rs.2.66 crore (debit) and Rs.91.19 crore (debit) respectively were accumulated under Inter Unit Accounts due to the fact that advice of transfer sent even prior to 1993 had not been accepted (October 2000) for matching and accounting under appropriate heads of accounts.

ii) The net debit balance of Rs.3.95 crore as on 1 April 1999 in the Inter Unit Accounts (Account Heads 33 and 34) were not paired off due to non maintenance of cash book at Head office to account for the bank transactions during the years 1985-86 to 1998-99.

D. Closure/merger of PSUs

Out of 71 Government companies as on 31 March 2000, 3 companies viz., NGEF Limited, Mysore Acetate and Chemicals Company Limited and Karnataka Agro Industries Corporation Limited had been incurring losses consecutively for the last five years, leading to negative networth as per their latest finalised accounts. Further, even after completion of five years of their existence, 10 companies (Annexure 8) had the turnover (sales and other income) of less than Rs.5 crore in each of the preceding 5 years. Besides, Karnataka Tungston Moly Limited had not taken any activity since its inception (December 1986).

In view of poor turnover and continuous losses of the above 14 companies the Government may either improve their performance or consider closure of these companies.

1.9 Position of discussion of Audit Reports (Commercial) by the Committee on Public Undertakings (COPU)

The table below indicates the position of reviews/paragraphs appeared in the Audit Reports and pending for discussion as on 30 September 2000.

Period of Audit Report	Total number of reviews and paragraphs appeared in Audit Report		Number of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1991-92	4	20	2	1
1992-93	5	16	2	3
1993-94	4	17	-	-
1994-95	4	15	1	3
1995-96	4	19	1	4
1996-97	4	27	-	5
1997-98	8	27	4	18
1998-99	3	32	3	28
Total Pending	**36**	**173**	**13**	**62**

1.10 619-B Companies

Some non-Government companies are deemed to be Government companies under section 619-B of the Companies Act, 1956 for the limited purpose of extending to them the provisions relating to audit of Government companies, contained in section 619-B of the Act. There were 3 companies covered under Section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital and working results of these companies based on the latest available accounts.

(Rupees in crore)

Name of company	Year of accounts	Paid-up capital	Investment by			Profit (+)/ loss(-)	Accumulated loss
			State Government	Government companies	Others		
1. Karnataka State Seeds Corporation Limited	1998-99	2.93	1.22	0.62	1.09	(+) 0.40	-
2. Karnataka Trustee Company Private Limited	1998-99	*	-	*	-	(a)	-
3. Karnataka Asset Management Company Private Limited	1999-2000	0.50	-	0.50	-	(+) 0.02	(-) 0.10

* Rs.75,200

(a) Loss for the year Rs.7075

1.11. Companies not subject to audit by the Comptroller and Auditor General of India

The State Government has invested Rs.2.81 crore in 5 companies which are not subject to audit by the CAG as the aggregate amount of investment made by the State Government and Government owned/controlled companies and corporations was less than 51 per cent of the equity capital of respective companies. The particulars of such companies in which the investment of State Government was more than Rs. 10 lakh in each case as on 31 March 2000 are given in Annexure 1.

CHAPTER – II

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

2A Mysore Sales International Limited

HIGHLIGHTS

The Company was incorporated in March 1966 as a subsidiary of Karnataka State Industrial Investment & Development Corporation Limited with the main object to transact all kind of agency business and in particular to act as the selling and distributing agent of products of State/Central Government industrial concerns.

(Paragraph 2A.1)

Despite being the sole distributor of liquor in the State between November 1989 and February 1997, the Company/Government failed to devise suitable mechanism to ensure routing of entire liquor sales through the Company. Consequently the actual amount of commission receivable by the Company on sale of liquor could not be worked out. However, the commission to be collected as ascertained by the Company was Rs.122.97 crore.

(Paragraph 2A.7.1.1 to 2A.7.1.4)

The suo motu revision in the selling price of the lottery tickets by the State Government during 1996-97 resulted in cash loss of Rs.4.76 crore to the Company.

(Paragraph 2A.8.2)

Excess purchase of paper due to over estimation of sales targets for the year 1995-96 resulted in avoidable loss of interest of Rs.1.18 crore on the locked up money.

(Paragraph 2A.9.2)

Failure of the Company to ensure the prompt recovery from hirers resulted in accumulation of over dues amounting to Rs.3.53 crore. Further in case of 2,546 hirers against whom a sum of Rs.1.41 crore was due, the agreement period had already expired.

(Paragraph 2A.10.3)

Even after incurring continuous loss (accumulated to Rs.6.23 crore) for the last five years by three branches, the Company did not take any remedial measure to make them profitable or close down to avoid further loss.

(Paragraph 2A.14.2)

2A.1 Introduction

The Mysore Sales International Limited, Bangalore, was incorporated in March 1966, as a subsidiary of the Karnataka State Industrial Investment & Development Corporation Limited (KSIIDC) with the main object to transact all kinds of agency business and in particular to act as the representative/sole selling agent and distributor for all products of State/Central Government industrial concerns.

2A.2 Objectives

The objectives of the Company as per Memorandum of Association of the Company inter-alia include the following:

- to carry on all kinds of agency business including guarantee and indemnity business relating to any products manufactured or dealt by person/firm or body corporate;
- to buy, sell, import and deal in merchandise of all kinds;
- to carry on manufacturing and selling operations by establishing industries and factories;
- to act as agents or brokers for any person or company;
- to promote business in relation to industrial undertakings in India and or abroad and
- to carry on business of leasing and hire purchase.

At present, the activities of the Company are confined to liquor trade, lottery, sale of notebooks, hire purchase transactions, leasing, custodian of cargo, etc. The Company had not formulated short-term and long-term plans for attainment of the objectives laid out for it. It is observed in audit, that the Company could not accomplish the main object of acting as selling agent and distributor of the products of the State/Central Government Industrial concerns as sale of such products constituted only 2.8 per cent of the turnover of the Company during the five years upto 1999-2000.

2A.3 Scope of Audit

The activities of the lottery division was last reviewed and included in the Report of Comptroller and Auditor General of India for the year ended 31 March 1989. The review has not been discussed by the COPU. The present review covers the activities of the Company during the last 5 years from 1995-96 to 1999-2000 and findings thereof are discussed in the succeeding paragraphs.

2A.4 Organisational set-up

The Company is managed by the Board of Directors comprising of 5 directors including the Chairman and Managing Director. The business is carried on through a network of nine divisions (liquor, hire purchase, lottery, paper, exports, tours and travels, Bangalore Air Cargo Complex, industrial products and consumer products) headed by General Managers and four branches (Delhi, Mumbai, Chennai and Bangalore) headed by Managers. The Company had two other branches one in Calcutta and another overseas branch at London, however, due to huge losses these branches were closed down during 1996-97 and 1997-98 respectively.

2A.5 Funding

2A.5.1 Capital Structure

Against the authorised share capital of Rs.1 crore divided into one-lakh equity shares of Rs.100 each, the paid-up capital at the end of March 2000 was Rs.60 lakh subscribed by the holding Company (KSIIDC). In addition an amount of Rs.3.06 crore received from the holding Company during 1997-1998 (Rs.1.75 crore) and 1999-2000 (Rs.1.31 crore) were lying under the head "Share Application Money", pending enhancement of authorised share capital.

2A.5.2 Borrowings

The Company obtained loans from time to time, the outstanding amount of which was Rs.13.71 crore as on 31 March 2000. This includes Rs.6.50 crore from the State Government, and Rs.7.21 crore from banks.

2A.6 Financial position and Working Results

The financial position and the working results of the Company for the last five years upto 1999-2000 are given in Annexure 9 and 10.

As would be seen from Annexure 9, the net fixed assets of the Company increased from Rs.4.31 crore in 1995-96 to Rs.25.13 crore in 1999-2000 mainly on account of acquiring assets valued at Rs.16.56 crore under leasing activities undertaken by the Company during this period.

From the Annexure 10 it would be observed that the net profit of the Company had come down from Rs.10.24 crore during 1998-99 to Rs.6.76 crore during 1999-2000 despite slight increase in the sales. The main reasons for reduction of profit were due to increase in the administrative expenses, depreciation and financial charges.

The working results of seven divisions for the three years upto 1998-99 are given in Annexure 11. In respect of other two divisions (industrial and consumer products) the division-wise performance was not ascertainable, as the turnover had been clubbed with branch/Head Office.

From the working results of the Divisions it would be observed that the major portion of the Company's turnover and profit was contributed by monopoly business entrusted by the State Government over the years like air cargo, distribution of liquor and arrack and lottery. The Company's own business like sale of notebooks, exports, tours and travels and marketing of consumer and industrial products contributed very little to the profit of the Company. Even in the monopoly business of lottery, the Company incurred a loss of Rs.8.99 crore during 1996-97 and the paper division which recorded a profit of Rs.1.39 crore during 1996-97, started incurring losses and had incurred a loss of Rs.18.97 lakh and Rs.35.80 lakh in the years 1997-98 and 1998-99 respectively. Detailed analysis of performance of these divisions are discussed below:

2A.7 Liquor Division

2A.7.1 Government of Karnataka appointed (13 November 1989) the Company as sole distributor to deal with all products of distilleries breweries/wineries in the State of Karnataka and also for import or export of liquor from the State. The Company was authorised to charge a commission upto 5 per cent on all sales within the state and 0.5 per cent on exports. However, the Government decided in February 1997 to issue licenses to any authorised distributor for sale of liquor and the Company ceased to be the sole distributor.

2A.7.1.1 On the basis of the notification issued (13 September 1989) by the State Government, a batch of writ petitions challenging the constitutional validity of the appointment of the Company as sole distributor was filed, which was dismissed (13 November 1989) by the High Court of Karnataka. Against this judgement, seven distilleries filed Special Leave Petition (SLP) in Supreme Court, which passed interim stay order on 20 November 1989. Six of the seven appellants withdrew (9 April 1990) their case after giving an undertaking to the Supreme Court that they would abide by the judgement of Karnataka High Court. The SLP of the other appellant Khoday Distilleries Private Limited was also dismissed (December 1995) by the Supreme Court.

Contempt cases against six distilleries for recovery of commission of Rs.12.37 crore and interest of Rs.9.64 crore were filed after a lapse of 8 years.

Audit observed that despite the undertaking given by the six distilleries that they would abide by the judgement of the Karnataka High Court, these distilleries, continued to sell liquor directly without routing their sales through the Company. Finally after a lapse of 8 years, the Company filed (March 1999) contempt cases for recovery of commission of Rs.12.37 crore (for the period from April 1990 to March 1996) and interest of Rs.9.64 crore (upto August 1998). The commission for the remaining period from April 1996 to February 1997 (when the Company continued to be the sole distributor) was not worked out and included in the calculations while filing the contempt case (March 1999). The final decision of the Court is awaited (September 2000).

The Company stated (September 2000) that it had no control over the distilleries who had obtained permits from the excise department contrary to the Government notification. The reply is not convincing as the Company was empowered to appoint its officers at these distilleries to monitor their sales as per the interim orders of Supreme Court. Further, the Company should not have waited for 8 years to file contempt cases for recovery of commission.

2A.7.1.2 Consequent upon dismissal of writ petition of Khoday Distilleries Private Limited by Supreme Court, the Company recovered Rs.13.09 crore commission including interest on sale of liquor from November 1989 to November 1995 from three companies/firms of the Khoday group. The Company had not claimed commission for the remaining period from December 1995 to February 1997. After being pointed out by audit in September 1999, the Company initiated action only in January 2000 against two Khoday group companies (Khodays Breweries Ltd., and Khodays India Ltd.,) for realisation of Rs.1.42 crore (commission Rs.92.96 lakh and interest Rs.48.94 lakh). In respect of third Khoday group firm (Khodays RCA Industries), the recovery of Rs.58.46 lakh (commission Rs.38.49 lakh, interest Rs.19.97 lakh) was taken up with Excise commissioner, as it was a non-corporate body.

Failure to take recovery actions in time resulted in non-realisation of Rs. 2 crore.

Thus, failure to take appropriate action for recovery of commission immediately after dismissal of writ petition by the Supreme Court resulted in non-realisation of Rs 2 crore so far from Khoday group of companies.

The Company replied (September 2000) that it was hopeful of recovery of commission due from Khodays but did not explain the reasons for the delay in initiating action for recovery.

There was delay in initiating legal proceedings for recovery of commission of Rs.48.37 crore and interest of Rs.38.30 crore from 34 distilleries.

2A.7.1.3 In respect of 34 out of 66 distilleries who had neither routed their sales through the Company nor paid commission, the Company initiated (September 1998) legal proceedings for recovery of Rs.48.37 crore for the period from November 1989 to June 1996 and interest of Rs.38.30 crore upto October 1998. The final recovery is still awaited (September 2000). The Company had, however, not ascertained the sales for the balance period from July 1996 to February 1997 and therefore no commission and interest thereon could be claimed from them so far (May 2000).

The Company stated (September 2000) that information of sales for the balance period would be collected depending upon the outcome of the court cases.

2A.7.1.4 In addition to above, failure of the Company to recover commission of Rs.12.28 crore from 32 non-corporate assessees had already been commented in para 4A.1 of the Report of the Comptroller and Auditor General of India for the year ending 31 March 1999.

Thus the total amount of commission/interest which was due to be collected as indicated above amounted to Rs.122.97 crore. Further the Company did not have any information about total number of distilleries and their sales for the period from November 1989 to February 1997. Consequently, the total amount of commission during that period could not be ascertained. As stated by the Company in its reply (September 2000), the Government (Excise Department) continued to issue permits to the distilleries for sales other than the Company and the Company/Government failed to devise a suitable mechanism to ensure compliance to the Government Order which stipulates that all the liquor sale should be routed through the Company only. It is not clear as to how the Government violated its own instructions and issued permits to the distilleries to sell directly to other wholesalers during the period of sole distributorship of the Company.

2A.7.2 Unprofitable business of imported liquor

The Company was charging a commission of 5 per cent on the sale of imported liquor in the State upto 31 March 1999. Against this the Company had to pay 3 per cent as turnover tax on the sale of imported liquor.

Loss due to non-revision of commission on sale of imported liquor during 1998-99 was Rs. 1.52 crore.

An analysis made by audit for the year 1998-99 revealed that against a commission of Rs.1.72 crore earned on imported liquor, the direct expenditure was Rs.1.81 crore. After the allocation of indirect expenses (Rs.1.43 crore) of liquor division, the loss worked out to Rs.1.52 crore. Thus the operations of the imported liquor was not viable at the existing level of commission.

The Company replied that it was finding it difficult to increase the per cent of commission in view of stiff business competition, however, it has increased the commission to 7 per cent during the year 1999-2000. It was observed that even after this increase the Company would not be able to cover its indirect expenditure at its present level of sales.

2A.7.3 Viability of depots

The commission of Rs.0.64 crore earned by 5 depots was not even sufficient to cover the direct expenditure of Rs.0.80 crore.

After the amendment of the Excise Rules in February 1997, the Company from being a sole distributor became only one of the distributors of liquor in the State and the distilleries in the State had an option to supply liquor to wholesalers directly without routing it through the Company. The Board, which considered the changed policy of the Government, desired (March 1997) to reduce the staff cost to make the operation of each depot viable. However, the profitability of the depots was not analysed by the Company. During the test check of the working of depots for the period 1997-98 and

1998-99, it was observed that in case of 5 depots, leaving aside head office overheads, the commission earned (Rs.64.19 lakh) was not even sufficient to cover the direct expenditure (Rs. 79.57 lakh) of these depots. Even then the Company did not take any action to restructure these depots.

The Company replied (September 2000) that it had initiated action to improve/restructure the sales performance of unviable units.

2A.7.4 Obtaining of distributor license distillery-wise

The Company was carrying out trading activities of liquor through 21 depots located mostly at district headquarters, for which separate distributor licenses were obtained by paying distributor license fee of Rs.5 lakh plus Rs.10,000 for each depot. Consequent to the amendment (February 1997) of Excise Rules, effective from 1 July 1997, the distributor license was to be obtained distillery wise based on the authorisation given by the manufacturer by payment of license fee at Rs.1 lakh (further enhanced to Rs.1.72 lakh for the excise year* 1998-99) per distillery.

Despite obtaining authorisation from 17 and 16 distilleries for the year 1997-98 and 1998-99 respectively, the Company continued to obtain the distributor's license depot-wise as per earlier practice instead of distillery-wise for the years 1997-98 and 1998-99 by paying Rs.21 lakh and Rs.36.22 lakh respectively (against Rs.17 lakh and Rs.27.52 lakh payable on the basis of authorisation from distilleries) resulting in an extra expenditure of Rs.12.70 lakh during the above period. Further, due to this error the excise department considered each depot as a separate licensee and demanded (January 1999) an additional license fee of Rs.11.14 crore for 1997-98 and 1998-99.

Failure to follow prescribed procedure for obtaining license resulted in extra payment of Rs. 1.63 crore and exposed the Company for further liability of Rs.9.64 crore.

Based on the directions of Government, the Company paid (March 1999) Rs.1.50 crore and requested for the waiver of the balance amount which is still pending. Thus, failure to follow the prescribed procedure of obtaining distillery wise license during 1997-98 and 1998-99, the Company not only incurred avoidable extra payment of Rs.1.63 crore but also exposed itself for further liability of Rs.9.64 crore.

The Company replied (September 2000) that due to ambiguity in the terms of the exact amount of distributor's license fee payable, the matter was taken up with the Excise commissioner. However, the Excise department had issued depot-wise license during that period. The reply is not convincing, as the Company should have made payment under protest, if the amendment was not clear to it, so as to protect its interest.

2A.7.5 Supply of unmatured arrack

As per the Excise commissioner's circular (July 1992), the Company was expected to supply arrack matured for a minimum period of 15 days. In case the arrack supplied is matured for less than 15 days, penalty at 5 per cent of

* July to June

blending charges for arrack unmatured for less than 7 days and 2 per cent of blending charges for arrack matured between 8-15 days was payable. The unmatured arrack supplied varied from 92 per cent to 96 per cent and the penalty paid to the Government on this account during the last 5 years ending 31 March 2000 amounted to Rs.30.59 lakh.

The Company stated (September 2000) that it could not supply fully matured arrack in view of having inadequate vats which required substantial investment which was not possible in view of the uncertain policy of the Government regarding continuance of arrack in the State. As the Company has been appointed by the State Government to ensure supply of fully matured arrack, if there was any difficulty it should have approached the State Government.

2A.8 Lottery Division

The Government appointed (September 1969) the Company as sole agents for the sale of State lottery tickets. The latest agreement executed in May 1995 for a period of six years from April 1991 to March 1997 had not been renewed (March 2000) and the same agreement continues to be in effect.

2A.8.1 Sales performance

Failure to sell a minimum of 80 per cent of lottery tickets resulted in cash loss of Rs.1.11 crore during 1998-99.

The agreement with the State Government envisages purchase of a minimum of 80 per cent of the total tickets printed for all draws in each quarter irrespective of the fact whether the Company could sell the same or not. It was observed in audit that during 1998-99 the Government printed 785 lakh tickets and as per agreement the Company was to sell 628 lakh tickets. However the Company could sell only 592.88 lakh tickets and the remaining 35.12 lakh tickets were deemed to have been purchased by the Company. Thus, the failure of the Company to sell a minimum of 80 per cent of tickets had resulted in cash loss of Rs. 1.11 crore[α].

The Company, attributed the introduction of sales tax on sale of lottery tickets, delay in payment of prize money, attractive schemes of other state lotteries and the reported ban on sale of lotteries by Central Government as the major reasons for the shortfall and requested (January 1999 & April 1999) the Government to exempt the Company from the condition of obligatory purchase of 80 per cent of tickets printed. However, the request had not been accepted by the Government (April 2000).

2A.8.2 Suo motu revision of sales agreement by Government

Suo motu revision of purchase price of lottery tickets resulted in cash loss of Rs.4.76 crore during 1996-97.

The Company purchases lottery tickets from the Government at 63 per cent of the face value (FV) of the tickets. Whereas the Company sells the tickets to its dealers at 77 per cent of the FV and thereby getting a margin of 14 per cent to meet the cost of advertisement, sales promotion etc. During the year 1996-97, the Company sold 680.64 lakh tickets for Rs 28.21 crore. Though clause

[α] Rs.110.64 lakh = 35.125 lakh tickets x Rs.3.15(63 %of Rs.5 i.e., face value of ticket)

12 of the agreement, stipulates that the rules and practices in vogue would not be altered to the detriment of the Company without its express consent, the Government in March 1997 modified at its own the terms of the agreement by increasing the purchase price from 63 per cent to 90 per cent of the FV for the year 1996-97. Thus Company paid Rs.33 crore to the State Government towards sale of lottery tickets against Rs.28.21 crore collected for the year 1996-97. The reasons for the suo motu revision by the Government were not available on record. This suo-motu revision had resulted in an additional expenditure of Rs 9.99 crore to the Company including a cash loss of Rs.4.76 crore due to purchase of lottery tickets at 90 per cent and selling them at 77 per cent of the FV during 1996-97. However, during the next year the Company went back to the normal practice of buying the tickets at 63 per cent of the FV and selling the same at 77 per cent of the FV. The reply of the Government is awaited (September 2000).

2A.8.3 Belated remittance of sale proceeds to Government

The agreement with Government envisaged that the Company would remit the value of the tickets within 15 days from the date of draw. Delay in remittance would attract interest ranging from 10 per cent to 25 per cent depending upon the delay.

Delay in remittance of sale proceeds of lottery tickets to the Government resulted in avoidable payment of interest of Rs.4.88 crore.

During the five years up to 1999-2000, the Company delayed in making payments up to 279 days resulting in avoidable payment of interest of Rs.4.88 crore. Further, the Company is also liable for payment of interest of Rs.5.05 crore on the delayed payment of the enhanced price of lottery tickets purchased during 1996-97 as brought out in Paragraph 2A.8.2 above, which had not been provided for in the accounts.

The Company replied (September 2000) that the Government has been requested to waive this interest. The Company's request is yet to be acceded by the Government.

2A.8.4 Non–reimbursement of prize money by Government

The Company was authorised (February 1984) to pay the prize amount of Rs. 1000 and below to the holder of the prize winning tickets on behalf of the Government and get the amount reimbursed from the Government by production of relevant documents. From January 1992, the Company was allowed to adjust the prize amount from the purchase price of the tickets payable to Government.

The prize money disbursed by Company and not reimbursed by Government was Rs.3.06 crore.

It was observed that the claims for reimbursement of prize money disbursed by the Company upto December 1991 amounting to Rs.3.06 crore had not been settled by the Government even after a lapse of over 8 years. The request (June 1995) for adjustment of the amount against the dues towards purchase of tickets has not been accepted so far (September 2000), by the Government.

2A.9 Paper Division

The paper division started its operations in 1974 mainly to supply notebooks to the students in the State at concessional rate, out of paper supplied by the Central Government under the 20 point economic programme. The supply of concessional paper was stopped during 1987 by the Central Government. As such the Company introduced its own brand ("Vidya") in the market and continued its operations through the network of its stockists. A survey conducted during 1992-93 revealed that the annual requirement of notebooks in the State was estimated to be around 25,000 MTs. The details of targets, sales and its market share during the last five years upto 1999-2000 are as follows:

Year	Targeted sales (Qty in MT)	Actual sales (Qty in MT)	Actual sales (Rs. in crore)	Market share per cent
1995-96	4000	2982	13.11	11.9
1996-97	4000	3356	15.69	13.4
1997-98	3800	3660	17.15	14.6
1998-99	4000	3055	13.74	12.2
1999-2000	4000	3637	15.80	14.5

Despite having the backing of an established brand and being in existence for such a long period, the Company failed to show any significant increase in the sales over the years and the Company's share was only around 12 to 15 per cent in the market.

The Company replied (September 2000) that due to severe competition it could not increase its share in the market.

2A.9.1 Purchase procedure

As per the purchase procedure, the Purchase Committee finalises the orders based on tenders. However, for its requirement of paper of around 3,500 MTs per annum, orders for the entire quantity were placed on Mysore Paper Mills Limited (MPM) (another State Government Company) upto 1996-97 without inviting tenders. However, open tenders were invited (December 1997) for the requirement of 1997-98. Based on the least offer of Tamil Nadu News Prints Limited negotiations were held with MPM and the quoted price (Rs.28,870 per MT) was got reduced to Rs.25,740 per MT. Accordingly, the Company could save Rs.40.69 lakh.

The Company replied (September 2000) that although no tenders were called for, negotiations were made with MPM before arriving at the purchase price every year. However, the fact remained that failure to invite tenders for the earlier years had deprived the Company the benefit of competitive prices.

2A.9.2 Purchase in excess of requirement

Improper production plan of notebooks during 1995-96 resulted in excess inventory and avoidable loss of interest of Rs.1.18 crore.

The major part (75 to 80 per cent) of the notebooks are being sold during the season (March to June) at the time of opening of schools. In order to make available the notebooks by March every year, the procurement of raw materials such as paper, strawboards etc., were being planned during September-October, so that production can be started from November. It was observed that against the sales target of 4,000 MTs the Company projected production plan for 6,000 MTs for the season (March to June) 1995-96, the Company placed (December 1995) orders for 4,800 MTs of paper considering the stock of 1,200 MTs of finished goods (note books) and raw materials (paper) available with it. Against the order of 4,800 MTs the Company received 5,000 MTs of paper making the total stock of 6,200 MTs. Out of this stock, the Company issued 3,878 MTs of paper to various converters for conversion to notebooks leaving a balance of 2,322 MTs. The Company received from the converters notebooks involving paper of 4,437 MTs (including paper lying with them in the earlier period) during 1995-96 season, out of which the Company sold 3,429 MTs of notebooks leaving a balance of 1,008 MTs. Thus the Company was having a closing balance of 3,330 MTs (2,322 MTs + 1,008 MTs) valued at Rs.10.80 crore as on 31 October 1996 which could be liquidated only during 1997-98 season.

The incorrect production plan of 6,000 MTs as against the sales target of 4,000 MTs in 1995-96 resulted not only in inventory carrying costs upto October 1997 but also avoidable loss of interest of Rs.1.18 crore on the locked up capital even after considering a buffer stock of 550 MTs of notebooks.

2A.9.3 Disposal of damaged stocks

2A.9.3.1 The paper division had not formulated any system for periodical disposal of identified damaged stocks of paper, as a result the damaged stocks identified since 1995-96 were kept in a separate godown exclusively hired for that purpose from June 1995 to July 1998 by paying Rs.8.70 lakh towards rent. Proper accounts of the stocks stored at the godown were however, not maintained. Consequently at the time of disposal of this stock it was estimated that there were around 70 MTs of damaged stocks, out of this only 48.38 MTs could be sold for Rs.2.81 lakh. The balance stock could not be disposed off as the same was completely damaged due to lapse of time. Thus, non-disposal of damaged stock immediately after identification resulted in avoidable payment of hire charges of Rs.8.70 lakh besides poor realisation due to efflux of time.

The Company replied (September 2000) that it had devised a system for disposal of damaged stocks with effect from May 1998.

2A.9.3.2 The Division had sent 179 MTs of notebooks to Chennai branch during 1996-97 and 1997-98, out of which 74 MTs were damaged and disposed off at reduced rates resulting in a loss of Rs. 15.49 lakh. The circumstances leading to such abnormal damages, which constituted 41 per cent of the stocks transferred, had not been analysed.

The Company while accepting the observation stated (September 2000) that abnormal damages occurred due to improper storing/climatic conditions.

2A.9.4 Production of notebooks for exports

Failure to draw up contingency plan to liquidate stock manufactured for export resulted in locking up of funds of Rs.0.36 crore.

The Company purchased (December 1994) 49.41 MTs of superior quality of paper at a cost of Rs.21.91 lakh for conversion into notebooks and pads in anticipation of export orders. While approving the proposal, the Managing Director suggested to identify a contingent action plan to dispose of the stock in the domestic market in case the anticipated export order did not materialise. The division proposed (July 1995) for procurement of additional 50 MTs of paper on the ground that the notebooks converted out of the first consignment were reportedly sold. However, it was noticed that there were no sales and 90 per cent of the production was transferred to the Company's branches for sale in the local market. Against the proposal of 50 MTs the Company received 54.61 MTs of paper valued at Rs.22.77 lakh between December 1995 and February 1996. From the total paper available (104.02 MTs), the Company converted 60.63 MTs into notebook/pads. Out of this, the actual quantity sold locally was 29.03 MTs only leaving a balance of 31.60 MTs of finished stock valued at Rs.17.94 lakh which was still lying with the Company (September 2000). The interest burden on the funds locked up (at 18 per cent per annum) worked out to Rs.12.91 lakh for the period from April 1996 to March 2000, while the balance stock of 43.39 MTs of unconverted paper valued at Rs.17.76 lakh was proposed (August 1998) to be utilised as note book wrappers. The Company estimated a loss of Rs.1.05 lakh due to this alternative use and the interest loss on the locked up funds between April 1996 and August 1998 worked out to Rs.7.73 lakh (calculated at 18 per cent per annum).

Thus, failure to assess the market potential of the export and to draw up contingency measure to liquidate this stock resulted in locking up of funds of Rs.35.70 lakh involving interest of Rs.20.64 lakh upto March 2000.

While accepting the lapse in procurement of additional quantity of paper (54.61 MTs) the Company stated (September 2000) that it had drawn up specific action plan to liquidate the available stock.

2A.10 Hire Purchase Division

The Bangalore Branch of the Company sells consumer durables and vehicles to the employees of State Government and public sector undertakings on hire purchase after obtaining guarantee from a co-employee. The scheme envisages recovery of the monthly instalments from the salary of the hirer by the drawing officer as per the demand statement furnished by the Company and remittance before 5^{th} day of the succeeding month. Undertaking in the prescribed format is also obtained from the drawing officer to the effect before sanction. Under the above scheme, 33,702 consumers had availed loan of Rs.48.85 crore upto March 2000.

2A.10.1 Guarantee for loans

Despite having guarantee, the Company could not recover defaulted hire purchase dues of Rs.3.53 crore.

The undertaking furnished by the drawing officer provides for recovery of dues of defaulted hirers from the guarantor only in case of suspension, dismissal and removal from service of the hirer. Therefore, the Company could not recover the defaulted dues to the extent of Rs.3.53 crore as on 31 March 2000 from the guarantors despite having guarantee from them. Out of the defaulted amount of Rs.3.53 crore, the Company recovered only Rs. 0.18 lakh representing 0.05 per cent from five guarantors and as such the surety given by the guarantor had not benefited the Company in realisation of huge defaulted amounts.

The Company replied (September 2000) that it was pursuing with the Government for issue of Order to treat the Hire purchase dues as Government dues so as to recover the same from the terminal benefits of the employees.

2A.10.2 Collection of hire purchase instalments

Though the demand statements have been sent to the drawing officers every month, in many cases the total amount demanded had not been recovered in full. A test check of demand and collection for the period from April 1998 to December 1999 revealed that the percentage of recovery to the demand (including overdues) was only 27.6 in 1998-99 and 26.9 in 1999-2000. The amount recovered belatedly was not adjusted against the penal interest levied on defaulted amount resulting in accumulation of penal interest of Rs.1.08 crore after recovery of Rs.1.67 lakh during 1998-99. A test check in three units it was observed that in as many as 1,511 cases, penal interest amounting to Rs.20.54 lakh was not recovered even after the recovery of all the instalments.

2A.10.3 Overdue instalments

Failure to ensure the prompt recovery of the monthly dues, the instalments (Rs.2.45 crore) and penal interest (Rs.1.08 crore) totaling to Rs.3.53 crore had become overdue from 7,841 hirers as on 31 March 2000. Of this, Rs.1.40 crore was due from 1,617 hirers who have defaulted in payment of more than 6 instalments.

