सत्यमेव जयते

Report of the
Comptroller and Auditor General of India
on
Public Sector Undertakings
for the year ended March 2019

भारतीय लेखापरीक्षा और लेखा विभाग
INDIAN AUDIT AND ACCOUNTS DEPARTMENT
सत्यमेव जयते
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

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Government of Karnataka
Report No. 5 of the year 2020

Presented to Legislature on 3-02-2021

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Preface

This report deals with the results of audit of Government Companies and Statutory Corporations for the year ended March 2019.

The accounts of the Government Companies (including companies deemed to be Government companies as per the provisions of the Companies Act) are audited by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956, and Sections 139 and 143 of the Companies Act, 2013. The accounts, certified by the Statutory Auditors (Chartered Accountants) appointed by the CAG under the Companies Act, are subject to supplementary audit by the officers of the CAG and the CAG gives his comments or supplements the reports of the Statutory Auditors. In addition, these companies are also subject to test audit by the CAG.

The Reports in relation to the accounts of a Government Company or Corporation are submitted to the Government by the CAG for laying before the State Legislature of Karnataka under the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The CAG also conducts the audit of accounts of the State Road Transport Corporations, State Warehousing Corporation and State Finance Corporation as per their respective Legislations.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2018-19 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. The matters relating to the period subsequent to 2018-19 are also included wherever necessary.

The audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Overview

Overview

Overview of Government Companies and Statutory Corporations

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013 (Act). The accounts of Government Companies are audited by Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These accounts are also subject to supplementary audit by the CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2019, the State of Karnataka had 101 working Public Sector Undertakings-PSUs (95 Companies and 6 Statutory Corporations) and 13 non-working PSUs (all Companies), which employed 2.02 lakh employees. The State PSUs registered a turnover of ₹ 70,599.16 crore during the year 2018-19 as per their latest finalised accounts. This turnover was equal to 5.01 *per cent* of the State Gross Domestic Product indicating the important role played by the PSUs in the economy. The PSUs had accumulated loss of ₹ 2,366.16 crore as per their latest finalised accounts.

1. Functioning of Power Sector PSUs

Formation of Power Sector PSUs

The functions of generation, transmission and distribution of electricity in the State, which were under the control of the erstwhile Government of Mysore, Electrical Department, were transferred to Karnataka Electricity Board (KEB) after its formation with effect from 1 October 1957. Karnataka Power Corporation Limited (KPCL), which came into existence in July 1970 as fully owned State Public Sector Undertaking, has been the mainstay of power generation in the State through its hydro, thermal and renewable energy stations. Government of Karnataka (GoK) also took the initiative (1995) to form an exclusive entity called Karnataka Renewable Energy Development Limited (KREDL) for promoting renewable energy and energy conservation in the State.

Later in January 1997, GoK pronounced its general policy on power reforms which envisaged setting up of an Independent Regulatory Commission, reorganisation of KEB by separating generation, transmission and distribution functions, followed by reorganisation of the distribution function into several economically viable units. In pursuant to the said policy, Karnataka Electricity Reforms Act 1999 was brought into effect in June 1999 enabling establishment of Karnataka Electricity Regulatory Commission (KERC) and formation (July 1999/August 1999) of two new companies under the Companies Act, 1956 by carving out the functions of KEB *viz*. Karnataka Power Transmission Corporation Limited (KPTCL) for carrying out transmission and distribution functions and Visvesvaraya Vidyuth Nigama Limited (VVNL) for generation functions.

The GoK, in order to undertake further reforms and restructuring measures in the power sector, came out (January 2001) with a Power Policy Statement wherein it was decided *inter-alia* to restructure KPTCL into several utilities and their privatisation thereafter to promote the development of an efficient, commercially viable and competitive power supply industry, which can provide reliable quality supply at competitive prices to various classes of consumers in the State. In this direction, four independent distribution companies covering different regions in the State were formed under the Companies Act, 1956, which became functional with effect from 1 June 2002 *viz*. Bengaluru Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM). The fifth Distribution Company - Chamundeshwari Electricity Supply Corporation Limited (CESC) was carved out of MESCOM with effect from 1 January 2005. Further, VVNL, which was formed to carry out the generation functions of erstwhile KEB, was amalgamated (April 2006) with KPCL.

The GoK had also set up (August 2007) a Special Purpose Vehicle *viz.* Power Company of Karnataka Limited (PCKL) to supplement the efforts of KPCL in generation capacity addition in the State by way of setting up of new power projects through bidding process and long term procurement of power.

Investments in Power Sector PSUs

As on 31 March 2019, the total investment (Equity and long-term loans) in 11 PSUs was ₹ 55,573.93 crore. The investment consisted of 27.42 *per cent* towards equity and 72.58 *per cent* in long-term loans.

The total investment in the Power Sector PSUs as on 31 March 2019 included investment of ₹ 14,504.76 crore by the State Government consisting of ₹ 12,566.69 crore as equity and ₹ 1,938.07 crore as long term loans. The investment grew by 52.75 *per cent* from ₹ 9,495.80 crore in 2014-15 to ₹ 14,504.76 crore in 2018-19.

Performance of Power Sector PSUs as per their latest finalised accounts

Out of 11 Power Sector PSUs, five earned profit of ₹ 1,086.71 crore and six incurred loss of ₹ 2,928.68 crore. The major contributors to profit were Hubli Electricity Supply Company Limited (₹ 690 crore) and Karnataka Power Transmission Corporation Limited (₹ 212.14 crore). Huge losses were incurred by Raichur Power Corporation Limited (₹ 1,251.30 crore), Karnataka Power Corporation Limited (₹ 992.06 crore), Chamundeshwari Electricity Supply Corporation Limited (₹ 209.35 crore) and Gulbarga Electricity Supply Company Limited (₹ 472.63 crore).

The Power Sector PSUs showed net aggregate profits of ₹ 372.60 crore, ₹ 422.87 crore and ₹ 19.25 crore during 2014-15, 2015-16 and 2016-17 respectively and incurred net aggregate loss of ₹ 1,605.58 crore and ₹ 1,841.97 crore during 2017-18 and 2018-19 respectively.

Return on State Government Funds infused in Power Sector PSUs

Out of 11 Power Sector PSUs of the State, the State Government infused funds in the form of equity, interest free loans and grants/ subsidies in eight Power Sector PSUs only. The State Government did not infuse any direct funds in the other three PSUs till 2018-19 and the equity of these PSUs was contributed by the concerned holding companies.

The funds infused by the State Government in these eight PSUs at the end of the year increased to ₹ 12,567.63 crore in 2018-19 from ₹ 4,536.03 crore as at 31 March 2010, as the State Government infused further funds in shape of equity (₹ 8,030.66 crore) and interest free loans (₹ 0.94 crore) during the period 2010-11 to 2018-19. The Present Value (PV) of funds infused by the State Government upto 31 March 2019 worked out to ₹ 20,453.83 crore.

The returns based on PV were less than the returns based on historical cost during 2014-15 to 2016-17. The returns based on historical cost varied from 0.19 *per cent* to 4.10 *per cent* during 2014-15 to 2016-17, while the returns based on PV varied from 0.13 *per cent* to 2.97 *per cent* during the same period. Further, the Power Sector PSUs incurred overall losses of ₹ 39.61 crore during 2017-18 and ₹ 587.33 crore during 2018-19.

Quality of accounts

The quality of accounts of Power Sector PSUs needs improvement. During the year 2018-19, out of 11 accounts finalised, the Statutory Auditors issued unqualified reports on two accounts and qualified reports on nine accounts. The compliance of Power Sector PSUs with the Accounting Standards remained poor as there were 36 instances of non-compliance in accounts during the year.

Coverage of Report related to Power Sector PSUs

The Chapters related to Power Sector PSUs (Chapter II and Chapter III), includes observations emanating from the Performance Audit on **'Creation of infrastructure (220kV/110kV stations and lines) for transmission of power by Karnataka Power Transmission Corporation Limited'** and two compliance audit observations. The Executive summary of the audit findings is given below:

2. Performance Audit on Power Sector PSUs

- **Performance Audit on 'Creation of infrastructure (220kV/110kV stations and lines) for transmission of power by Karnataka Power Transmission Corporation Limited'**

Introduction

Karnataka Power Transmission Corporation Limited (the Company), which was incorporated (July 1999) under the Companies Act, 1956 as a wholly owned company of Government of Karnataka (GoK), is a transmission licensee under Section 14 of the Electricity Act, 2003 (the Act). The Company builds, maintains and operates an efficient, coordinated and economical intra-State transmission system and provides *inter-alia* non-discriminatory open access to its transmission system for use by any licensee or generating company or any consumer on payment of the transmission charges as may be specified by the Karnataka Electricity Regulatory Commission.

Audit Objectives

The Performance Audit was conducted to assess whether:

- the Substations and Transmission lines were conceptualized, planned and executed efficiently; and
- the intended benefits *viz.* energy savings, reduction of line losses, maintaining quality and uninterrupted power supply, *etc* were realised within the stipulated time.

Audit Findings

- ➢ The Company failed to prepare Perspective Plan and Rolling Plans periodically as envisaged in the Grid Code. The Company undertook works, which were not in the Perspective Plans, while it did not execute those stations included in the Perspective Plan, resulting in overloading of substations in the places identified in the Perspective Plan, while the substations executed outside the Perspective Plan were not optimally utilised. *(Paragraph 2.1.8)*

- ➢ The Company created transmission capacity beyond the norms specified in the Manual on Transmission Planning Criteria issued by the Central Electricity Authority (CEA). As on 31 March 2019, there was an excess transmission capacity of 5,230 MVA involving capital cost of ₹ 3,870 crore, which was an avoidable burden placed on the consumers as the cost incurred on creation of such excess capacity was factored into transmission tariff recoverable from the Distribution licensees. *(Paragraph 2.1.9)*

- ➢ The process of approval of designs of substations took five to 13 months from the date of issue of Letters of Intent (LoI), thereby delaying the commencement of works. This was due to not revisiting the location of the substations to verify the site conditions and not finalizing the designs and layout plans prior to tendering and awarding the works. *(Paragraph 2.1.11.1)*

- ➢ The Company repeatedly failed to (i) identify presence of Railway projects and forest lands along the line routes/substation locations during survey, (ii) file for statutory clearances immediately upon their identification in survey and ensure simultaneous clearance for right of way along with award of works as per extant order and follow up at highest level in the administration, (iii) terminate and re-award the contracts and to take action on the defaulting contractors and (iv) invoke the enabling provisions of the Indian Telegraph Act for ensuring right of way. These lapses in ensuring ROW occurred in as many as 24 out of 53 projects involving total expenditure of ₹ 800.19 crore spanning across six zones despite favourable rulings of various courts and strong enabling provisions of the Indian Telegraph Act. As a result, not only the completion of works was delayed, but also envisaged energy savings were lost. *(Paragraphs 2.1.13, 2.1.14 and 2.1.15)*

- In eight substation works, the commissioning of substations was delayed by four to twelve months either due to delay in placement of purchase orders by the Company or delay in supply of switchgear by the vendor. There was no system in place to trigger placement of purchase orders considering the scheduled date of completion and lead supply time required for vendor. *(Paragraph 2.1.16)*

- Due to delays in completion of 50 out of 53 test-checked projects for periods ranging from one month to twelve years, the Company lost energy savings of 1,656 Million Units valued at about ₹ 556.42 crore though an expenditure of ₹ 1,559.27 crore was incurred on them. The delay in completion results in increased tariff for the consumers as the interest charges on such capital expenditure is passed on to consumers in tariff. The Company had incurred ₹ 566.92 crore on 20 of the 50 works which were still in progress (December 2019). Considering average interest rate of 9.73 *per cent* on the loans borrowed for capital works during five-years (2014-2019), the annual interest of ₹ 55.16 crore incurred on the value of investment made on the incomplete assets would be factored for Tariff fixation resulting in higher tariff. *(Paragraph 2.1.18)*

Recommendations

The Company may:

1. adhere to the norms fixed in the Manual on Transmission Planning Criteria before planning for additions to the existing transmission capacity so as to avoid creation of excess transmission capacity;

2. conduct proper survey, ensure hindrance free line corridor while awarding the works by initiating proposals well in advance to obtain statutory clearances, *viz*. forest, railways, *etc* in coordination with the Government and resolving the right of way problems, if need be, by invoking the provisions available under Indian Telegraph Act, 1885 so that the completion of works are not hampered;

3. revisit the location of substations prior to award of works to ensure that the layout plans, designs and drawings as proposed in the DPRs hold good and ensure completion of connected source and evacuation lines before establishing substations;

4. identify and take stringent action on the defaulting contractors and ensure prompt enforcement of contractual obligations to complete the projects in time;

5. strengthen the Project Monitoring System so as to capture pre-construction planning activities, potential risks and mitigation measures during execution and also uploading of photographs or GIS information to track progress of the work with reference to Activity Chart. Also, a tool for evaluation of benefits post completion of projects may be included.

(Chapter 2.1)

3. Compliance Audit Observations on Power Sector PSUs

The observations included in this Chapter highlight deficiencies in planning, investment and other activities in the management of PSUs, which resulted in non-achievement of stated objectives and incurring unfruitful/avoidable expenditure. The observations are broadly of the following nature:

Unfruitful/avoidable expenditure - ₹1,049.13 crore.

(Paragraphs 3.1 and 3.2)

Gist of audit observations is given below:

- The ESCOMs incurred huge capital expenditure of ₹ 449.81 crore on implementation of DTC metering and interest expense of ₹ 133.63 crore on the loans borrowed for implementation as of March 2019. In addition, ESCOMs had to incur recurring annual interest on outstanding loans to the extent of ₹ 40.43 crore. The capital expenditure incurred on metering remained unfruitful as the ESCOMs were not able to measure the accurate losses at DTC level on account of incomplete consumer mapping to DTCs, non-communication of DTC meters due to poor network, software integration, *etc*. Besides, ESCOMs had to pay penalty to the tune of ₹ 374.98 crore due to non-achievement of targeted distribution losses which could have been avoided, had the ESCOMs taken action for resolving the bottlenecks in implementation of metering DTCs.

(Paragraph 3.1)

- Karnataka Power Transmission Corporation Limited failed to comply with its own circulars and guidelines prescribed for repair of failed power transformers. 55 transformers (64 *per cent* of the audit sample) valued at ₹ 41.55 crore have not been repaired for a period of one month to seven and a half years beyond the stipulated period of 360 days allowed for repair. These transformers therefore could not be used in the transmission system, leading to an avoidable purchase of new transformers incurring additional expenditure of ₹ 75.90 crore.

(Paragraph 3.2)

4. Functioning of State Public Sector Undertakings (other than Power Sector)

There were 103 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power Sector. These State PSUs included 97 Government Companies (84 working and 13 non-working) and six Statutory Corporations. The Government Companies included 11 subsidiary companies and four associate companies.

The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 103 State PSUs (other than Power Sector), the State Government invested funds in 95 State PSUs and did not infuse any funds in eight PSUs.

Investment in State PSUs (other than Power Sector)

As on 31 March 2019, the total investment (Equity and long-term loans) in these 103 PSUs (other than Power Sector) was ₹ 77,267.84 crore. The investment consisted of 75.40 *per cent* towards equity and 24.60 *per cent* in long-term loans.

The total investment in these PSUs (other than Power Sector) as on 31 March 2019 included investment of ₹ 60,160.18 crore by the State Government consisting of ₹ 57,446.96 crore as equity and ₹ 2,713.22 as long term loans. The investment grew by 48.40 *per cent* from ₹ 40,539.29 crore in 2014-15 to ₹ 60,160.18 crore in 2018-19.

Performance of PSUs (other than Power Sector) as per their latest finalised accounts

Out of the 103 PSUs (other than Power Sector), 90 PSUs were working and 13 PSUs were non-working. Out of 90 working PSUs (other than Power Sector), 49 PSUs earned profit of ₹ 875.09 crore and 28 PSUs incurred loss of ₹ 1,374.11 crore. The major contributors to profit were Karnataka Rural Infrastructure Development Limited (₹ 126.24 crore), Karnataka Soaps and Detergents Limited (₹ 109.45 crore). Huge losses were incurred by Karnataka Neeravari Nigam Limited (₹ 719.64 crore) and Bangalore Metropolitan Transport Corporation (₹ 217.61 crore).

The working PSUs showed net aggregate profits of ₹ 166.34 crore and ₹135.87 crore during 2014-15 and 2016-17 respectively and incurred net aggregate loss of ₹ 567.58 crore, ₹ 494.11 crore and ₹ 499.02 crore during the year 2015-16, 2017-18 and 2018-19 respectively.

Return on State Government funds infused in State PSUs (other than Power Sector)

The funds infused by the State Government in PSUs (other than Power Sector) increased to ₹ 57,494.33 crore in 2018-19 from ₹ 23,524.01 crore as at 31 March 2010, as the State Government infused further funds in the shape of equity (₹ 33,940.92 crore) and interest free loans (₹ 29.40 crore) during the period 2010-11 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 worked out to ₹ 91,516.03 crore. During 2014-15 to 2018-19, PSUs had only a negative return on investment.

Quality of accounts

The quality of accounts of working Government companies needs improvement. During the year, out of 90 accounts finalised, the Statutory Auditors issued unqualified reports on 31 accounts, qualified reports on 57 accounts and adverse report (which means that accounts did not reflect a true and fair position) on two accounts. The compliance of companies with the Accounting Standards remained poor as there were 83 instances of non-compliance in 30 accounts during the year

Submission of accounts and winding up

Fifty working PSUs had arrears of 78 accounts at the end of September 2019. The arrears pertained to the years 2013-14, 2014-15, 2015-16, 2016-17, 2017-18 and 2018-19. There were 13 non-working PSUs including four under liquidation and one PSU for which closure orders were withdrawn. The Government may take a decision on closure of these non-working Companies.

Coverage of Report related to PSUs (other than Power Sector)

The Report related to PSUs (other than Power Sector) includes (Chapter V and Chapter VI) observations emanating from the Performance Audit on **'Development of State Highways through Public Private Partnership by Karnataka Road Development Corporation Limited'** and three compliance audit observations. The Executive summary of the audit findings is given below:

5. Performance Audit on PSUs (other than Power Sector)

- **Performance Audit on 'Development of State Highways through Public Private Partnership by Karnataka Road Development Corporation Limited'**

Introduction

Karnataka Road Development Corporation Limited (the Company) was incorporated (July 1999) as a wholly owned Government of Karnataka (GoK) Company under the Companies Act, 1956. The objectives of the Company were to construct, erect, build, develop, improve and maintain, express routes and roads and bridges, sideways, tunnels, *etc.,* under Build Own Transfer (BOT) or Build Own Operate Transfer (BOOT) or Build Own Lease Transfer (BOLT) or Design, Build, Finance, Operate, Maintain and Transfer (DBFOMT) schemes or otherwise in a manner which will facilitate the above mentioned works, and to decide, levy and collect toll/service charges.

Audit Objectives

The objectives of the Performance Audit were to assess whether:

- the conceptualisation and selection of the PPP projects were done in line with the norms/guidelines of GoI/IBRD; and

- the PPP projects were planned and implemented economically and efficiently, and post implementation monitoring was effective and the envisaged benefits were realised.

Audit Findings

- The approvals for taking up of the five of six projects through World Bank Co-financing under PPP mode were in deviation from the decision taken in respect of KSHIP projects, wherein it was decided to execute the projects with negative VfM and Equity IRR of more than 18 *per cent,* under EPC mode. The deviation had resulted in an additional outflow of annuity by ₹ 80.16 crore in two out of six projects over the concession period of eight years. (*Paragraph 5.1.10.2*)

- As per the traffic survey conducted by the Company at 13 locations/chainages, traffic volume of the six projects taken up under the World Bank Co-financing ranged between 1,630 PCUs and 4,508 PCUs and it did not touch the benchmark of 5,000 PCUs fixed by GoI. However, the traffic volume was not considered as the criteria while approving these six projects under PPP. (*Paragraph 5.1.10.3*)

- The GoK approved and developed four-laning of Stretch-I and two-laning for Stretch-II of Bellary City-Andhra Pradesh (AP) border road in the year 2010 and 2013 respectively, against the recommendation as per traffic survey for the year 2020 and 2024 respectively, overlooking the traffic survey projections and the norms of Planning Commission. As a result, the Company incurred an additional expenditure of ₹ 29.53 crore. (*Paragraph 5.1.11*)

- Award of contract at higher VGF than that approved by the GoI resulted in an additional budget outflow and benefit to the Concessionaire to the extent of ₹ 22.81 crore. (*Paragraph 5.1.12*)

- There was delay in initiation of land acquisition in respect of six projects taken up under World Bank Co-financing. As a result, the Company concluded Concession Agreements (CA) with delay of twelve to twenty-one months from the date stipulated in the Procurement Plan. (*Paragraph 5.1.13.1*)

- In two projects, road users were put into inconvenience, despite toll being collected, due to non-completion of intermittent stretches at 12 chainages for a total length of 16.480 kms in Yelahanka - A.P border road and Rail Over Bridges (ROBs) in Dharwad-Alnavar-Ramnagar road. (*Paragraphs 5.1.13.2* and *5.1.13.3*)

- The Company/Concessionaires did not adhere to the terms of the CA in VGF/Annuity projects with respect to the safety requirements at design, completion and operation and maintenance stages. In the absence of any assessment of the accident potential and safety performance, there was no assurance that the safety requirements were not compromised in these roads and the cost of complying with such safety requirements were also not de-scoped and recovered from the Concessionaires. (*Paragraph 5.1.14*)

- The Concessionaire of Dharwad-Alnavar-Ramnagar road, who was required to remit ₹ 32 crore to the safety fund under the change of scope, did not remit the amount, pending issue of orders by the Company. Similarly, no action was taken to finalise the change of scope in respect of Yelahanka-AP border road, Bellary City-AP border road and five World Bank Co-financed projects, thereby giving advantage to the Concessionaires, who were required to remit 80 *per cent* of the cost of the de-scoped works to the safety fund. (*Paragraph 5.1.15.1*)

- The Company incurred avoidable expenditure of ₹ 17.39 crore on two projects (Yelahanka - A.P border and Ginigere-Gangavathi-Sindhanur road) by including unwarranted works in the scope of the projects. (*Paragraphs 5.1.16.1* and *5.1.16.2*)