Failure to ensure prompt recovery of instalment resulted in accumulation of overdue of Rs.3.53 crore.

Further it was observed in Audit, that a sum of Rs.1.41 crore was due from 2,546 hirers whose agreement period had already expired. Out of this, the Company had filed suits only in respect of 55 cases involving Rs.10.95 lakh, which represents only 7.79 per cent of the overdue amount. Though legal notices were issued to 392 hirers for the recovery of Rs.38.01 lakh no action has been initiated for the realisation of the balance overdue of Rs.91.69 lakh from 2,099 hirers even after the expiry of the agreement period. Out of this, 140 cases involving over due amount of Rs.15.32 lakh were more than three years old since the expiry of the agreement period.

2A.10.3.1 Seizing of articles

One of the options available with the Company for taking action against the defaulted hirers is to seize the articles sold to them under the scheme. The appointment of an agent for the first time in June 1995 for this purpose also did not benefit the Company as the agency failed to seize any vehicle referred to it. It appointed agents for its Bangalore and Mysore units in October 1997 and for Gulbarga unit in October 1999. Both the agents have so far (September 2000) seized only 100 vehicles. The Company has not invoked this option in respect of articles other than vehicles sold under the scheme. The Company replied (September 2000) that it was examining the option of seizing of articles other than vehicles also.

From the above, it would be observed that the accumulation of huge overdues of Rs. 3.53 crore was mainly due to not evolving a standard policy for taking prompt recovery proceedings such as periodical issue of notices to hirers/guarantors, issue of legal notices, seizure of vehicles, filing of suits etc. Even in case where suits have been filed/legal notices issued, no uniform yardstick has been applied as many other cases of similar nature have been left out without recording any reasons giving scope for extension of undue benefit to certain customers.

2A.11 Air Cargo Complex

The Bangalore Air Cargo Complex, a division of the Company was started as custodian in 1977 under the Customs Act, 1962, for providing storage and handling facilities for goods imported/exported from the Bangalore Airport.

2A.11.1 Accumulation of Air cargo consignments

Under section 48 of the Customs Act, 1962, goods which are not cleared within 45 days from the date of unloading at the customs station or within such time as may be allowed, can be sold by the person having the custody of such goods. However, this facility was allowed only to Central Government Undertakings who were the custodians at ports/airports.

In view of the non availability of the authority to dispose off the uncleared consignments, the division as at the end of April 1999 had accumulated 9,429 consignmets since 1983. out of which 5,837 consignments pertained to the period earlier to April 1997 which remained uncleared (April 2000). These consignments were stored in two godowns hired exclusively for this purpose. The Company had, however, neither assessed the value of the consignments nor the handling costs receivable against these consignments though it continued to incur storage costs on these goods.

The Government of India in February 1998 amended the Customs Act to permit all the custodians to dispose off uncleared cargo accumulated upto 31 March 1997. Accordingly, the Customs authority instructed (Oct 1998) the Company to take necessary action for disposal of the uncleared cargo lying with it. The Company has initiated action accordingly from September 1999.

However, considering that most of these consignments were lying for such long periods, the realisable value of these consignments would have diminished with the passage of time.

2A.11.2 Non recovery of rent

The Company owns a premises near Bangalore airport in the customs notified area to carry out its air cargo activity. A portion of it (6,200 sq. ft.) was let out to Ethnic Cuisines Private Limited to run a bar and restaurant during 1988 and the same was extended in September 1992 along with additional floor measuring 1,751 sq. ft. for a further period of 7 years upto June 1999. Though the agreement period has expired the lessee continues to occupy the premises.

No action had been taken to get the premises vacated even after default in payment of rent.

The customs department had severely objected (September 1993) to the presence of the bar and restaurant in the customs notified area and sought its removal. Accordingly, the Company issued (October 1994) eviction notice and terminated the tenancy for non-payment of rent regularly. The lessee contested on the ground that the agreement does not provide for such termination by the lessor. The case filed (December 1994) by the Company for eviction of the lessee was rejected (December 1998) by the Hon'ble Court of Small Causes on the ground that the petition was barred as per section 31 of Karnataka Rent Control Act. A settlement was reached (June 1998) with the lessee who agreed to vacate 1,575 sq. ft of area under his possession, clear the arrears of rent with interest and also for the enhancement of rent at Rs.11 per sq.ft per month. Though the lessee vacated a portion of the area as agreed, he continued to be a defaulter in payment of monthly rent from April 1997 which had accumulated to Rs.20.58 lakh as on 31 March 2000. The Company had neither taken action for the recovery of dues nor got the premises vacated.

The Company replied that the matter was being pursued with lessee and it would like to give sufficient time to the lessee before resorting to litigation. Thus, failure to incorporate a suitable clause in the agreement for termination of the lease resulted in non-recovery of the rental dues of Rs.20.58 lakh and non-eviction of the lessee from the premises.

2A.12 Export Division

The turnover of export division decreased sharply from Rs.2.93 crore in 1995-96 to Rs.0.02 crore in 1999-2000.

The Export division was formed during 1994-95 mainly to deal with the export of sandalwood oil, toilet soaps, onions, potatoes, chillies etc. It was observed that the turnover of the division came down sharply from Rs.2.93 crore in 1995-96 to Rs.63.40 lakh in 1998-1999 and during 1999-2000 the turnover was Rs.1.68 lakh only against establishment expenditure of Rs.8.64 lakh per annum. The main reasons for the decrease in turnover was the non-availability of sandalwood and restrictions imposed on the export of sandalwood oil. Further, the Company also lost the regular export orders received from Co-operative Wholesale Establishment, Colombo for whom orders worth Rs.82.37 lakh and Rs.1.39 crore for the years 1996-97 and 1997-98 respectively were executed, for supply of onion, potatoes, chillies etc., due to supply (December 1997) of inferior quality of onions. However, the Company did not identify new customers or new products having export market. With the continued downward trend in export sales and in the absence of any definite future plan, the continuation of the division, which incurred a loss of Rs.8.10 lakh in 1999-2000 and having recurring fixed expenditure of Rs.8.64 lakh per annum requires re-examination. The Company replied (September 2000) that it was making efforts to identify new areas for export.

2A.13 Tours and Travels Division

The Company started (November 1990), tours and travels agency business to meet the travel needs of the Officials of Government and public sector undertakings. The Tours and Travels Division of the Company made a profit of Rs.6.66 lakh during the three years ended 1998-99.

However, it was observed in audit that though the division had shown a profit of Rs.6.66 lakh upto 1998-99, a sum of Rs.31.75 lakh due from various departments/individuals was outstanding between 30 and 720 days representing 71.22 per cent of the total dues (Rs.44.58 lakh) as on March 1999. The non-realisation of these dues within the 30 days period had resulted in the erosion of the profit earned by the Company by Rs.2.29 lakh towards payment of interest on locked up funds.

The Company replied (September 2000) that the realisation was delayed on account of the nature of its client viz. State Government/Public Sector Undertakings.

As the Company was not able to fulfil the requirement of having at least two employees who possessed the International Air Transport Association (IATA) diploma course certificate, it was booking its tickets through another agency (Balmer Lawrie & Co.) on 50 % commission sharing basis. This resulted in the Company being deprived of commission of Rs.4.17 lakh during 1996-97 to 1998-99.

2A.14 Performance of branches

The 6 branches of the Company were engaged in the marketing of the consumer and industrial products identified by the head office apart from the local products dealt by these branches. The performance of Bangalore branch, which confined itself to the hire purchase activities in the State, has been discussed in paragraph 2A.10. The overseas branch at London which was meant for export operations of the Company was closed down during March 1997.

2A.14.1 Calcutta branch

The Calcutta branch was started in 1974 and the operations of the branch was not economical since inception. The accumulated loss of the branch was

Delay in closure of Calcutta branch resulted in avoidable expenditure of Rs.0.33 crore.

Rs.4.13 crore as on 31 March 1996. As such the Board of directors resolved (October 1997) to close the branch and re-deploy the employees in other divisions of the Company. Even though the decision was taken to close the branch in October 1997, the branch was finally closed only in February 1999 due to delay in disposal of the available damaged stocks and deploying the staff. During the period from November 1997 to January 1999, the Company incurred the expenditure of Rs.33 lakh on rent on godowns and salary of staff. The Company replied (September 2000) that it had to follow certain formalities such as disposal of stocks, furniture and sales tax matters. The reply is not convincing as the above formalities did not warrant such delay of 15 months which resulted in avoidable expenditure of Rs.33 lakh.

2A.14.1.1 Marketing of Vishuda Shampoo

During 1993-94, the Calcutta branch based on its indents, received Vishuda brand shampoo worth Rs.23.80 lakh, which was launched in the State under the Vishwa programme (rural employment programme). Out of the above stocks, the stock of Rs.14.71 lakh remained unsold even after 3 years when the decision was taken to close down the branch. This stock was finally disposed (June 1998) for a petty sum of Rs.1.70 lakh only resulting in a loss of Rs. 13.01 lakh. Being a new product, the Company should have indented its requirements based on market demand. The Company replied (September 2000) that it had to suffer losses since the Government went back on its promise to make good the losses of Vishwa Scheme. It was, however, observed in audit that even before the Company ventured into market of the product it was known to the Company in December 1992 that the Government would not reimburse any loss.

2A.14.2 Performance of other branches

After allocation of head office overheads the losses incurred by Delhi, Bombay and Chennai branches during last 5 years worked out to Rs.6.23 crore.

The other 3 branches (Delhi, Bombay and Chennai) continued to incur losses year after year and the losses incurred for the last five years ending 1998-99 as worked out by the Company was to the extent of Rs.3.32 crore.

After allocating the head office overheads the above losses worked out to Rs.6.23 crore which was mainly due to the failure of the branches to achieve turnover commensurate with the expenditure and to retain the marketing of major consumer and industrial products which was being marketed by the Company over the years. This was neither appraised to the Board for remedial action nor the Company was having any concrete plans in hand to revive these branches. The Company replied (September 2000) that efforts were being made to make the branches viable by introducing new products.

The above matters were reported to the Government in June 2000; their replies had not been received (October 2000).

Conclusion

The Company could not accomplish the main object of acting as selling agent and distributor of the products of the State Government industrial concerns as the sale of such products constituted only 2.8 per cent of the turnover. Further a major portion of the Company's turnover and profit was contributed by monopoly business. Thus, the Company is performing a series of trading functions for which there is no longer any rationale.

2B. Karnataka Power Corporation Limited

Implementation of Raichur Thermal Power Station Stage II and III

HIGHLIGHTS

Units 3 and 4 of RTPS were commissioned after a delay of 30 and 36 months respectively resulting in cost over run of Rs.104.85 crore and Rs.484.15 crore respectively.

(Paragraph 2B.3)

In spite of early completion of Unit 5 and 6, there was generation loss of Rs.23.17 crore on account of forced shutdowns of Unit 5 and Rs.100.62 crore on account of vibration problem in Unit 6.

(Paragraph 2B.3)

Delay in execution of evacuation system, eventhough Unit 3 started commercial operation during January 1992 resulted in operation of Units 1 to 3 at lesser load with consequential loss of generation of Rs.94.17 crore.

(Paragraph 2B.5.1.2)

Adoption of Unit-3 estimates for Unit 4 and adoption of Unit-4 estimates for Unit-5 and Unit-6 resulted in extra expenditure of Rs.3.51 crore.

(Paragraphs 2B.6.2.1 and 2B.6.2.2)

Incorporation of the term "commissioning schedule" instead of "completion period" in the agreement for construction of station building resulted in additional liability of Rs.2.82 crore in the form of end point bonus to the contractor.

(Paragraph 2B.6.4)

Entrustment of work for construction of ash bund without proper study and consequent change in design of ash bund resulted in additional expenditure of Rs.4.16 crore.

(Paragraph 2B.6.6)

Motoring action of generator rotor due to failure of circuit breaker in Unit 4 resulted in extra expenditure of Rs.4.41 crore besides loss of generation of Rs.71.45 crore.

(Paragraph 2B.7.2)

Construction of an additional silo for Unit 3 and 4 over and above the two existing silos resulted in avoidable expenditure of Rs.2.69 crore.

(Paragraph 2B.7.3)

2B.1 Introduction

The Karnataka Power Corporation Limited (Company) incorporated in July 1970 is engaged in generation of power and execution of power projects in the State. The Company commissioned its first two thermal Units of 210 MW each under Stage I at Raichur during March 1985 and March 1986 respectively. The rapid growth of power and energy demands in the State and the environmental difficulties faced in hydroelectric projects prompted the Company to go in for four more thermal Units of 210 MW each under stage II and III at Raichur.

2B.2 Scope of audit

The implementation of Raichur Thermal Power Station (RTPS) Stage-I (Units 1 and 2) was included in the report of the Comptroller and Auditor General of India (Commercial) – Government of Karnataka for the year ended 31 March 1987. The review has not been discussed by COPU. The present review conducted during the period from November 1999 to March 2000 covers the aspects relating to planning, execution and commissioning of RTPS Stage II and III (Units 3 to 6).

2B.3 Project Report

The Period of approval of Planning Commission, estimated cost, actual cost, projected and actual date of commissioning of these units are tabulated below:

Particulars	Unit-3	Unit-4	Unit-5 & 6
Planning Commission Clearance for the project	August 1984	August 1987	December 1995
(4)→ Project Cost Estimate (Rs in crore)	159.88	237.71	1496.90
(5)→ Actual Cost (Rs in crore)	264.73	721.86	1450.90
(2)→ Projected date of commissioning	August 1988	August 1991	September1999 and March 2000
Actual date of commissioning	March 1991	September 1994	January1999 and July 1999

From the above it would be observed that Unit 3 and Unit 4 were commissioned after a delay of 30 months and 36 months with substantial cost over run of Rs.104.85 crore and Rs.484.15 crore respectively, whereas Unit 5 and 6 were completed 7 months ahead of schedule. It was observed that though Unit 5 was put into commercial operation on 22 May 1999, however, the Company had to hand trip the Unit from 8 August 1999 to 25 August 1999 which was within 3 months of commercial operation to attend to balance maintenance work resulting in loss of generation of 89.13 MU amounting to Rs.23.17 crore.

Excess consumption of oil during stabilisation of Unit 5 resulted in extra expenditure of Rs.4.07 crore.

Even though Unit 5 was commissioned ahead of schedule, it was observed that consumption of fuel oil during stabilisation# period in Unit 5 varied from 14.63 ml per kWh to 76.17 ml per kWh as against the norm of 5 ml per kWh. Thus the excess consumption of oil during stabilisation period had resulted in extra expenditure of Rs.4.07 crore.

Loss of generation due to vibration problems in Unit 6 was 387.004 MU amounting to Rs.100.62 crore.

Unit 6 was commissioned on 22 July 1999 and was expected to commence commercial operation latest by 21 January 2000 as per the CEA norms. However, due to vibration problems noticed (July and August 1999) during reliability test, which could not be rectified by Bharat Heavy Electricals Limited (BHEL), the Unit was put to commercial operation only on 9 September 2000 after a delay of 9 months. Consequently, the Company could generate only 741.956 MU from 21 January 2000 to August 2000 as against projected generation of 1,128.96 MU, resulting in loss of generation of 387.004 MU amounting to Rs.100.62 crore. As per contractual obligations, BHEL should rectify the equipment within a reasonable time, if not, it

Stabilisation is the period between commissioning and commercial operation.

attracted penalty and rejection of the equipment. The Company had not yet decided to invoke the penalty clause.

2B.4 Project Finance

2B.4.1 Unit 3 and 4

The cost of construction of Unit 3 was proposed to be met from the State Plan outlay and borrowings of the Company. However, due to inadequate budgetary support from the State Government, the project which was cleared by Planning Commission in August 1984 could take off only in 1986-87. The project cost of Rs.159.88 crore was not revised against the actual cost of Rs.264.73 crore.

Due to delay in execution of works for Unit 4, funds had to be borrowed at higher rate of interest involving a recurring loss of Rs.1.76 crore per annum.

For Unit 4, Overseas Economic Co-operation Fund, Japan (OECF) agreed (December 1988) to finance the project cost (revised to Rs.305.70 crore on the advice of OECF) to an extent of 23,142 million-Yen (Rs.237.68 crore) and the balance of Rs. 68.02 crore was to be met from internal resources. Because of delay in completion of various works connected to Unit 4, the Company could claim only 20,028 million-Yen (Rs. 205.70 crore) from OECF within the extended time limit of June 1997. Thus due to delay, loan of Rs.31.98 crore could not be claimed, and the Company had to borrow funds at higher rate of interest resulting in recurring loss of interest[ω] of Rs.1.76 crore per annum till the period of repayment of loan.

Payment to foreign suppliers for equipment purchased for Unit 4 was made by Government of India out of OECF loan and was adjusted against the plan outlay of the State Government through sanction of loan. This in turn was passed on to the Company through the State Government. According to terms and conditions of foreign loan, interest was levied at 12 per cent per annum for the first 30 days and penal interest was levied at 18 per cent thereafter from the date of payment to foreign supplier by the Government of India to the date of sanction of loan to the State Government. It was observed that there was delay on the part of Ministry of Finance, Government of India in issue of sanction order to State Government resulting in payment of penal interest of Rs.82.52 lakh. As the delay in release of sanction order was on the part of Government of India and not the Company, the Company should have pursued the matter with Government of India for waiver of penal interest levied.

2B.4.2 Unit 5 and 6

Non-establishment of SERC before March 1999 resulted in non-availment of interest subsidy of Rs.3 crore from PFC.

The Company borrowed Rs.300.00 crore from Power Finance Corporation for the execution of Unit 5 and 6 of RTPS. In this connection it is pertinent to mention that Government of India had approved one per cent interest subsidy on the loans sanctioned by Power Finance Corporation Limited (PFC) for those States who establish State Electricity Regulatory Commission (SERC) before 31 March 1999. As the Government of Karnataka established the

[ω] differential interest between OECF loan and market loan.

SERC only on 28 August 1999, the Company could not avail the interest subsidy of Rs.3 crore from PFC.

2B.5 Time Over-run and Cost Over-run

2B.5.1 Time Over-run

2B.5.1.1 Unit 3

Loss of generation due to delay in commencement of commercial operation of Unit 3 was 334.83 MU amounting to Rs.36.83 crore.

Though the Planning Commission cleared Unit 3 in August 1984, the work of the Unit was started only in 1987 due to inadequate budgetary support from the Government and the Unit was commissioned in March 1991 after a delay of 30 months. As per Central Electricity Authority norm, the commercial operation of the Unit should start within 6 months from the date of synchronisation. However, the commercial operation of the Unit was started only on 6 January 1992 i.e. after a delay of about 3 months over and above the permissible time limit of 6 months due to delay in commencement of coal firing of the Boiler. The generation loss due to delay in commencement of commercial operation of Unit 3 worked out to 334.83 MU resulting in potential loss of revenue of Rs.36.83 crore.

2B.5.1.2 Evacuation of power

The Planning Commission accorded approval for Unit 4 (August 1987) subject to establishment of LILO[≠] system for connecting it to the 400 KV Nagarjunasagar-Munirabad line of NTPC. However, the Company proposed (July 1990) to advance the commissioning of the LILO system to evacuate the power generated from Unit 3 itself, on the ground that the average load of the existing lines was only 390 MW which was inadequate to evacuate full load of power generation of 630 MW of all the three Units.

Loss of generation due to delay in completion of evacuation system was 865.84 MU amounting to Rs.94.17 crore.

The LILO system was completed only in September 1993. Thus, due to delay on the part of the Company in taking up the LILO system at RTPS, although Unit 3 started commercial generation in January 1992, the power generation from all the three Units were lowered due to inadequate load factor (only 390 MW) in the evacuation system. The loss in generation due to under utilisation of the capacity from January 1992 to August 1993 was 865.84 MU resulting in loss of potential revenue of Rs.94.17 crore.

The Company in its reply stated (September 2000) that the LILO system was completed in September 1993 as against contemplated commissioning during July 1990 and hence, the generation was rescheduled. Thus, the Company has acknowledged unbalance between generation and evacuation.

2B.5.2 Unit 4

Planning Commission cleared Unit 4 in August 1987. However, financial tie up with OECF could be made only in December 1988. Further, the order for

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[≠] Loop In Loop Out.

main equipment i.e. Boiler Turbine and Generator could be placed in November 1990, due to ban by Government of India on Sumitomo, Japan. It was observed that due to delays in handing over the civil fronts by the Company, the Engineers of Sumitomo who had come for erection of Turbo Generator, returned to Japan for which they claimed compensation of 68.117 million-Yen (Rs.2.35 crore) which was yet to be settled by the Company.

Though the Unit 4 was synchronised in September 1994, the Unit could not be put into commercial operation within 6 months because of motoring action of generator rotor in March 1995. The Company had to incur an expenditure of Rs.4.41 crore towards dismantling, inspection, repair and reassembling charges besides generation loss of Rs.71.45 crore (as commented in paragraph 2B.7.2).

2B.5.3 Cost Over-run

The table below indicates the original project cost of Unit 3 to 6, actual cost incurred (up to October 1999) and cost over-run/savings etc, under broad headings.

Particulars	Cost Details (Rupees in crore)								
	Estimated Cost			Actual cost			Excess /Savings(-)		
	Unit- 3	Unit-4	Unit-5&6	Unit- 3	Unit-4	Unit-5&6	Unit- 3	Unit-4	Unit-5&6
Land	0.03	0.02	0.00	1.31	7.42	0.00	1.28	7.40	0.00
Civil works	25.20	27.49	107.40	44.44	87.06	108.19	19.24	59.57	0.79
Mechanical	87.80	128.70	775.00	132.57	384.62	800.27	44.77	255.92	25.27
Electrical	9.18	13.50	125.00	14.43	32.82	87.76	5.25	19.32	(-)37.24
Transmission	0.00	11.05	0.00	0.00	20.18	0.00	0.00	9.13	0.00
Other costs	37.67	56.95	489.50	71.98	189.76	454.68	34.31	132.81	(-)34.82
Total	**159.88**	**237.71**	**1496.90**	**264.73**	**721.86**	**1450.90**	**104.85**	**484.15**	**(-)46.00**

The increase in cost in Unit 3 and 4 was mainly due to (i) enhanced/additional compensation and amenities provided to the displaced land owners (Rs.8.68 crore) (ii) increase in height of chimney from 130 mtr to 220 mtr as per emission norms (Rs.1.13 crore) (iii) raising of ash bund height to RL 352 (Rs.7.77 crore) (iv) exchange rate variation (Rs.159.39 crore) (v) cost escalation (Rs.193.88 crore) (vi) change in scope of work/additional items (Rs.73.42 crore) (vii) increase in erection and commissioning costs-(Rs.11.54 crore) (viii) increase in taxes and duties (Rs.88.12 crore) and (ix) other reasons (Rs.44.16 crore).

The savings in Unit 5 and 6 were mainly due to non-procurement of inter connecting transformer (Rs.7 crore), reduction in cost of cables (Rs.9.46 crore) due to reduction in excise duty, reduction in instrumentation contracts

(Rs.13.10 crore) due to lower prices and reduction in scope of work (Rs.3.88 crore) etc. These savings were thus largely due to variation in market conditions and reduction in scope of work. The savings were also due to reduction in interest (Rs.56.24 crore) during construction period. These savings were partially offset by increase in cost of Boiler Turbine Generator package (Rs.40.16 crore) and administration cost (Rs.20.67 crore).

The points noticed during the implementation of units 3 to 6 have been broadly categorised under heads Civil, Mechanical and Electrical packages which are discussed below.

2B.6 Civil Packages

There was avoidable expenditure in the execution of civil works due to delay in the settlement of contractors bills, delay in taking decision to delete one bay, defective estimate in civil works, defective clause in the contract, and change in design after award of work etc. These points are discussed in the subsequent paragraphs.

2B.6.1 Rehabilitation of Edlapur Village

The village of Edlapur was earmarked for construction of ash pond for Unit 4. Accordingly, the village was acquired in the year 1979 by the Company after giving the initial compensation amounting to Rs.75.03 lakh and a plot for displaced house owners at the rehabilitation center constructed at a cost of Rs.69 lakh opposite the plant site.

Despite incurring Rs.3.12 crore on rehabilitation, the land for construction of ash pond could not be occupied.

The Government decided a final compensation at Rs.1.26 crore and issued notices in July 1995 to the villagers asking them to vacate the village and settle in the rehabilitation center. However, the villagers did not vacate the village on the ground that they should be given constructed houses at the rehabilitation center in place of final compensation. The Company agreed to the request of the villagers and constructed (1998-99) the houses at a cost of Rs.1.68 crore. Even then the Company could not evict the villagers and it had to increase the height of existing ash pond (for Unit 1 to 3) at a cost of Rs.7.77 crore for disposal of ash from Unit 4. Thus, despite incurring an expenditure of Rs.3.12 crore, the Company could not get the land.

The Company in its reply stated (September 2000) that the process of shifting villagers was going on since October 1999 in a systematic and orderly manner without resorting to forceful measures. The reply is not tenable as the process of shifting was started as early as in1994-95 and even after a lapse of 6 years, the Company could not occupy the land.

2B.6.2 Construction of Station Building

The station building of Unit 3 having turbine and generator (TG) of BHEL make was constructed with 9 bays, whereas Unit 4 having TG of Sumitomo was constructed with 10 bays as per their requirement. Though the Company proposed to construct Unit 5 and 6 with 10 bays, it was subsequently reduced to 9 bays during execution in consultation with BHEL who supplied the TG. The estimates prepared for Unit 4 were based on actuals of Unit 3 and estimates for Unit 5 and 6 were based on actuals of Unit 4. This had resulted in shortage of steel in Unit 4, excess procurement of steel in Unit 5 and 6, excess time provided in the contract for execution of Unit 5 and 6. These are discussed in subsequent paragraphs 2B.6.2.1 and 2B.6.2.2.

2B.6.2.1 Unit 4

The construction of station building comprising of main plant foundation, structural works and miscellaneous civil works etc, were entrusted (September 1991) to Mysore Construction Company Limited at a cost of Rs.4.97 crore with period of completion by December 1993. However, the station building work was completed in August 1995 after a delay of 20 months. One of the reasons for delay was revision of steel from 5785 Mts. to 7286 Mts. due to adoption of Unit 3 quantities which had 9 bays as against 10 bays in Unit 4 and delay in settlement of contractors bills.

Delay in settling of contractors bills and improper estimation of steel resulted in extra expenditure of Rs.1.11 crore.

Due to delay on the part of the Company in settling the bills of the contractor, for which the contractor demanded extension, was acceded to by the Company. Further, improper estimation of steel quantity, mainly resulted in extending the contract up to August 1995 without penalty and payment of escalation amounting to Rs. 83.31 lakh relating to the extended portion of the contract. The Company also paid Rs.27.52 lakh, being the premium on the cost of balance works carried out beyond the original contract period.

The Company in its reply (September 2000) stated that delays in receipt of funds from the Government of India to the State Government and then to the Company, affected the cash flow situation and resulted in prolonged delay in payments. The reply is not tenable, as sufficient funds ranging from Rs.13.37 lakh to Rs.82 crore were at the disposal of the Company as seen from the daily cash balance statements for that period.

2B.6.2.2 Unit 5 and 6

In order to reduce cost of Unit 5 and 6 and early completion of these Units it was proposed (October 1995) to delete 1 bay each out of 10 bays as originally envisaged in the Project Report. After taking advice of BHEL and the Consultants (DESIN) the final decision for deletion of bays was taken in January 1997. Even after reducing the bay the Company incurred an extra expenditure of Rs.2.40 crore as discussed below.

2B.6.2.2.1 Claim for reduction in quantum of work

The civil work of station building of Unit 5 and 6 was awarded (October 1996) to G.J.Fernandez at a cost of Rs.19.61 crore with period of completion of 36 months from the letter of award (LOA). Though the decision to delete the bay was taken in January 1997 the contractor was not informed regarding the reduction of work.

Failure to communicate reduction in quantum of work resulted in payment of interim compensation of Rs.0.50 crore.

The contractor represented (September 1997) that the reduction in quantum of work was never intimated to him and the decrease was found by him only during execution and hence he requested the Company to compensate him for the loss incurred due to mobilisation of extra men and machinery without quantifying the same. The contractor was accordingly paid Rs.50 lakh as interim payment.

The Company in its reply (March 2000) stated that reduction in quantum of work was a freak phenomenon. The reply is not convincing as the Company was fully aware of reduction in the scope of work in October 1995 itself for which decision was taken only in January 1997.

2B.6.2.2.2 Estimation of Steel for Unit 5 and 6

Procurement of excess steel for Unit 5 and 6 based on design of Unit 4 resulted in locking up funds of Rs.2.09 crore.

The quantity of steel estimated for the station building work of Unit 5 and 6 was assessed (13,760 MTs) based on the design of Unit 4, which had 10 bays. As mentioned earlier the number of bays was subsequently reduced to 9 each in Unit 5 and 6. Consequently, the Company reassessed (April 1997) the structural steel requirement at 12,159 MTs. However, the procurement of steel was made based on Unit 4 design which had 10 bays resulting in excess procurement of steel (1,015.24 MTs) worth Rs.2.09 crore. This resulted in locking up of funds of Rs 2.09 crore and consequential loss of interest of Rs.40.20 lakh.

2B.6.2.2.3 Excess time provided in contract

Excess time provided in contract for execution of station building of Unit 5 and Unit 6 resulted in excess payment of Rs.1.50 crore.

The contract period for construction of station building for Unit 4 having 10 bays (length of 75 metre) was 28 months. After deletion of 1 bay the length of station building for Unit 5 and 6 each was 67.5 metre. Though the volume of work was reduced by one tenth, the time provided for Unit 5 and Unit 6 was 30 months and 36 months respectively against 28 months provided in Unit 4. The time could have instead been proportionately fixed at 25 months (28 months - 3 months) and 31 months. Thus the time provided for Unit 5 and 6 was not proportionate to the time provided for Unit 4 resulting in excess payment to the extent of Rs. 1.50 crore (Rs.1 lakh per day).

The Company in its reply stated (September 2000) that the contract period of Unit 5 and 6 was decided based on realistic periods over which the earlier contract for station building was executed. The reply is not tenable as the time over run in earlier contracts was due to other factors like delay in settling the contractors bills and shortage of steel and the Company never took into consideration the reduction of work in Unit 5 and 6.

2B.6.3 Defective estimate

The estimates for the Unit 5 and 6 were based on the actual quantity of work executed for Unit 4. However, in case of equipment foundation and grade slab, the quantity estimated was much less than the actual quantity executed for Unit 4. The actual quantity executed in Unit 4 was 1,321 cum in equipment foundation and 2,119 cum in grade slab. Since Unit 5 and 6 comprised of two Units, the estimate should have been 2,642 cum for equipment foundation and 4,238 cum for grade slab instead of 1,660 cum and 1,230 cum estimated respectively.

Because of the defective estimates, the actual quantity executed for Unit 5 and 6 (2,425 cum in equipment foundation and 4,005 cum in grade slab) was more than 125 per cent for which the contractor claimed extra rates as per the terms of the agreement. This resulted in avoidable expenditure of Rs.35.05 lakh.

2B.6.4 . Payment of end point bonus

In order to complete the work of Unit 5 and 6, the Company offered incentive for early completion. However, as per the bonus clause for early completion of the work, the contractor was eligible for end point bonus of Rs.0.30 lakh per day provided the entire work was completed 15 days prior to the contract period of 36 months. The bonus was thus to be calculated with reference to the "scheduled period of completion".