- The Company failed to avail loan assistance of ₹ 9.43 crore from IBRD causing annual additional interest burden of ₹ 56.58 lakh to the State Government. (*Paragraph 5.1.17*)

- The use of fly ash was not considered in three projects, *viz*. Bellary City-AP border, Ginigere-Gangavathi-Sindhanur, and Bidar to Chincholi road, though they fell within the limits of specified distance from the thermal power stations, thereby defying the directives of MoRTH/MoEF for promoting the utilisation of fly ash. (*Paragraph 5.1.18*)

- The toll rates for two projects were determined as per the model notification annexed to the CA, instead of approved GoK toll notification, 2009. This resulted in recurring avoidable burden on the users and extension of undue benefit to the Concessionaires. The excess user fee collected during April 2018 to December 2018 for Wagdhari-Ribbanapalli road and during April 2018 to March 2019 for Dharwad-Alnavar-Ramnagar road worked out to ₹ 6.24 crore and ₹ 1.24 crore respectively. (*Paragraph 5.1.19.1*)

- The Concessionaire of Dharwad- Alnavar-Ramnagar road was allowed to levy and collect the toll from the users for the stretch of 23.20 kms, which has carriage width of 5.5 meters. This was in violation of the toll notification, 2009 issued by GoK. The excess collection during April 2018 to March 2019 worked out to ₹ 1.41 crore. This was an unwarranted recurring burden on users and benefit to the Concessionaire. (*Paragraph 5.1.19.2*)

- The Company delayed the commencement of toll collection in respect of five projects executed under World Bank Co-financing by five to eleven months. This resulted in loss of potential revenue of ₹ 35.86 crore. (*Paragraph 5.1.19.3*)

- The Company had neither conducted annual traffic sampling nor the toll collection systems at the toll plazas were connected with the network of the Company. There was no means to ensure that the Concessionaire was not given undue advantage, if any, in terms of increased revenue due to increase in traffic than that projected. (*Paragraph 5.1.20*)

- The Concessionaires did not adhere to the conditions of the CA relating to operation and maintenance of roads, causing inconvenience to the road users. The Company also failed to initiate action as per the terms of the CA to undertake maintenance work at the risk and cost of the concessionaire and to levy damages. (*Paragraph 5.1.21*)

- Monitoring was absent during pre-project implementation of six projects implemented under World Bank Co-financing as the Performance Review Unit (PRU) under the Chairmanship of the Additional Chief Secretary, IDD, GoK and the Project Monitoring Unit (PMU) at the Company level were constituted only after concluding the CAs for the projects. Also, PMU has not submitted monthly reports to PRU on project implementation. The GoK did not appoint the State Road Regulatory Authority, which was not in line with the recommendations of the Expenditure Reforms Commission, GoK. (*Paragraph 5.1.22*)

Recommendations

1. The Company may ensure strict adherence to norms of GoI and implement them in line with the project approvals without any deviations while assessing the viability of the projects under PPP;

2. The pre-project requirements, especially the land acquisition process should be given priority and completed beforehand in coordination with the departments concerned to avoid eventual delays in project completion;

3. The Company may ensure adherence to the terms of Concession Agreements on project implementation, including safety requirements and operation and maintenance to ensure all-weather, all time availability of good quality and safe roads;

4. The toll should be fixed in line with the toll notification issued by the GoK and the Company should ensure timely commencement of collection of toll. State level monitoring should be ensured at all stages of project implementation;

5. GoK may establish the State Road Regulatory Authority as recommended by the Expenditure Reforms Commission for better management of projects implemented under PPP.

(Chapter 5.1)

6. Compliance Audit Observations on PSUs (other than Power Sector)

The observations included in this Chapter highlight deficiencies in planning, and management of activities in the PSUs, which resulted in avoidable interest burden and non-adherence to prescribed rules/norms.

Gist of audit observations is given below:

- Eighteen PSUs were required to spend ₹ 84.27 crore towards Corporate Social Responsibility (CSR) activities during 2014-18, but they spent only an amount of ₹ 65.93 crore. Out of the amount spent, an amount of ₹ 14.28 crore was spent on ineligible activities and ₹ 14.63 crore was spent without recommendations from CSR Committee. The monitoring mechanism for the implementation of CSR was also found to be inadequate.

(Paragraph 6.1)

- PSUs failed to evolve an adequate system for estimation of their profits for assessing the tax liability and payment of advance tax leading to payment of avoidable interest of ₹ 6.64 crore.

(Paragraph 6.2)

- Karnataka State Road Transport Corporation failed to establish any norms for passenger-amenities until 2014-15. The norms brought out by the Corporation in May 2015/June 2016 were inadequate as they did not include/set reasonable standards for some of the essential amenities on hygiene, waste management and providing drinking water facilities at bus stations. The cleanliness and waste management at bus stations was poor as the facilities for segregation of waste, drinking water and clean toilets were found to be inadequate in 25 of 40 bus stations (63 *per cent*). The infrastructure for specially-abled passengers was also inadequate as there were no special toilet facilities (in 45 *per cent*), ramps (in 40 *per cent*) and railings (in 72 *per cent*).

(Paragraph 6.3)

Introduction

Introduction

1. Functioning of State Public Sector Undertakings

General

1. The State Public Sector Undertakings (PSUs) in Karnataka consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature keeping in view the welfare of people and also occupy an important place in the State's economy. As on 31 March 2019, there were 114 PSUs in Karnataka including six Statutory Corporations and 13 non-working Government companies under the audit jurisdiction of the Comptroller and Auditor General of India. Of these, one PSU[1] was listed on the stock exchange. Seven PSUs[2], which were incorporated/entrusted for audit, have been added during 2018-19.

2. The financial performance of the PSUs on the basis of their latest finalised accounts as on 30 September 2019 is covered in this report. The details of the nature of PSUs and the position of finalisation of accounts are given below:

Table No.1: Nature of PSUs covered in the Report

Sl. No.	Type of PSUs	Total Number	Number of PSUs for which accounts received during the reporting period[3]			Number of PSUs for which accounts were in arrears (total accounts in arrears) as on 30 September 2019
			2018-19	2017-18	Total	
1	Working Government Companies	95	49	31	80	46 (73)[4]
2	Statutory Corporations	6	0	5	5	06 (07)
	Total working PSUs	**101**	**49**	**36**	**85**	**52 (80)**
3	Non-working Government Companies	13	6	1	7	07 (82[5])
	Total	**114**	**55**	**37**	**92**	**59 (162)**

The working PSUs which had arrears of accounts include eight PSUs with arrears ranging from three to six years (DDUTTL, KSSKDCL, KMDC, KSAWDCL, MPM, KSCCL, KVTSDCL and MYSUGAR). Further, four non-working PSUs (KSVL, MCL, KTL and MACCL) had arrears ranging from 14

[1] The Mysore Paper Mills Limited.

[2] Science Gallery Bengaluru, Karnataka Adi Jambava Development Corporation, Karnataka Antharaganga Micro Irrigation Corporation Limited, Karnataka Uppara Development Corporation Limited–formed in October 2017 but not considered in Audit Report 2017-18, Bengaluru Smart City Limited – formed in January 2018 but not considered in Audit Report 2017-18, Rail Infrastructure Development Company (Karnataka) Limited-audit entrusted in January 2019 and D. Devraj Urs Truck Terminals Limited-audit entrusted in December 2018.

[3] From October 2018 to September 2019.

[4] Includes 31 PSUs which did not finalise accounts for 2018-19 and 15 PSUs which have arrears of 42 accounts (related to periods prior to 2018-19).

[5] Includes 60 accounts from four PSUs which are under liquidation (KSVL, MCL, KTL and MACCL).

to 16 years. The working PSUs registered a turnover of ₹ 70,599.16 crore as per their latest finalised accounts as of September 2019. This turnover was equal to 5.01 *per cent* of the State Gross Domestic Product (GDP) for 2018-19. The working PSUs incurred net aggregate loss of ₹ 2,340.99 crore as per their latest finalised accounts as of September 2019. At the end of March 2019, the PSUs had 2.02 lakh employees.

As on 31 March 2019, 13 PSUs having an investment of ₹ 544.72 crore were non-working for the last 16 years. This was a critical area as the investments in non-working PSUs do not contribute to the economic growth of the State.

Accountability framework

3. The process of audit of Government Companies is governed by respective provisions of Section 619 of the Companies Act, 1956, and Sections 139 and 143 of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, a Government Company means any Company in which not less than fifty-one *per cent* of the paid up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a Company, which is a subsidiary Company of such Government Company.

The Comptroller & Auditor General of India (CAG) appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139 (5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of one hundred and eighty days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within sixty days from the date of registration of the Company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-section 7 of Section 143 of the Act, the CAG may, in case of any Company covered under sub-section (5) or sub-section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company. The provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, shall apply to the report of such test audit. Thus, a Government Company or any other Company, owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. Audit of the Financial Statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Statutory Audit

4. The financial statements of the Government Companies are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Sections 139(5) or 139(7) of the Act. Thereafter, a copy of the Audit Report is submitted to the CAG under Section 143(5) of the Act, which, among other things, includes the Financial Statements of the Company. These financial statements are subject to supplementary audit to be conducted by the CAG within sixty days from the date of receipt of the Audit Report under the provisions of Section 143(6) of the Act.

Audit of Statutory Corporations is governed by their respective legislations. Out of the six Statutory Corporations in Karnataka, the CAG is the sole auditor for four State Road Transport Corporations[6]. In respect of State Warehousing Corporation and State Financial Corporation, the audit is conducted by Chartered Accountants while the Supplementary Audit is conducted by the CAG.

Submission of accounts by PSUs

Need for timely finalisation and submission

5. According to Section 394 and 395 of the Companies Act 2013, an Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the House or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating Statutory Corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

Role of Government and Legislature

6. The State Government exercises control over the affairs of these PSUs through their administrative departments. The Chief Executives and Directors to the Board are appointed by the Government.

[6] Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Eastern Karnataka Road Transport Corporation and North Western Karnataka Road Transport Corporation.

The State Legislature also monitors the accounting and utilisation of Government investments in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Report and Comments of the CAG, in respect of State Government Companies and Separate Audit Reports in case of Statutory Corporations are placed before the Legislature under Section 394(2) and/or 395 of the Act or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Power and Conditions of Service) Act, 1971.

Investment in State PSUs

7. The Government of Karnataka (GoK) has a financial stake in these PSUs. This stake is of mainly three types:

- **Share capital and loans** – GoK provides Share Capital Contribution and financial assistance by way of loans to the PSUs from time to time;
- **Special financial support** – GoK provides budgetary support by way of grants and subsidies to the PSUs as and when required; and
- **Guarantees** – GoK also guarantees the repayment (with interest) of loans availed by the PSUs from financial institutions.

8. As on 31 March 2019, the investment (capital and long-term loans) in 114 PSUs was ₹ 1,32,841.77 crore[7] as per details given below:

Table No.2: Total Investment in PSUs

(₹ in crore)

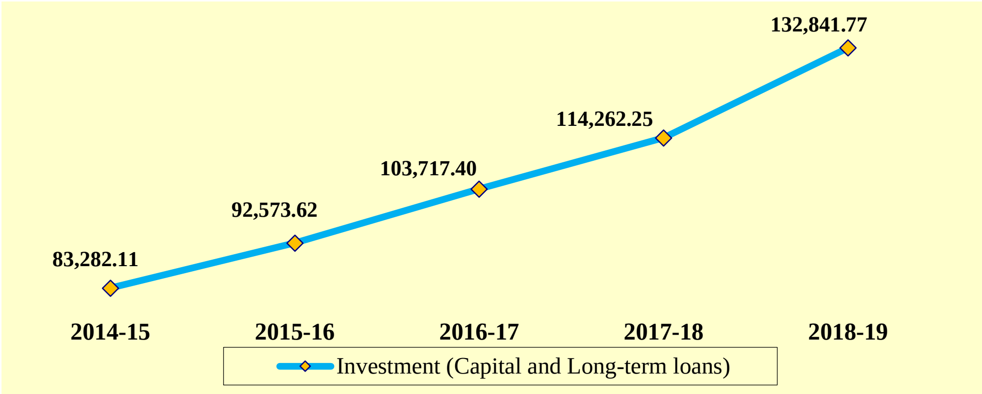
Sl. No.	Type of PSUs	Government Companies			Statutory Corporations			Grand total
		Capital	Long term loans	Total	Capital	Long term loans	Total	
1	Working PSUs	71,770.40	55,579.18	1,27,349.58	1,613.23	3,334.25	4,947.48	1,32,297.06
2	Non-working PSUs	111.85	432.86	544.71	-	-	-	544.71
	Total	**71,882.25**	**56,012.04**	**1,27,894.29**	**1,613.23**	**3,334.25**	**4,947.48**	**1,32,841.77**

As on 31 March 2019, of the total investment in State PSUs, 99.59 *per cent* was in working PSUs and the remaining 0.41 *per cent* in non-working PSUs. This total investment consisted of 55.33 *per cent* towards capital and 44.67 *per cent* in long-term loans. The investment grew by 59.51 *per cent* from ₹ 83,282.11 crore in 2014-15 to ₹ 1,32,841.77 crore in 2018-19 as shown in the Chart below.

[7] Twenty-five PSUs (including non-working PSUs) did not furnish information on investments as at the end of March 2019. The information as furnished during previous years has been considered.

Chart No.1: Total investment in PSUs

(₹ in crore)



9. The sector-wise summary of investments in the State PSUs as on 31 March 2019 is given below:

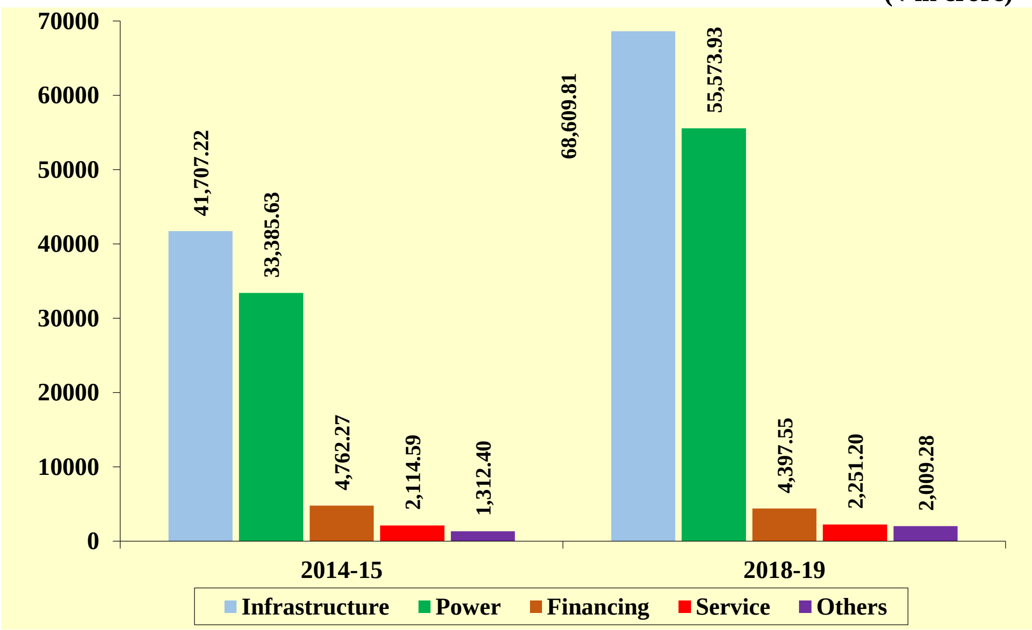
Table No.3: Sector-wise investment in PSUs

Sl. No.	Name of the Sector	Government companies		Statutory Corporations	Total	Investment (₹ in crore)
		Working	Non-working			
1	Agriculture and allied	13	5	1	19	919.78
2	Financing	19	-	1	20	4,397.55
3	Infrastructure	23	1	-	24	68,609.81
4	Manufacturing	19	7	-	26	1,089.38
5	Power	11	-	-	11	55,573.93
6	Service	5	-	4	9	2,251.20
7	Miscellaneous	5	-	-	5	0.12
	Total	**95**	**13**	**6**	**114**	**1,32,841.77**

The investment in four significant sectors at the end of 31 March 2015 and 31 March 2019 are indicated in the Chart below:

Chart No.2: Sector-wise investment in PSUs

(₹ in crore)



The thrust of investments in PSUs was in Infrastructure and Power sectors, accounting for 51.65 *per cent* and 41.83 *per cent* respectively in 2018-19. Between 2014-15 and 2018-19, the investment in Infrastructure and Power sectors increased by ₹ 26,902.59 crore and ₹ 22,188.30 crore respectively.

Coverage of this Report

10. This Report contains observations on Power Sector PSUs and PSUs (other than Power Sector). The observations on the Power Sector PSUs, which were included under Chapters I, II and III, contain one Performance Audit on 'Creation of infrastructure (220kV/110kV stations and lines) for transmission of power by Karnataka Power Transmission Corporation Limited' (Chapter – II) and two Compliance Audit paragraphs (Chapter – III). The observations on PSUs (other than Power Sector), which were included under Chapters IV, V and VI, contain one Performance Audit on 'Development of State Highways through Public Private Partnership by Karnataka Road Development Corporation Limited' (Chapter – V) and three Compliance Audit paragraphs (Chapter – VI).

The financial effect of the observations related to Power Sector PSUs and PSUs (other than Power Sector) worked out to ₹ 1,605.55 crore and ₹ 277.19 crore respectively.

Chapter - I

Functioning of Power Sector PSUs

Chapter - I

1. Functioning of Power Sector PSUs

Introduction

1.1. The Power Sector PSUs play an important role in the economy of the State. Apart from providing a critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. A ratio of turnover of Power Sector PSUs to GDP of the State shows the extent of activities of PSUs in the State's economy. The table below provides the details of turnover of the Power Sector PSUs and GDP of the State for a period of five years ending March 2019:

Table No. 1.1: Details of turnover of Power Sector PSUs *vis-a-vis* GDP of the State

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Turnover of PSUs	34,887.37	38,372.81	41,284.65	46,311.34	50,719.75
2	GDP of State	9,13,923.00	10,45,182.00	11,55,912.00	13,25,443.00	14,08,112.00
3	Percentage of Turnover to GDP of State	3.82	3.67	3.57	3.49	3.60

The turnover of Power Sector PSUs recorded continuous increase over the previous years, which varied from 7.59 *per cent* to 12.18 *per cent* during 2014-15 to 2018-19, while increase in GDP of the State varied from 6.24 *per cent* to 14.67 *per cent* during the same period. The compounded annual growth of turnover of Power Sector PSUs recorded 9.81 *per cent*[8] as against that of GDP of 11.41 *per cent*[9] during last five years. This resulted in decrease in share of turnover of the Power Sector PSUs to the GDP from 3.82 *per cent* in 2014-15 to 3.60 *per cent* in 2018-19.

Formation of Power Sector PSUs

1.2. The functions of generation, transmission and distribution of electricity in the State, which were under the control of the erstwhile Government of Mysore, Electrical Department, were transferred to Karnataka Electricity Board (KEB) after its formation with effect from 1 October 1957. Karnataka Power Corporation Limited (KPCL), which came into existence in July 1970 as a fully owned State Public Sector Undertaking, has been the mainstay of power generation in the State through its hydro, thermal and renewable energy stations. Government of Karnataka (GoK) also took the initiative (1995) to form an exclusive entity called Karnataka Renewable Energy Development Limited (KREDL) for promoting renewable energy and energy conservation in the State.

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[8] Calculated as $[1(50,719.75/34,887.37)^{1/1\times4} - 1] \times 100$ ($r=n[(A/P)^{1/nt}-1]$ where r=rate of interest, n= compounding term, A=principal *plus* Interest, P= principal and t=compounding period).

[9] Calculated as $[1(14,08,112/9,13,923)^{1/1\times4} - 1] \times 100$.

Later in January 1997, GoK pronounced its general policy on power reforms which envisaged setting up of an Independent Regulatory Commission, reorganisation of KEB by separating generation, transmission and distribution functions, followed by reorganisation of the distribution function into several economically viable units. In pursuance to the said policy, Karnataka Electricity Reforms Act, 1999 was brought into effect in June 1999 enabling establishment of Karnataka Electricity Regulatory Commission (KERC) and formation (July 1999/August 1999) of two new companies under the Companies Act, 1956 by carving out the functions of KEB *viz*. Karnataka Power Transmission Corporation Limited (KPTCL) for carrying out transmission and distribution functions and Visvesvaraya Vidyuth Nigama Limited (VVNL) for generation functions.

The GoK, in order to undertake further reforms and restructuring measures in the power sector, came out (January 2001) with a Power Policy Statement wherein it was decided *inter-alia* to restructure KPTCL into several utilities and privatise them thereafter to promote the development of an efficient, commercially viable and competitive power supply industry, which can provide reliable quality supply at competitive prices to various classes of consumers in the State. In this direction, four independent distribution companies covering different regions in the State were formed under the Companies Act, 1956, which became functional with effect from 1 June 2002 *viz*. Bengaluru Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Gulbarga Electricity Supply Company Limited (GESCOM). The Fifth Distribution Company - Chamundeshwari Electricity Supply Corporation Limited (CESC) was carved out of MESCOM with effect from 1 January 2005. Further, VVNL, which was formed to carry out the generation functions of erstwhile KEB, was amalgamated (April 2006) with KPCL.

The GoK had also set up (August 2007) a Special Purpose Vehicle *viz.* Power Company of Karnataka Limited (PCKL) to supplement the efforts of KPCL in generation capacity addition in the State by way of setting up of new power projects through bidding process, and long term procurement of power.

The State Government provides financial support in the form of equity, loan, grant and subsidy to these Power Sector PSUs from time to time. The status of investment in the power sector by the State Government and its Present Value and performance of Power Sector PSUs are discussed in the subsequent paragraphs.

Investment in Power Sector PSUs

1.3. As on 31 March 2019, there were 11 Power Sector PSUs (including one subsidiary - KPC Gas Power Corporation Private Limited, one Joint Venture - Raichur Power Corporation Limited and one Associate Company -PCKL). Details of investment made in these 11 Power Sector PSUs in the shape of equity and long term loans upto 31 March 2019 are detailed in ***Appendix-1(a)*****.** As on 31 March 2019, the activity-wise investment (equity and long term loans) in 11 Power Sector PSUs was ₹ 55,573.93 crore as detailed in the following table.