During pre-award discussion, the contractor (G.J Fernandez) requested end point bonus of Rs.2 lakh per day for each Unit against which the Company agreed to pay Rs.1 lakh per day subject to the condition that the minimum period of early completion should be 15 days and the day would be reckoned with the commissioning schedule of 36 months. This revision thus provided for calculation of bonus with reference to "commissioning schedule".

Change in condition for payment of end point bonus from "completion period" to "commissioning schedule" for station building of Unit 5and 6 resulted in additional liability of Rs.2.82 crore.

The completion period for this civil contract for station building for Unit 5 and 6 was April 1999 (30 months) and October 1999 (36 months) respectively, whereas the commissioning schedule for Unit 5 and 6 was September 1999 (36 months from the issue of LOA for boiler, turbine and generator (BTG) package) and March 2000 (42 months from the issue of LOA for BTG package) respectively. The Station Building work of Unit 5 and 6 was completed on 30 August 1998 and 31 January 1999 respectively, which were 226 days and 256 days ahead of stipulated completion period. As per the commissioning schedule the Units were to be commissioned on 2 September 1999 and 2 March 2000 that is 368 days and 396 days ahead of schedule.

By incorporating the terms "commissioning schedule" instead of "completion period" in the agreement, the contractor was able to claim undue benefit in the form of bonus for early completion and this resulted in additional liability of Rs.2.82 crore.

The Company replied (September 2000) that the amount of bonus reckoned was in consonance with most reasonable and fair interpretation possible under the circumstances. However the fact remains that by changing from completion period to commissioning schedule resulted in an additional liability of Rs.2.82 crore.

2B.6.5 Excess time provided in contract–Circulating water system

The work of circulating water system for Unit 5 and 6 was awarded (October 1996) to R.S.Shetty & Co at a cost of Rs.6.91 crore, with a period of completion of 24 months and 30 months respectively. The agreement inter-alia provided for payment of bonus, as an incentive for early completion at the rate of Rs.0.30 lakh per day subject to completion of the entire work at least 15 days prior to the contract period.

The work was completed in March 1998 i.e, 379 days ahead of schedule. The technical committee while recommending the release of bonus of Rs.1.14 crore justified the time fixed by comparing it with the actual time of completion of 24 months taken for Unit 4.

However, it was observed that even though the actual time taken for completion of the work was 24 months, the time provided in the contract for Unit 4 was only 15 months. Considering the same nature of work in Unit 5 and 6 the time should have been fixed for completion as 15 and 21 months respectively. Thus, the excess time provided in the contract was unjustified and had resulted in excess payment of bonus of Rs.81 lakh.

Excess time provided for execution of circulating water system for Unit 5 and 6 resulted in excess payment of bonus of Rs.0.81 crore.

The Company stated (September 2000) that the work of Unit 4 was completed in 32 months as against the contract period of 15 months and considering double the quantum of work in Unit 5 and 6, 30 months were provided. The reply is not tenable as considering the same nature of work, the time should have been fixed as 15 months and 21 months respectively as the systems were to be completed simultaneously.

2B.6.6 Raising of the ash bund over the existing earthen bund

The work of raising ash bund by incorporating a zone of ash with murram casing as was done in Nasik Thermal Power Station (NTPS) was awarded (September 1991) to R.S.Shetty & Co at a total cost of Rs.2.77 crore with period of completion of 24 months. In this connection it is mentioned that the ash disposal at NTPS was made through the ash slurry pipes taken round the periphery of the bund and the slurry was let out at the toe of the bund whereby coarse ash gets deposited near the toe and the finer ash with water flows towards the center. As a result, the coarser ash of higher density was available at the place where the raising was being done and this ash of higher density was just dozed to create or raise the bund. However in RTPS, ash slurry was discharged in the middle of the ash bund. Thus it was not practicable to utilise the ash for construction of bund as was being done at NTPS.

During execution of the work, the contractor could not use ash as core material since extraction of ash was not possible by men or machinery.

Entrustment of work for construction of ash bund without proper study resulted in additional expenditure of Rs.4.16 crore.

Under the above circumstances it was finally decided (October 1993) to raise the ash bund with murrum/black cotton soil instead of ash and the estimate was revised to Rs.6.38 crore. The completed cost of the work was Rs.6.94 crore as against the original cost of Rs.2.77 crore. Thus, the Company instead of properly studying the method of ash bund construction at NTPS decided to use ash as core material resulting in additional expenditure of Rs.4.16 crore due to consequent change in basic design which could have been avoided.

The Company in its reply stated (September 2000) that the works were carried out as per the drawings issued from time to time. The reply is not tenable as the works were carried out without properly assessing the applicability of ash for raising the ash bund.

2B.7 Mechanical Packages

There was avoidable expenditure in the execution of Mechanical Packages due to mis-match in award of work of Coal Handling System and civil work, delay in communicating the deletion of work, motoring action of generator rotor, and construction of integrated dry fly ash system. These points are discussed in the subsequent paragraphs.

2B.7.1 Coal Handling System

2B.7.1.1 Mis-match in award of Coal handling System and Civil work

The contract for supply, erection and commissioning of two wagon tipplers, four crushers & screens and one stacker reclaimer for coal handling system (package–I) for Unit 4 was awarded (January 1992) to Larsen and Toubro Limited (L&T) at a total cost of Rs.17.23 crore. As per the terms of the agreement, one wagon tippler, two crushers & screens were to be commissioned in 18 months by July 1993, and balance equipment in 24 months by January 1994. However, it was observed that the related civil works for wagon tippler, crushers, screens and stacker reclaimer, included in works of Krupp Industries Limited (KIL) and awarded in June 1992 were to be completed by March 1994 and June 1994. This had resulted in a mis-match between the supply of equipment (awarded to L&T) and its related civil works (awarded to KIL) by about 8 months.

The related civil work for the erection of equipment was further delayed by 5 months due to delay in handing over the civil fronts (August 1994) and the material supplied during delivery period valued at Rs.10.56 crore were lying idle and the contractor (L&T) claimed Rs.43.22 lakh towards compensation. Further, the Company also paid Rs.32.50 lakh to L&T to rectify the mistakes committed by KIL and the same was not recovered from KIL.

Delay in award of contract and defective execution of civil works resulted in extra expenditure of Rs.0.76 crore.

The Wagon tipplers were commissioned in August 1995 and stacker reclaimer in September 1995. Thus, delay in awarding the contract for civil work and defective execution of civil work by KIL resulted in extra expenditure of Rs.75.72 lakh.

The Company in its reply (September 2000) accepted that there was mis-match in award of works.

2B.7.1.2 Interconnecting system of Wagon Tippler–2 to Coal Handing System

As mentioned in previous paragraph the contract for Civil, Mechanical and Electrical equipment included in package II of Coal Handling System was awarded (June 1992) to KIL at a cost of Rs.75.93 crore. This inter-alia included construction of conveyer-20, transfer house-04 and shortening of conveyer 23A/B. The Company decided to delete these items of work from the scope of work in June 1993 as these were not required considering the other inter connecting system. However, the decision regarding deletion of these items of work was communicated to the contractor only in May 1994.

Delay in communication of deletion of work resulted in locking up of funds of Rs.0.62 crore.

The contractor in turn informed the Company (August 1994) that the decision to delete these items of work was conveyed to them at a very late stage and most of the items were already manufactured and supplied. Though the value of deleted work amounted to Rs.87 lakh, the contractor supplied items worth Rs.62 lakh and the Company decided to keep the items as spares. Thus, delay in communication of deletion of work from the scope of supply resulted in locking up of funds of Rs.62 lakh.

The Company in its reply stated (September 2000) that due to this supply, subsequent procurement of spares at a higher cost has been avoided. The reply is not tenable as the Company was aware of the deletion of the above item of work and it failed to communicate the contractor in time resulting in locking up of funds.

2B.7.1.3 Price variation claim of steel

Price variation claims of Rs.1.71 crore on purchase of steel were admitted without documentary proof.

The contract awarded to KIL for the construction of Coal Handling System inter-alia, included price variation clause for supply of steel. The price of steel quoted by KIL was based on prices of Steel Authority of India Limited (SAIL) stockyard, Pune. However, as per terms of the contract, in case of an upward variation in prices of steel, KIL was to produce documentary evidence that the steel was purchased at that rate from SAIL and on that basis the upward claim was to be entertained. However, the Company admitted price variation claim of Rs.1.71 crore without documentary proof that the steel was purchased from SAIL, Pune.

The Company stated (September 2000) that any upward variation in the cost of steel would be paid by the Company at the actual against the documentary evidence i.e., price list as effective. The reply of the Company is not tenable as the letter of award provided for payment of price variation claims against documentary evidence for the rate of purchase only and not against general price lists of any stockyard.

2B.7.1.4 Non-utilisation of Surplus Rails in Marshalling yard

Based on the offer of Rail India Technical Economic Services Limited (RITES), for improvement of marshalling yard to cater Unit 4, the Company awarded (October 1993) entire project to RITES at a total cost of Rs.4.56 crore. For this marshalling yard total quantity of 700 MTs of rails was required.

It was observed that on the date of the letter of award, the Company had a stock 419.5 MTs of rails. Accordingly, the Company could have insisted RITES to utilise the available rails (419.5 MTs) and the remaining 280.5 MTs could have been supplied by RITES. During execution of the project, RITES utilised about 112 MTs of rail available at RTPS stores due to shortage of supply of rails by SAIL to RITES.

Idle stock of 307.5 MTs. of rails amounting to Rs.0.42 crore were not utilised in improvements to the marshalling yard.

As the unutilised 307.5 MTs. of rails valued at Rs.42.47 lakh was still lying as idle stock, had the Company insisted on RITES to use the available rails in the stock, they could have saved Rs.42.47 lakh.

The Company stated (September 2000) that they intentionally did not agree to issue special MS rails as they were required for their day to day maintenance works. The reply is not tenable as none of the above quantity had been used so far (September 2000) despite lapse of more than 7 years.

2B.7.1.5 Procurement of coal from Western Coal Fields

Raichur Thermal Power Station (RTPS) started procuring coal from Western Coalfields Limited (WCL) Nagpur, from 1987 onwards. The Company did not enter into joint sampling protocol with WCL on the ground that sampling had to be done at the power house end to determine the quality of coal. Subsequently the Ministry of Coal clarified (October 1991) that the sampling of coal for thermal power stations should be done at loading point only. Central Electricity Authority (CEA) also informed the Company (February 1993) to participate in the joint sampling at the loading end of WCL. The Company instead of participating in joint sampling, requested (December 1993) CEA to advise WCL to depute their representative to take samples at RTPS. The Company continued unilateral sampling and complained to WCL of the poor quality of coal supplied. The test results of unilateral sampling were corroborated by Central Power Research Institute, Bangalore. To settle this dispute, Ministry of Coal appointed (May 1995) Mr.V.Krishnan IAS, (Rtd.) as umpire.

Failure to participate in joint sampling of coal with WCL resulted in loss of Rs.63.05 crore.

The umpire, in his final award (April 1999) rejected outrightly the Company's claim of Rs 63.05 crore pertaining to the period from April 1988 to March 1995 for low grade of coal supplied on the ground that the Company had not filed any claims with WCL and the Company had not brought out the matter in the meeting before Deputy Minister of Coal held on 22 March 1992 or in the meeting of CMD's held on 22 March 1993. The umpire also observed that the substantial part of the claim submitted on 13 September 1996 was after a delay upto 8 years and hence became time barred. Thus, despite repeated directions by the Ministry and CEA the Company continued unilateral sampling and this had resulted in loss of Rs.63.05 crore to the Company. The reasons for not participating in joint sampling were not on record.

Incidentally, it was observed that while the umpire was deliberating the dispute, the Company entered (June 1998) into joint sampling protocol with WCL and was successful in claiming a refund of Rs.4.03 crore based on the report for the period from 15 July 1998 to 30 September 1998.

2B.7.1.6 Performance of coal handling plants

The Raichur Thermal Power Station is equipped with two coal handling plants (CHPs) with operating capacity of 600 tonnes and 900 tonnes each per hour. As per the design of the CHPs, both the CHPs could tipple upto 600 wagons per day.

A review of the performance of CHPs from 1996-97 to 1999-2000 revealed that the number of wagons unloaded by the system per day ranged from 196 to 246 only against capacity of 600 wagons.

Delay in tippling of wagons within the time provided by the Railways resulted in avoidable payment of demurrage charges of Rs.1.15 crore.

The average time taken during 1997-98 to 1999-2000 was 12.07 to 14.31 hours against 10 hours allowed by the railways for return of a rake (having around 60 wagons). Delay in returning of rakes resulted in payment of huge demurrage charges amounting to Rs.6.72 crore during 1996-97 to 1999-2000. After waiver of demurrage by the Railways, the Company paid Rs.1.15 crore. Therefore, failure to tipple the wagons within the time allowed by Railways resulted in avoidable payment of demurrage charges of Rs.1.15 crore.

The Company in its reply stated (September 2000) that performance of coal handling plant depends upon various parameters like availability of major equipment like locos, wagon tipplers, crushers, conveyance systems and bunching of rakes etc. The reply is not convincing as the Company was having 6 locos, 4 tippling areas and an upgraded marshalling yard, the full capacity of which had not been utilised.

2B.7.2 Loss of Generation due to Motoring action of generator

During the reliability test of Unit 4, conducted by Sumitomo, Japan, the boiler tripped on 13 March 1995 due to "boiler drum low level condition". The circuit breaker did not isolate the Unit from grid and power was fed to the generator in the reverse direction (motoring action), with the result the Unit continued to rotate at full speed for about 32 minutes as against permissible limit of 8 seconds till the circuit breaker was opened manually to isolate Unit 4. After examining the problem BHEL (supplier of circuit breaker) replaced (17 March 1995) the faulty pilot valve assembly of the circuit breaker and put the Unit back into operation.

On the incident of failure of circuit breaker and consequent stoppage of Unit, Sumitomo, Japan, suppliers of Turbine and Generator, opined (25 March 1995) that the insulation inside the rotor might have been subjected to over heating due to the accident and insisted on conducting a detailed inspection of the rotor insulation. Accordingly, the Company requested (April 1995) Sumitomo to repair/rectify the rotor. Sumitomo conducted the repair work during the period from March 1995 to June 1995 and the Company paid Rs.4.41 crore towards dismantling, inspection, repair and reassembling charges. The Unit was put back into service on 16 June 1995.

The Consultant appointed by the Company to investigate the malfunctioning of the generator circuit breaker in his report stated (October 1995) that there was no site inspection of the circuit breakers for damage during transit and there was no co-ordination between the generator unit control center and the grid substation center which led to delay in isolating the Unit from the grid. Further, there was no standard operating procedure in the Company which could have minimised the operational errors and improved the response time.

Non-isolation of Unit 4 from grid resulted in motoring action and consequential extra expenditure of Rs.4.41 crore besides generation loss of Rs.71.45 crore.

As the circuit breakers were supplied by BHEL, they were requested (February 1996) to reimburse the Company the amount spent towards stripping and reassembling of the generator. However, BHEL rejected the claim (March 1996) on the ground that the failure of the breakers was beyond the guarantee period. This had resulted in extra expenditure of Rs.4.41 crore, besides generation loss of Rs.71.45 crore.

The Company stated (September 2000) that the breaker failed due to slight bend in the plunger unit of pilot valve which might have happened during transit. The reply of the Company is not tenable, because as against the standard time of 8 seconds fixed for isolating the grid, the Company took 32 minutes to isolate which led to the extra expenditure and loss of generation. No action was taken by the Company against the officials responsible for such abnormal delay in isolating the grid.

2B.7.3 Integrated dry fly Ash Management system for Unit 3 and 4

Construction of dry fly ash management system at a cost of Rs.2.69 crore for Unit 3 and 4 was not need based.

The Ash handling system work for Unit 5 and 6 awarded (January 1998) to Mahindra & Mahindra at a cost of Rs.28.76 crore, interalia included integrated dry fly ash management system for Unit 3 and 4 at a cost of Rs.2.69 crore. It is pertinent to mention here that the Company had already constructed two silos in April 1996 for Unit 3 and 4 inside the plant area so as to collect the dry fly ash and to issue the same to customers.

Since, the demand for dry fly ash was meagre and the Company was already having the disposal system of dry fly ash for Unit 3 and 4, the construction of additional dry fly ash management system for Unit 3 and 4 was not need based and resulted in avoidable extra expenditure of Rs.2.69 crore.

The Company while admitting that at present only small local entrepreneurs were taking the dry ash for brick manufacturing stated (September 2000) that during execution of Unit 5 and 6 decision was also taken to shift the dry fly ash collected in the existing silos of Units 3 and 4 to a new silos near compound wall from where further issue of dry fly ash was contemplated. The reply is not tenable, as fly ash could have been supplied from Unit 5 and 6 silos instead of from Unit 3 and 4 silos. Hence the expenditure could have been avoided.

2B.8 Electrical Packages

During test check of Electrical packages following irregularities were noticed.

2B.8.1 Double insurance for electrical supplies–Unit 4

Double insurance of electrical equipment resulted in payment of avoidable premium of Rs.0.38 crore.

The Company took (March 1992) a marine-cum-erection insurance policy from New India Assurance Company to cover the transit, storage, erection and commissioning risks of various equipment of Unit 4 of the value of Rs.368 crore for a period of 36 months from April 1992 to March 1995 at a premium of Rs.1.75 crore, which was further extended by another 3 months, upto June 1995 at a premium of Rs.80.59 lakh. The policy interalia included electrical package supplies worth Rs.54.33 crore.

It was observed during test check of supplies of Electrical packages that the scope of supply of orders placed for electrical packages also included insurance for transit, storage, erection and commissioning of the electrical equipment in the first place itself thereby resulting in double insurance of electrical packages at a premium of Rs.37.78 lakh.

The Company in their reply stated that the marine cum insurance policy, cover the storage, inplant transit, erection and commissioning of various equipment, whereas in electrical contract, only the transit insurance was covered. The reply is not convincing as the insurance for electrical contract covered transit, storage, erection and commissioning which were already covered in marine cum erection policy taken by the Company.

2B.8.2 Instrumentation and control system for Unit 5 and 6

The contract for supply, erection, and commissioning of station instrumentation and control system for Unit 5 and 6 was awarded (January 1998) to Yokogawa Blue Star (YBS) of Bangalore at a firm price of Rs.14.90 crore. As per the terms of the contract, the Company furnished minimum quantity of cables required. However, the actual quantities required were to be worked out by the YBS. According to the agreement, any unutilised cables were to be returned to the Company.

Improper assessment of cables for Unit 5 and 6 resulted in excess procurement amounting to Rs.0.98 crore.

Based on drawings submitted by the Company, the contractor estimated quantity of 360 kms of cables which was accepted by the Company without ascertaining the actual requirement. Against which YBS utilised only 236.737 kms of cables leaving a surplus quantity of 119.28 kms valued at Rs.97.25 lakh, which was returned to the Company as unutilised cables as per terms of the contract.

Thus, due to not ascertaining the actual requirement by the Company the contractor (YBS) was allowed excess supply of cables of Rs.97.25 lakh. The cables were still lying in store (September 2000).

The Company admitted (September 2000) that there was excess procurement, which was mainly due to routing of cables for various equipment and deletion of many systems from the scope of YBL during detailed engineering. Further, it was stated that these cables would be used for Unit 7 works and Vijayanagara Thermal Power Station. However, the fact remains that there was excess procurement resulting in locking up of funds of Rs.97.25 lakh.

2B.8.3 Avoidable payment of sales tax and entry tax on machinery, plant and equipment

The Company approached (March 1996) Government of Karnataka for exemption from payment of Karnataka Sales Tax (KST) and Entry Tax on purchase of machinery, plant and equipment and other production assets for Unit 5 and 6 in respect of each invoice of value more than Rs.1crore as was extended to Jindal Tractebel Power Company Limited for setting up of 260 MW Power Project at Toranagal.

Issue of tender without a clause regarding exemption of KST and entry tax on purchase of machinery resulted in avoidable payment of taxes of Rs.4.94 crore.

The Government issued an order (October 1996) which, interalia included the above exemption. The Company intimated Yokogawa Blue Star Limited during the pre-bid meeting held in (March 1997) about the exemption of KST and entry tax and also included in the agreement that any invoice raised less than Rs.1 crore, the taxes would be on contractors account. However, the same condition was not included in respect of 7 other contracts. Instead, the Company requested the firms to quote firm price inclusive all taxes and duties. This had resulted in avoidable payment of KST and entry tax to the extent of Rs.4.94 crore.

The Company stated (September 2000) that exemption of KST and entry tax was made known to all the bidders in the tender specifications for electro-mechanical packages. The reply is not tenable as the Company failed to include the conditions, which was included in the case of YBS only.

The above matter were reported to the Government in July 2000; their replies had not been received (October 2000).

Conclusion

Inadequate budgetary support from Government, ban on placement of order on Sumitomo, Japan by the Government of India, adverse exchange rate variation of Yen, delay in handing over civil fronts and motoring action of generator rotor resulted in time and cost over run in Unit 3 and 4. Improper planning in implementation of evacuation system for Unit 3 resulted in under utilisation of capacity.

Inspite of early completion of Unit 5 and 6 without time and cost over run, reduction in number of bays during execution, excess time provided in the contract and wrong estimates resulted in excess procurement of steel, cables and excess payment of end point bonus. Further due to forced shutdown of Unit 5 after commencement of commercial operation and vibration problem in Unit 6, the Company could not take advantage of the early completion of the units.

(8)

2C. Krishna Bhagya Jala Nigam Limited

Sectoral Review on Funds Management

HIGHLIGHTS

The Krishna Bhagya Jala Nigam Limited was incorporated in May 1994 with the object to execute the Upper Krishna Project by mobilising resources, operation and maintenance of the project and regulating the supply of water of the project for beneficiaries.

(Paragraph 2C.1)

The estimated cost of Rs.4,601.49 crore of the project at the time of formation of the Company was revised to Rs.8,271.55 crore as on 1 April 2000. Against the revised budgeted expenditure of Rs. 5937.63 crore the actual expenditure incurred as on 31 March 2000 was Rs.3,992.56 crore. Consequently, as against the potential irrigated area of 620,033 Ha to be created, the actual area created was only 304,354 Ha.

(Paragraph2C.3.1 & 2C.3.2)

By not obtaining competitive offers in appointing trustees for issue of bonds and agreeing to pay arrangers fee at a higher rate the Company incurred extra liability/expenditure of Rs.3.35 crore.

(Paragraph2C.4.1and 2C.4.2)

The Company deposited Rs.30 crore received towards bonds in the non-interest bearing Personal Deposit Account for 114 days at the instance of the State Government. The loss of interest to the Company by not investing these funds in fixed deposits was Rs.0.95 crore. Similarly due to delay on the part of the State Government in release of funds to Escrow account for payment of interest on bonds, the Company had to deposit its borrowed funds in this account and suffered loss of Rs.2.82 crore.

(Paragraph 2C.4.4 and 2C.4.5)

Without considering the actual availability of funds as well as actual expenditure, the Company borrowed Rs.200 crore of which it deposited Rs.106 crore in term deposits. Therefore the Company could have availed loan of Rs.100 crore only instead of higher amount and avoided extra expenditure of Rs.2.49 crore.

(Paragraph 2C.5)

By not investing surplus funds efficiently, the Company suffered a loss of Rs.5.07 crore.

(Paragraph 2C.7.1 & 2C.7.2)

Drawal of funds in excess of requirement by project offices for payment to contractors, resulted in extra expenditure of Rs.1.14 crore. Further locking up of funds in joint bank accounts of PDFs and Rehabilitation Offices resulted in loss of interest of Rs.7.87 crore during 1997-98 to 1999-2000.

(Paragraph 2C.7.3 and 2C.7.4)

2C.1 Introduction

The Upper Krishna Project (UKP) is a part of Krishna Basin Development Plan involving harnessing the Krishna river and its tributaries for providing irrigation to the three districts of northern Karnataka viz., Gulbarga, Bijapur and Raichur. The Krishna Water Disputes Tribunal recommended (Bachawat Award) (1976) sharing of the Krishna water among Maharashtra, Karnataka and Andhra Pradesh. Of the total availability of 2,060 thousand million cusecs (tmc) of water in Krishna river, Karnataka's share as per the award was 734 tmc. Out of this, 173 tmc had been earmarked for utilisation under UKP. The Company utilsed 61.2 tmc of water as on 31 March 2000. The award was to be reviewed or revised by competent authority or Tribunal after 31 May 2000. The award had not been reviewed or revised so far (October 2000).

Initially, the work of execution of the project was carried out departmentally by Government of Karnataka. However, in order to expedite completion of the project works by May 2000 and to utilise 734 tmc of water allocated to Karnataka, the Government incorporated (May 1994) Krishna Bhagya Jala Nigam Limited under the Companies Act, 1956 with an authorised share capital of Rs.3,000 crore, against which the paid up capital of the Company as on 31 March 2000 was Rs.1,592.71 crore subscribed by Government of Karnataka. The main objectives of the Company are execution of the project by May 2000 by mobilising additional resources, operation and maintenance of UKP and regulating the supply of water of the project for the beneficiaries.

2C.2 Scope of Audit

A Sectoral review on direct entrustment of works by the Company to the contractors was included in the Report of the Comptroller and Auditor General of India for the year 1997-98 (Commercial). The report was discussed by COPU during February 2000 and their recommendations were awaited (September 2000). The present review covers management of funds by the Company for the project during the last 5 years from 1995-96 to 1999-2000.

2C.3 System of Funds Management

The work of the Company are mainly carried out by the project offices at Alamatti, Bagalkot and Bheemarayanagudi. The monthly and yearly expenditure budgets are prepared by the project authorities and are approved by the Board of Directors and the Government of Karnataka. Based on the approved expenditure budgets, the Company is estimating the funds to be raised during the year, which are again approved by the Board and the Government. Three to four months requirements of funds are raised by the Company through public issue of bonds, private placement of bonds, short term consortium loan, long term loan etc. The Board of Directors had constituted (September 1994) a sub-committee under the Chairmanship of Additional Chief Secretary to the Government of Karnataka, to decide the nature of borrowing, its size and structure etc. The funds which are not required immediately are kept in short term deposits. The funds are released to the project offices based on indents made by them.

2C.3.1 Planning and raising of funds

At the time of formation of the Company the project cost of the work was estimated at Rs.4,601.49 crore which was subsequently revised to Rs.8,271.55 crore in April 2000. The total expenditure to be incurred by the year 2000 was estimated at Rs.5,765 crore including interest payable on debentures upto the year 2000 and cost of mobilisation of funds through bonds. In order to complete the project by the year 2000, the Company planned to raise funds by issue of bonds to the extent of Rs.3,050 crore; the repayment of principal and interest thereon being guaranteed by Government of Karnataka. The balance funding was proposed to be met out of Government budgetary support (Rs.2,543 crore) and internal generation (Rs.172 crore) through electricity and water charges.

2C.3.1.1 Issue of bonds

As against the planned borrowing of Rs.3,050 crore through bonds, the Company had borrowed Rs.2,987.58 crore during the period from 1995-96 to 1999-2000 at interest rate ranging from 12 to 17.5 per cent per annum. The Company had also availed financial assistance of Rs.149.71 crore from Housing and Urban Development Corporation (HUDCO) at interest rate ranging from 10 to 16.5 per cent per annum.

2C.3.1.2 Budgetary support

The Government of Karnataka contributed Rs.2,191.65 crore upto March 2000 against the estimated budgetary support of Rs.2,543 crore. Out of this, Rs.1,117.82 crore represented value of assets created before formation of the Company and only Rs.1,073.83 crore were contributed by Government of Karnataka towards interest payments (Rs.891.83 crore) and release of Central Assistance under Accelerated Irrigation Benefit Programme (Rs.182 crore). In addition the Government of Karnataka had spent Rs.4.96 crore directly on the Project.

2C.3.1.3 Internal generation

The project envisaged internal generation of funds of Rs.172.37 crore comprising of revenue from generation of electricity (Rs.141.12 crore) and collection of water charges (Rs.31.25 crore). However, no revenue could be generated from electricity as the Alamatti dam work was not completed due to legal case pending in the Hon'ble Supreme Court with regard to height of the dam. Regarding water charges, the Company had raised demand for Rs.3.39 crore to the end of March 2000 and had collected only Rs.0.15 crore (March 2000).

2C.3.2 Budgeted and actual expenditure

The expenditure incurred for the execution of the project by the Company and Government vis–a-vis the annual budgeted expenditure (revised) for the last five years ending 31 March 2000 are as follows:

Year	Annual Budgeted Expenditure(Revised)			Actual Expenditure		
	(Rupees in crore)					
	Govern-ment	Company	Total	Govern-ment	Company	Total
1995-96	361.79	315.21	677.00	274.39	113.66	388.05
1996-97	200.00	601.50	801.50	157.10	557.19	714.29
1997-98	82.00	1167.13	1249.13	46.68	738.92	785.60
1998-99	---	1550.00	1550.00	17.84	1068.37	1086.21
1999-2000	---	1660.00	1660.00	---	1018.41	1018.41
	643.79	**3793.84**	**5937.63**	**496.01**	**3496.55**	**3992.56**

Out of total expenditure of Rs.3992.56 crore, a sum of Rs.933.59 crore (23 per cent) incurred on establishment and other expenses.

From the above, it would be observed that the Company was not able to achieve the budgeted financial progress in any of the years.

Analysis of the total expenditure of Rs.3,992.56 crore incurred upto March 2000 indicated that a sum of Rs.933.59 crore representing 23 per cent of the total expenditure was incurred towards establishment and other expenditure and payment of interest on the funds raised. Consequently, only 77 per cent of the total expenditure was incurred towards actual work.

The project envisaged creation of a total of 6,20,033 Ha of potential irrigated area by the end of the project in May 2000. Against this, the potential area created, as of March 2000 was only 3,04,354 Ha which represented only 49 per cent of the target.

2C.3.3. Raising of funds through issue of bonds

The Company had raised Rs.2,987.58 crore as on 31 March 2000 through issue of bonds as detailed below:

Series	Amount raised (Rupees in crore)	Year of raising	Rate of interest (Per cent)
I.	180.00	1995-96	17.50
II,III & IV[a]	509.48	1996-97	17.50
V,VIA & VIB[b]	809.57	1997-98	15.75
VII A & VIIB[c]	610.61	1998-99	14.25
VIII A,VIII B & VIII C[d]	877.92	1999-2000	12.00,13.40 & 12.5
	2987.58		

2C.3.4 Repayment of bonds

As mentioned above the Company had borrowed huge funds of Rs.2,987.58 crore through issue of bonds for the execution of projects. The repayment of these bonds would start from the year 2000-01 and continued till 2007-2008. The amount so raised through bonds would involve repayment of principal as well as interest to the extent of Rs 2,089.25 crore during the stipulated repayment period. In view of the inadequacy of the Company's internal generation of funds though hydro electricity and collection of water charges, the responsibility of making repayment of principal and interest through budgetary support has devolved on the State Government. The repayment of bonds through the State Government would ultimately burden the State exchequer to the extent of approximately Rs.5,076.83· crore (principal and interest).

2C.4 Mobilisation of funds

Efficient cash management in respect of borrowings involves timely drawal of funds for smooth progress of projects, minimising administrative costs involved in raising funds, ensuring that surplus funds are invested at a rate higher than cost of borrowing and efficient management of funds for timely repayment of dues on account of interest.

The points noticed in raising of funds, management of funds and investment of surplus funds are discussed in the following paragraphs.

[a] Series II- Rs. 300 crore, Series III-Rs. 25.15 crore &Series IV- Rs.184.33 Crore.
[b] Series V-Rs.403.97 crore, Series VI A- Rs. 108.74 crore & Series VI B- Rs.296.86 crore.
[c] Series VIIA-Rs.320.20 crore & Series VIIB- Rs. 290.41 crore.
[d] Series VIIIA-Rs. 58.05 crore, Series VIIIB-Rs. 312.17 Crore & Series VIII C-Rs.507.70 crore.