Table No.1.2: Activity-wise investment in Power Sector PSUs

(₹ in crore)

Sl. No.	Activity	Number of PSUs	Investment[10]		
			Equity	Long term loans	Total
1	Power Generation[11]	3	7,419.81	17,668.53	25,088.34
2	Power Transmission[12]	1	2,182.32	5,991.74	8,174.06
3	Power Distribution[13]	5	5,614.42	12,909.76	18,524.18
4	Others[14]	2	20.55	3,766.80	3,787.35
	Total	**11**	**15,237.10**	**40,336.83**	**55,573.93**

As seen from the above, the total investment consisted of 27.42 *per cent* of equity and 72.58 *per cent* of long-term loans. The total Long term loans (₹ 40,336.83 crore) advanced constituted 4.81 *per cent* (₹ 1,938.07 crore) by the State Government, 4.24 *per cent* (₹ 1,710.95 crore) by the Central Government and 90.95 *per cent* (₹ 36,687.81 crore) by other financial institutions.

Budgetary support to Power Sector PSUs

1.4. The State Government provided financial support to Power Sector PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of Power Sector PSUs for the three years ended 2018-19 are given in the following table:

Table No.1.3: Details regarding budgetary support to Power Sector PSUs by State Government

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital	5	871.80	5	805.77	5	580.23
2	Loans given	1	84.01	1	7.10	1	1,500.00
3	Grants/Subsidy provided	4	6,567.47	4	3,628.12	4	5,281.41
4	**Total outgo**		**7,523.28**		**4,440.99**		**7,361.64**
5	Waiver of loans and interest	-	-	-	-	1	28.47
6	Guarantees issued	1	4.03	3	2,331.73	2	1,473.64
7	Guarantee Commitment	5	490.17	5	2,791.17[15]	5	4,090.03

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[10] Investment includes investment by State Government, Central Government and Holding Companies.

[11] Karnataka Power Corporation Limited, KPC Gas Power Corporation Private Limited (KPCGPCL-a fully owned subsidiary of KPCL), Raichur Power Corporation Limited (a joint venture between KPCL and Bharat Heavy Electricals Limited).

[12] Karnataka Power Transmission Corporation Limited.

[13] BESCOM, CESC, GESCOM, HESCOM, MESCOM.

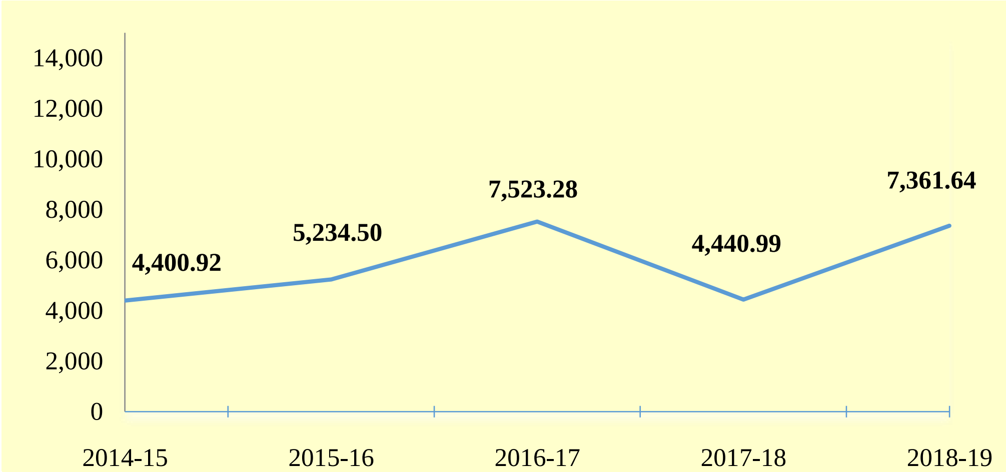
[14] Karnataka Renewable Energy Development Limited, Power Company of Karnataka Limited (an associate of Distribution Companies).

[15] Includes ₹ 2,300 crore pertaining to PCKL, as per the revised information received during 2018-19.

The details regarding budgetary outgo towards equity, loans, grants and subsidies for five years ending 2018-19 are given in the following Chart:

Chart No.1.1: **Budgetary outgo towards equity, loans, grants and subsidies**

(₹ in crore)



There was an increase in budgetary support provided in the form of equity, loans, grants and subsidies by the State Government over a period of five years ending 2018-19 except during 2017-18. The budgetary support was increased by 65.77 *per cent* during 2018-19 as compared to previous year (2017-18). The increase in budgetary support during 2018-19 was on account of sanction of grant /subsidy of ₹ 3,229.97 crore and loan of ₹ 1,500 crore to Hubli Electricity Supply Company Limited. The budgetary assistance of ₹ 7,361.64 crore received during 2018-19 included equity of ₹ 580.23 crore, loans of ₹ 1,500 crore and grants and subsidy of ₹ 5,281.41 crore.

Status of Guarantees for loan and guarantee commission outstanding

1.5. In order to enable Power Sector PSUs to obtain financial assistance from Banks and Financial Institutions, the State Government gives guarantee under Karnataka Ceiling on Government Guarantees Act, 1999 (as amended by Act 15 of 2002). The Government charges a minimum of one *per cent* as guarantee commission, which cannot be waived under any circumstances. The guarantee commitment of the State Government has increased over a period of three years from ₹ 490.17 crore in 2016-17 to ₹ 4,090.03 crore in 2018-19. The Guarantee fee of ₹ 2.81 crore, which was outstanding during 2018-19, has been paid by five[16] Power Sector PSUs.

Reconciliation with Finance Accounts

1.6. The figures in respect of equity, loans and guarantees outstanding as per the records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the

[16] KPCL, BESCOM, MESCOM, HESCOM and GESCOM. Guarantee Commission payable by PCKL was borne by the Distribution Companies (ESCOMs).

differences. The position in this regard as on 31 March 2019 is given in the following table:

Table No.1.4: Equity, loans and guarantees outstanding as per Finance Accounts *vis-a-vis* records of Power Sector PSUs

(₹ in crore)

Sl. No.	Outstanding in respect of	Amount as per Finance Accounts^	Amount as per records of PSUs	Difference
	(1)	(2)	(3)	(4 = 2-3)
1	Equity	10,771.74	12,566.69	(-) 1,794.95
2	Loans	2,386.17	1,938.07	448.10
3	Guarantees	4,202.64	4,090.03	112.61

^**Source:** Finance Accounts Statement no.18 (Loans), 19 (Equity) and 20 (Guarantees)

There were differences in respect of nine Power Sector PSUs as detailed in ***Appendix – 2(a)***. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner and take appropriate action for rectifying/adjusting the differences.

Submission of accounts by Power Sector PSUs

1.7. The financial statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year, *i.e*. by end of September, in accordance with the provisions of Section 96(1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act.

The following table provides the details of progress made by Power Sector PSUs in finalisation of accounts by 30 September 2019:

Table No.1.5: Position relating to finalisation of accounts of Power Sector PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of PSUs	11	11	11	11	11
2	Total number of accounts finalised during the year	14	9	6	17	11
	Number of accounts finalised relating to current year	10	8	3	9	9
	Number of accounts finalised relating to previous years	4	1	3	8	2
3	Number of accounts in arrears	1	3	8	2	2
4	Number of PSUs with arrears in accounts	1	3	8	2	2
5	Extent of arrears (number in years)	1 year	1 year	1 year	1 year	1 year

During 2018-19, 10 companies finalised 11 accounts and two accounts from two PSUs[17] were in arrears.

1.8. The State Government invested ₹ 107.20 crore in one out of two power Sector PSUs during the year, for which accounts were not finalised as detailed in ***Appendix-3*** (Sl. No. 40). In the absence of finalisation of accounts and their

[17] KPTCL and GESCOM (Sl. No. of 39 & 40 ***Appendix-3***).

subsequent audit, it could not be ensured whether the investments and expenditure incurred were properly accounted for and the purpose for which the amount was invested was achieved or not. Thus, the Government's investment in such PSUs remained outside the control of the State Legislature.

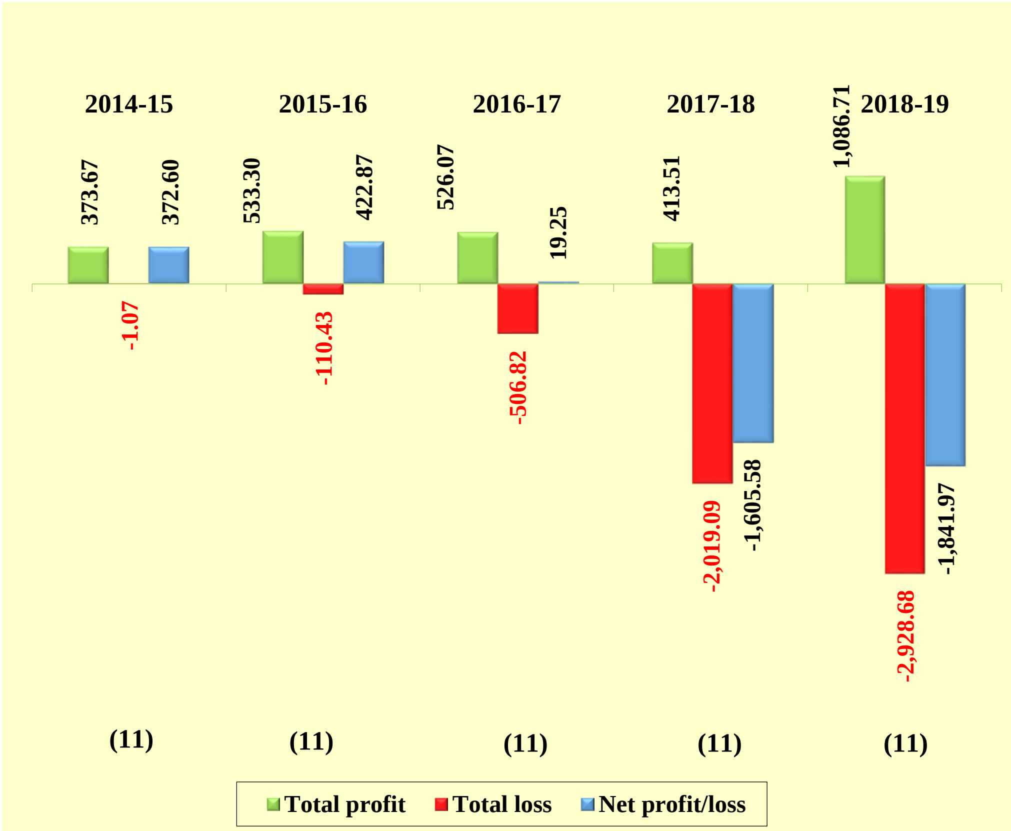
Performance of Power Sector PSUs as per their latest finalised accounts

1.9. The financial position and working results of Power Sector PSUs are detailed in ***Appendix-4(a)*** as per their latest finalised accounts as of 30 September 2019.

Overall profit (losses)[18] earned (incurred) by the Power Sector PSUs of the State during 2014-15 to 2018-19 are given in the following bar Chart:

Chart No.1.2: Profit/Loss of Power Sector PSUs

(₹ in crore)



(Figures in brackets show the number of working PSUs in respective years)

As per their latest finalised accounts, out of the 11 Power Sector PSUs, five[19] earned profit of ₹ 1,086.71 crore and six[20] incurred loss of ₹ 2,928.68 crore.