2C.4.1 Appointment of trustees for issue of bonds

The Board of Directors approved (September 1994) the constitution of a sub committee under the chairmanship of Additional Chief Secretary to the Government to take all necessary steps for raising funds. Based on the recommendations of the sub committee, the Board decided (March 1995) to raise funds to the extent of Rs.800 crore during 1995-96 and authorised the sub committee to negotiate and finalise the terms and conditions of appointment of lead managers, rating agency and trustee to the issue.

Without inviting any offers, the Company approached (July 1995) Industrial Credit and Investment Corporation of India Limited (ICICI) and State Bank of India (SBI) to act as trustees for its proposed issue of bonds of Rs.400 crore. After negotiation, ICICI was appointed (July 1995) as trustee with an acceptance fee of Rs.40,000 and annual service charge of Rs.4 lakh payable from the date of allotment of the bonds till the bonds were redeemed. ICICI had also been appointed as its trustees for subsequent issues upto Series V on the same terms and conditions. The amount raised upto series V was Rs. 1093.45 crore.

However, when the Company approached (November 1997) ICICI to act as its trustee for the Series VI bonds, ICICI informed the Company that their trusteeship business was stopped temporarily. The Company approached other banks viz., Vijaya Bank, Canara Bank and IndusInd Bank to act as trustees for its bonds. The lowest offer of Vijaya Bank at Rs.4 lakh as acceptance fee and Rs.1 lakh as annual service charge till the bonds were redeemed was accepted (December 1997) by the Company and accordingly Vijaya Bank was appointed as trustee on the same terms and conditions for all its subsequent issues.

Appointment of trustees without competitive offers resulted in extra liability of Rs.0.96 crore.

Thus, the trusteeship fee of ICICI fixed without any competitive offers resulted in extra liability of Rs.96 lakh payable to ICICI for Series I to V. The Government replied (July 2000) that there were legal impediments in entering into hypothecation of deeds with different companies for the same property if more than one trustee is appointed. The contention of audit was that the Company should have gone in for competitive offers before appointing ICICI initially and if at all there was any legal impediments, it could have been sorted out.

2C.4.2 Fixation of arrangers fee

Negotiating for a arrangers fee of 0.75 per cent against 0.5 per cent resulted in extra expenditure of Rs.2.39 crore.

The Company approached (March 1995) SBI Capital Markets Limited (SBI Caps) for its proposed issue of bonds for Rs.400 crore, to act as arranger. The SBI Caps quoted 0.50 per cent as arrangers fee for the amount to be raised. Further, SBI Caps permitted the Company to appoint DSP Financial Services as co-arrangers on the same terms and conditions. The Company after negotiation agreed for payment of arranger fee of 0.75 per cent to be shared by both the arrangers. As per the terms and conditions agreed with SBI Caps, the arranger fee of 0.5 per cent was payable on the amount raised. The same fee structure was continued from Series I to Series IV.

The fee structure for Series V was reduced to 0.65 per cent. Similarly the fee structure for subsequent series ranged from 0.25 to 0.30 per cent. The drastic reduction of fee from 0.75 per cent to 0.25 per cent was mainly on account of inviting tenders from more arrangers as against two to three in the initial stages. Irrespective of the number of arrangers for these issues (Series V to VIII), the fee was shared by all the co-arrangers on the basis of amounts mobilised by them. Thus by agreeing to an arranger fee of 0.75 per cent instead of 0.5 per cent being shared by both the arrangers on the basis of amounts individually raised, the Company incurred an extra expenditure of Rs.2.39 crore for Series I to Series IV.

The Government stated (July 2000) that DSP Financial Consultants had insisted for 1 per cent fee to be shared between DSP Financial Consultants and SBI Caps as was done by Sardar Sarovar Nigam Limited. The reply of the Government is not tenable as arrangers fee quoted by SBI Caps for Series I was 0.5 per cent and if more than one arrangers was appointed the same should have been shared among them as per the normal procedure as well as in view of financial prudence.

2C.4.3 Payment of arrangers fee

In order to mobilise the funds the Company negotiated with SBI Caps, who assured that it would mobilise Rs.100 to Rs.150 crore through bonds, at a fee of 0.25 per cent. Accordingly the Company decided (Feb 1998) to issue VI A Series bonds of Rs.100 crore with an option to retain over subscription to the extent of Rs.300 crore.

Payment of 0.5 per cent arrangers fee instead of 0.25 per cent resulted in additional expenditure of Rs.0.10 crore .

Against the above bonds, the total amount mobilised was Rs.108.74 crore which included Rs.40 crore invested by Unit Trust of India (UTI). Based on the request made (March 1998) by SBI Caps, the Company allowed the fee of 0.50 per cent as against 0.25 per cent on the investment of Rs.40 crore made by UTI which resulted in incurring of additional expenditure to the extent of Rs.10.00 lakh.

The Government stated (July 2000) that the issue was struggling to reach even the issue size of Rs.100 crore and the Board had taken a deliberate decision to pay the fee at 0.5 per cent in order to reach the initial issue size. The reply of the Government is not tenable because as discussed in subsequent paragraph the Company which proposed to raise a sum of Rs.125 crore in series VIB, actually received Rs.296.86 crore. Further, as the issue was opened based on assurance by SBI Caps that it would mobilise Rs.100 to Rs.150 crore at 0.25 per cent otherwise the Company could have appointed more arrangers.

2C.4.4 Payment of interest on VI B series bonds

The Company opened (March 1998) the issue of Rs.125 crore bonds bearing interest at 15.75 per cent per annum through 7 arrangers*, and mobilised

* SBI Caps, DSP Merrill Lynch limited, JM Financial and Investment Consultancy Services Limited, Kotak Mahindra Capital Company, RR Financial Consultants Limited, Centrum Finance Limited and Canara Bank.

The loss of interest due to investment of funds in personal deposit account was Rs.0.95 crore.

Rs.296.86 crore. In this connection it was observed that the Government of Karnataka released (31 March 1998) Rs.30 crore to Bangalore Mass Rapid Transit Limited (BMRTL) a State Government Company for investment in these bonds. The decision taken at the Government level was that the money would be a non-interest bearing deposit with the treasury and the Company would not be permitted to draw the money till the ways and means position of the State Government improved. Accordingly, the amount of Rs. 30 crore received by the Company on 31 March 1998 from BMRTL was deposited on the same day in the treasury in non-interest bearing personal deposit account of the Company. The amount was withdrawn by the Company on 24 July 1998. The loss of interest to the Company by not investing these funds in fixed deposits worked out to Rs. 94.52 lakh at the nominal rate of 10 per cent.

2C.4.5 Delay in release of funds by Government to Escrow account

According to the tripartite agreement entered into between the Government of Karnataka, the Company and the Trustees to the bond holders, the Government had agreed to place funds required to discharge the liability of interest in the Escrow account at least 45 days prior to the actual date of payment. As mentioned earlier, the Company had so far (March 2000) issued bonds to the extent of Rs.2,987.58 crore, the terms of issue providing for payment of interest once in six months.

Delay in release of funds by the Government resulted in loss of interest of Rs.2.82 crore to the Company.

Though the Company had approached the Government and Government issued release orders to meet its commitment, there were delays ranging from 13 to 91 days in actual release of funds. Consequently, borrowed funds of the Company had to be kept in Escrow account for payment of interest. Considering the opportunity cost of not investing the funds in fixed deposits, the loss of interest to the Company worked out to Rs.2.82 crore for the period from December 1995 to March 2000.

2C.5 Availment of temporary loan of Rs.200 crore

The Board accorded approval (February 1998) to borrow a sum of Rs.200 crore as a temporary loan for a period of 90 days to reach expenditure level of Rs.1000 crore during 1997-98 i.e., before the end of March 1998. Accordingly, the Company borrowed (March 1998) a sum of Rs.200 crore at 16.5 per cent from seven banks and repaid the same in June 1998, paying Rs.8.21 crore as interest and Rs.50.00 lakh as syndication[$] fee (at 0.25 per cent of the amount).

As the total expenditure incurred on the project upto the end of January 1998 was Rs.543.76 crore, the Company's expectation of reaching the expenditure level of Rs.1,000 crore by the end of March 1998, which necessitated going in for the loan, was not realistic. The actual expenditure incurred till March 1998 was only Rs.785.59 crore. The average monthly requirement of funds during April 1997 to January 1998 was around Rs.55 crore and in view of funds to

[$] The fee payable for arranging funds by several financial institutions.

the extent of Rs.102.55 crore (Rs.78 crore at Head Office and Rs.24.55 crore at branches) being already available, there was no necessity for the Company to go in for the entire component of loan of Rs.200 crore.

The Government replied (July 2000) that the budgeted expenditure for the months of February and March 1998 was Rs.186 crore and Rs.207.84 crore was payable on account of revision of estimates. To meet this expenditure and taking into consideration the funds available, the Company borrowed Rs.200 crore.

The Company could have borrowed only Rs.100 crore temporary loan instead of Rs.200 crore and avoided extra expenditure of Rs.2.49 crore.

The reply of the Government is not convincing as the above expenditure were not on realistic basis, as major portion (Rs.106 crore) of the loan was deposited in short term deposits for periods ranging from 30 to 55 days with interest rates of 12.5 per cent to 13 per cent. These deposits were further renewed for a period of 46 days at interest rates ranging from 7.5 per cent to 13 per cent. Thus, the Company could have borrowed only around Rs.100 crore and avoided extra expenditure of Rs.2.49 crore (after considering interest earned on deposits).

2C.6 Accelerated Irrigation Benefit Programme – non-utilisation of sanctioned funds

The Accelerated Irrigation Benefit Programme was launched by the Government of India (1996-97) to provide Central Loan Assistance (CLA) to States for irrigation and multipurpose projects for assured water supply. This amount in turn was released by the State Government to the Company as share capital.

The Company could not get Rs.50 crore Central Loan Assistance and this resulted in recurring loss of Rs.7.25 crore per annum.

The Company was sanctioned Rs.100 crore under CLA to be released as share capital for the years 1998-99 against the estimated requirement of Rs.202.88 crore. As the Company had spent only Rs.88.14 crore due to slow progress, only Rs.50 crore was released during the year, and the balance amount (Rs.50 crore) was not released. The Central Water Commission informed the Company that further funds would not be released unless the shortfall of Rs.11.86 crore during 1998-99 was made good during 1999-2000. Inspite of this, the Company could show a progress of Rs.119.58 crore only against the target of Rs.244.10 crore during 1999-2000.

Thus, the Company had lost the opportunity of availing Rs.50 crore under CLA which was to be released as share capital by Government. This has resulted in borrowing of funds and avoidable expenditure of Rs.7.25 crore per annum.

2C.7 Utilisation of funds

From the foregoing paragraphs it would be observed that the Company was borrowing huge funds carrying high rate of interest. These funds were required to be utilised judiciously. However, during test check of records relating to utilisation of funds, audit observed instances of release of funds to project offices without assessing actual requirement, non-investment of funds prudently, locking of funds etc. Some of these points are discussed in the succeeding paragraphs.

2C.7.1 Release of funds without ascertaining the actual requirements

The funds required by various project executing authorities are provided by the Head Office based on indents placed by project offices. The project works are mainly carried out at Alamatti, Bheemarayanagudi and Bagalkot areas. A review of funds position in project offices of these areas revealed that the funds indented, especially in Rehabilitation and Resettlement (R&R) and Land Acquisition (LAQ) Offices at Bagalkot were much more than the immediate requirement and heavy balances (ranging from Rs 25 lakh to Rs.29 crore) were held in bank accounts for more than 15 days. Despite this position, further funds ranging from Rs.5 crore to Rs.20 crore were provided by the Head Office based on the indents without verifying the actual balances held by the project offices. These surplus funds transferred to the project offices during the period from February 1996 to December 1999 could have been invested in term deposits and earned interest of Rs.3.45 crore.

Release of funds without verifying the requirements and keeping them in bank resulted in loss of interest of Rs.3.45 crore.

The Government replied (July 2000) that due to peculiar nature of operations of R&R and LAQ, heavy balances had accumulated due to non-encashment of cheques issued by them. The reply is not tenable as considering the huge locking of borrowed funds, the funds should have been released only after taking into consideration the immediate requirement and availability of funds with the concerned offices. In case of urgency, the funds could be transferred through telegraphic transfer at short notice.

2C.7.2 Non investment of surplus funds in high yielding deposits

The funds raised for financing the project and not immediately required were being invested by Head Office in short-term deposit with the banks at varied rates of interest.

A review of short term deposits made by the Company with various banks revealed that the interest paid by the bankers varied (6 per cent to 12 per cent) from bank to bank for the similar term deposits. Though rate of interest of certain banks was higher (0.5 per cent to 1.5 per cent), the Company had not negotiated with other bankers for securing this higher rate of interest. Investment of funds of around Rs. 3,500 crore at lower rate of interest without negotiating for higher rate of interest during the period from November 1995 to March 1999 resulted in foregoing of additional revenue of Rs.1.62 crore.

Non investment of funds in high yielding deposits resulted in loss of revenue of Rs.1.62 crore.

The Government replied (July 2000) that it is always prudent to spread the risk by taking a balanced fixed deposit portfolio rather than speculate revenue by putting all the money in the same bank. The reply is not acceptable as RBI had given permission to banks to offer different rates on deposits and the Company could have negotiated for higher rates of interest amongst different scheduled banks.

2C.7.3 Imprudent drawal of funds by project offices

Drawal of funds by project offices based on gross amount of bills instead of net amount of bills resulted in extra expenditure of Rs.1.14 crore.

Funds mobilised by the Company through bonds are being placed at the disposal of the project offices based on the indents for payment of works bills and to meet other expenditure of the project. It was observed that funds were being indented by the project offices on the basis of gross amount of the contractors bills which were payable only after completion of work satisfactorily. Further the amount of contractors bills also included cost of cement which was not payable as such these amounts were deducted from the contractors bills. The amount so deducted were invested in short term deposits by the project offices for period ranging from 19 to 1096 days. Had the Company released the net amount only payable to the contractors, it could have ploughed back these funds for works and could have avoided borrowing of funds for works involving interest payment of Rs. 3.44 crore during the period from March 1996 to October 1999. Considering interest earned on deposits of these deductions made by the project offices amounting to Rs.2.31 crore during the period from March 1996 to October 1999, the extra expenditure on this account works out to Rs.1.14 crore.

The Government replied (July 2000) that security deposits were erroneously recovered and as there was a fear that the contractor would ask for return of these security deposits, the funds were placed in interest bearing deposit account. The reply is not acceptable as by indenting more funds than required for immediate payment, the Company resorted to external borrowings resulting in extra expenditure. In case of demand of erroneous security deposits recovered, the same could have been provided from head office through telegraphic transfers at short notice.

2C.7.4 Locking up of funds in joint bank accounts – Rehabilitation offices

With the completion of Alamatti reservoir, 159 villages were expected to be submerged displacing nearly 3,50,000 persons. The Commissioner R&R (Resettlement and Rehabilitation of Land Acquisition, Bagalkot) was appointed for resettlement and rehabilitation of the displaced persons by using funds for payment of compensation to land owners, for development of rehabilitation centers, shifting of Project Displaced Families (PDFs) and implementation of rehabilitation programmes.

Non-withdrawal of amounts from joint bank accounts of Project Displaced Families resulted in loss of interest of Rs.7.87 crore.

Joint bank accounts were opened from time to time in the local banks in the names of the PDFs and Rehabilitation Officers and the amounts were deposited in the joint savings bank accounts. If the project beneficiaries did not utilise the amount within the prescribed time limits reckoned from the date of deposit in the joint accounts, these deposits were required to be withdrawn from the joint accounts. Though the payment of these entitlements are based on fulfillment of certain conditions like identification of lands, payment of house construction grants in two instalments after reaching certain stages, these amounts were drawn well in advance and deposited in the joint accounts. The minimum balance available in these accounts throughout the year during the years 1998-99 to 1999-2000 (December 1999) varied from Rs.23.47 crore to Rs.55.99 crore. These funds were deposited in the savings bank accounts by the Regional Offices and earned interest amounting Rs.1.67 crore during the period from 1997-98 to 1999-2000 (upto December 1999). However, the borrowed funds carrying higher rates from 14.25 per cent to 17.5 per cent were locked in the savings bank accounts earning interest of 4.5 per cent only. Thus the loss of interest on this account amounted to Rs.7.87 crore during this period.

The Government replied (July 2000) that R&R is a sensitive issue and is under consideration of Government for increasing the time limit for utilisation of funds. However, the Government is yet to increase the time limit for utilisation of these funds (September 2000).

2C.8 Inter-corporate deposits

Release of Rs.2 crore without obtaining the security offered resulted in doubtful recovery of loan.

The Company placed deposits of Rs.2 crore with Mysore Lamp Works Limited (MLWL) during August/September 1996 at 19 per cent interest per annum for 91 days against demand promissory notes. However, MLWL could not repay the deposits on the due dates. Further due to continuous loss from 1993-94, MLWL was referred to BIFR during January 1997.

In this connection it was observed that though MLWL had offered (14 August 1996) first charge on its two bungalows, the Company had paid the money even before creation of charge. The reasons for not obtaining security before lending money were not on record. Thus placing of funds with MLWL as inter-corporate deposit without obtaining first charge on two bungalows resulted in locking up of funds, the recovery of which along with interest of Rs.95 lakh outstanding as on 30 September 2000 is doubtful.

The Company had also not followed guidelines issued by Karnataka State Bureau of Public Enterprises, requiring companies to ensure safety and apply sound commercial judgement while investing surplus funds. The Government stated (July 2000) that MLWL is a Government of Karnataka enterprise and the amount was released in good faith pending securitisation. The reply is not convincing as in order to safeguard its financial interest, the Company should have created the charge on the bungalows offered by MLWL.

2C.9 Diversion of borrowed funds

Diversion of borrowed funds for works not envisaged in the approved programme resulted in avoidable payment of interest of Rs.3.39 crore.

At the request of Kudala Sangama Development Authority (a separate body set up by the Government in 1994 to safeguard and develop the Sangameshwara Temple which was to submerge as a result of construction of the UKP dam), the Company released Rs.15 crore during November 1998 and Rs.6.38 crore during June 1999 to meet the expenditure on ongoing works of Kudala Sangama subject to claiming reimbursement from the State Government.

The cost of works of the Kudala Sangama Development Authority was not approved under the borrowing programme of the Company and it did not pursue with the Government for reimbursement. This resulted in locking up of Rs.21.38 crore and payment of interest of Rs.3.39 crore on borrowed funds upto March 2000. The Government stated (July 2000) that the matter of releasing money to the Company was being examined.

2C.10 Entrustment of civil works to Karnataka Land Army Corporation Limited

Payment of advances on unrealistic estimates resulted in locking up of funds and resulted in avoidable payment of interest of Rs.0.61 crore.

The civil works relating to construction of all new rehabilitation centers were entrusted (November 1995) to the Karnataka Land Army Corporation Limited (KLAC). For construction of the centers advances were made to KLAC based on the estimates prepared by KLAC. These estimates were actually on higher side when compared with the actual cost of the work executed. The excess payment of advance due to unrealistic estimates during the years 1996-97 and 1997-98 amounted to Rs.42.44 lakh. On being pointed out in audit, an amount of Rs.40.07 lakh was recovered during February 2000. In respect of Bagalkot Town Development Authority work, as against the estimated cost of Rs.2.55 crore, advance of Rs.3.08 crore was paid and the final bills submitted by KLAC was only for Rs.1.99 crore. The excess advance of Rs.1.09 crore was yet to be refunded.

Thus the Company's borrowed funds were locked up resulting in avoidable payment of interest of Rs.60.54 lakh upto December 1999.

Conclusion

The Company was formed with the object to mobilise funds to execute the Upper Krishna Project. Efficient fund management requires concerted efforts to garner resources at the cheapest rate and at the right time keeping in view requirement for expenditure. Scrutiny of funds management revealed that while issuing the bonds the Company did not take precaution and was not prudent in appointment of trustees and arrangers with the result the Company had to incur additional expenditure. The Company was not managing its resources efficiently as funds were provided by the head office to the project offices without ascertaining the actual requirement with the result that the funds borrowed through bonds at higher rate of interest were kept in current account, savings bank and short deposit accounts earning lesser rates of interest. In view of the negligible internal generation of revenue, the State Government has to step in a big way through budgetary support to meet the mounting repayment obligations accrued on bonds.

CHAPTER - III

3. MISCELLANEOUS TOPICS OF INTEREST RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

3A. GOVERNMENT COMPANIES

3A.1 Hutti Gold Mines Company Limited

3A.1.1 Granting loan without adequate security

Granting short-term loan of Rs.1 crore to another State Government Company despite knowledge of its huge losses resulted in doubtful recovery of principal and interest amounting to Rs.1.39 crore.

The Company granted (June 1995) a short-term loan of Rs.1 crore to Mysore Lamp Works Limited (MLWL) for a period of 90 days at 16.5 per cent per annum. The loan was renewed upto June 1996. The request of loanee for further renewal was turned down (June 1996) by the Company. As a result of continuous loss from 1993-94, MLWL was referred to BIFR[Φ] during December 1996. The Company could only realise Rs.42.29 lakh towards interest till March 1998.

Inter corporate loan to another State Public Sector Undertaking without proper security resulted in the doubtful recovery of Rs.1.39 crore towards loan and interest.

Audit scrutiny revealed (February 2000) that though MLWL was incurring losses from 1993-94 onwards, the Managing Director extended inter corporate loan (June 1995) based on a personal request of the then Chairman and Managing Director of MLWL, without obtaining any security/first charge on the immovable properties and prior approval of the Board. This resulted in jeopardising the financial interests of the Company, as the recovery of loan as well as interest of Rs.38.98 lakh as on 31 March 2000 was doubtful.

The Company stated (June 2000) that MLWL was a Government Company and hence no security was insisted. The decision taken by Managing Director was also ratified by the Board of Directors. It further stated that it is hopeful of the recovery, as there are instances of BIFR companies having turned around.

[Φ] Board for Industrial and Financial Reconstruction

The reply is not acceptable, as adequate security from MLWL should have been obtained in view of recurring losses since 1993-94. Further, the chances of recovery are remote, as unsecured creditors would have last priority.

The matter was reported to Government (May 2000); their reply had not been received (October 2000).

3A.1.2 Unauthorised payment of ex-gratia to the employees

Payment of ex-gratia amounting to Rs.1.34 crore without prior approval of Government and in contravention of Karnataka State Bureau of Public Enterprises (KSBPE) guidelines resulted in inadmissible benefits to the employees.

The Company had been paying bonus/ex-gratia to the employees within the limits and in accordance with stipulations regarding eligibility, availability of allocable surplus etc., under the Payment of Bonus Act, 1965 and as per the guidelines issued by KSBPE from time to time according to which ex-gratia can be paid only after obtaining prior approval of Government on year to year basis.

Ex-gratia at 20 per cent of the salary/wages was paid to the eligible employees of Hutti Gold Unit of the Company which made profit till 1996-97, whereas minimum bonus/ex-gratia at 8.33 per cent was paid to employees of the loss making units, viz., Chitradurga and Kalyadi.

The Company proposed to pay ex-gratia at 8.33 per cent for the financial year 1997-98 to the employees of both Hutti and Chitradurga units as both units incurred losses during the year. Kalyadi Unit stopped its operation in 1996-97. The employees unions of Hutti Unit demanded ex-gratia of 20 per cent. A meeting was convened (November 1998) by the Chief Minister of the State and it was decided to pay minimum ex-gratia (8.33 per cent) to all the employees of the Company at the first instance and refer the matter to the department of Mines and Geology for working out the solution for payment of the balance amount.

Failure to follow Government directions in respect of ex-gratia resulted in undue benefit of Rs.1.34 crore to the staff of Hutti unit.

It was observed in audit (January 2000) that the Board of Directors of the Company agreed (December 1998) for an ex-gratia of 8.33 per cent only and contrary to it, the Chairman decided to pay ex-gratia at 20 per cent to Hutti Unit amounting to Rs.2.30 crore in two instalments during March 1999 and June 1999. Subsequently, the Board of Directors ratified (March 1999) the decision of the Chairman subject to the conditions that ex-gratia payments were subject to the approval of the State Government. The Company approached (April 1999) the Government for necessary approval which was turned down by the Government. The amount paid over and above 8.33 per cent has been shown as recoverable from employees of Hutti Unit in the annual accounts for the year 1999-2000.

Thus payment of 20 per cent bonus to the staff of Hutti Unit for the year 1997-98 resulted in extension of inadmissible benefit of Rs.1.34 crore.

The Company stated (April 2000) that to maintain industrial peace and as a motivation, ex-gratia at the rate of 20 per cent was paid to employees of Hutti Unit. The reply of the Company is not convincing as the Company was incurring losses and the Chief Minister had agreed only for payment of a minimum of 8.33 per cent ex-gratia.

The matter was reported to Government (March 2000); their replies had not been received (October 2000).

3A.1.3 Avoidable payment of Transportation Charges

Acceptance of uneconomical offers instead of continuing transportation of the ore through local transporters resulted in avoidable expenditure of Rs.0.80 crore.

The Company started (January 1995) producing gold in the Chitradurga unit by using the gold ore available at the open cast mines at Ajjanahalli. The activities of drilling, blasting, removal of over burden etc., of ore were done departmentally, however, the transportation of ore to the mill at Chitradurga was done through local transporters at a cost of Rs. 95 per MT from January 1995 to April 1996.

The Company floated (June 1995) a tender for raising ore at Ajjanahalli Mines and transporting the same to the plant at Chitradurga on the grounds that the local transporters were not bound by a contract for a specific period and apprehending that they would instantly switch over to other attractive offers. As the lowest offer of Rs.126 per MT for transportation received from National Asphalt Products Company (NAPC), was much higher compared to the prevailing rate of the local transporters, the Company decided on 1 March 1996 to continue the existing arrangements for a period of 2 years under an appropriate agreement with local contractors. Accordingly, the Company held negotiations (22 March 1996) with three local transport contractors who agreed to continue the work at Rs.95 per MT with assured transportation of 400 MT per day.

Awarding transportation of ore at higher rate contrary to its earlier decision led to an extra expenditure of Rs.0.80 crore.

However, letter of intent was placed (16 April 1996) on NAPC for transportation at the rate of Rs.126 per tonne for a period of 12 months. The contract was renewed (April 1997) for another one year at Rs.130 per MT. The contractor transported 1,03,416 MT and 1,37,944 MT during May 1996 to April 1997 and May 1997 to April 1998 respectively.

As the local transporters had agreed (March 1996) to take up the job at Rs. 95 per tonne for a period of 2 years, there was no justification for awarding the work to NAPC at Rs. 126 per MT/Rs.130 per MT. This resulted in avoidable payments of transportation charges to the tune of Rs.80.34 lakh to

NAPC during the period from May 1996 to April 1998 (worked out at differential rate of Rs.31/Rs.35 per MT for quantities transported).

The Government stated (December 2000) that the local tippers who had indicated rate of Rs.95 verbally in a meeting, reneged on commitment. The reply is not acceptable, as there was nothing on record to prove that local contractors had reneged on their commitment.

3A.2 Karnataka Power Corporation Limited

3A.2.1 Short claim of Fuel Escalation Charges

Incorrect method of claiming fuel escalation charges resulted in short claim of Rs. 5.43 crore.

Failure to adopt the correct method while calculating the FEC resulted in short claim of Rs.5.43 crore.

(a) The Company claims Fuel escalation charges (FEC) by working out the average price of coal (per tonne) based on the supplies received between 26^{th} of previous month and 25^{th} of current month to recover the fuel cost over and above the base cost fixed in the tariff in respect of power transmitted from RTPS. For claiming the FEC, the Company adopts Railway Receipts quantity in respect of coal received from Singareni Collieries Company Limited (SCCL) and Western Coalfield Limited (WCL). While in case of imported coal, it is based on actual weight received at RTPS.

The Company imported 1,40,482 tonnes of coal during the period from December 1995 to June 1996 and paid Rs.40.43 crore for 1,45,093 tonnes. The difference in quantity of 4,611 tonnes was the weight reckoned for making payment after adjusting the quantity for lesser moisture content as per the agreement with the importers.

However, the Company preferred FEC claims, for the months from January 1996 to June 1996, by adopting the adjusted weight of 1,45,093 tonnes instead of the actual quantity of 1,40,482 tonnes. Adoption of adjusted weight and lower value in respect of imported coal along with other coal (SCCL and WCL) has resulted in Company deriving lesser average price of coal per tonne. Consequently the lower average price of coal has resulted in short recovery of FEC by Rs.4.08 crore from Karnataka Power Transmission Corporation Limited (KPTCL).

The Company stated (February 2000) that there was no short claim of FEC as the amount paid to suppliers was Rs.38.45 crore for the reasons that it had withheld Rs.1.87 crore towards concessional Central Sales Tax. The reply is not acceptable, as the Company should have claimed FEC in respect of Rs.40.43 crore on actual quantity received.

(b) Similarly in case of coal purchased from Mahanadi Coal fields Limited (MCL) through Karam Chand Thaper and Brothers Limited, by rail-sea-rail route, the Company was required to make payment on the quantity actually received at RTPS.

However, the Company preferred FEC claims on the basis of weight as recorded in Railway Receipts during the months August, September and November 1996 on the quantity of 1,00,209 MTs valued at Rs.17.75 crore. However, the actual payments made to the suppliers were to the extent of Rs.22.88 crore on the quantity of 1,29,164 MTs actually received by them.

Thus, adoption of lower quantity and lower value in respect of MCL coal with other coals (SCCL and WCL) during the same period, resulted in under-adoption of average price of coal for claiming FEC. This has led to short claim of FEC by Rs.1.35 crore from KPTCL.

The Company stated (February 2000) that adoption of Railway Receipt quantities based on firm's claim (90 per cent) in FEC was as per procedure in vogue. It was further stated that KPTCL probably would not have admitted it if otherwise claimed. The reply is not acceptable, as the Company had ultimately paid for actual quantities received which was more than Railway Receipt quantities.

The matter was reported to the Government (April 2000); their replies had not been received (October 2000).

3A.2.2 Inadequate insurance of warehoused stock

Due to inadequate insurance of stock, the Company could not claim actual loss resulting in loss of Rs 0.26 crore.

The Chief Engineer (O&M), RTPS at the time of renewal of Fire and Boiler Explosion policy of Unit 1 and 2 informed (2 February 1997) Senior Executive (Finance) I that as on date the value of stores warehoused was approximately Rs.40 crore and opined to enhance the amount of policy from Rs.15 crore to Rs.40 crore to avoid inadequate insurance.

Failure to obtain the fire insurance coverage for the actual stock resulted in foregoing insurance benefit of Rs.0.26 crore.

Ignoring the advice of its Chief Engineer (O&M), the Company took (February 1997) fire insurance policy for a sum of Rs.15 crore only from National Insurance Company (NIC). Clause 10 of the terms governing the condition of insurance stipulated that if value of the goods stored was of greater value than insured, the Company shall bear the rateable proportion of the loss accordingly.

It was observed in audit (January 2000) that a fire accident took place on 23 March 1997 when stores valued at Rs.24.25 crore was in the warehouse and of which stock worth Rs.83.36 lakh was damaged. However, NIC assessed the damages at Rs.76.60 lakh (January 1998). Invoking the provision of clause regarding under insurance of the policy, NIC settled the claim at Rs.47.31 lakh. Thus, the Company by under insuring the stock had foregone the claim of Rs.29.29 lakh. Had the Company insured the actual stock of

Rs.40 crore instead of only Rs.15 crore, the premium would have been higher by Rs.2.81 lakh only. Thus, the loss on account of inadequate insurance worked out to Rs.26.48 lakh after considering differential insurance premium as well.