The major contributors to profit were Hubli Electricity Supply Company Limited (₹ 690 crore) and Karnataka Power Transmission Corporation Limited (₹ 212.14 crore). Huge losses were incurred by Raichur Power Corporation Limited

[18] Profit/Losses during 2017-18 and 2018-19 were arrived after considering Other Comprehensive Income (OCI).
[19] One accounts related to 2017-18 and four accounts related to 2018-19.
[20] One accounts related to 2017-18 and five accounts related to 2018-19.

(₹ 1,251.30 crore), Karnataka Power Corporation Limited (₹ 992.06 crore), Gulbarga Electricity Supply Company Limited (₹ 472.63 crore) and Chamundeshwari Electricity Supply Corporation Limited (₹ 209.35 crore).

The Power Sector PSUs showed net aggregate profits of ₹ 372.60 crore, ₹ 422.87 crore and ₹ 19.25 crore during 2014-15, 2015-16 and 2016-17 respectively and incurred net aggregate loss of ₹ 1,605.58 crore and ₹ 1,841.97 crore during 2017-18 and 2018-19 respectively.

The position of Power Sector PSUs which earned profit/incurred loss during 2014-15 to 2018-19 is given in the following table:

Table No. 1.6: **Power Sector PSUs which earned profit/incurred loss**

Sl. No.	Year	Total PSUs in Power Sector[21]	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year
1	2014-15	10	9	1
2	2015-16	10	8	2
3	2016-17	10	7	3
4	2017-18	11	6	5
5	2018-19	11	5	6

Return on State Government funds infused in Power Sector PSUs

1.10. The profitability of a Company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing the company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit by shareholders' funds. These parameters are discussed in the subsequent paragraphs.

Return on Investment

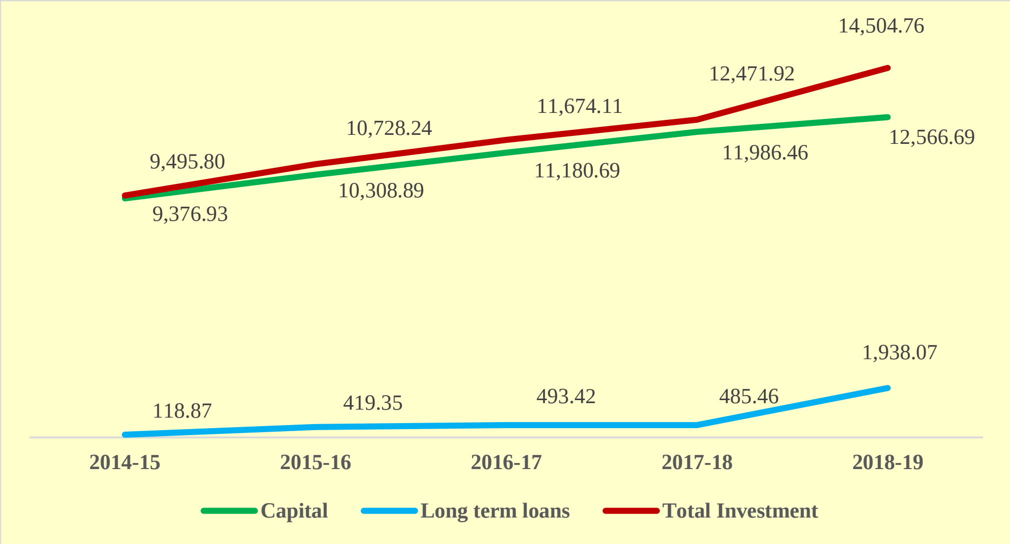
1.10.1. The PSUs are expected to yield reasonable return on investment made by Government in the PSUs. The amount of investment in the eight Power Sector PSUs as on 31 March 2019 was ₹ 14,504.76 crore consisting of ₹ 12,566.69 crore as equity and ₹ 1,938.07 crore as long term loans by the State Government.

The investment grew by 52.75 *per cent* from ₹ 9,495.80 crore in 2014-15 to ₹ 14,504.76 crore in 2018-19 as shown in the following Chart:

[21] During 2014-15 to 2016-17, RPCL had not prepared Profit and Loss account, as it was under project construction period. Hence, it was not considered for total PSUs.

Chart No.1.3: **Investment in Power Sector PSUs by State Government**

(₹ in crore)



Return on the basis of historical cost of investment

1.10.2. Out of 11 Power Sector PSUs of the State, the State Government infused funds in the form of equity, interest free loans and grants/ subsidies in eight Power Sector PSUs only. The State Government did not infuse any direct funds in the other three[22] PSUs till 2018-19 and the equity of these PSUs was contributed by the concerned holding companies.

The investment of the State Government in these eight Power Sector PSUs was arrived at by considering the equity (initial equity net of accumulated losses, if any *plus* the equity infused during the latter years), adding interest free loans and deducting interest free loans which were later converted into equity, if any, for each year.

Out of the total long term loans, only interest free loans have been considered as investment of the Government in these PSUs as the interest free loans given to the PSUs are akin to equity since they have not been repaid and parts of the loans have been converted into equity subsequent to sanctions of the loans. Further, the funds made available in the form of the grants/subsidies have not been considered as investment since they do not qualify to be considered as investment.

As on 31 March 2019, the investment of the State Government in eight Power Sector PSUs was ₹ 14,504.76 crore consisting of equity of ₹ 12,566.69 crore and long term loans of ₹ 1,938.07 crore. Out of the released long term loans, ₹ 0.94 crore was interest free loan. Thus, considering the equity of ₹ 12,566.69 crore and interest free loan of ₹ 0.94 crore as investment of the State Government in these eight Power Sector PSUs, the investment on the basis of historical cost at the end of 2018-19 stood at ₹ 12,567.63 crore.

[22] KPCGPCL, RPCL and PCKL.

The return on investment of the State Government on historical cost basis for the period 2014-15 to 2018-19 is given in the following table:

Table No. 1.7: Return on State Government Investment on historical cost basis

Sl. No.	Year	Total earnings/ Losses (-)[23] (₹ in crore)	Equity[24] and Interest Free Loans as at the end of the year (₹ in crore)	Return on Investment (*per cent*)
1	2014-15	372.62	9,377.87	3.97
2	2015-16	422.64	10,309.83	4.10
3	2016-17	21.29	11,181.63	0.19
4	2017-18	-39.61	11,987.40	-0.33
5	2018-19	-587.33	12,567.63	-4.67

The return on investment declined from 3.97 *per cent* in 2014-15 to 0.19 *per cent* in 2016-17 and was negative during 2017-18 and 2018-19. The main reasons for negative return during 2017-18 and 2018-19 were due to losses incurred by Gulbarga Electricity Supply Company Limited in 2017-18 and Karnataka Power Corporation Limited in 2018-19.

Return on the basis of Present Value of Investment

1.10.3. In view of the significant investment by the Government in the eight Power Sector PSUs, return on such investment is essential from the perspective of the State Government. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The Present Value (PV) of the Government investments has been computed to assess the rate of return on the present value of investments of the State Government in the Power Sector PSUs as compared to the historical value of investments. In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2019, the past investments/ year-wise funds infused by the State Government in the Power Sector PSUs have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the respective years.

Therefore, PV was computed where funds had been infused by the State Government in the shape of equity and interest free loan upto 2009-10 and from 2010-11 to 2018-19. The PV of the State Government funds infused in these PSUs was computed on the basis of the following assumptions:

- Interest free loans have been considered as investment infusion by the State Government as no interest on such loans has been paid by the Power Sector PSUs. Further, in those cases where interest free loans given to the PSUs were later converted into equity, if any, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made

[23] As per latest finalised accounts.
[24] Equity includes share deposit/share application money pending allotment.

available in the form of grants/subsidies have not been reckoned as investment, as grants and subsidies were not provided for operational and administrative expenditure and do not qualify to be considered as investment.

- The average rate of interest on Government borrowings for the financial year concerned was adopted as the compounded rate for arriving at the PV since it represents the cost incurred by the Government towards investment of funds for the year and was, therefore, considered as the minimum expected rate of return on investments made by the Government.

1.10.4. The Company-wise position of State Government investment in the eight Power Sector PSUs in the form of equity and interest free loans upto 2009-10 and from 2010-11 to 2018-19 is indicated in **Appendix – 5(a).** The consolidated position of the PV of the State Government funds relating to the eight Power Sector PSUs is indicated in the following table:

Table No. 1.8: **Year wise details of funds infused by the State Government and PV of Government funds from 2010-11 to 2018-19**

(₹ in crore)

Sl. No.	Year	PV of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Total investment at the end of the year	Average rate of interest on Government borrowings[25] (in *per cent*)	PV of total investment at the end of year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[26]
(a)	(b)	(c)	(d)	(e)	(f)=(c+d+e)	(g)	(h)= f×(1+g/100)	(i)= f×(g/100)	(j)
1	Upto 2009-10	-	4,536.03	-	4,536.03	6.7	4,839.94	303.91	
2	2010-11	4,839.94	1,174.20	0.94	6,015.08	6.4	6,400.05	384.97	593.17
3	2011-12	6,400.05	1,026.29	-	7,426.34	6.6	7,916.48	490.14	261.86
4	2012-13	7,916.48	1,099.93	-	9,016.41	6.6	9,611.49	595.08	255.66
5	2013-14	9,611.49	825.31	-	10,436.80	6.2	11,083.88	647.08	-534.58
6	2014-15	11,083.88	715.17	-	11,799.05	6.5	12,565.99	766.94	372.62
7	2015-16	12,565.99	931.96	-	13,497.95	6.5	14,375.32	877.37	422.64
8	2016-17	14,375.32	871.80	-	15,247.12	6.3	16,207.69	960.57	21.29
9	2017-18	16,207.69	805.77	-	17,013.46	7.7	18,323.50	1,310.04	-39.61
10	2018-19	18,323.50	580.23	-	18,903.73	8.2	20,453.83	1,550.11	-587.33
	Total		**12,566.69**	**0.94**					

The balance of investment by the State Government in these eight PSUs at the end of the year increased to ₹ 12,567.63 crore in 2018-19 from ₹ 4,536.03 crore as at 31 March 2010, as the State Government infused further funds in the form of equity (₹ 8,030.66 crore) and interest free loans (₹ 0.94 crore) during the

[25] The average rate of interest on borrowing by the State Government is adopted as per the Audit Reports of the C&AG of India on State Finances, GoK.

[26] Total Earning for the year depicts total of net earnings (profit/loss) as per their latest finalised accounts during the respective years relating to those eight Power Sector PSUs where funds were infused by State Government.

period 2010-11 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 worked out to ₹ 20,453.83 crore.

It could also be seen that total earnings for the year relating to these PSUs was negative during 2013-14, 2017-18 and 2018-19 which indicates that these PSUs did not recover the cost of funds to the Government. Further, the positive total earning in the remaining years except 2010-11 remained substantially below the minimum expected return towards the investment made in these Power Sector PSUs.

1.10.5. The return on State Government funds (at PV) infused in the Power Sector PSUs indicates the profitability and the efficiency of the PSUs. The return on State Government funds is worked out by dividing the total earnings[27] of the eight Power Sector PSUs with the PV of the State Government investments. During 2014-15 to 2018-19, these eight PSUs had a positive return on investment only during the years 2014-15, 2015-16 and 2016-17. Hence, the return on investment has been calculated and depicted on the basis of PV for these three years.