The matter was referred to the Government/Company (June 2000); their reply is awaited (October 2000).

3A.3 Karnataka Handloom Development Corporation Limited

3A.3.1 Excess production of janata cloth in anticipation of additional allotment

Production of cloth under janata cloth scheme in anticipation of approval of additional targets resulted in non-receipt of central subsidy to the extent of Rs.0.86 crore.

The Company was implementing the janata cloth scheme since inception (1985) and the Central subsidy was received every year based on the production targets fixed by the Development Commissioner for Handloom, Government of India (GOI). In order to switch over to non-janata variety over a period of 3 to 4 years, the GOI started phasing out the subsidy by reducing the target every year. Accordingly, the production target of Karnataka was gradually reduced from 330 lakh sq.mtrs in 1992-93 to 140 lakh sq. mtrs in 1997-98 and finally the Scheme was discontinued with effect from April 1998.

Excess production of cloth in addition to the targets fixed, resulted in the denial subsidy of Rs.0.86 crore by Government of India.

It was observed in audit (February 2000) that during the year 1997-98, the Company was allocated a production target of 135 lakh sq. mtrs at a subsidy of Rs. 3.40 per sq. mtr which worked out to Rs. 4.59 crore. The Company achieved the target by mid January 1998 and sought (January 1998) the approval of Development Commissioner for an additional target of 35 lakh sq. mtrs. The Company continued the production and sold 160.32 lakh sq.mtrs. by March 1998, in anticipation of approval. The Development Commissioner, Handlooms, New Delhi, however did not agree (24 March 2000) for increasing the production target of the Company.

Thus excess production of Janata cloth in anticipation of additional allocation and sale at subsidised rate resulted in non-receipt of central subsidy of Rs.86 lakh.

The Government stated (May 2000) that the Company was making continuous efforts at GOI level for reconsideration of the matter. The reply is not convincing as GOI had already rejected (November 1998) the Company's claim.

3A.3.2 Idle investment on the construction of Dye Houses

Dye houses constructed at a cost of Rs.0.22 crore at four places during 1994 remained unutilised till date in the absence of timely procurement of boilers.

The Board of Directors approved (August 1993) the construction of dye house at seven places at an estimated cost of Rs.32 lakh under Vishwa Project Report Scheme. However, the construction of Dye houses was limited to four places (Ranebennur, Gulbarga, Ilkal and Banehatti) and completed during July to October 1994 at a cost of Rs.21.56 lakh.

The Company invited (July 1995) tenders for supply and erection of boilers and vessels on turnkey basis and placed (December 1995) a purchase order on Hitze equipments, Bangalore, being the lowest tenderer, after negotiation for the supply of 4 nos. Baby Steam boilers, 12 nos. Galvanised Steel Vessels for boiling and 16 nos. Galvanised Steel Vessels for dyeing at a cost of Rs.10.36 lakh with a delivery period of 3 months.

It was observed in audit (January 2000) that though the equipments were to be supplied, erected and commissioned by 1 April 1996, the supplies had not been received till date (October 2000). Though, there was no risk purchase clause in the purchase order for non-supply and commissioning of the machinery, liquidated damages at 2 per cent per month for delayed portion of the supplies were payable. The Company had not prevailed upon the supplier to execute the contract for supply and erection. The Company also had not procured the required machinery from alternate source, with the result the dye houses constructed at a cost of Rs.21.56 lakh during 1994 remained unutilised till date (October 2000).

The matter was reported to Government (April 2000); their replies had not been received (October 2000).

3A.4 Krishna Bhagya Jala Nigam Limited

3A.4.1 Payment of excess lead charges

Failure to deduct the lead charges allowed in the original estimate resulted in extra payment of Rs.0.94 crore.

(i) During execution of work relating to construction of Distributory 26 on Mudbal Branch Canal (MBC) the casing material of designated quarry failed during testing. As such the division identified (May 1995) another suitable quarry with an additional lead of 30.50 kms, which necessitated the payment of extra lead charges.

It was observed in audit (November 1999) that the division worked out (May 1995) the additional lead charges on the difference of leads involved instead of working out the total lead charges first and then deducting the charges already allowed in the original estimate. This resulted in excess payment of Rs.6.97 lakh for initial lead slab upto 1 km. Further, a constant of 1.2 was adopted towards bulkage while working out the additional lead charges as against 1.14 adopted in the original estimate resulting in excess payment of Rs.3.66 lakh.

(ii) Similarly, in the construction of MBC Distributory No.24 and 25, change of quarry was necessitated due to non-availability of suitable material in the designated quarry with an additional lead of 30.00 kms. The Company adopted the same method as mentioned above to workout the additional lead charges and paid additional amount of Rs.42.07 lakh.

(iii) For the execution of the work relating to construction of MBC, Distributory-18, a murram quarry at Hothpet was identified. The land owners approached the Hon'ble High Court against acquisition of land for quarry and obtained a stay order during February 1993. Consequently, the contractor was permitted to cart the material from Dornahalli quarry, which involved an additional lead of 12 kms. The Company had worked out the lead charges afresh (June 1996) for the additional lead of 12 kms as done in earlier cases. This had resulted in additional payment of Rs.40.95 lakh.

The Company accepted (January 2000) the excess payments and assured to recover the same from the contractors concerned besides fixation of responsibility on the erring officers.

These matters were reported to Government (March 2000); their replies had not been received (October 2000).

3A.5 Karnataka Soaps and Detergents Limited

3A.5.1 Avoidable expenditure in purchase of Palm Fatty Acid Distillate (PFAD)

Failure to place orders on the lowest offerer within the validity period resulted in avoidable expenditure of Rs.0.37 crore in purchase of material from alternate source.

The Company invited (July 1996) tenders for supply of 2,000 tonnes of PFAD to meet the requirement for the quarter ending December 1996, with the last date for receipt of offer as 24 July 1996. The Company held negotiations (5 August 1996) with all the four* participating tenderers as the rates were considered high. During negotiations, General Foods, Bombay reduced its

* General Foods, Novocom Industries, Pan Century and Gardner Smith

offer from Rs.22,500 to Rs.20,800 per MT (lowest offer) with the validity period upto 7 August 1996 and Novocom Industries, Bombay reduced its offer from Rs.22,125 to Rs.21,200 per MT with validity period upto 8 August 1996.

The purchase negotiation committee proposed (6 August 1996) counter offer of Rs.20,550 to General Foods, which was rejected by them. While Pan Century did not agree for reduction of price of US $ 345 (equivalent Rs.22,500 per MT) Gardner Smith reduced their price from US $ 370 to US $ 347.50 (equivalent Rs.21,848 per MT). The Managing Director during purchase negotiation committee held on 7 August 1996, directed the General Manager to negotiate further with Pan Century and Gardner Smith and to meet again after receiving feedback from them within the validity period. It was observed in audit (February 1999) that no meeting could take place before the expiry of validity period as the representatives of Gardner Smith and Pan Century were not available. The Company placed (8 August 1996) purchase order on General Foods, Bombay for supply of 2,000 tonnes at Rs.20,800. The firm intimated (8 August 1996) through Fax their inability to supply the material as the validity of offer had expired on 7 August 1996 itself. However, the firm agreed (September 1996) to supply only 750 tonnes at Rs.20,800 in view of its long-standing relationship. The Company placed purchase orders (September 1996) for the supply of 1,500 tonnes of PFAD at US$ 387.84 PMT C.I.F. Bombay (Rs.23,780 at Company stores) on Aditya Overseas Petro Products (Gardner Smith, Singapore) against which 1,254.435 tonnes was supplied.

Thus, failure on the part of the Company to place orders within the validity period resulted in avoidable expenditure of Rs.37.38 lakh in purchase of the balance quantity of 1,254 MTs.

The Government stated (September 2000) that the Company had requested General Foods for extension of validity period by one day and was hopeful of getting extension as General Foods was a regular supplier. The reply is not acceptable as the prices of PFAD was showing upward trend since July 1996 onwards and since Company was aware of the upward trend in prices they should have finalised the tender within the validity period without waiting for extension sought.

3A.5.2 Misappropriation of stock by C & F agent

Appointment of Clearing and Forwarding (C & F) agent without ascertaining credentials resulted in misappropriation of stock valued at Rs. 0.17 crore.

The Company appointed (January 1996) M. Shankaranarayanan, Prop., Shara Enterprises as C & F agent for its products at Madurai for a period of three years effective from 1 February 1996.

The bank guarantee initially obtained from M. Shankaranarayanan, by the Company for Rs.5 lakh was reduced (February 1997) to Rs.2 lakh after completion of one year based on the recommendations of the Branch Manager. The reduced Bank guarantee of Rs.2 lakh was not renewed for 1997-98.

Failure to ascertain the credentials of C & F agent resulted in loss of Rs.0.17 crore.

The local supervisor of the Company reported (January 1998) that the C & F Agent was selling products of the Company without authority from the Branch Office. As such the Branch Manager was asked to withdraw all the stocks from C & F godown and make necessary verification. During the course of verification shortage of 712 boxes of Mysore Sandal Soap valued at Rs.16.71 lakh was reported and the cheque given by the agent being the value of shortages was dishonoured. Legal action initiated was in progress before the court (April 2000).

It was noticed in audit (February 1999) that while recommending the appointment, it was stated that the agent was working as C & F agent for Kwality Threads Ltd., New Delhi. However, the reasons for termination of the agency of Kwality Threads Ltd., in 1994 were not ascertained before his appointment as C & F agent.

Thus, failure of the Company to verify the antecedents of the agent before appointment resulted in recovery of Rs.16.71 lakh becoming doubtful in view of insolvency petition filed by the agent.

The Company stated (May 2000) that the Branch Manager failed to verify the credentials of the C & F agent and the resignation of the Branch Manager for this lapse had been accepted (March 2000). The Company had now started obtaining fidelity insurance covering the risk of mis-appropriation for all the depots to avoid recurrence of such events in future.

The matter was reported to the Government (April 2000); their replies had not been received (October 2000).

3A.6 Bangalore Mass Rapid Transit Limited

3A.6.1 Injudicious investment of funds

Failure of the Company to invest surplus funds in banks, which offered higher rate of interest, resulted in loss of Rs.0.47 crore.

Failure to invest the surplus funds in banks with maximum returns resulted in foregoing additional interest income by Rs.0.47 crore.

The Company received funds for its proposed projects on Elevated Light Rail Transit System from Government of Karnataka. As the entire funds were not immediately required, the Company invested its surplus funds during December 1994 to July 1999 in the Bonds of Krishna Bhagya Jala Nigam Limited (another State Government Company) and short term deposits ranging from 9 days to 1 year in different branches of commercial banks depending upon the requirement of funds.

A review of 271 short term deposits made in various commercial banks revealed in audit (August 1999) that the rate of interest earned on investments varied from bank to bank for similar deposits and the difference in rates ranged from 0.5 to 3.75 per cent. Thus, investment of funds at lower rates resulted in loss of interest of Rs.47.17 lakh.

The Government while admitting the facts stated (October 2000) that it had taken note of the losses and is ensuring to obtain maximum returns on its investments.

3A.7 Karnataka State Agro Corn Products Limited

3A.7.1 Manufacture of energy food

Use of sugar in lieu of jaggery resulted in extra expenditure of Rs.0.16 crore besides loss of Rs.0.31 crore in sales realisation on account of lower production.

The Company produces and supplies 'energy food' to the State Government departments viz, department of Women and Child Development and Education department etc. The Central Food Technological Research Institute (CFTRI) recommended the use of jaggery in the preparation of energy food.

The Company invited tenders for supply of raw materials and orders were placed during May 1998 for the supply of 4,500 MTs of jaggery on three firms, at an average price of Rs.10,371 per MT.

It was observed in audit (June 2000) that as per Managing Director's order, the Chief Divisional Manager directed (June 1998) not to purchase jaggery from any new suppliers upto 30 June 1998 against the pending purchase order, the reasons for which were not on record. On the other hand, a decision was taken (September 1998) by both the Chairman and Managing Director to procure sugar as an emergency measure to substitute jaggery. Orders were placed on Karnataka Agro Industries Corporation Limited (KAICL) and Vaishnavi Trade Links, Bangalore (a nominee of KAICL) for supply of 150 MTs and 1000 MTs during September and October 1998 at Rs. 16,850 per MT and Rs.17,350 per MT respectively without inviting tenders. As against total quantity of 1,150 MTs ordered, the Company received 649.135 MTs and used the same in the production of energy food and balance ordered quantity was cancelled. This resulted in extra expenditure of Rs.15.68 lakh in input cost besides lesser input quantity of sugar of 278 MT as compared to jaggery. This also led to lesser production of energy food valued at Rs.31.02 lakh. Further, CFTRI who were consulted inter-alia on substitution of sugar with jaggery reiterated (October 1998) that a survey on the acceptability and nutritive value of the product should be done before attempting to change the formulation.

Deviations to the inputs in the manufacture of energy food resulted in loss of Rs.0.47 crore .

Thus, the arbitrary decision of the Company to use sugar in place of jaggery resulted in loss of Rs.46.70 lakh. Further the entire supply of energy food to Government departments was not in conformity to CFTRI specifications. The use of sugar in the production of energy food was also not disclosed to the user departments of the Government.

The matter was reported to Government (June 2000); their replies had not been received (October 2000).

3A.8 Karnataka Silk Industries Corporation Limited

3A.8.1 Purchase of indigenous coal from traders

Purchase of coal from traders instead from collieries resulted in extra expenditure of Rs.0.25 crore.

The Company used to procure major portion of its requirement of steam coal directly from the collieries of Coal India Limited. However, the Company started (1994-95) buying its entire requirement from private coal traders only after inviting limited tender, on the plea that there was difficulty in getting regular allotments of coal and that there were problems in transportation of coal by rail.

It was observed in audit (January 1999) that during the period from April 1996 to October 1999, the Company purchased 7,113.57 MTs of indigenous coal worth Rs.1.75 crore from private traders at rates ranging from Rs.2,420 to Rs.2,634 per MT including transportation charges as against the prevailing rate of Rs.1,135 to Rs.1,243 per tonne charged by Coal India Limited excluding transport charges.

Considering the maximum transportation charges of Rs.950 paid (July 1998) by the Company for the distance from Chandrapur to T.Narasipura, as the basis for calculation of freight charges of coal, the extra expenditure incurred by the Company on purchase of 7,113.57 tonnes of indigenous coal amounted to Rs.25.43 lakh, which lacked justification.

The Government replied (August 2000) that procurement of coal directly from collieries was stopped due to the non-arrival of wagons in time and purchase of coal from private traders had the advantage of quality and minimum shortages as payment was on actual quantity received etc., and compelled the Company to procure the coal form local traders. However, the fact remains that the Company stopped buying coal from private traders and again started procuring the same from Singareni Collieries Limited from December 1999 onwards which supports the audit contention.

3A.9 Mysore Minerals Limited

3A.9.1 Avoidable purchase of machinery

Purchase of imported diamond wire saw cutting machine and its disposal without putting it to use resulted in loss of Rs.0.20 crore.

The Company procured (January 1996) a "Granfil" make Diamond wire saw cutting machine from Quarries Group of Italy at a cost of Rs.48.59 lakh for improving the production of granite blocks based on the proposal of Hon'ble Minister for Mines and Geology and the Managing Director who had visited "Carrara Fair" held in Italy during May 1995. The machine was commissioned (March 1996) at Puradoddy Granite Quarry for trial run. The machine was not put to regular use for which reasons were not on record.

It was observed in audit (November 1999) that the machine was lying idle since its purchase and the Company after ascertaining the current rate from Granfil, sold (November 1998) the same to PRP Granites for Rs.28.50 lakh after negotiation. Thus, the purchase of a machinery valued at Rs.48.59 lakh and its subsequent sale without putting it to use resulted in a loss of Rs.20.09 lakh, besides loss of interest of Rs.24.00 lakh on locked up funds for the period from March 1996 to November 1998 at 18 per cent per annum.

The matter was reported to the Company/Government (March 2000); their replies had not been received (October 2000).

3B. STATUTORY CORPORATIONS

3B.1 Karnataka Power Transmission Corporation Limited

3B.1.1 Idle investment in construction of 220 kV Double Circuit line

Construction of 220 kV Double Circuit (DC) line in anticipation of the execution of Units by Karnataka Power Corporation Limited (KPCL) which were only at conceptual stage has led to idle investment of Rs.24.25 crore.

Idle investment of Rs.24.25 crore due to improper planning.

The construction of additional 220 kV DC line between Shimoga and Varahi for evacuation of additional load of 690 MW expected after implementation of Varahi 3 and 4 Units (230 MW) and barge-mounted power projects (460 MW) were approved (July 1997) by the erstwhile Board. The work was awarded (January 1998) to Larsen and Toubro Limited, Madras on turnkey basis at a cost of Rs.27.27 crore with a completion period of 12 months. The work was in progress and an expenditure of Rs.24.25 crore had been incurred so far (March 2000).

It was observed in audit (August 1999) that the execution of 3 and 4 Unit of Varahi station by Karnataka Power Corporation Limited was still in the conceptual stage and only one barge mounted power plant was expected to be implemented by December 2000 with a capacity of 220 MW. The present transmission system between Shimoga-Varahi-Mangalore consisted of a 220 kV DC line and a 110 kV Single Circuit (SC) line which was capable of evacuating 458 MW energy generation as against the load of 350 MW. Since, the time required for construction of 220 kV DC line between Varahi–Shimoga is only 12 months, the Company could have taken a decision after crystallisation of these two projects. Hence, the Company's approval for construction of 220 kV DC line was premature which led to idle investment of Rs.24.25 crore as on March 2000.

The Government justified (July 2000) the expenditure on the ground that work on barge mounted power station (230 MW) at Thannerbhavi was progressing and it was incumbent on the part of the Company to be ready with the transmission system as contemplated in the Power Purchase Agreement.

The reply is not acceptable, as the existing system was capable of evacuating the load even if Thannerbhavi power station comes up.

3B.1.2 Failure to evaluate the material cost of turnkey contracts with reference to market rates

The Company did not evaluate the turnkey contracts as per the recommendations of COPU resulting in additional expenditure of Rs.15.67 crore.

The COPU in its 70th report (April 1997) after discussing the paragraph on award of turnkey contracts wherein the rates of materials in the turnkey contracts were much more than the rates paid by the Company for its requirement, recommended that while awarding turnkey contracts, the material cost quoted by tenderers must be evaluated with reference to market conditions and reasonableness of the offer ensured.

However, the Company awarded turnkey contracts for Raichur Thermal Power Station - Guttur and Nelamangala - Shimoga in two lots during November 1997 and September 1998 respectively without evaluating the cost of materials. Audit scrutiny (March 2000) of cost of ACSR moose conductor included in the turnkey contracts revealed that the rate of ACSR moose conductor in the turnkey contracts was much higher as compared to rates at which the supplies of the ACSR moose conductors were made by other suppliers to the Company's contractors as detailed below:

Details of work	Name of the Firm	Quantity in kms.	Price bid opening date	Rates per km. awarded	Rate of Other suppliers	Difference per km. (percentage difference)	Extra expenditure
					(Rs.)		(Rs. in lakh)
1)RTPS to Thorengal	Jyothi Structures Ltd. Mumbai.	920	16.4.1997	1,94,632	1,39,884	54,748 (39.14)	503.68
Thorengal to Guttur	KEC Inter National Ltd.	865	16.4.1997	1,84,000	1,39,884	44,116 (31.54)	381.60
2)Nelamangala to Srirama pura	Jyothi Structures Ltd. Mumbai.	1583	25.5.1998	2,04,612	1,79,400	25,212 (14.05)	399.11
Sriramapura to Shimoga	RPGTrans-mission Ltd.	1560	25.5.1998	1,97,500	1,79,400	18,100 (10.09)	282.36
Total							**1566.75**

Award of turnkey contracts without evaluating the cost of materials with open market rates resulted in additional expenditure of Rs.15.67 crore.

Thus, award of turnkey contracts without evaluating the cost of materials included in the turnkey contracts with open market rates has resulted in additional expenditure of Rs.15.67 crore.

The Government replied (October 2000) that the extra amount charged by turnkey contractors ranged from 2.55 per cent to 6.5 per cent when compared with market rates available with the Board. However, the fact remains that even after taking into consideration difference in cost now noticed by the Company, the additional expenditure worked out to Rs.6.73 crore which is a substantial amount and ought to have been looked into during evaluation of material cost of turnkey contracts.

3B.1.3 Inclusion of entry tax in FORD prices

Inclusion of entry tax in the Ex-works price of local firms for purchase of ACSR Conductors led to extra expenditure of Rs 2.72 crore.

The erstwhile Karnataka Electricity Board invited tender (April 1997) for procurement of 65,000 kms squirrel, weasel and rabbit conductors. The offer of Anamica Conductors, Jaipur for squirrel and rabbit conductors and Mohan Metals, Chennai for Weasel Conductor were the lowest.

Failure to exclude the element of entry tax to compute the FORD price of local firms resulted in extra expenditure of Rs.2.72 crore.

The Central Purchase Committee (February 1998) while computing the Free on Road Destination (FORD) prices for placement of the order included central excise duty at 15 per cent, central sales tax at 2/4 per cent and Karnataka state entry tax at 4 per cent. The Board placed orders (March 1998 to January 2000) for purchase of 66,533 kms of ACSR conductors on 16 local firms located in Karnataka and 13 firms located outside Karnataka at the rate offered by Anamica conductors, Jaipur. It was observed in audit (May 2000) that as per the Government of Karnataka notification (March 1997), entry tax was not leviable where the Karnataka sales tax have already been levied on goods. Thus, by inclusion of Karnataka entry tax in the FORD prices of local firms, the Company had incurred an extra expenditure of Rs.2.72 crore on procurement of conductors from the 16 local firms and extended undue benefit to them.

The Government replied (October 2000) that the purchase committee after considering representation from the local firms regarding payment of entry tax and turnover tax had decided to offer FORD prices of outside firms to local firms. The reply of the Company is untenable as the Company did not negotiate the issue of entry tax and placed orders on the local firms.

3B.1.4 Additional expenditure in purchase of tower material

Failure to evaluate the price of tower parts with reference to quotations received for similar tower parts against different contracts resulted in extra expenditure of Rs.1.98 crore.

The erstwhile Board awarded (September1998) turnkey contracts to RPG Transmission Ltd., New Delhi and Jyothi Structures Ltd., Mumbai, for construction of 400 kV DC Transmission Line between Shimoga-Nelamangala in two lots at a cost of Rs. 114.86 crore which included the fabrication and supply of tower parts, bolts and nuts, etc.

The price bid for another supply contract i.e., purchase of tower parts, bolts and nuts etc., for the 220 kV line between Malur-Somanahally, Malur-Kolar, Kolar-Chintamani and Nelamangala-Kunigal lines was opened on 12 June 1998 and a purchase order was placed on Larsen and Toubro Limited (L&T) during November 1998.

Non comparison of rates between turnkey project and direct purchase resulted in additional expenditure of Rs.1.98 crore.

A comparison of the rates in audit revealed (May 2000) that the turnkey contract price of tower parts was higher by Rs.2,253 to Rs.4,600 per MT in respect of the direct purchase as well as turnkey contract price. Even though the rates quoted by L&T Ltd., (which were lower) were known, the Company while awarding the turnkey contract, it did not evaluate the price of materials (such as tower parts, bolt and nuts) with reference to the quotations received for 220 kV tower parts resulting in additional expenditure of Rs 1.98 crore.

The Government replied (October 2000) that tower material meant for 400kV lines were entirely different as compared to 220 kV lines in many aspects. The reply is not convincing as the Board had on earlier occasion placed (November 1997) orders on RPG Transmission Limited for tower material for 400 kV DC line between Kotegannur to Shimoga, 220 kV tap line Sharavathi Hubli line to Talaguppa and 220 kV Sharavathi tail race to Talaguppa at the same rate per MT.

3B.1.5 Non availment of Excise Duty exemption

Delay in finalisation of tender under International Competitive Bid (ICB) contract and failure to obtain backup guarantee resulted in additional expenditure of Rs 1.36 crore.

a) The Company invited (August 1997) ICB for supply of towers for construction of 220 kV transmission lines required for Malur, Kolar, Chintamani and Kunigal lines to be financed by Asian Development Bank (ADB). The supplies under ICB were treated as deemed exports and the Company was exempted from the payment of excise duty. The technical bid and price bids valid upto 21 February 1998 were opened in October 1997 and January 1998 respectively. The tenders were finalised at a total contract price of Rs.6.24 crore in respect of KEC International Limited (KEC), Mumbai. The price evaluation report was submitted (April 1998) to Power Finance Corporation Limited (PFC) without getting extension of validity period from KEC for obtaining ADB loan.

The PFC communicated (April 1998) ADB's, approval to award contract to KEC subject to the condition that supplies should be completed before 30 June 1998 i.e, loan closing date. Accordingly, the Company awarded the contract on 2 April 1998 stipulating delivery of supplies by 30 June 1998. KEC declined (14 April 1998) to abide by the supply condition due to inordinate delay in finalising the contract before the validity period (21 February 1998), and requested for extension of delivery period upto 30 September 1998. ADB refused to provide loan assistance, as the Company could not ensure completion of supplies by 30 June 1998.

Inordinate delay in finalisation of tender resulted in ADB's refusal to finance the supplies and consequently payment of Rs.0.64 crore by the Company towards excise duty under LCB.

As a result, the Company proposed to convert ICB to Local Competitive Bid (LCB) and revised price bids under LCB were called (June 1998) under which deemed export benefits were not available. The purchase order was placed (November 1998) on the lowest offer of L&T Ltd., Chennai, at a total cost of Rs.6.10 crore plus excise duty (Rs.78.41 lakh). The supplies were financed by PFC.

Thus, failure of the Company to ensure supplies before 30 June 1998 resulted in incidence of excise duty amounting to Rs.64.27 lakh under LCB.

The Government replied (October 2000) that since the supplies were to be completed before 30 June 1998, KEC agreed to supply a portion of the ordered quantity within the time and requested for revision of prices for balance quantities and hence the contract was finalised under LCB. The reply is not acceptable since technical evaluation was already completed by 9 January 1998 and the Company could have finalised the price evaluation within validity period so that the supplies could have been made before 30 June 1998.

(b) In an another case the Company invited tenders (August 1997) for supply of 2929 MTs of 66 kV DC/SC L & T design towers to be financed by ADB. Considering the delivery period for this package the supply orders was required to be completed by the end of January 1998. However, the lowest technically acceptable offer of KEC International Limited at Rs.4.43 crore was submitted to ADB on 15 April 1998 for approval after a delay of two and half months. The ADB rejected the proposal on the ground that the supplies would not be completed before the loan closing date of 30 June 1998. Consequently the Company resorted to LCB and placed the order (December 1998) on Jyothi Structures Limited, Mumbai for Rs.2.72 crore and on Sangam Structures Limited, Allahabad for Rs.1.50 crore by availing finance from PFC. The excise duty payable by the Board on the above two orders was Rs.63.32 lakh.

Deviation to the design and delay in evaluation of technical bids resulted in foregoing the loan facility and extra expenditure of Rs.0.42 crore.

Thus, delay in evaluation of technical bids by two and half months resulted in avoidable extra expenditure of Rs.42.27 lakh.

The Government replied (October 2000) that the delay was due to change of design of tower from L&T design to Kalpatharu design towers. The reply is not tenable, as the Company had already decided in August 1996 for Kalpatharu design towers after obtaining expert technical opinion.

(c) ADB while approving (March 1998) the technical evaluation report for the procurement of 53 numbers of 72.5 kV SF 6 circuit breakers under International competitive bidding insisted that the price bid of GEC Alsthom

Failure to obtain back up guarantee before opening the price bids resulted in avoidable expenditure of Rs.0.29 crore.

(India) Limited should be opened subject to the submission of back up guarantee from GEC Alsthom, T & D, France. However, the Company opened the price bid of GEC Alsthom (India) Limited without obtaining the back up guarantee since the firm in its offer had submitted a letter from GEC Alsthom T&D France to the effect that it was responsible for its operations and necessary servicing support. Since the offer of GEC Alsthom (India) Limited was the lowest at Rs.3.26 crore, the Company submitted (March 1998) its recommendations to PFC who in turn had to recommend to ADB for the loan. However, the PFC considered (27 March 1998) the offer of GEC Alsthom (India) Limited, as non responsive in the absence of the back up guarantee and did not recommend the loan to ADB for the package. Consequently, the order was placed (December 1998) on the lowest offer of ABB Limited at Rs.3.02 crore (plus excise duty of Rs.52.43 lakh) under LCB. The failure of the Company to obtain back up guarantee before opening the price bids resulted in avoidable expenditure of Rs.28.98 lakh.

The Government replied (October 2000) that there was no separate format in the bid documents for back up guarantee. The reply of the Company is not acceptable as the same could have been obtained from PFC.

In all the three instances mentioned above the Company incurred additional expenditure of Rs.1.36 crore due to delay in finalisation of tenders and failure to obtain back up guarantee.

3B.1.6 Idle Inventory of 400 kV line material

Excess procurement and non-utilisation of 400 kV line materials resulted in locking up of Rs.0.64 crore.

The work on 400 kV line between Munirabad - Hoody was held up due to shortage of line materials viz., vibration dampers, tower parts, clamps etc. In order to avoid delay in completion of work, the required line material was procured from Karnataka Power Corporation Limited and work was completed in 1995. Meanwhile, materials, which were, ordered (January/February 1991) for the above work, was also received (June 1991 to May 1995) resulting in excess inventory of Rs.64.35 lakh. Executive Engineer (Elec.), Major Works Urban division, Bangalore, requested (March 1998) for utilisation of these materials in the ongoing works.

In response to the audit observation (December 1998) the erstwhile Karnataka Electricity Board stated (March 1999) that the materials would be utilised in the proposed works of 400 kV DC line from Talaguppa to Nelamangala which was expected to commence during March/April 1999. However, the materials have not been utilised in the above works.

Thus, failure of the Company to make use of the materials in 400kV lines executed subsequently resulted in idle inventory of Rs.64.35 lakh.

The matter was referred to the Government/Company (July 2000); their replies had not been received (October 2000).

3B.1.7 Procurement of conductor

Decision to impose non-response tender rate on other tenderers resulted in additional expenditure of Rs.0.57 crore.

A shortfall of 84.713 kms of ACSR Moose conductor was noticed (July 1992 and January 1993) due to change of route during the execution of 400 kV Munirabhad-Davangere, Nelamangala-Hoody line.

Tenders were invited (December 1993) for procurement of conductors to make good the additional requirement. Out of the four bidders, the lowest offer of Bharat Conductors (L-1) at the rate of Rs.98,800 was not commercially and technically responsive. The second lowest (L-2) offer was from Alind at the rate of Rs.1,00,230 who had earlier supplied the bulk of the conductors for the above work. The other bidders were asked to match the price of the lowest offer. As none of the parties agreed to supply at the above rate, the tenders were cancelled.

Procurement of material on loan basis and replacement of the same at higher cost resulted in a loss of Rs.0.57 crore.

It was observed in audit (December 1999) that for urgent execution of the work, conductors were borrowed from Power Grid Corporation of India Limited, Cuddapah and for replacing the same, the Company procured (August 1995) conductors at the rate of Rs.1,67,500 per km. Had the rates of Alind considered before cancellation of tenders, additional expenditure of Rs.56.99 lakh could have been avoided.

Thus, decision of the Company to impose non-responsive rate on the remaining bidders lacked justification.

The matter was reported to Government (July 2000); their replies had not been received (October 2000).

3B.1.8 Undue favour to a supplier

Refund of penalty already levied by condoning the delay without any justification resulted in undue benefit of Rs.0.37 crore.

The Company placed an order (May 1995) on Asea Brown Boveri Limited (ABB), Bangalore for supply of 54 nos. of 245 kV SF-6 Circuit Breakers. As per the terms and conditions, the supplies were to be completed within 14 months from the date of order. The breakers were supplied by April 1997 after a delay ranging from 13 to 40 weeks for which penalty amounting to Rs.61.03 lakh was levied during June 1996 to April 1997. The ABB requested (May 1998) for condonation of delay and to refix delivery period as June 1997 as there was delay in approval of drawings by the Company, labour unrest in sub-suppliers work, power cut, delay in furnishing despatch clearance etc. In this connection, it was observed in audit (June 2000) that there was no delay in approval of drawings by the Company. On the other hand the initial drawings were furnished by ABB after a delay of two months and revised drawings after five months. The labour unrest had not been supported by a certificate from labour department and power cuts imposed on sub-supplier was not covered by clause 26 (force majeure) of the contract. Further, the delays in issue of despatch clearances were not referred to the erstwhile Board by ABB. As such, above reasons were not justified for condonation of delay.

Decision of waiver of penalties already levied and its partial refund led to an undue favour of Rs.0.37 crore to ABB.

However, the delay was condoned (November 1999) and 55 to 65 per cent of the penalties were waived on the ground that the delay in supply by ABB had not hampered the commissioning of any of the stations for which these breakers were procured and a refund of Rs.36.92 lakh was released during June 2000. Thus, the injudicious decision to waive 55 to 65 per cent penalties already levied, without proper justification resulted in undue favour of Rs.36.92 lakh to the ABB.

The Government replied (September 2000) that the delay in supply had not caused any delay in commissioning of stations. The reply is not convincing as the supplier must adhere to the delivery schedule and penalties are leviable for delayed supplies.

3B.1.9 Construction of 33 kV line between Sorab and Shiralkoppa

The construction of 33 kV line from Sorab to Shiralkoppa, in addition to 110 kV line resulted in infructuous expenditure of Rs.0.36 crore.

The erection of 33 kV line for the area already having 110 kV line resulted in idle investment of Rs.0.36 crore.

The energy in Shiralkoppa area was fed by 1 x 5 MVA transformer, through sub-station by tapping the 33 kV Sorab-Sagar line. To improve the voltage regulation, increase reliability of power supply and to cater to future loads, construction of a 33 kV line directly from Sorab 110 kV Station to Shiralkoppa and establishment of terminal bay at Sorab Station was approved in October 1993. The work commenced in December 1995 was completed in February 1998 at a cost of Rs.35.95 lakh.

As the progress of 33 kV line was slow, an additional 1 x 5 MVA, 33/11 kV transformer was erected in February 1996 at Shiralkoppa sub-station to improve voltage conditions at a cost of Rs.30.57 lakh.

In the meantime, the work of construction of 110 kV line from Sorab to Shiralkoppa (running along with the 33 kV line from Sorab to Shiralkoppa under erection) and upgrading the existing station at Shiralkoppa was approved (October 1995) at a cost of Rs.1.92 crore. The work for the 110 kV line commenced in February 1996 was completed in November 1999.

It is observed in audit (August 1999) that while approving the proposal for construction of 110 kV line from Sorab to Shiralkoppa and upgrading the 33/11 kV sub station to 110/33/11 kV, the earlier approval (October 1993) for construction of 33 kV line from Sorab to Shiralkoppa was not brought out in the proposal. Moreover, the work on 33 kV line had not commenced even at the time of approval of proposal for 110 kV line. Had the then Board taken care of future load requirements, the erection of 33 kV line and terminal bay was not required and investment of Rs.35.95 lakh, could have been avoided.

The Company stated (July 2000) that the line was constructed as a temporary measure and this would be an alternative transmission system in case of any problem in 110 kV line. The reply is not acceptable as the existing 33 kV tap line could have served as a temporary and alternative transmission system.

The matter was reported to Government (May 2000); their replies had not been received (October 2000).

3B.1.10 Undue benefit to Escorts Limited

Unjustified fixation of energy entitlement during power cut resulted in undue benefit to a consumer.

The Government of Karnataka imposed (October 1995) power cuts on various categories of consumers from 3 November 1995 to March 1997 to mitigate the power crisis. In order to regulate the power cuts the Chief Engineer Electrical (General) of the erstwhile Board issued guidelines (November 1995) for working out the energy entitlement of HT installations. For this purpose average consumption recorded between August 1994 and July 1995 (excluding energy availed from BPCL[1]) was to be considered. Accordingly, the energy entitlement of Escorts Ltd., Yelahanka was fixed at 6,43,086 units per month. The Chief Engineer Electrical (General) issued (December 1995) further guidelines clarifying that the energy entitlement of HT consumers, availing power from BPCL, shall be based on the average consumption for a minimum of 2 months period when there was no BPCL power. Accordingly, the energy entitlement of the above consumer was refixed at 18,51,526 units on 11 December 1995.

It was observed in audit (February 1999) that the average energy consumption from August 1994 to July 1995 of Escorts Ltd., (including BPCL power) was only 16,84,702 units. Hence, fixation of the 100 per cent energy entitlement at 18,51,526 units per month lacked justification.

[1] Bhoruka Power Corporation Ltd.,

Incorrect fixation of energy entitlement negated the very purpose of imposing power cuts and resulted in undue benefit of Rs.0.24 crore to a consumer.

The scrutiny of consumption pattern of the consumer during the subsequent period revealed that it was on the higher side ranging from 4.59 lakh units (March 1997) to 14.79 lakh units (July 1998) when compared with earlier consumption of power drawn from KEB[2] (2.08 lakh to 8.84 lakh) during November 1994 to June 1995. Thus, fixing entitlements over and above the average annual consumption prompted the consumer to avail more power from KEB, which negated the very purpose of imposing power cuts. Even if had the Board fixed the entitlement considering annual average consumption of the relevant period, penalties amounting to Rs.24.28 lakh would have been levied for excess consumption of power. Thus, on one side, consumer was allowed to draw more power during power cut and on the other hand penalties were levied on the lower side to the extent of Rs.24.28 lakh.

The Government replied (September 2000) that if the Company had not issued the circular the consumer would have restricted use of Company's power and inturn would have gone for Independent Power Producers energy or captive energy resulting in loss of revenue to the Company. The reply of the Company is not convincing as Escorts got more power from the Board during the period of power cuts than normal usage thereby defeating the very purpose of imposing power cuts.

3B.1.11 Undue favour to a consumer

Failure to levy interest as per its supply regulations resulted in extension of benefit of Rs.0.11 crore.

The Operation and Maintenance Division, Belgaum levied Fuel Escalation Charges of Rs.9.48 crore (including an interest of Rs.4.24 crore) on IACL[3], for a period from October 1992 to September 1993. Against this, IACL filed (1994) a writ petition in the High Court of Karnataka and the same was dismissed during May 1996 directing the petitioner to pay the demand raised by the Company within eight weeks.

Based on a request made by IACL, the consumer was allowed (August 1996) to clear the outstanding dues of Rs.9.48 crore with a down payment of Rs.50 lakh and balance in equal monthly instalments with interest at two per cent per month as stipulated in its supply regulations. Accordingly, IACL paid Rs.50 lakh on 30 July 1996.

Deviation from its Electricity supply regulations benefited a consumer by Rs.0.11 crore.

It was observed in audit (August 1999) that the Division instead of levying two per cent interest on the outstanding balance of Rs.8.98 crore levied only 1.25 per cent for the period from 30 July 1996 to 13 August 1996 and in respect of subsequent instalments interest of two per cent was levied and recovered.

[2] Karnataka Electricity Board.

[3] Indal Aluminium Company Limited, Belgaum

Thus, failure to levy interest as per supply regulations resulted in extension of undue benefit of Rs.11.41 lakh to IACL.

The Company while admitting the mistake in calculation for the month of August 1996 stated (June 2000) that simple interest for delayed payments of dues had to be levied only on principal amount and not on interest included in the claim. The reply is not acceptable since the Hon'ble High Court of Karnataka had given time upto 23 July 1996 for payment of the entire amount including interest. Extension of time for payment of the dues (principal and interest) was at the request of the consumer and interest had to be levied on such delayed payment of dues.

The matter was reported to the Government (June 2000); their replies had not been received (October 2000).

3B.2 Visveswaraya Vidyuth Nigam Limited

3B.2.1 Non-rectification of the Static Frequency Convertor at Shivasamudram

Replacement cost of panels of Static Frequency Convertor valued at Rs.1.59 crore rendered infructuous due to non-rectification of the technical snag by Bharat Heavy Electricals Limited. Moreover, failure to replace defective thyristor in time resulted in loss of potential revenue of Rs.1.02 crore.

(a) The panels of Channel-II of SFC[4] Unit-II, meant for conversion of the energy generated from 25 Hz to 50 Hz, were damaged by fire (June 1993) at Shivasamudram.

The erstwhile Karnataka Electricity Board placed (April 1994) orders on BHEL[5] for supply, erection and commissioning of panels at a total cost of Rs.1.59 crore to recommission the damaged unit. BHEL completed the work of supply, erection and commissioning of panels during January 1996. The system developed a technical snag in April 1996 and stopped functioning and as such the unit was shut down. Despite several efforts made (April 1996 to August 1996) by the service engineers of BHEL, the defect had not been rectified, resulting in Channel II of SFC-Unit-II remaining in-operative till date (September 2000).

[4] Static Frequency Convertor

[5] Bharat Heavy Electricals Limited.

Failure to rectify the system rendered the investment of Rs.1.59 crore infructuous.

It was observed in audit (June 1999) that the purchase order provided for satisfactory performance of the equipment for a period of twelve months from the date of commissioning or twenty four months from the date of supply whichever was earlier. The Company neither made any efforts to repair the equipment through some other agency rendering the investment of Rs.1.59 crore unfruitful nor claimed damages from the supplier as the same failed within three months of its commissioning.

The loss of revenue due to inoperative equipment worked out to Rs.29.43 crore from April 1996 to March 2000. Further, the Company would continue to lose Rs.68.04 lakh per month for want of rectification of SFC-Channel-II.

The matter was reported to Company/Government (May 2000); their reply had not been received (October 2000).

(b) It was further observed in audit (June 1999) that the functioning of Unit I of SFC was stopped on 22 January 1998 as defective thyristors could not be replaced as the same were not held in stock. The Unit I was restarted on 20 March 1998 after replacement of thyristors.

Failure to retain the stock of critical spares viz., thyristors resulted in loss of potential revenue of Rs.1.02 crore.

Thus, due to failure to retain a ready stock of thyristors which is a critical component, the Company could not convert 68.40 lakh units (at an average capacity of 5 MW) of available generation capacity during 22 January 1998 to 20 March 1998 resulting in loss of potential revenue of Rs.1.02 crore worked out at an average tariff of Rs.1.49 per unit.

The Government while accepting the facts stated (October 2000) that sufficient stock of thyristors would be maintained to avoid recurrence of such incidence.

3B.3 Karnataka State Road Transport Corporation

3B.3.1 Procurement of Piston assemblies/rings

The Corporation incurred extra expenditure of Rs.0.93 crore in purchase of Piston assemblies and rings by ignoring the lowest offer.

Despite satisfactory reports, ignoring the lowest offer resulted in avoidable expenditure of Rs.0.93 crore.

Quotations were invited annually for supply of Piston assemblies and rings from original equipment suppliers, manufacturers and rate contract firms. The offer of Shriram Piston Rings (SPR), New Delhi was the lowest in respect of both cost and cost per km for four types of Piston assembly/rings. However, orders varying from 5 to 40 per cent only in respect of three different types of piston assemblies was placed on SPR during the period 1996-97 to 1999-2000. The balance 60 to 95 per cent quantities of these items and the entire quantity of 4th item were placed on Escorts Limited, Bangalore at higher rates ranging from 11 per cent to 58 per cent. This resulted in extra expenditure of Rs.93.33 lakh.

The Corporation had not recorded the reasons for ignoring the lowest offer of SPR and the justification for placing orders on Escorts Limited at higher rates, though it had recognised the quality and supply performance of SPR and no quality/supply complaints were noticed. Had the Corporation placed sizeable quantities on SPR the extra expenditure would have been reduced significantly.

The Corporation stated (July 2000) that the decision taken to procure the piston and piston rings from Escorts Limited, has proved to be beneficial as it has brought about substantial savings in the consumption of lubricants and HSD. The reply of the Corporation is not supported by any facts as this aspect was never considered by the Central Purchase Committee. Moreover, the performance of SPR being satisfactory, the cost and cost per kilometer being the lowest, placement of order on Escorts Limited on the grounds that they were original equipment suppliers, therefore lacked justification.

The matter was reported to the Government in May 2000; their replies had not been received (October 2000).

3B.3.2 Purchase of vehicles for State Police Department

KSRTC, NWKRTC and BMTC incurred an expenditure of Rs.0.52 crore for purchase of vehicles for the State Police Department, in violation of the provisions of RTC Act, 1950.

In terms of Section 19(3) (ii) of the Road Transport Corporations (RTC) Act 1950, the Corporation can purchase a vehicle for the purpose of sale to another person only with the prior approval of the Government. In violation of the extant provision, the Board of Directors of the Corporation, at the instance of the then Transport Minister, decided (August 1998) to pay Rs.50 lakh to the Director General of Police, Karnataka, for procurement of vehicles for Police Department to contain the clandestine operations of private operators.

Meeting the expenditure of Rs.0.52 crore by three State Road Transport Corporations instead out of budget allocation of the State, lacked justification and ultra vires the provisions of RTC Act, 1950.

It was observed in audit (December 1998) that the Corporation purchased 13 vehicles at a cost of Rs.52.23 lakh and got them registered in the name of Police Department. The cost of the vehicles was shared by the 3 Corporations viz. Karnataka State Road Transport Corporation (Rs.28.08 lakh), North West Karnataka Road Transport Corporation (Rs.16.10 lakh) and Bangalore Metropolitan Transport Corporation (Rs.8.05 lakh) in the ratio of 6:2:4 respectively in view of the benefits shared by all the three Corporations.

As the vehicles were required for restraining of clandestine operations of maxi cabs and private bus operators by the Transport and Police departments, the same should have been met from the budget allocation of the State Government.

Thus, expenditure of Rs.52.23 lakh incurred by all the three Corporations lacks justification and is ultra vires of RTC Act, 1950. As the vehicles were registered in the name of the police department, the Corporation relinquished control over them and had no means to ensure that they would be used for the stipulated purpose. Further the Corporations also failed to assess whether the clandestine operation of private vehicles were checked.

The matter was reported to Government/Management (March 2000); their replies had not been received (October 2000).

3B.3.3 Purchase of Pop Rivets

Rejection of the lowest offer despite the quality test reports and placing orders at higher rates resulted in avoidable expenditure of Rs.0.26 crore.

The Corporation purchased its requirement of "pop rivets" for the years 1997-98 and 1998-99 mainly from two firms viz., Avdel India (Pvt.) Limited and Silkaans, of Mumbai at higher rates ignoring the offer of Make well Industries, Ahmedabad, which was cheaper by twenty five to fifty seven per cent of the rates of Avdel India on the plea that they were manufactures of multi-grip "pop rivets"and their products were the best in the country. However, the other firms who participated in the tender were not given any opportunity to quote for multi grip "pop rivets", when the tenders were invited for supply of "pop rivets".

By ignoring lowest offer the Corporation incurred avoidable expenditure of Rs.0.26 crore.

It was observed in audit (June 1999) that the lowest offer of Make well Industries, Ahmedabad during the above 2 years was cheaper and the firm submitted Central Institute of Road Transport (CIRT) Test Reports. Further, the firm had supplied "pop rivets" to other Road Transport Corporations viz., Bihar State Road Transport Corporation, Andhra Pradesh State Road Transport Corporation, Kadamba Transport Corporation, Madhya Pradesh State Road Transport Corporation and Bombay Electric Supply and Transport etc. A sample received from the firm was tested at Regional Workshop, Hubli and was found suitable. However the Corporation ignored all these facts and placed orders at higher rates thereby incurring an extra expenditure of Rs.26.30 lakh.

The Corporation stated (June 2000) that the "pop rivets" supplied by Avdel India was made out of NR-5 grade Aluminium which was costlier to the Aluminium normally used by local firms. Avdel India was graded "A", whereas the rivets of Silkaans and Makewell Industries were graded as "B" and "D" respectively.

The reply is not acceptable as use of NR-5 grade of aluminium was not specified in the tender. Moreover CIRT Pune had certified the product (Makewell) for quality.

The matter was reported to the Government in May 2000; their reply has not been received (October 2000).

BANGALORE
The
- 8 MAY 2001

(A.L.GANAPATHI)
Principal Accountant General (Audit) I
Karnataka

COUNTERSIGNED

V. K. Shunglu

NEW DELHI
The
23 MAY 2001

(V.K.SHUNGLU)
Comptroller and Auditor
General of India

ANNEXURES

ANNEXURE-1

Statement of companies in which State Government had invested more than Rs.10 lakh in share capital of each of such companies but which are not subject to audit by the Comptroller and Auditor General of India.

(Referred to in Preface and Paragraph 1.11)

Sl. No.	Name of the Company	Amount of investment in share capital upto 1998-99 (Rs.in lakh)
1.	The Associated Cement Companies Limited, Bombay	16.38
2.	The Tata Engineering and Locomotive Company Limited, Bombay	25.87
3.	Mysore Cement Limited, Bangalore	23.46
4.	Karnataka Truck Terminals Private Limited, Bangalore	15.00
5.	Renuka Sugars Limited, Belgaum	200.00
	Total	**280.71**

ANNEXURE 2

Statement showing particulars of capital, loans/equity received out of budget, other loans and loans outstanding as on 31 March 2000 in respect of Government companies and Statutory corporations.

(Figures in bracket indicate share application money)

(Referred to in Paragraphs 1.1, 1.2.1, 1.2.2 and 1.4)

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl No	Sector and name of Company/Corporation	Paid-up capital as at the end of the current year					Equity/loans received out of Budget during the year		Other loans received during the year @	Loans ** Outstanding at the close of 1999-2000			Debt equity ratio for 1999-2000 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Companies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A	**Government companies**												
I	**AGRICULTURE AND ALLIED**												
1.	Karnataka Agro Industries Corporation Limited	460.09 (2554.00)	294.00	-	-	754.09 (2554.00)	- -	2184.02	-	-	90.89	90.89	0.03:1 (3.5:1)
2.	Karnataka State Agro Corn Products Limited	223.37	-	-	50.00	273.37	-	-	-	-	16.82	16.82	0.06:1 (0.1:1)
3.	Karnataka Agro Proteins Limited	33.54	-	16.31	23.29	73.14	-	-	-	78.00	20.37	98.37	1.34:1 (1.3:1)
4.	Karnataka State Agricultural Produce Processing and Export Corporation Limited	50.00	-	-	-	50.00	-	-	-	-	-	-	-
5.	Karnataka Dairy Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
6.	Karnataka Meat and Poultry Marketing Corporation Limited	44.00	96.00	-	13.50	153.50	-	-	-	-	-	-	-
7.	Karnataka Inland Fisheries Development Corporation Limited	-	-	-	-	-	-	-	-	-	-	-	-
8.	The Karnataka Fisheries Development Corporation Limited	264.15	-	-	-	264.15	5.00	-	-	-	-	-	-
	SUBSIDIARIES												
9.	Karnataka Compost Development Corporation Limited	-	-	26.00	24.00	50.00	-	-	-	-	41.95	41.95	0.84:1 (0.8:1)
10.	The Mysore Tobacco Company Limited	2.00 (58.52)	-	11.05	5.81	18.86 (58.52)	-	-	-	-	-	-	--
	Sectorwise Total	**1077.15 (2612.52)**	**390.00**	**53.36**	**116.60**	**1637.11 (2612.52)**	**5.00**	**2184.02**	**--**	**78.00**	**170.03**	**248.03**	**0.06:1 (1.2:1)**
	INDUSTRY												
11.	Karnataka Leather Industries Development Corporation Limited	334.67	-	-	-	334.67	-	-	-	94.50	180.06	274.56	0.82:1 (0.8:1)
12	Karnataka Small Industries Marketing Corporation Limited	136.00	-	35.00	-	171.00	-	-	-	37.50	-	37.50	0.22:1 (0.5:1)
13	Karnataka Soaps and Detergents Limited	3182.21	-	-	-	3182.21	-	559.52	-	3339.58	1036.31	4375.89	1.38:1 (1.3:1)
14	Karnataka State Coir Development Corporation Limited	170.65 (81.75)	-	-	-	170.65 (81.75)	-	-	-	23.75	-	23.75	0.09:1 (0.1:1)
15	Karnataka State Small Industries Development Corporation Limited	2316.36 (50.00)	-	-	-	2316.36 (50.00)	50.00	-	-	1502.49	61.02	1563.51	0.66:1 (0.7:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
16	The Mysore Paper Mills Limited	11746.17 (86.78)	-	-	-	11746.17 (86.78)	86.78	930.61	333.54	9307.10	5423.45	14730.55	1.24:1 (1.5:1)
17	Vijayanagar Steel Limited	1290.58	-	-	-	1290.58	-	-	-	54.85	3.00	57.85	0.04:1 (0.1:1)
18	Mysore Lamp Works Limited	1075.58	-	-	105.44	1181.02	1064.00	-	-	1064.00	583.96	1647.96	1.40:1
	SUBSIDIARIES												
19	Karnataka Telecom Limited	-	-	300.00	-	300.00	-	-	-	402.47	394.69	797.16	2.66:1 (2.4:1)
20	Karnataka Tungsten Moly Limited	0.01	-	-	-	0.01	-	-	-	-	19.11	19.11	1911.00:1
21	The Mysore Chrome Tanning Company Limited	-	-	72.08	3.66	75.74	-	-	-	12.03	66.42	78.45	1.04:1 (1.0:1)
22	The Mysore Cosmetics Limited	- (1.14)	-	15.00	-	15.00 (1.14)	-	-	-	-	16.78	16.78	1.04:1 (1.0:1)
	Sectorwise Total	**20252.23 (219.67)**	**--**	**422.08**	**109.10**	**20783.41 (219.67)**	**1200.78**	**1490.13**	**333.54**	**15838.27**	**7784.80**	**23623.07**	**1.12:1 (1.2:1)**
	ENGINEERING												
23	Chamundi Machine Tools Limited	63.50	-	-	-	63.50	-	-	-	18.14	69.33	87.47	1.38:1 (2.8:1)
24	Karnataka Implements and Machineries Company Limited	535.34 (30.00)	-	-	-	535.34 (30.00)	-	-	-	-	-	-	-
25	Karnataka Vidyuth Karkhane Limited	390.96	-	-	-	390.96	-	-	-	293.02	-	293.02	0.75:1 (0.7:1)
26	NGEF Limited	4198.70	-	-	452.00	4650.70	-	2028.24	-	2147.81	4656.62	6804.43	1.46:1 (0.4:1)
27	The Mysore Electrical Industries Limited	766.51	-	-	175.96	942.47	-	232.00	-	621.50	50.80	672.30	0.71:1 (0.5:1)
	SUBSIDIARIES												
28	NGEF (Hubli) Limited	-	-	320.00	-	320.00	-	-	-	-	92.50	92.50	0.29:1 (0.2:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	Sectorwise Total	**5955.01 (30.00)**	**-**	**320.00**	**627.96**	**6902.97 (30.00)**	**-**	**2260.24**	**--**	**3080.47**	**4869.25**	**7949.72**	**1.15:1 (0.4:1)**
	ELECTRONICS												
29	Karnataka State Electronics Development Corporation Limited	787.20	-	-	-	787.20	-	-	-	735.00	-	735.00	0.93:1 (0.9:1)
	Sectorwise Total	**787.20**	**-**	**-**	**-**	**787.20**	**-**	**-**	**-**	**735.00**	**-**	**735.00**	**0.93:1 (0.9:1)**
	TEXTILES												
30	Karnataka Silk Industries Corporation Limited	1309.47 (1381.00)	-	-	-	1309.47 (1381.00)	-	-	-	308.00	13.60	321.60	0.12:1 (0.5:1)
31	Karnataka Silk Marketing Board Limited	3145.00	-	-	-	3145.00	-	-	-	-	-	-	-
32	Karnataka State Powerloom Development Corporation Limited	120.00	-	-	-	120.00	-	-	-	-	-	-	-
33	Karnataka State Textiles Limited	50.00	-	-	-	50.00	-	-	-	947.56	-	947.56	18.95:1 (18.9:1)
	Sectorwise Total	**4624.47 (1381.00)**	**-**	**-**	**-**	**4624.47 (1381.00)**	**-**	**-**	**-**	**1255.56**	**13.60**	**1269.16**	**0.21:1 (0.4:1)**
	HANDLOOM AND HANDICRAFTS												
34	The Karnataka Handloom Development Corporation Limited	1052.46	519.75	-	-	1572.21	-	-	-	774.02	670.90	1444.92	0.92:1 (0.09:1)
35	Karnataka State Handicrafts Development Corporation Limited	280.00 (3.81)	91.50	-	-	371.50 (3.81)	-	-	23.40	68.12	106.39	174.51	0.46:1 (0.4:1)
	Sectorwise Total	**1332.46 (3.81)**	**611.25**	**---**	**----**	**1943.71 (3.81)**	**---**	**--**	**23.40**	**842.14**	**777.29**	**1619.43**	**0.83:1 (0.8:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	FOREST												
36	Karnataka Cashew Development Corporation Limited	449.03 (5.00)	-	-	-	449.03 (5.00)	5.00	-	-	10.00	698.43	708.43	1.56:1 (1.6:1)
37	Karnataka Forest Development Corporation Limited	906.40 (0.005)	-	-	-	906.40 (0.005)	-	-	118.73	-	909.91	909.91	1.00:1 (0.9:1)
38	The Karnataka State Forest Industries Corporation Limited	115.53	-	-	-	115.53	-	151.05	-	151.05	20.00	171.05	1.48:1 (0.2:1)
	SUBSIDIARIES												
39	Karnataka Pulpwood Limited	-	-	125.00	-	125.00	-	-	-	-	266.29	266.29	2.13:1 (2.1:1)
40	The Mysore Match Company Limited	0.50	-	2.95	1.55	5.00	-	-	-	-	-	-	-
41	The Karnataka State Veneers Limited	-	-	51.00	49.00	100.00	-	-	-	-	164.60	164.60	1.65:1
	Sectorwise Total	**1471.46 (5.01)**	**-**	**178.95**	**50.55**	**1700.96 (5.01)**	**5.00**	**151.05**	**118.73**	**161.05**	**2059.23**	**2220.28**	**1.30:1 (1.1:1)**
	MINING												
42	Mysore Minerals Limited	297.50	-	-	2.50	300.00	-	-	951.92	1270.34	1401.79	2672.13	8.91:1 (6.1:1)
43	The Hutti Gold Mines Company Limited	220.19	-	-	76.01	296.20	-	-	-	-	3835.00	3835.00	12.95:1 (13.2:1)
	Sectorwise Total	**517.69**	**-**	**-**	**78.51**	**596.20**	**-**	**-**	**951.92**	**1270.34**	**5236.79**	**6507.13**	**10.91:1 (9.6:1)**
	CONSTRUCTION												
44	Karnataka State Construction Corporation Limited	205.00	-	-	-	205.00	-	-	-	553.11	-	553.11	2.70:1 (2.7:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
45	Karnataka Land Army Corporation Limited	25.00	-	-	-	25.00	-	-	-	-	-	-	-
46	Karnataka State Police Housing Corporation Limited	12.00	-	-	-	12.00	-	-	1023.89	-	4739.72	4739.72	394.98:1 (378.3:1)
	Sectorwise Total	**242.00**	**-**	**-**	**-**	**242.00**	**-**	**-**	**1023.89**	**553.11**	**4739.72**	**5292.83**	**21.87:1 (21.0:1)**
	AREA DEVELOPMENT												
47	Krishna Bhagya Jala Nigam Limited	159271.00 (59895.83)	-	-	-	159271.00 (59895.83)	46148.01	-	59130.73	-	272564.51	272564.51	1.65:1 (1.2:1)
48	Karnataka Neeravari Nigam Limited	1000.00 (9170.22)	-	-	-	1000.00 (9170.22)	-	-	47532.00	-	39032.00	39032.00	3.84:1 (0.9:1)
49	Karnataka Road Development Corporation Limited	600.00 (150.00)	-	-	-	600.00 (150.00)	750.00	-	-	-	-	-	-
	Sector wise Total	**160871.00 (69216.05)**	**-**	**-**	**-**	**160871.00 (69216.05)**	**46898.01**	**-**	**106662.73**	**-**	**311596.51**	**311596.51**	**1.35:1 (1.2:1)**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS												
50	Karnataka Backward Classes Development Corporation Limited	5118.11	-	-	-	5118.11	509.00	-	562.85	-	2075.37	2075.37	0.41:1 (0.6:1)
51	Karnataka State Women's Development Corporation Limited	697.00 (21.00)	297.84	-	-	994.84 (21.00)	5.00	-	-	-	-	-	-
52	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	10000.00 (520.50)	-	-	-	10000.00 (520.50)	-	-	1761.69	-	3109.34	3109.34	0.29:1 (0.2:1)
53	The Karnataka Minorities Development Corporation Limited	2569.20	-	-	-	2569.20	252.60	-	632.00	-	1363.07	1363.07	0.53:1 (0.4:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	Sectorwise Total	**18384.31 (541.50)**	**297.84**	**-**	**-**	**18682.15 (541.50)**	**766.60**	**-**	**2956.54**	**-**	**6547.78**	**6547.78**	**0.34:1 (0.3:1)**
	PUBLIC DISTRIBUTION												
54	Karnataka Food and Civil Supplies Corporation Limited	225.00	-	-	-	225.00	-	-	-	60.92	-	60.92	0.27:1 (0.3:1)
	Sectorwise Total	**225.00**	**-**	**-**	**-**	**225.00**	**-**	**-**	**-**	**60.92**	**-**	**60.92**	**0.27:1 (0.3:1)**
	SUGAR												
55	The Mysore Sugar Company Limited	580.75	-	-	92.68	673.43	-	-	-	50.46	145.11	195.57	0.29:1 (0.5:1)
	Sectorwise Total	580.75	-	-	92.68	673.43	-	-	-	50.46	145.11	195.57	0.29:1 (0.5:1)
	TOURISM												
56	The Karnataka State Tourism Development Corporation Limited	500.00 (141.00)	-	-	-	500.00 (141.00)	-	-	35.00	200.00	221.88	421.88	0.66:1 (0.6:1)
57	Jungle Lodges and Resorts Limited	49.69	-	-	42.06	91.75	-	-	5.84	4.00	10.43	14.43	0.16:1 (0.2:1)
	Sectorwise Total	**549.69 (141.00)**	**-**	**-**	**42.06**	**591.75 (141.00)**	**-**	**-**	**40.84**	**204.00**	**232.31**	**436.31**	**0.60:1 (0.5:1)**
	CHEMICALS												
58	The Mysore Acetate and Chemicals Company Limited	995.70	-	-	221.82	1217.52	-	460.00	-	1010.00	-	1010.00	0.83:1 (0.5:1)
59	The Mysore Paints and Varnish Limited	94.73	-	-	8.92	103.65	-	-	-	-	-	-	-
	Sectorwise Total	**1090.43**	**-**	**-**	**230.74**	**1321.17**	**-**	**460.00**	**-**	**1010.00**	**-**	**1010.00**	**0.76:1 (0.4:1)**
	POWER												
60	Karnataka Power Corporation Limited	66298.15	-	-	-	66298.15	-	75.52	41467.81	96168.31	156563.78	252732.09	3.81:1 (4.5:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
61	Visveswaraya Vidyuth Nigam Limited	0.007	-	-	-	0.007	-	-	-	-	-	-	-
62	Karnataka Power Transmission Corporation Limited	0.007	-	-	-	0.007	-	-	-	-	-	-	-
63	Karnataka Renewable Energy Development Limited	49.80 (0.20)	-	-	-	49.80 (0.20)	-	-	-	-	19402.00	19402.00	388.04:1
	SUBSIDIARIES												
64	KPC Bidadi Power Corporation Limited	0.007	-	-	-	0.007	-	-	-	-	-	-	-
	Sectorwise Total	**66347.97 (0.20)**	**-**	**-**	**-**	**66347.97 (0.20)**	**-**	**75.52**	**41467.81**	**96168.31**	**175965.78**	**272134.09**	**4.10:1**
	FINANCING												
65	Karnataka State Industrial Investment and Development Corporation Limited	7250.13 (5315.96)	-	-	-	7250.13 (5315.96)	1200.00	-	-	91.50	77637.57	77729.07	6.19:1 (6.4:1)
66	Karnataka Urban Infrastructure Development and Finance Corporation Limited	786.48	-	-	-	786.48	-	-	-	-	-	-	-
	SUBSIDIARIES												
67	Marketing Consultants and Agencies Limited	-	-	185.25 (130.98)	-	185.25 (130.98)	-	-	-	-	-	-	-
68	Mysore Sales International Limited	-	-	60.00 (306.23)	-	60.00 (306.23)	-	-	-	650.00	720.75	1370.75	3.74:1 (0.2:1)
	Sectorwise Total	**8036.61 (5315.96)**	**-**	**245.25 (437.21)**	**-**	**8281.86 (5753.17)**	**1200.00**	**-**	**-**	**741.50**	**78358.32**	**79099.82**	**5.64:1**
	MISCELLANEOUS												