A comparison of returns on investment as per historical cost and PV of such investment during 2014-15 to 2016-17 when there were positive earnings in these eight Power Sector PSUs is given in the following table:

Table No. 1.9: Return on State Government Funds

(₹ in crore)

Sl. No.	Year	Total earnings	Investment in the form of Equity and Interest Free Loans on historical cost	Return on investment on the basis of historical cost (*per cent*)	PV of the State Government funds at the end of the year	Return on investments on the basis of PV (*per cent*)
1	2014-15	372.62	9,377.87	3.97	12,565.99	2.97
2	2015-16	422.64	10,309.83	4.10	14,375.32	2.94
3	2016-17	21.29	11,181.63	0.19	16,207.69	0.13

The returns based on PV were less than the returns based on historical cost during 2014-15 to 2016-17. The returns based on historical cost varied from 0.19 *per cent* to 4.10 *per cent* during 2014-15 to 2016-17, while the returns based on PV varied from 0.13 *per cent* to 2.97 *per cent* during the same period. Further, the Power Sector PSUs incurred overall losses of ₹ 39.61 crore during 2017-18 and ₹ 587.33 crore during 2018-19.

Erosion of Net worth

1.10.6. Net worth is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses. The net worth[28] of all the eight Power Sector

[27] This includes net profit/losses relating to the eight Power Sector PSUs where the funds have been infused by the State Government as per their latest finalised accounts.
[28] Paid up capital *plus* Free reserves *less* Accumulated losses.

PSUs, where the GoK had infused funds during 2014-15 to 2018-19 as per their latest finalised accounts is indicated in the table below:

Table No. 1.10: **Net worth of Power Sector PSUs during 2014-15 to 2018-19**

(₹ in crore)

Sl. No.	Year	Paid up Capital	Accumulated Profit (+)/ Loss (-) at end of the year	Net worth
1	2014-15	8,317.67	5,256.71	13,574.38
2	2015-16	8,756.79	2,068.61	10,825.40
3	2016-17	9,075.46	1,622.15	10,697.61
4	2017-18	10,565.94	2,903.76	13,469.70
5	2018-19	11,538.58	3,312.77	14,851.35

As seen from the table above, the overall net worth of eight Power Sector PSUs was *positive* during the last five years ended 2018-19. However, the net worth of two[29] out of eight PSUs was eroded as at 31 March 2019.

Dividend Payout

1.10.7. The State Government formulated (May 2003) guidelines according to which Government nominees on the Boards of Public Enterprises or Joint Ventures, where the State Government had equity holding, should insist on the declaration of minimum dividend of 20 *per cent* on shareholding. In case payment of dividend to this extent was not possible, dividend payout must constitute at least 20 *per cent* of profit after tax. Dividend Payout relating to eight Power Sector PSUs during the period 2014-15 to 2018-19 is shown in the table below:

Table No. 1.11: **Dividend Payout during 2014-15 to 2018-19**

(₹ in crore)

Sl. No.	Year	Total PSUs where equity infused by GoK		PSUs which earned profit during the year		PSUs which declared dividend during the year		Dividend payment as a percentage of Paid up capital
		Number of PSUs	Paid up capital	Number of PSUs	Paid up capital	Number of PSUs	Dividend declared by PSUs	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=7/5*100)
1	2014-15	8	8,317.67	8	8,317.67	1	41.41	0.50
2	2015-16	8	8,756.79	7	8,451.65	1	43.46	0.51
3	2016-17	8	9,075.46	6	7,835.83	1	47.69	0.61
4	2017-18	8	10,565.94	6	8,578.10	Nil	-	-
5	2018-19	8	11,538.58	5	4,765.80	Nil	-	-

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between five and eight, of which only one PSU (Karnataka Power Corporation Limited) declared dividend to GoK during 2014-15 to 2016-17. Though, six PSUs in 2017-18 and five PSUs in 2018-19 earned profit, no PSU

[29] HESCOM (- ₹ 401.53 crore) and GESCOM (- ₹ 234.62 crore).

declared dividend. Further, the Dividend Payout Ratio during 2014-15 to 2016-17 was very nominal which ranged between 0.50 *per cent* and 0.61 *per cent* of paid up capital.

Return on Equity

1.10.8. Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using companies' assets to generate earnings growth and is calculated by dividing net profit after taxes with shareholders' fund[30].

Return on Equity has been computed in respect of eight Power Sector PSUs where funds had been infused directly by the State Government. The details of Shareholders fund and ROE relating to these eight PSUs during the period from 2014-15 to 2018-19 are given in the following table:

Table No. 1.12: Return on Equity relating to Power Sector PSUs

Sl. No.	Year	Net profit after taxes (₹ in crore)	Shareholders' Fund (₹ in crore)	Return on Equity (*per cent*)
1	2014-15	372.62	13,574.38	2.75
2	2015-16	422.64	10,825.40	3.90
3	2016-17	21.29	10,697.61	0.20
4	2017-18	-39.61	13,469.70	-
5	2018-19	-587.33	14,851.35	-

As seen from the above table, the Power Sector PSUs earned profit only during 2014-15 to 2016-17. The RoE remained very nominal ranging from 0.20 *per cent* to 3.90 *per cent* during 2014-15 to 2016-17. Further, RoE was *nil* in 2017-18 and 2018-19 due to losses.

Return on Capital Employed

1.10.9. Return on Capital Employed (ROCE) is a ratio that measures a Company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) with the capital employed[31]. The details of ROCE of eight Power Sector PSUs where State Government had infused funds during the period from 2014-15 to 2018-19 are given in following table:

Table No. 1.13: Return on Capital Employed

Sl. No.	Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (*per cent*)
1	2014-15	3,223.86	27,962.84	11.53
2	2015-16	3,501.48	27,331.82	12.81
3	2016-17	3,622.95	29,062.90	12.47
4	2017-18	4,534.91	33,845.15	13.40
5	2018-19	4,591.09	37,903.06	12.11

[30] Shareholder's fund = Paid up capital *plus* Free reserves *less* Accumulated losses.

[31] Capital Employed = Paid up capital *plus* Free reserves and surplus *plus* long term loans *less* accumulated loss.

The ROCE of Power Sector PSUs increased from 11.53 *per cent* to 13.40 *per cent* during the period 2014-15 to 2017-18 and decreased to 12.11 *per cent* in the year 2018-19.

Analysis of Long term loans of Power Sector PSUs

1.11 The analysis of the long term loans of the companies which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.11.1. Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes with interest expenses of the same period. The lower the ratio, the lesser the ability of the company to pay interest on debt. An interest coverage ratio of below one indicates that the company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those Power Sector PSUs which had interest burden during the period from 2014-15 to 2018-19 are given in the table below:

Table No. 1.14: **Interest coverage ratio**

Sl. No.	Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of PSUs having interest burden	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
1	2014-15	2,750.02	3,223.86	8	8	0
2	2015-16	2,885.20	3,501.48	8	7	1
3	2016-17	3,320.65	3,622.95	8	6	2
4	2017-18	3,767.37	4,534.91	7	5	2
5	2018-19	4,106.18	4,591.09	7	4	3

It was observed that the number of Power Sector PSUs with interest coverage ratio of more than one decreased from eight to four during 2014-15 to 2018-19. As at 31 March 2019, three Power Sector PSUs (KPCL, CESC and GESCOM) had interest coverage ratio of less than one.

Debt-Turnover Ratio

1.11.2. The debt-turnover ratio is calculated by dividing loans outstanding with turnover at the end of the year. The debt-turnover ratio of eight Power Sector PSUs has not improved as the compounded annual growth[32] rate of turnover (9.23 *per cent*) was less than that of Debt (10.46 *per cent*) during 2014-15 to 2018-19. The debt turnover ratio of these PSUs during the last five years is

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[32] Calculated as $[1(23{,}051.71/15{,}486.71)^{1/1\times4} - 1] \times 100 = 10.46$ *per cent* for debt and $[1(49{,}672.22/34{,}887.24)^{1/1\times4} - 1] \times 100 = 9.23$ *per cent* for turnover.

shown in the following table:

Table No. 1.15: **Debt Turnover ratio relating to the Power Sector PSUs**

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Debt	15,486.71	16,506.42	18,365.29	20,375.45	23,051.71
2	Turnover	34,887.24	38,372.52	41,284.37	45,591.36	49,672.22
3	Debt-Turnover ratio	0.44:1	0.43:1	0.44:1	0.45:1	0.46:1

Assistance under Ujwal DISCOM Assurance Yojana (UDAY)

1.12. The Ministry of Power (MoP), Government of India launched (20 November 2015) Ujwal DISCOM Assurance Yojana (UDAY) for Operational and Financial turnaround of State owned Power Distribution Companies (DISCOMs). As per the Memorandum of Understanding (MoU) concluded (June 2016) between Ministry of Power (MoP), Government of India, Government of Karnataka and five DISCOMs, the State was required to implement the following measures for improving operational efficiency of DISCOMs:

Scheme for improving operational efficiency

1.12.1. The State had undertaken various targeted activities like compulsory feeder and Distribution Transformer (DT) metering, consumer indexing and GIS mapping of losses, upgrading or changing transformers and meters, smart metering of all consumers consuming above 500 units per month, Demand Side Management (DSM) through energy efficient equipments, periodical tariff hike, comprehensive IEC campaign to check theft of power, assured increased power supply in areas where the Aggregate Technical and Commercial (AT&C) losses have been reduced for improving the operational efficiencies.

The timeline prescribed for these targeted activities in the MoU was also required to be followed so as to ensure achievement of the targeted benefits *viz.* ability to track losses at feeder and DT level, identify loss making areas, reduce technical losses and minimize outages, reduce power theft and enhance public participation for reducing the theft, reduce peak load and energy consumption *etc.*

The outcomes of operational improvements were to be measured through indicators *viz.* reduce AT&C loss to 14.2 *per cent* in 2018-19 as per loss reduction trajectory as indicated in MoU, eliminate the gap between average cost of supply and average revenue by 2018-19.

Implementation of UDAY

1.12.2. The participating States were required to take over 75 *per cent* of DISCOMs debt by 30 September 2018 *i.e.* 50 *per cent* in 2015-16 and 25 *per cent* in 2016-17.

The Government of Karnataka has not taken over any debt of DISCOMs but has undertaken to implement the operational parameters. The achievements *vis-a-vis* targets under UDAY[33] for different operational parameters relating to the five State DISCOMs were as under:

Table No. 1.16: **Parameter wise achievements *vis-a-vis* targets of operational performance upto 30 September 2020.**

Sl. No.	Parameter of UDAY	Target under UDAY	Progress under UDAY	Achievement (*per cent*)
1	Feeder metering (Nos.)	179	563	314.53
2	Metering at Distribution Transformers (Nos.)			
	a. Urban	11,525	19,252	167.05
	b. Rural	40,350	67,459	167.18
3	Feeder Segregation (Nos.)	1,124	1,312	116.73
4	Rural Feeder Audit (Nos.)	157	4,534	2,887.90
5	Electricity to unconnected household (lakh Nos.)	5.42	7.95	146.68
6	Smart metering (in Nos.)	43	2,541	5,909.30
7	Distribution of LED UJALA (lakh Nos.)	135.08	180.68	133.76
8	AT&C Losses (*per cent*)	14.20*	26.21	-
9	ACS-ARR Gap (₹ per unit)	No gap*	0.01	-
10	Net Income or Profit/Loss including subsidy (₹ in crore)	1,059.04	1,429.01	-

* As per the MoU concluded by the State Government

As seen from the above, the achievement of the State exceeded the targets set under the UDAY in respect of all the parameters, except parameters mentioned at Sl. No. 8 and 9.