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
69	Bangalore Mass Rapid Transit Limited	0.007	-	-	-	0.007	-	-	-	-	-	-	-
70	Karnataka Film Industry Development Corporation Limited	90.00	-	-	12.39	102.39	-	-	-	52.00	-	52.00	0.51:1 (0.5:1)
71	Sree Kanteerava Studios Limited	50.00 (37.98)	-	-	-	50.00 (37.98)	-	-	-	20.91	-	20.91	0.24:1 (0.2:1)
	Sectorwise Total	**140.01 (37.98)**	**-**	**-**	**12.39**	**152.40 (37.98)**	**-**	**-**	**-**	**72.91**	**-**	**72.91**	**0.38:1**
	TOTAL A (All sector wise Government companies)	**292485.44 (79504.70)**	**1299.09**	**1219.64 (437.21)**	**1360.59**	**296364.76 (79941.91)**	**50075.39**	**6620.96**	**153579.40**	**122122.04**	**598496.52**	**720618.56**	**1.91:1 (2.1:1)**
B	**Statutory corporations**												
	POWER												
1.	Karnataka Electricity Board	43601.00	-	-	-	43601.00	-	-	55363.00	42977.00	202281.00	245258.00	5.58:1 (4.6:1)
	Sectorwise Total	**43601.00**	**-**	**-**		**43601.00**	**-**	**-**	**55363.00**	**42977.00**	**202281.00**	**245258.00**	**5.58:1 (4.6:1)**
	TRANSPORT												
2.	Karnataka State Road Transport Corporation	23967.40 (29.86)	4809.76 (100.00)	-	-	28777.16 (129.86)	-	-	7605.00	323.25	19570.81	19894.06	0.69:1 (0.6:1)
3.	Bangalore Metropolitan Transport Corporation	6453.45	-	-	-	6453.45	-	-	1652.00	-	2625.24	2625.24	0.41:1 (0.3:1)
4.	North West Karnataka Transport Corporation	9363.62	-	-	-	9363.62	-	-	4528.00	-	9411.00	9411.00	1.01:1 (0.7:1)
	Sectorwise Total	**39784.47 (29.86)**	**4809.76 (100.00)**	**-**	**-**	**44594.23 (129.86)**	**-**	**-**	**13785.00**	**323.25**	**31607.05**	**31930.30**	**0.71:1 (0.6:1)**
	FINANCING												
5.	Karnataka State Financial Corporation	6837.88 (2300.00)	-	2920.19	69.62	9827.69 (2300.00)	1000.00	-	24246.00	-	188812.00	188812.00	15.57:1 (28.8:1)

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	Sectorwise Total	**6837.88 (2300.00)**	**-**	**2920.19**	**69.62**	**9827.69 (2300.00)**	**1000.00**	**-**	**24246.00**	**-**	**188812.00**	**188812.00**	**15.57:1 (28.8:1)**
	AGRICULTURE AND ALLIED												
6.	Karnataka State Warehousing Corporation	390.00	340.00	-	-	730.00	15.00	-	-	-	17.47	17.47	0.02:1 (0.2:1)
	Sectorwise Total	**390.00**	**340.00**	**-**	**-**	**730.00**	**15.00**	**-**	**-**	**-**	**17.47**	**17.47**	**0.02:1 (0.2:1)**
	TOTAL B (all sector wise Statutory Corporations)	**90613.35 (2329.86)**	**5149.76 (100.00)**	**2920.19**	**69.62**	**98752.92 (2429.86)**	**1015.00**	**-**	**93394.00**	**43300.25**	**422717.52**	**466017.77**	**4.61:1 (4.4:1)**
	Grand total (A + B)	**383098.79 (81834.56)**	**6448.85 (100.00)**	**4139.83 (437.21)**	**1430.21**	**395117.68 (82371.77)**	**51090.39**	**6620.96**	**246973.40**	**165422.29**	**1021214.04**	**1186636.33**	**2.49:1 (2.6:1)**

Note: except in respect of companies/corporations which finalised their accounts for 1999-2000 (Serial Nos. 2, 4, 8, 13, 14, 15, 16, 17, 21, 22, 23, 25, 28, 29, 32, 35, 38, 40, 49, 54, 59, 60, 64, 65, 67, 68, 69 and 70) figures are provisional as given by the companies/corporations.

** loans outstanding at the close of 1999-2000 represents long-term loan only.

@ includes bonds, debentures, inter corporate deposits etc.

ANNEXURE 3

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised

(Referred to in Paragraphs 1.2.2,1.5.1,1.6,1.7 and 1.8)

(Figures in column 7 to 12 are Rupees in lakh)

Sl No	Sector and name of Company/ Corporation	Name of department	Date of incor-poration	Period of accounts	Year in which accounts were finalised	Net Profit(+) or Loss (-)	Net impact of Audit comm-ent	Paid-up capital	Accumulated profit (+) / loss(-)	Capital employed (a)	Total Return on capital employed	Percent-age of total return on capital employed (12 / 11)	Arrears of accounts in terms of years	Status of the comp-any /corpo-ration
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
A	**Government companies**													
I	AGRICULTURE AND ALLIED													
1.	Karnataka Agro Industries Corporation Limited	Agriculture & Horticulture	Sep 67	1998-99	2000-2001	-967.96	-	754.09	-8953.71	-2280.04	-1517.09	-	1	Working
2.	Karnataka State Agro Corn Products Limited	Agriculture & Horticulture	Apr 73	1999-2000	2000-2001	282.44	-	273.37	-134.01	366.01	292.44	79.90	-	Working
3.	Karnataka Agro Proteins Limited	Agriculture & Horticulture	Apr 75	1998-99	2000-2001	-12.86	-	60.93	-486.51	-292	-12.96	-	1	Under Liquida-tion
4.	Karnataka State Agricultural Produce Processing and Export Corporation Limited	Agriculture & Horticulture	Apr 96	1999-2000	2000-2001	183.66	-	50.00	209.31	332.68	128.11	38.51	-	Working
5.	Karnataka Dairy Development Corporation Limited	Animal, Husbandary and Fisheries	Oct 74	1998-99	2000-2001	E	-	-	-	-	-	-	1	Under closure -
6.	Karnataka Meat and Poultry Marketing Corporation Limited	Animal, Husbandary and Fisheries	Jan 74	1998-99	1999-2000	-2.85	-	153.50	40.74	190.17	-2.98	-	1	working
7.	Karnataka Inland Fisheries Development Corporation Limited	Animal, Husbandary and Fisheries	Nov 84	1998-99	1999-2000	-0.58	-	182.30	-168.16	14.13	-0.58	-	1	Under closure

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
8.	The Karnataka Fisheries Development Corporation Limited	Animal. Husbandary and Fisheries	Oct 70	1999-2000	2000-2001	-40.89	-	264.15	-518.92	92.87	-21.61	-	-	Working
	SUBSIDIARIES													
9.	Karnataka Compost Development Corporation Limited	Agriculture & Horticulture	Aug 75	1998-99	1999-2000	-3.92	-	50.00	-97.05	50.74	-1.04	-	1	Working
10.	The Mysore Tobacco Company Limited	Agriculture & Horticulture	Apr 37	1998-99	1999-2000	-24.33	-	77.38	-818.88	-523.42	20.7	-	1	Non-working
	Sectorwise Total				**-**	**-587.29**	**-**	**1865.72**	**-10927.19**	**-2048.86**	**-1115.01**	**-**	**-**	**-**
	INDUSTRY													
11.	Karnataka Leather Industries Development Corporation Limited	Commerce & Industries	Oct 76	1998-99	2000-2001	-8.97	-	334.67	-745.99	-77.37	-8.06	-	1	Working
12	Karnataka Small Industries Marketing Corporation Limited	Commerce & Industries	Sep 84	1998-99	1999-2000	133.24	-	171.00	329.26	637.74	100.79	15.80	1	Working
13	Karnataka Soaps and Detergents Limited	Commerce & Industries	July 80	1999-2000	2000-2001	1706.52	-	3182.24	-1770.88	7180.30	2043.86	28.46	-	Working
14	Karnataka State Coir Development Corporation Limited	Commerce & Industries	Feb 85	1999-2000	2000-2001	0.47	-	252.40	9.37	448.27	5.26	1.17	-	Working
15	Karnataka State Small Industries Development Corporation Limited	Commerce & Industries	Jun 64	1999-2000	2000-2001	385.49	-	2366.36	757.09	4923.04	359.73	7.31	-	Working
16	The Mysore Paper Mills Limited	Commerce & Industries	May 36	1999-2000	2000-2001	166.78	-	11832.95	2827.92	28977.94	725.87	2.50	-	Working
17	Vijayanagar Steel Limited	Commerce & Industries	Dec 82	1999-2000	2000-2001	7.79	-	1290.58	-15.91	1331.30	2.42	0.18	-	Non-working
18	Mysore Lamp Works Limited	Commerce & Industries	Aug-36	1998-99	1999-2000	-1062.76	-	1181.02	-4693.10	451.44	-548.94	-	1	Working

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	SUBSIDIARIES													
19	Karnataka Telecom Limited	Commerce & Industries	July 85	1998-99	1999-2000	-592.64	-	300.00	-2150.61	375.69	-162.81	-	1	Under closure
20	Karnataka Tungsten Moly Limited	Commerce & Industries	Dec 86	1997-98	2000-2001	B	-	0.01	-	-	-	-	2	Non-working
21	The Mysore Chrome Tanning Company Limited	Commerce & Industries	Mar 40	1999-2000	2000-2001	-6.96	-	75.74	-1222.88	-641.39	-4.30	-	-	Non-working
22	The Mysore Cosmetics Limited	Commerce & Industries	Mar 66	1999-2000	2000-2001	-0.74	-	16.14	-99.38	22.51	-0.74	-	-	Working
	Sectorwise Total					**728.22**	**-**	**21003.08**	**-6775.11**	**43629.47**	**2513.08**	**-**	**-**	
	ENGINEERING													
23	Chamundi Machine Tools Limited	Commerce & Industries	Oct 75	1999-2000	2000-2001	-32.18	-	63.50	-497.81	-118.00	-1.85	-	-	Non-working
24	Karnataka Implements and Machineries Company Limited	Commerce & Industries	Oct 75	1998-99	1999-2000	3.79	-	565.34	-3018.86	-1697.59	26.79	-	1	Under liquidation
25	Karnataka Vidyuth Karkhane Limited	Commerce & Industries	Oct 76	1999-2000	2000-2001	326.20	-	390.96	43.69	1124.74	405.17	36.02	-	Working
26	NGEF Limited	Commerce & Industries	Apr 65	1998-99	1999-2000	-3707.64	-	11277.44	0.85	12521.81	-1578.96	-	1	Working
27	The Mysore Electrical Industries Limited	Commerce & Industries	Feb 45	1998-99	2000-2001	-441.55	-	942.47	-1585.02	4097.57	-315.04	-	1	Working
	SUBSIDIARY													
28	NGEF (Hubli) Limited	Commerce & Industries	Dec 88	1999-2000	2000-2001	7.31	-	320.00	135.12	815.77	68.36	8.38	-	Working
	Sectorwise Total					**-3844.07**	**-**	**13559.71**	**-4922.03**	**16744.30**	**-1395.53**	**-**	**-**	-

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	ELECTRONICS													
29	Karnataka State Electronics Development Corporation Limited	Commerce & Industries	Sep 76	1999-2000	2000-2001	-204.56	-	787.2	-1690.65	1165.73	-983.16	-	-	Working
	Sectorwise Total					**-204.56**	**-**	**787.20**	**-1690.65**	**1165.73**	**-983.16**	**-**	**-**	**-**
	TEXTILES													
30	Karnataka Silk Industries Corporation Limited	Commerce & Industries	Apr 80	1998-99	1999-2000	-201.31	-	1999.97	-1243.37	2508.36	-36.46	-	1	Working
31	Karnataka Silk Marketing Board Limited	Commerce & Industries	Nov 79	1998-99	1999-2000	79.08	-	3145.00	87.06	3232.06	102.89	3.18	1	Working
32	Karnataka State Powerloom Development Corporation Limited	Commerce & Industries	Feb 94	1999-2000	2000-2001	74.53	-	120.00	87.19	206.54	44.25	21.42	-	Working
33	Karnataka State Textiles Limited	Commerce & Industries	Dec 84	1998-99	1999-2000	-87.78	-	50.00	-891.46	431.91	-47.09	-	1	Under closure
	Sectorwise Total					**-135.48**	**-**	**5314.97**	**-1960.58**	**6378.87**	**63.59**	**-**	**-**	**-**
	HANDLOOM AND HANDICRAFTS													
34	The Karnataka Handloom Development Corporation Limited	Commerce & Industries	Oct 75	1998-99	1999-2000	100.38	-	1572.21	-475.27	6197.97	596.07	9.62	1	Working
35	Karnataka State Handicrafts Development Corporation Limited	Commerce & Industries	Mar 64	1999-2000	2000-2001	23.54	-	375.31	-140.25	543.08	31.92	5.88	-	Working
	Sectorwise Total					**123.92**	**-**	**1947.52**	**-615.52**	**6741.05**	**627.99**	**9.32**	**-**	**-**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	FOREST													
36	Karnataka Cashew Development Corporation Limited	Forest ecology and Environment	Feb 78	1998-99	1999-2000	-133.04	-	449.03	-128.49	1226.51	-133.04	-	1	Working
37	Karnataka Forest Development Corporation Limited	Forest ecology and Environment	Jan 71	1998-99	1999-2000	63.24	-	906.41	1871.46	6314.71	35.21	0.56	1	Working
38	The Karnataka State Forest Industries Corporation Limited	Forest ecology and Environment	Mar 73	1999-2000	2000-2001	-49.68	-	115.53	-339.48	-34.93	-63.65	-	-	Working
	SUBSIDIARY													
39	Karnataka Pulpwood Limited	Forest ecology and Environment	Feb 85	1998-99	1999-2000	-468.14	-	125.00	-1616.60	755.06	-64.69	-	1	Under merger
40	The Mysore Match Company Limited	Forest ecology and Environment	May-40	1999-2000	2000-2001	0.11	-	5.00	-20.43	-13.85	-	-	-	Non working
41	The Karnataka State Veneers Limited	Forest ecology and Environment	Aug 74	1997-98	2000-2001	-53.73	-	100.00	-164.31	115.06	-30.65	-	2	Working
	Sectorwise Total					**-641.24**	**-**	**1700.97**	**-397.85**	**8362.56**	**-256.92**	**-**	**-**	**-**
	MINING													
42	Mysore Minerals Limited	Commerce & Industries	May 66	1998-99	1999-2000	-900.66	-	300.00	-976.59	1063.18	-721.86	-	1	Working
43	The Hutti Gold Mines Company Limited	Commerce & Industries	July 47	1998-99	1999-2000	-810.35	-	296.20	1104.38	5273.32	-508.81	-	1	Working
	Sectorwise Total					**-1711.01**	**-**	**596.20**	**127.79**	**6336.50**	**-1230.67**	**-**	**-**	**-**
	CONSTRUCTION													
44	Karnataka State Construction Corporation Limited	Public works & command area development	Sep 68	1998-99	1999-2000	254.53	-	205.00	887.91	1859.17	285.87	15.38	1	Working

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
45	Karnataka Land Army Corporation Limited	Rural development & Panchayatr Raj Development	Aug 74	1998-99	2000-2001	274.53	-	25.00	157.07	192.32	190.03	98.81	1	Working
46	Karnataka State Police Housing Corporation Limited	Home	Jun 85	1998-99	1999-2000	£	-	12.00	-	-	-	-	1	Working
	Sectorwise Total					**529.06**	**-**	**242.00**	**1044.98**	**2051.49**	**475.90**	**23.20**	**-**	**-**
	AREA DEVELOP-MENT													
47	Krishna Bhagya Jala Nigam Limited	Irrigation	Aug 94	1998-99	1999-2000	£	-	172969.72	-	321954.71	-	-	1	Working
48	Karnataka Neeravari Nigam Limited	Irrigation	Nov.98	1998-99	1999-2000	£	-	1000.00	-	1140.25	-	-	1	Working
49	Karnataka Road Development Corporation Limited.	Public works	Jul-99	1999-2000	2000-2001	£	-	750.00	-	-	-	-	-	Newly formed
	Sectorwise Total					**-**	**-**	**174719.72**	**-**	**323094.96**	**-**	**-**	**-**	**-**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS													
50	Karnataka Backward Classes Development Corporation Limited	Social welfare	Oct 77	1998-99	2000-2001	361.02	-	4609.11	-467.69	7897.97	351.71	4.45	1	Working
51	Karnataka State Womens Development Corporation Limited	Social welfare	Sep 87	1998-99	2000-2001	-12.97	-	978.84	227.27	1759.22	-12.97	-	1	Working
52	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	Social welfare	Mar 75	1998-99	2000-2001	-29.06	-	8001.20	72.52	9559.46	-31.48	-	1	Working

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
53.	The Karnataka Minorities Development Corporation Limited	Social welfare	Feb 86	1998-99	2000-2001	-36.80	-	2198.60	-154.70	3483.37	-34.45	-	1	Working
	Sectorwise Total					**282.19**	**-**	**15787.75**	**-322.60**	**22700.02**	**272.81**	**1.20**	**-**	**-**
	PUBLIC DISTRIBUTION													
54	Karnataka Food and Civil Supplies Corporation Limited	Food & Transport	Sep 73	1999-2000	2000-2001	1.69	-	225.00	314.26	1849.38	164.52	8.90	-	Working
	Sectorwise Total					**1.69**	**-**	**225.00**	**314.26**	**1849.38**	**164.52**	**8.90**	**-**	**-**
	SUGAR													
55	The Mysore Sugar Company Limited	Commerce & Industries	Jan 33	1998-99	2000-2001	148.97	-	673.43	350.80	5064.15	624.13	12.32	1	Working
	Sectorwise Total					**148.97**	**-**	**673.43**	**350.80**	**5064.15**	**624.13**	**12.32**	**-**	**-**
	TOURISM													
56	The Karnataka State Tourism Development Corporation Limited	Information, Tourism & Youth	Feb 71	1998-99	1999-2000	-31.24	-	641.36	-335.89	833.58	36.67	4.40	1	Working
57	Jungle Lodges and Resorts Limited	Information, Tourism & Youth	Mar 80	1998-99	1999-2000	15.17	-	91.75	12.37	322.79	15.43	4.78	1	Working
	Sectorwise Total					**-16.07**	**-**	**733.11**	**-323.52**	**1156.37**	**52.10**	**4.51**	**-**	**-**
	CHEMICALS													
58	The Mysore Acetate and Chemicals Company Limited	Commerce & Industries	Dec 63	1998-99	1999-2000	-942.34	-	1217.52	-2065.50	-29.71	-877.53	-	1	Under Closure
59	The Mysore Paints and Varnish Limited	Commerce & Industries	Nov 47	1999-2000	2000-2001	-	-	103.65	402.56	506.37	103.66	20.47	-	Working
	Sectorwise Total					**-797.06**	**-**	**1321.17**	**-1662.94**	**476.66**	**-773.87**	**20.47**	**-**	**-**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	POWER													
60	Karnataka Power Corporation Limited	Energy	July 70	1999-2000	2000-2001	13471.36	-	66298.15	91221.84	462843.07	49111.88	10.61	-	Working
61	Visveswaraya Vidyuth Nigam Limited	Energy	Jul-99	-	-	&	-	0.07	-	-	-	-	1	Newly formed
62	Karnataka Power Transmission Corporation Limited	Energy	Jul-99	-	-	&	-	0.07	-	-	-	-	1	Newly formed
63	Karnataka Renewable Energy Development Limited	Energy	Mar-96	-	-	&	-	0.003	-	-	-	-	4	Working
	SUBSIDIARY													
64	KPC Bidadi Power Corporation Limited	Energy	Apr 96	1999-2000	2000-2001	$	-	0.007	-	1726.23	-	-	-	Working
	Sectorwise Total					**13471.36**	**-**	**66298.30**	**91221.84**	**464569.30**	**49111.88**	**10.57**	**-**	**-**
	FINANCING													
65	Karnataka State Industrial Investment and Development Corporation Limited	Commerce & Industries	July 64	1999-2000	2000-2001	-4772.14	-	12566.09	-7117.88	90560.71	-4772.14	-	-	Working
66	Karnataka Urban Infrastructure Development and Finance Corporation Limited	Housing & Urban Development	Nov 93	1998-99	1999-2000	632.80	-	786.49	968.62	10712.20	567.19	5.29	1	Working
67	Marketing Consultants and Agencies Limited	Commerce & Industries	Sep 72	1999-2000	2000-2001	27.19	-	316.23	206.78	523.01	19.95	3.81	-	Working
68	Mysore Sales International Limited	Commerce & Industries	Mar 66	1999-2000	2000-2001	1177.15	-	366.23	4962.08	6369.13	915.02	14.37	-	Working
	Sectorwise Total					**-2935.00**	**-**	**14035.04**	**-980.40**	**108165.05**	**-3269.98**	**-**	**-**	**-**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	MISCELLANEOUS													
69	Bangalore Mass Rapid Transit Limited	Housing & Urban Development	Sep 94	1999-2000	2000-2001	$	-	0.007	-	9968.86	-	-	-	Working
70	Karnataka Film Industry Development Corporation Limited	Information, Tourism & Youth	Feb 68	1999-2000	2000-2001	-15.70	-	102.39	-219.88	-60.23	-20.07	-	-	Working
71	Sree Kanteerava Studios Limited	Information, Tourism & Youth	Mar 66	1998-99	1999-2000	-4.11	-	87.98	-91.12	20.40	-3.31	-	1	Working
	Sectorwise Total					**-19.81**	**-**	**190.377**	**-311.00**	**9929.03**	**-23.38**	**-**	**-**	**-**
1	**TOTAL A (All sector wise Government companies)**					**4393.82**	**-**	**321001.27**	**62170.28**	**1026366.03**	**44857.48**	**4.37**	**-**	**-**
B	**Statutory corporations**													
	POWER													
1.	Karnataka Electricity Board	Energy	Oct.57	1998-99	2000-2001	6699.21	-20237	43601.00	11723.00	312654.00	40740.00	13.03	1	Working
	Sectorwise Total					**6699.21**	**-20237**	**43601.00**	**11723.00**	**312654.00**	**40740.00**	**13.03**	**-**	**-**
	TRANSPORT													
2.	Karnataka State Road Transport Corporation	Transport	Aug.61	1997-98	1998-99	-2525.47	-2411	38240.69	-43599.06	13872.00	1892.00	13.64	2	Working
3.	Bangalore Metropolitan Transport corporation	Transport	Aug.97	1998-99	2000-2001	396.58	-146	6453.66	-384.76	3316.00	989.81	29.85	1	Working
4.	North West Karnataka Transport Corporation	Transport	Nov.97	-	-	-	-	9363.66	-	-	-	-	2	Working
	Sectorwise Total					**-2128.89**	**-2557**	**54058.01**	**-43983.82**	**17188.00**	**2881.81**	**16.77**	**-**	**-**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	FINANCING													
5.	Karnataka State Financial Corporation	Financing	Mar.59	1998-99	1999-2000	-8900	-	10594.9	-11852.24	213468.00	-8847.00	-	1	Working
	Sectorwise Total					**-8900**	**-**	**10594.9**	**-11852.24**	**213468.00**	**-8847.00**	**-**	**-**	**-**
	AGRICULTURE AND ALLIED													
6.	Karnataka State Warehousing Corporation	Agriculture	Nov.57	1998-99	2000-2001	301.4	-	695.00	475.26	2078.00	338.81	16.30	1	Working
	Sectorwise Total					**301.4**	**-**	**695.00**	**475.26**	**2078.00**	**338.81**	**16.3**	**-**	**-**
	TOTAL B (all sector wise Statutory Corporations)					**-4028.28**	**-22794**	**108948.91**	**-43637.80**	**545388.00**	**35113.62**	**6.44**	**--**	**--**
	Grand total (A+B)					**365.54**	**-22794**	**429950.18**	**18532.48**	**1571754.03**	**79971.10**	**5.09**	**-**	**-**

(a) Capital employed represents net fixed assets (including capital work-in progress) plus working capital except in case of finance companies/corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

$ No profit and loss account prepared. only pre-operative expenditure.

£ Excess expenditure over income capitalised. No profit and loss account prepared.

& First year accounts not finalised.

E Assets and liabilities transferred to Karnataka Milk Federation. The Company has applied for striking-off of its name from the Register of Companies.

F Assets and liabilities transferred to Department of Fisheries. The Company has applied for striking-off of its name from the Register of Companies.

ANNEXURE – 4

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2000

(Referred to in paragraph 1.4)

(Figures in columns 3 to 17 are in Rupees in lakh)

Sl. No.	Name of Public Sector undertakings	@ Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year				Loans on which Moratorium allowed	Loans converted into equity during the year
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
A	**GOVERNMENT COMPANIES**															
	AGRICULTURE AND ALLIED															
1.	Karnataka Agro Industries Corporation Limited	-	-	-	-	-	-	-	-	- (90.89)	-	2400.00	-	2400.00	-	2554.00
2.	Karnataka Compost Development Corporation Limited	-	7.50	-	7.50	-	-	-	-	-	-	-	-	-	-	-
3.	Karnataka Soaps and Detergents Limited	-	-	-	-	962.19	1036.31	86.28	-	2084.78 (2084.78)	-	20.00	-	20.00	-	-
4.	Karnataka Small Industries Marketing Corporation Limited	-	-	-	-	-	-	-	-	- (38.98)	-	-	-	-	-	-
5.	Karnataka State Small Industries Development Corporation Limited	-	180.00	-	180.00	-	-	-	-	- (37.50)	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
6.	The Mysore Paper Mills Limited	-	565.22	-	565.22	-	-	-	-	- (480.93)	-	-	-	-	-	-
7.	Mysore Lamp Works Limited.	-	-	-	-	1400.00	-	-	-	1400.00 (1400.00)	-	-	-	-	-	1064.00
	ENGINEERING															
8.	NGEF Limited	-	-	-	-	7640.00	105.00	-	-	7745.00 (6530.00)	-	-	-	-	-	-
9.	The Mysore Electrical Industries Limited	-	-	-	-	550.00	-	-	-	550.00 (550.00)	-	-	-	-	-	-
10.	Karnataka Implements and Machinery Company Limited.	-	-	-	-	-	-	-	-	-	335.25	6.02	-	341.27	-	-
	TEXTILES															
11.	Karnataka Silk Industries Corporation Limited	-	111.07	-	111.07	-	-	-	-	- (85.60)	-	-	-	-	-	-
	HANDLOOM AND HANDICRAFTS															
12.	The Karnataka Handloom Development Corporation Limited	-	-	-	-	3100.10	165.34	-	-	3265.44 (3295.91)	-	-	-	-	-	-
13.	Karnataka State Handicrafts Development corporation Limited	-	57.00	-	57.00	-	23.40	-	-	23.40 (106.29)	-	-	-	-	-	-
	FOREST															
14.	Karnataka Forest Development Corporation Limited	-	-	-	-	-	-	-	-	(497.04)	-	-	-	-	-	-
15.	The Karnataka State Forest Industries Corporation Limited	-	-	-	-	-	-	-	-	-	-	30.47	-	30.47	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
16.	Karnataka State Cashew Development Corporation Limited	-	-	-	-	-	-	-	-	- (698.43)	-	-	-	-	-	-
17.	Karnataka Pulpwood Limited	-	-	-	-	-	-	-	-	- (2562.52)	-	-	-	-	-	-
	MINING															
18.	Mysore Minerals Limited	-	-	-	-	1500.00	-	-	-	1500.00 (1300.00)	-	-	-	-	-	2000.00
19.	Hutti Gold Mines Company Limited	-	-	-	-	-	-	-	-	- (68.91)	-	-	-	-	-	-
	CONSTRUCTION															
20.	Karnataka State Police Housing Corporation Limited	-	-	-	-	-	-	-	-	- (4739.72)	-	-	-	-	-	-
	AREA DEVELOPMENT															
21.	Krishna Bhagya Jala Nigam Limited	-	-	-	-	-	41022.00	-	-	41022.00 (183040.50)	-	-	-	-	-	-
22.	Karnataka Neeravari Nigam Limited	-	-	-	-	-	60000.00	-	-	60000.00 (40540.85)	-	-	-	-	-	-
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS															
23.	Karnataka Backward Classes Development Corporation Limited	-	255.50	-	255.50	-	-	-	-	- (2075.37)	-	-	-	-	-	-
24.	Karnataka SC&ST Development Corporation Limited.	-	-	-	-	-	-	-	-	- (3140.12)	-	-	-	-	-	-
25.	The Karnataka Minorities Development Corporation Limited	-	118.00	-	118.00	-	-	-	-	- (1363.07)	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	PUBLIC DISTRIBUTION															
26.	Karnataka Food and Civil Supplies Corporation Limited	-	-	-	-	2015.00	-	-	-	2015.00 (440.76)	-	-	-	-	-	-
	SUGAR															
27.	The Mysore Sugar Company Limited	-	-	-	-	-	-	-	-	(65.46)	-	-	-	-	-	-
	CHEMICALS															
28.	The Mysore Acetate and Chemicals Company Limited	-	-	-	-	272.42	-	-	-	272.42 (1010.00)	-	-	-	-	-	-
	POWER															
29.	Karnataka Power Corporation Limited	-	-	-	-	-	-	-	-	(29037.88)	-	-	-	-	-	-
30.	Karnataka Renewable Energy Development Limited.	-	218.75	-	218.75	-	-	-	-	- (19402.00)	-	-	-	-	-	-
	FINANCING															
31.	Karnataka State Industrial Investment and Development Corporation Limited	-	210.00	-	210.00	-	-	-	-	- (1852.50)	1640.00	-	-	1640.00	-	-
	MISCELLANEOUS															
32.	Karnataka Film Industry Development Corporation Limited	-	5.23	-	5.23	-	-	-	-	-	-	-	-	-	-	-

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
33.	Mysore Sales International Limited	-	-	-	-	-	-	-	-	-	-	-	-	-	50.00	-
	TOTAL A (All sector wise Government companies)	-	**1728.27**	-	**1728.27**	**17439.71**	**102352.05**	**86.28**	--	**119878.04 (306536.01)**	**1975.25**	**2456.49**	-	**4431.74**	**50.00**	**5618.00**
	B Statutory corporations															
1.	Karnataka Electricity Board	-	105073.00	-	105073.00	-	43177.00	-	-	43177.00 (157776.48)	-	-	-	-	-	-
2.	Karnataka State Road Transport Corporation	-	2380.83	-	2380.83	-	7605.00	-	-	7605.00 (9807.41)	-	-	-	-	-	-
3.	Bangalore Metropolitan Transport Corporation	-	1740.00	-	1740.00	-	352.00	-	-	352.00 (845.97)	-	-	-	-	-	-
4.	North West Karnataka Road Transport Corporation	-	180.94	-	180.94	-	528.00	-	-	528.00 (528.00)	-	-	-	-	-	-
5	Karnataka State Finance Corporation	-	-	-	-	-	-	-	-	- (54447.00)	-	-	-	-	-	533.00
6	Karnataka State Warehousing Corporation	-	-	-	-	-	-	-	-	- (20.47)	-	-	-	-	-	-
	TOTAL B (all sector wise Statutory Corporations)	-	**109374.77**	-	**109374.77**	-	**51662.00**	-	-	**51662.00 (223425.33)**	-	-	-	-	-	**533.00**
	Grand total (A + B)	-	**111103.04**		**111103.04**	**17439.71**	**154014.05**	**86.28**	-	**171540.04 (529961.34)**	**1975.25**	**2456.49**	-	**4431.74**	**50.00**	**6151.00**

** Guarantees outstanding at the end of the year is shown in brackets

Annexure 5

Statement showing financial position of Statutory corporations
(Referred to in paragraph No.1.2.2)

(Rupees in crore)

Sl. No.	Particulars	1997-98	1998-99	1999-2000 (provisional)
1.	**Karnataka Electricity Board**			
A.	**Liabilities**			
	Equity Capital	436.01	436.01	436.01
	Loans from Government	486.08	473.50	429.77
	Other long-term loans (including bonds)	1366.16	1777.50	2022.81
	Reserves and surplus	425.08	539.00	673.36
	Current liabilities and provisions	2710.89	3083.47	3294.47
	Total: A	**5424.22**	**6309.48**	**6856.42**
B.	**Assets**			
	Gross fixed assets	3645.37	4230.29	4711.08
	Less: Depreciation	1111.10	1333.76	1593.71
	Net fixed assets	2534.27	2896.53	3117.37
	Capital works-in-progress	481.36	411.60	597.94
	Deferred cost	0.92	50.53	49.89
	Current assets	2372.28	2901.87	3051.71
	Investments	35.39	48.95	39.51
	Miscellaneous expenditure	0.00	0.00	0.00
	Accumulated losses	0.00	0.00	0.00
	Total: B	**5424.22**	**6309.48**	**6856.42**
C.	**Capital employed** @	2677.02	3126.53	3472.55

@ Capital employed represents net fixed assets (including capital work in progress) plus working capital. While working out working capital the element of deferred cost and investments are excluded from current assets.

Sl. No.	Particulars	1997-98	1998-99 (provisional)	1999-2000 (provisional)
2.	**Karnataka State Road Transport Corporation**			
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	382.41	289.07	289.07
	Borrowings (Government)	4.28	3.23	3.23
	(Others)	230.89	173.38	195.71
	Funds*	31.75	24.88	28.20
	Trade dues and other current liabilities (including provisions)	237.70	246.81	245.87
	Total: A	**887.03**	**737.37**	**762.08**
B.	**Assets**			
	Gross block	679.39	512.66	552.87
	Less : depreciation	442.93	291.13	308.77
	Net fixed assets	236.46	221.53	244.10
	Capital works-in-progress (including cost of chassis)	10.11	8.90	21.67
	Investments	73.35	0.19	0.15
	Current assets, loans and advances	129.85	174.86	148.79
	Deferred Cost	1.27	1.29	1.62
	Accumulated losses	435.99	330.60	345.75
	Total: B	**887.03**	**737.37**	**762.08**
C.	**Capital employed**	**138.72**	**158.48**	**168.69**

* Excluding depreciation fund.

Sl. No.	Particulars	1997-98	1998-99	1999-2000 (provisional)
3.	**Bangalore Metropolitan Transport Corporation**			
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	64.44	64.53	64.53
	Borrowings (Government)	0.72	0.72	0.72
	(Others)	22.17	16.31	25.53
	Funds	5.03	5.73	6.08
	Trade dues and other current liabilities (including provisions)	36.53	44.78	54.28
	Total: A	**128.89**	**132.07**	**151.14**
B.	**Assets**			
	Gross block	119.69	130.46	152.07
	Less : depreciation	70.24	71.26	79.99
	Net fixed assets	49.45	59.20	72.08
	Capital works-in-progress (including cost of chassis)	1.58	1.43	2.98
	Investments	3.00	--	--
	Current assets, loans and advances	16.50	17.31	19.97
	Deferred Cost	0.51	0.25	0.24
	Excess of liabilities over assets transferred	50.03	50.03	54.14
	Accumulated losses	7.82	3.85	1.73
	Total: B	**128.89**	**132.07**	**151.14**
C.	**Capital employed**	**31.00**	**33.16**	**40.75**

Sl. No.	Particulars	1997-98	1998-99 (1^{st} years accounts) (provisional)	1999-2000 (provisional)
4.	**North West Karnataka Road Transport Corporation**			
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	--	93.63	93.63
	Borrowings (Government.)	--	66.78	94.11
	(Others)	--	1.34	--
	Funds	--	11.17	15.81
	Trade dues and other current liabilities (including provisions)	--	123.24	111.79
	Total: A	**--**	**296.16**	**315.34**
B.	**Assets**			
	Gross block	--	235.86	261.35
	Less: depreciation	--	141.34	157.86
	Net fixed assets (Goodwill)	--	94.52	103.49
	Capital works-in-progress (including cost of chassis)	--	2.05	3.48
	Investments	--	--	--
	Current assets, loans and advances	--	54.61	63.26
	Deferred Cost	--	0.34	0.47
	Accumulated losses	--	--	--
	Excess liabilities over asset transferred	--	144.64	144.64
	Total: B	**--**	**296.16**	**315.34**
C.	**Capital employed**	**--**	**172.58**	**203.08**

Sl. No.	Particulars	1997-98	1998-99	1999-2000 (provisional)
5.	**Karnataka State Financial Corporation**			
A.	**Liabilities**			
	Paid-up capital	69.10	73.95	98.28
	Share application money	19.00	32.00	23.00
	Reserves fund and other reserves and surplus	4.45	4.45	4.45
	Borrowings:			
	(i) Bonds and debentures	708.95	736.45	692.97
	(ii) Fixed Deposits	49.23	45.84	33.42
	(iii) Industrial Development Bank of India & Small Industries Development Bank of India	990.62	1025.58	1018.82
	iv) Reserve Bank of India	--	--	--
	(v) Loan in lieu of share capital:			
	(a) State Government	10.18	5.33	--
	(b) Industrial Development Bank of India	9.17	9.17	9.17
	(vi)Others (including State Government)	224.08	251.80	361.23
	Other liabilities and provisions	136.42	186.56	287.82
	Total: A	**2221.20**	**2371.13**	**2529.16**
B.	**Assets**			
	Cash and bank balances	106.27	113.79	93.16
	Investments	80.98	98.51	96.48
	Loans and advances	1916.40	1941.56	2006.92
	Net fixed assets	13.66	14.18	16.55
	Other assets	75.42	84.57	85.11
	Miscellaneous expenditure	28.47	118.52	226.19
	Dividend deficit	--	--	4.75
	Total: B	**2221.20**	**2371.13**	**2529.16**
C.	**Capital employed** *	**2033.70**	**2134.68**	**2208.50**

* Capital employed represents the mean of the aggregate of opening and closing balances of paid-up capital, loans in lieu of capital, seed money, debentures, reserves (other than those which have been funded specifically and backed by investments outside), bonds, deposits and borrowings (including refinance).

Sl. No.	Particulars	1996-97	1997-98	1998-1999
6.	**Karnataka State Warehousing Corporation**			
A.	**Liabilities**			
	Paid-up capital	6.20	6.60	6.95
	Reserves and Surplus	8.76	11.38	12.69
	Borrowings (Government.)	--	--	--
	(Others)	1.99	1.81	1.26
	Trade dues and Current liabilities (including provision)	4.62	5.13	5.51
	Total: A	**21.57**	**24.92**	**26.41**
B.	**Assets**			
	Gross block	15.64	16.33	17.78
	Less: Depreciation	2.81	3.15	3.26
	Net fixed assets	12.83	13.18	14.52
	Capital work-in-progress	1.11	1.88	2.84
	Investment	0.12	0.12	0.12
	Current assets, loans and advances	7.51	9.74	8.93
	Accumulated losses	--	--	--
	Total: B	**21.57**	**24.92**	**26.41**
C.	**Capital employed** **	**16.83**	**19.67**	**20.78**

** Capital employed represents net fixed assets, (including capital working progress) plus working capital.

ANNEXURE 6

Statement showing working results of Statutory corporations
(Referred to in paragraph No.1.2.2 and 1.6.2)

(Rupees in crore)

Sl No	Particulars	1997-98	1998-99	1999-2000 (Provisional)
1.	**Karnataka Electricity Board**			
1	a) Revenue receipts	2832.65	3012.47	3540.66
	b) Subsidy /subvention from the Government	380.24	914.79	1050.73
	Total	**3212.89**	**3927.26**	**4591.39**
2	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest	2666.69	3228.10	3879.79
3	Gross surplus for the year (1-2)	546.20	699.16	711.6
4	Adjustments relating to previous years	23.79	18.26	24.01
5	Final gross surplus for the year (3+4)	569.99	717.42	735.61
6	Appropriations			
	a) Depreciation (less capitalised)	225.62	253.57	290.92
	b) Interest on Government loans	60.51	60.50	58.88
	c) Interest on others, bonds, advances etc. and finance charges	282.27	343.27	388.09
	d) Total interest on loan & finance charges (b+c)	342.78	403.77	446.97
	e) Less: Interest capitalised	56.88	6.91	77.99
	f) Net interest charged to revenue (d-e)	285.90	396.86	368.98
	g) Total appropriations (a+f)	511.79	650.43	659.90
7	Deficit (-) before accounting for Subsidy from the State Government (5-6(g)-1(b))	(-)321.77	(-)847.80	(-)975.02
8	Net surplus {5-6(g)}	58.47	66.99	75.71
9	Total return on capital employed*	344.37	407.40	375.39
10	Percentage of return on capital employed	12.87	13.03	10.81

* Total return on capital employed represents net surplus/deficit plus total interest charged to profit and loss account (less interest capitalised)

Sl No	Particulars	1997-98	1998-99	1999-2000 (Provisional)
2	**Karnataka State Road Transport Corporation**			
	Operating :			
	a) Revenue	913.90	591.51	693.94
	b) Expenditure	950.04	604.96	720.75
	c) Surplus(+)/Deficit(-)	(-)36.14	(-)13.45	-)26.81
	Non-operating :			
	a) Revenue	72.75	48.64	47.04
	b) Expenditure	61.86	45.06	40.83
	c) Surplus(+)/Deficit(-)	10.89	3.58	6.21
	Total			
	a) Revenue	986.65	640.15	740.98
	b) Expenditure	1011.90	650.02	761.58
	c) Net profit (+)/loss(-)	(-)25.25	(-)9.87	(-)20.60
	Interest on capital and loans	44.17	33.92	33.85
	Total return on Capital employed	18.92	24.05	13.25
	Percentage of total return on capital employed	13.64	15.18	7.85

Sl No	Particulars	1997-98 15.8.1997 to 31.3.1998	1998-99	1999-2000 (Provisional)
3	**Bangalore Metropolitan Transport Corporation**			
	Operating :			
	a) Revenue	106.62	175.97	211.01
	b) Expenditure	102.27	183.32	223.10
	c) Surplus(+)/Deficit(-)	4.35	(-)7.35	(-)12.09
	Non-operating :			
	a) Revenue	10.99	19.30	22.72
	b) Expenditure	23.16	7.98	8.53
	c) Surplus(+)/Deficit(-)	(-)12.17	(+)11.32	(-)14.19
	Total			
	a) Revenue	117.61	195.27	223.73
	b) Expenditure	125.43	191.30	231.63
	c) Net profit (+)/loss(-)	(-)7.82	(+)3.97	(+)2.10
	Interest on capital and loans	2.99	5.93	4.32
	Total return on Capital employed	--	9.90	2.22
	Percentage of total return on capital employed	--	11.90	5.45

Sl No	Particulars	1997-98	1998-99 (1st year-accounts)	1999-2000 (Provisional)
4	**North West Karnataka Road Transport Corporation**			
	Operating :			
	a) Revenue	--	345.68	396.31
	b) Expenditure	--	318.15	362.48
	c) Surplus(+)/deficit(-)	--	27.53	33.83
	Non-operating :			
	a) Revenue	--	23.05	29.30
	b) Expenditure	--	50.36	60.37
	c) Surplus(+)/deficit(-)	--	-27.31	-31.07
	Total	-		
	a) Revenue	--	368.73	425.61
	b) Expenditure	--	368.51	422.85
	c) Net profit(+)/loss(-)	--	0.22	2.76
	Interest on capital and loans	--	14.00	15.61
	Total return on Capital employed	--	14.22	18.37
	Percentage of total return on capital employed	--	8.24	8.83

Sl No	Particulars	1997-98	1998-99	1999-2000 (Provisional)
5	**Karnataka State Financial Corporation**			
1	Income			
	a) Interest on loans	263.06	242.30	229.99
	b) Other income	41.55	41.70	42.27
	Total : 1	**304.61**	**284.00**	**272.26**
2	Expenses			
	(a) interest on long-and short term loans	248.17	267.71	265.67
	(b) provision for non-performing assets	--	45.19	60.06
	(c) other expenses	49.87	60.10	54.73
	Total : 2	**298.04**	**373.00**	**380.46**
3	Profit(+)/Loss(-) before tax (1-2)	6.57	(-)89.00	(-)108.20
4	Prior period adjustments	(-)2.25	0.52	--
5	Provision for tax	1.58	0.53	0.53
6	Profit (+)/Loss (-) after tax	--	(-) 90.05	(-) 107.67
7	Other appropriations (Net)	31.21[&]	--	--
8	Amount available for dividend[#]	---	--	--
9	Dividend paid/payable	--	--	--
10	Total return on capital employed	254.74	--	--
11	Percentage of return on Capital employed	12.5	--	--

[&] includes provision for non performing assets.

[#] represents profit of current year available for dividend after considering the specific reserves and provision for taxation.

Sl No	Particulars	1996-97	1997-98	1998-1999
6	**Karnataka State Warehousing Corporation**			
	1. Income:			
	a) Warehousing charges	6.64	8.18	8.72
	b) Other income	1.14	1.37	1.53
	Total: 1	**7.78**	**9.55**	**10.25**
	2. Expenses:			
	a) Establishment charges	3.04	3.62	4.40
	b) Other expenses	2.64	2.86	2.81
	Total: 2	**5.68**	**6.48**	**7.21**
	3. Profit before tax	2.10	3.07	3.01
	4. Provision for tax	0.05	0.09	0.01
	5. Prior period adjustment	1.23	(-)0.12	0.32
	6. Other appropriations	--	--	--
	7. Amount available for dividend	0.82	3.10	3.32
	8. Dividend for the year	0.31	0.31	0.34
	9. Total return on Capital employed	0.99	3.32	3.39
	10. Percentage of return on Capital employed	5.90	16.90	16.31

Annexure 7

Statement showing operational performance of Statutory corporations

(Referred to in paragraph No.1.6.2.3)

1. Karnataka Electricity Board

Particulars	1997-98	1998-99	1999-2000 (provisional)
Installed capacity		(MW)	
a) Thermal	Nil	Nil	Nil
b) Hydro	220.60	220.60	220.60
c) Gas	Nil	Nil	Nil
d) Other	127.92	127.92	127.92
Total	**348.52**	**348.52**	**348.52**
Normal maximum demand	3641.00	3893.00	4135.00
Power generated		(MKWH)	
a) Thermal	Nil	Nil	Nil
b) Hydro	469.759	502.765	425.986
c) Gas	Nil	Nil	Nil
d) Other	665.450	625.005	707.489
Total	**1135.209**	**1127.770**	**1133.475**
Less: Auxiliary consumption			
a) Thermal (percentage)	Nil	Nil	Nil
b) Hydro (percentage)	5.239 (1.16)	5.114 (1.02)	3.313 (0.78)
c) Gas (percentage)	Nil	Nil	Nil
d) Other (percentage)	22.625 (4.19)	22.079 (3.53)	21.322 (3.01)
Total (percentage)	27.864 (2.50)	27.193 (2.41)	24.635 (2.17)
Net power generated	1107.345	1100.577	1108.840

(1)	(2)	(3)	(4)
Power purchased			
a) within the State:			
Government:	15247.250	15264.447	18657.792
Private:	1.040	12.309	294.128
b) Other States	216.639	877.250	827.569
c) Central grid	5021.588	5491.082	5229.191
Total power available for sale	21593.862	22745.665	26117.520
Power sold			
a)Within the State:	17582.367	15902.606	16137.993
b) Outside the State:	4.017	7.048	12.509
Transmission and distribution losses	4007.480	6868.143	9967.018
Load factor (Percentage)	54.30	49.75	51.98
Percentage of transmission and distribution losses to total power available for sale	18.56	30.20	38.16
No. of Villages/towns electrified	26483	26676	26691
No. of Pumpsets/wells energised	1067032	1125933	1165465
No. of Sub-stations	**566**	**619**	**636**
Transmission lines in kms	24907	25656	26785
Distribution lines in kms			
a) High/medium voltage	119352	122698	126671
b) Low voltage	331781	340186	348444
Connected load (MW)	12247.766	12855.000	13507.000
Number of consumers (in lakh)	78.11	97.18	102.02
Number of employees	41481	42110	40233
Consumers/ employees ratio	188.30:1	232.78:1	253.57:1
Total expenditure on staff during the year (Rs. in crore)	530.81	706.78	822.59
Percentage of expenditure on staff to total revenue expenditure	19.70	18.22	18.12

(1)	(2)	(3)	(4)
Units sold		**(MWKH)**	
a) Agriculture	9146.000	7049.427	6357.513
(Percentage share to total units sold)	52.00	44.31	39.36
b) Industries	3493.00	3517.841	3494.464
(Percentage share to total units sold)	19.90	22.11	21.46
c) Commercial	759.00	970.988	1127.842
(Percentage share to total units sold)	4.30	6.10	6.98
d) Domestic	3168.00	3373.422	3677.797
(Percentage share to total units sold)	18.03	21.20	22.77
e) Others	1020.00	997.976	1492.887
(Percentage share to total units sold)	5.80	6.28	9.25
Total	**17586.00**	**15909.654**	**16150.503**
Particulars	**1997-98**	**1998-99**	**1999-2000**
		(Paise per kWh)	
a) Revenue			
(excluding subsidy from Government)	161	189	219
b) Expenditure*	181	244	281
c) Loss	20	55	62
d) Average subsidy claimed from Government (in Rs.)	0.22	0.57	0.65
e) Average interest charges (in Rs.)	0.16	0.22	0.23

* Revenue expenditure includes depreciation but excludes interest on long term loans.

2. Karnataka State Road Transport Corporation Limited.

Particulars	1997-98	1998-99	1999-2000 (provisional)
Average number of vehicles held	8454	5487	5732
Average number of vehicles on road	7927	5192	5436
Percentage of utilisation of vehicles	93.80	94.60	94.80
Number of employees	59617	35067	36191
Employees vehicle ratio	5.79	6.12	6.16
Number of routes operated at the end of the year	13246	6974	N.A
Route kilometres	927967	588837	N.A
Kilometres covered (in lakh)			
a) Gross	9703.92	6483.25	6892.96
b) Effective	9474.68	6280.86	6681.83
c) Dead	229.24	202.39	211.13
Percentage of dead kms. to gross kilometres	2.40	3.12	3.06
Average kilometres covered per bus per day	327	333	336
Operating revenue per kilometre (in paise)	964.60	941.80	1108.90
Average expenditure per kilometre (paise)	1002.70	1034.90	1131.10
Loss per kilometre (paise)	38.10	-93.10	-22.20
Kilometers per liter of diesel	4.66	4.74	4.70
Number of operating depots	97.00	65	68
Average number of breakdowns per lakh kilometres	0.18	1.78	2.08
Average number of accidents per lakh kilometres	0.17	0.15	0.22
Passenger kilometres operated (in crore)	3606.75	248890	251848
Occupancy ratio	61.32	75.00	71.20
Kilometres obtained per litre of:			
Diesel oil	4.66	4.74	4.70
Engine oil	1214	1677	1747

3. Bangalore Metropolitan Transport Corporation

Particulars	1997-98	1998-99	1999-2000 (provisional)
Average number of vehicles held	2012	2098	2119
Average number of vehicles on road	1859	1965	2005
Percentage of utilisation of vehicles	92.40	94	94.6
Number of employees	11611	13093	12984
Employees vehicle ratio	5.77	6.60	6.40
Number of routes operated at the end of the year	1036	1048	N.A
Route kilometers	20152	20488	N.A
Kilometers covered (in lakh)			
a) Gross	1471.92	1546	1765
b) Effective	1416.39	1484	1690
c) Dead	55.53	N.A	75
Percentage of dead kms. to gross kilometers	3.70	4.0	4.5
Average kilometers covered per bus per day	208.80	210	203
Operating revenue per kilometer (in paise)	1168.80	1300	1252.3
Average expenditure per kilometer (paise)	1229.00	1274	1321.3
Profit/Loss per kilometer (paise)	(-)60.20	(+)26	(-)69.0
Kilometers per liter of diesel	3.98	4.10	4.26
Number of operating depots	13	16	16
Average number of breakdowns per ten thousand kilometers	0.55	0.49	0.40
Average number of accidents per lakh kilometers	0.33	0.29	0.26
Passenger kilometers operated (in crore)	14.66	650	714
Occupancy ratio	100.70	67.50	68.20
Kilometers obtained per liter of: Diesel oil	3.98	4.10	4.26
Engine oil	509.70	N.A	N.A

4. North West Karnataka Road Transport Corporation

Particulars	1998-99	1999-2000 (provisional)
Average number of vehicles held	3271	3414
Average number of vehicles on road	3089.60	3239.50
Percentage of utilisation of vehicles	94.45	94.88
Number of employees	19729	19682
Employees vehicle ratio	6.03	5.76
Number of routes operated at the end of the year	5059	5167
Route kilometres	392000	403114
Kilometres covered (in lakh)		
a) Gross	3794.08	4058.14
b) Effective	3736.01	3992.98
c) Dead	58.07	65.13
Percentage of dead kms. to gross kilometres	1.53	1.60
Average kilometres covered per bus per day	336.40	343.20
Operating revenue per kilometre (in paise)	987.00	1065.90
()Average expenditure per kilometre (paise)	986.40	1059.00
Profit/Loss per kilometre(paise)	0.60	0.90
Number of operating depots	39	40
Average number of breakdowns per lakh kilometres	1.80	1.90
Average number of accidents per lakh kilometres	0.18	0.16
Passenger kilometres operated (in crore)	1450.32	1550.07
Occupancy ratio	64.70	64.70
Kilometres obtained per litre of:		
Diesel oil	4.93	4.92
Engine oil	1296.60	1352.60

5. Karnataka State Financial Corporation

Particulars	1997-98		1998-99		1999-2000	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	339	29.98	215	24.94	110	17.67
Applications received	7047	668.83	3787	395.93	3013	370.66
Total	**7386**	**698.81**	**4002**	**420.87**	**3123**	**388.33**
Applications sanctioned	6853	479.15	3672	300.21	2848	312.10
Applications cancelled/ Withdrawn/ rejected/reduced	318	164.74	220	102.99	162	24.04
Applications pending at the Close of the year	215	24.94	110	17.67	113	22.12
Loans disbursed	6450	401.79	--	290.17	--	257.41
Loan outstanding at the close of the year	55651	1785.38	--	1605.33	--	1682.97
Amount overdue for recovery at the close of the year :						
a) Principal	--	319.69	--	207.71	--	347.41
b) Interest	--	385.45	--	206.63	--	385.05
Total	**--**	**705.14**	**--**	**414.34**	**--**	**732.46**
Amount involved in Recovery certificate cases	--	134.16	--	267.6	--	422.45
Total	--		--		--	
Percentage of overdue to the Total loans outstanding	--	39.5	--	32.0	--	43.52

ANNEXURE – 11

Statement showing the divisionwise performance of Mysore Sales International Limited:

(Referred in paragraph 2A.6)

(Rs. in lakh)

Sl. No.	Name of the division	1996-97					1997-98					1998-99				
		Gross income	**Direct Expen-diture**	**Gross Profit**	**Head Office. Over head**	**Net Profit**	**Gross income**	**Direct Expen-diture**	**Gross Profit**	**Head Office. Over head**	**Net Profit**	**Gross income**	**Direct Expen-diture**	**Gross Profit**	**Head Office Over head**	**Net Profit**
1.	Liquor	2467.16	784.12	1683.04	102.31	1580.73	1610.99	1086.07	584.99	170.50	354.49	1821.29	1255.79	565.50	215.42	350.08
2.	Lottery	(-)470.82	392.06	(-)869.88	29.50	(-)899.38	538.51	434.84	103.67	48.28	55.39	433.77	351.61	82.16	53.43	28.73
3.	Paper	482.69	309.92	172.77	33.29	139.48	422.99	386.26	36.73	55.70	(-)18.97	424.71	390.98	33.73	69.53	(-)35.80
4.	Air Cargo	1002.60	304.53	698.07	50.68	647.39	1286.76	314.42	972.34	84.75	887.59	1403.41	322.60	1080.81	92.17	988.64
5.	Hire Purchase	164.57	113.68	50.89	15.61	35.28	242.45	122.33	120.12	27.77	92.35	286.00	127.58	158.42	33.76	124.66
6.	Tours and Travels	18.27	14.40	3.87	1.96	1.91	16.70	12.83	3.87	3.50	0.37	17.02	9.83	7.19	2.81	4.38
7.	Exports	90.66	67.91	22.75	10.41	12.34	44.49	37.45	7.20	8.26	(-)1.06	28.08	12.46	15.62	3.39	12.23

Annexure 9

Statement showing financial position of Mysore Sales International Limited.

(Referred in paragraph 2A.6)

(Rs. in lakh)

	1995-96	1996-97	1997-98	1998-99	1999-2000
Liabilities					
Paid-up capital	60.00	60.00	60.00	60.00	60.00
Share Application Money	--	--	-	175.25	306.23
Reserves and Surplus	1520.25	2296.59	3262.79	4286.38	4962.08
Borrowings	1151.23	930.92	1454.35	1643.36	1370.75
Current Liabilities & Provisions	5863.51	7037.07	7401.65	7718.19	7154.93
Total :	**8594.99**	**10324.58**	**12178.79**	**13883.18**	**13853.99**
Assets					
a) Gross Block	671.57	1136.20	1711.95	2890.71	3551.29
b) Less: Depreciation	240.34	283.50	408.14	649.70	1038.03
c) Net Fixed Assets	431.23	852.70	1303.81	2241.01	2513.26
d) Investments	35.75	35.54	24.30	199.52	329.93
e) Capital W-I-P	--	5.64	--	2.05	--
f) Current Assets, Loans & Advances	8128.01	9430.70	10850.68	11440.60	11010.80
Total :	**8594.99**	**10324.58**	**12178.79**	**13883.18**	**13853.99**
Capital employed	**2695.73**	**3246.33**	**4752.85**	**5965.47**	**6369.13**
Net Worth	**1580.25**	**2356.59**	**3322.79**	**4521.63**	**5328.31**

Capital employed represents net fixed assets plus working capital.
Net worth represents paid-up capital plus reserves and surplus Less intangible assets.

Annexure 10

Statement showing working results of Mysore Sales International Limited.

(Referred in paragraph 2A.6)

(A) Income

(Rs. in lakh)

	1995-96	1996-97	1997-98	1998-99	1999-2000
1.Sales (including commission and service charges)	21072.39	21422.61	22919.96	23816.33	23917.04
2. Other income	249.36	245.37	648.95	780.59	1077.01
3. Accretion/ Decretion to stock	963.70	197.36	307.20	607.87	(-)956.43
3. Extra ordinary income	--	1309.23	--	--	--
Total (A)	**22,285.45**	**23,174.57**	**23,876.11**	**25,204.79**	**24,037.62**

(B) Expenditure

i) Cost of materials	18,529.57	18,879.70	19,290.88	20,233.38	18,452.41
ii) Packing & forwarding	119.21	130.38	99.46	105.55	105.81
Iii) Administration. manufacturing & selling expenses	2219.06	2649.84	2948.16	3079.33	3669.60
iv)Financial expenses	218.16	153.98	157.31	195.92	228.75
iv) Depreciation	30.68	43.39	126.98	258.18	394.25
v) Others	49.07	25.30	19.50	30.05	9.65
Total (B)	**21165.75**	**21882.59**	**22642.29**	**223902.41**	**22,860.47**
	1119.70	**1291.98**	**1233.83**	**1302.38**	**1,177.15**
(C) Prior period adjustments	**- 26.27**	**- 9.24**	**- 13.03**	**- 10.83**	**65.49**
(D) Tax provision	**500.00**	**480.00**	**215.00**	**228.00**	**396.00**
(E) profit after tax	**593,43**	**802.74**	**1005.80**	**1063.55**	**715.66**
(F) Dividend paid	**24.00**	**26.40**	**39.60**	**39.96**	**39.96**
(G) Profit retained in business	**569.43**	**776.34**	**966.20**	**1023.59**	**675.70**

6. Karnataka State Warehousing Corporation

Particulars	1997-98	1998-99	1999-2000 (Provisional)
Number of stations covered	97	97	107
Storage capacity created upto the end of the year (tonnes in lakh)			
a) Owned	2.35	2.48	2.88
b) Hired	1.53	1.79	2.56
Total :	**3.88**	**4.28**	**5.44**
Average capacity utilised during the year (tonnes in lakh)	3.5	3.68	5.03
Percentage of utilisation	90.3	85.98	92.46
Average revenue per tonne per year (Rupees)	229.29	259.51	209.55
Average expenses per tonne per year(Rupees)	162.29	176.08	145.95
Profit (+)/loss (-) per tonne (Rupees)	60.02	83.43	63.60

ANNEXURE 8

Statement showing the companies whose turnover were less than Rs.5 crore during the last years for which accounts have been certified.

(Referred in paragraph 1.8.D)

Sl. No	Name of the Company	Latest finalised year of accounts	Turnover (Rs. in crores)
1	Karnataka Coir Development Corporation Limited.	1999-2000	4.48
2	Mysore Cosmetics Limited .	1999-2000	0.25
3	Chamundi Machine Tools Limited.	1999-2000	2.33
4	Karnataka Compost Development Corporation Limited.	1998-99	1.18
5	Vijayanagar Steels Limited.	1999-2000	0.15
6	Karnataka Telecom Limited.	1999-2000	0.07
7	Karnataka Implements and Machineries Company Limited.	1998-99	0.10
8	Karnataka State Textiles Limited.	1998-99	0.01
9	Karnataka State Veeners Limited.	1998-99	1.23
10	Karnataka Pulpwood Limited.	1998-99	0.08