Comments on Accounts of Power Sector PSUs

1.13. Ten Power Sector PSUs forwarded their 11[34] audited accounts to the Accountant General between 1 October 2018 and 30 September 2019. All these, 11 accounts (of 10 companies) were selected for Supplementary Audit. The Audit Reports of the Statutory Auditors (appointed by the CAG) and the Supplementary Audits of the CAG indicate that the quality of maintenance of accounts requires improvement. The details of aggregate money value of comments of Statutory Auditors and the CAG are given in the following table:

Table No. 1.17: **Impact of audit comments on working companies**

(₹ in crore)

Sl. No	Particulars	2016-17		2017-18		2018-19	
		No.	Amount	No.	Amount	No.	Amount
1	Decrease in profit (accounts)	1	889.96	5	830.85	2	3,181.38
2	Increase in profit (accounts)	1	5.58	1	6.01	-	-
3	Decrease in loss (accounts)	-	-	-	-	-	-
4	Increase in loss (accounts)	1	577.39	4	3,654.76	3	630.07
5	Non-disclosure of material facts (instances)	4	-	5	-	7	-
6	Errors of classification (instances)	1	-	-	-	1	-

[33] As per State Health Card under UDAY published in the website of the MoP, GoI.
[34] KREDL finalised two accounts.

During the year 2018-19, the Statutory Auditors issued unqualified reports on two accounts and qualified reports on nine accounts. The compliance of Power Sector PSUs with the Accounting Standards remained poor as there were 36 instances of non-compliance in accounts during the year.

Response of the Government to Audit

Performance Audits and Compliance Audit Paragraphs

1.14. One Performance Audit and two Compliance Audit Paragraphs (theme based) related to Power Sector PSUs were issued to the Additional Chief Secretary to the GoK, Energy Department with a request to furnish replies. Replies to one Performance Audit and two Compliance Audit Paragraphs were received. The views of the Government have been suitably incorporated.

Follow up action on Audit Reports

Replies outstanding

1.15. The Reports of the CAG represent the culmination in the process of audit scrutiny. It is therefore necessary that they elicit appropriate and timely response from the Executive. The Finance Department, Government of Karnataka, issued (January 1974) instructions to all Administrative Departments to submit replies to paragraphs and Performance Audits (PAs) included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The status of receipt of replies to the report of Comptroller and Auditor General of India from the GoK is given in the following table:

Table No.1.18: **Replies not received as on 30 September 2019**

Sl. No.	Year of the Audit Report (PSUs)	Date of placing the Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report pertaining to Power Sector		Number of PAs/ Paragraphs for which replies were not received	
			PAs	Paragraphs	PAs	Paragraphs
1	2015-16	23.03.2017	1	4	1	0
2	2016-17	22.02.2018	1	2	1	1
	Total		**2**	**6**	**2**	**1**

It could be seen that replies for two Performance Audits and one Paragraph in respect of Power Sector PSUs, were not furnished by the Energy Department, GoK (September 2019).

Discussion of Audit Reports by COPU

1.16. The status of Performance Audits (PAs) and paragraphs relating to Power Sector PSUs that appeared in Audit Reports on PSUs and discussed by COPU as on 30 September 2019 was as follows:

Table No.1.19: Status of discussion of PAs and Paragraphs

Sl. No.	Period of Audit Report	Number of PAs/paragraphs			
		Appeared in Audit Report		Discussed	
		PAs	Paragraphs	PAs	Paragraphs
1	2010-11	1	2	0	2
2	2011-12	1	2	0	2
3	2013-14	1	7	1	6
4	2014-15	1	8	1	5
5	2015-16	1	4	0	0
6	2016-17	1	2	0	1
	Total	**6**	**25**	**2**	**16**

Compliance to Reports of COPU

1.17. Action Taken Note (ATN) from the Government of Karnataka pertaining to seven recommendations of COPU (Report No. 132 of COPU presented to the State Legislature during June 2017) on one paragraph which appeared in the Report of the CAG of India for the period 2014-15, was not received (September 2019).

It is recommended that the Government may ensure sending replies to Paragraphs/Performance Audits and ATNs on the recommendations of COPU as per the prescribed time schedule.

Response to Inspection Reports

1.18. Audit observations noticed during audit and not settled on the spot were communicated to the heads of PSUs and the Energy Department of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the Energy Department within a period of one month. There were 1,469 paragraphs from 238 Inspection Reports (**Appendix 6 - Sl. No. 1**) pertaining to 11 Power Sector PSUs outstanding as on 31 March 2019.

It is recommended that the Government may ensure that a procedure exists for taking action (a) against officials who fail to respond to Inspection Reports based on the reports of Audit Monitoring Cell constituted by the Government and (b) to recover loss/outstanding advances/overpayment within the prescribed time.

Chapter - II

Performance Audit on Power Sector PSUs

Chapter - II

2. Performance Audit on Power Sector PSUs

2.1 Performance Audit on 'Creation of infrastructure (220kV/110kV stations and lines) for transmission of power by Karnataka Power Transmission Corporation Limited'.

Executive Summary

Introduction

Karnataka Power Transmission Corporation Limited (the Company), which was incorporated (July 1999) under the Companies Act, 1956 as a wholly owned company of Government of Karnataka (GoK), is a transmission licensee under Section 14 of the Electricity Act, 2003 (the Act). The Company builds, maintains and operates an efficient, coordinated and economical intra-State transmission system and provides *inter-alia* non-discriminatory open access to its transmission system for use by any licensee or generating company or any consumer on payment of the transmission charges as may be specified by the Karnataka Electricity Regulatory Commission.

Audit Objectives

The Performance Audit was conducted to assess whether:

- the Substations and Transmission lines were conceptualized, planned and executed efficiently; and
- the intended benefits *viz.* energy savings, reduction of line losses, maintaining quality and uninterrupted power supply, *etc* were realised within the stipulated time.

Audit Findings

➢ The Company failed to prepare Perspective Plan and Rolling Plans periodically as envisaged in the Grid Code. The Company undertook works, which were not in the Perspective Plans, while it did not execute those stations included in the Perspective Plan, resulting in overloading of substations in the places identified in the Perspective Plan, while the substations executed outside the Perspective Plan were not optimally utilised. *(Paragraph 2.1.8)*

➢ The Company created transmission capacity beyond the norms specified in the Manual on Transmission Planning Criteria issued by the Central Electricity Authority (CEA). As on 31 March 2019, there was an excess transmission capacity of 5,230 MVA involving capital cost of ₹ 3,870 crore, which was an avoidable burden placed on the consumers as the cost incurred on creation of such excess capacity was factored into transmission tariff recoverable from the Distribution licensees. *(Paragraph 2.1.9)*

- The process of approval of designs of substations took 5 to 13 months from the date of issue of Letters of Intent (LoI), thereby delaying the commencement of works. This was due to not revisiting the location of the substations to verify the site conditions and not finalizing the designs and layout plans prior to tendering and awarding the works. *(Paragraph 2.1.11.1)*

- The Company repeatedly failed to (i) identify presence of Railway projects and forest lands along the line routes/substation locations during survey, (ii) file for statutory clearances immediately upon their identification in survey and ensure simultaneous clearance for right of way along with award of works as per extant order and follow up at highest level in the administration, (iii) terminate and re-award the contracts and to take action on the defaulting contractors and (iv) invoke the enabling provisions of the Indian Telegraph Act for ensuring right of way. These lapses in ensuring ROW occurred in as many as 24 out of 53 projects involving total expenditure of ₹ 800.19 crore spanning across six zones despite favourable rulings of various courts and strong enabling provisions of the Indian Telegraph Act. As a result, not only the completion of works was delayed, but also envisaged energy savings were lost. *(Paragraphs 2.1.13, 2.1.14 and 2.1.15)*

- In eight substation works, the commissioning of substations was delayed by four to twelve months either due to delay in placement of purchase orders by the Company or delay in supply of switchgear by the vendor. There was no system in place to trigger placement of purchase orders considering the scheduled date of completion and lead supply time required for vendor. *(Paragraph 2.1.16)*

- Due to delays in completion of 50 out of 53 test-checked projects for periods ranging from one month to twelve years, the Company lost energy savings of 1,656 Million Units valued at about ₹ 556.42 crore though an expenditure of ₹ 1,559.27 crore was incurred on them. The delay in completion results in increased tariff for the consumers as the interest charges on such capital expenditure is passed on to consumers in tariff. The Company had incurred ₹ 566.92 crore on 20 of the 50 works which were still in progress (December 2019). Considering average interest rate of 9.73 *per cent* on the loans borrowed for capital works during five-years (2014-2019), the annual interest of ₹ 55.16 crore incurred on the value of investment made on the incomplete assets would be factored for Tariff fixation resulting in higher tariff. *(Paragraph 2.1.18)*

Introduction

2.1.1. Karnataka Power Transmission Corporation Limited (the Company), which was incorporated (July 1999) under the Companies Act, 1956 as a wholly owned company of Government of Karnataka (GoK), is a transmission licensee under Section 14 of the Electricity Act, 2003 (the Act). The Company was established to build, maintain and operate an efficient, coordinated and economical intra-State transmission system and to provide inter-alia non-discriminatory open access to its transmission system for use by any licensee or generating company or any consumer on payment of the transmission charges as may be specified by the Karnataka Electricity Regulatory Commission.

The Company functions under the administrative control of the Energy Department, Government of Karnataka (GoK). The Management of the Company is vested with the Board of Directors (BoD) comprising maximum of twelve directors including the Managing Director appointed by the GoK. The day-to-day operations of the Company are carried out by the Managing Director with the assistance of four functional directors.

In order to carry out its functions relating to transmission system at the field level, the Company has six transmission zones[35], each headed by a Chief Engineer, 15 Circles and 15 Major Works Divisions, each headed by a Superintending Engineer and an Executive Engineer, respectively. Also, the operation and maintenance of the transmission system is looked after by 32 Transmission Lines and Substations (TL&SS) divisions.

2.1.1.1. The main source of income was the transmission charges collected from the Distribution Companies as approved by the Karnataka Electricity Regulatory Commission (KERC). For meeting its capital expenditure, apart from equity infused by the GoK, the Company largely depends on borrowings from Banks and Financial Institutions. The Commission allows the Company to recover its costs in full and return on equity at the approved rates.

2.1.1.2. The Company added 2,864 MW of transmission capacity during the five-year period of 2014-15 to 2018-19. The Company enables the Electricity Supply Companies (ESCOMs) to serve nearly 2.55 crore consumers of different categories spread across 1.92 lakh square kilometres in the State. The transmission system availability[36], which varied between 99.43 *per cent* and 99.60 *per cent* during 2014-15 to 2018-19, was always above the target of 98 *per cent* fixed by the KERC. Further, the Transmission losses, which were reduced from 3.67 *per cent* to 3.16 *per cent* during 2014-15 to 2018-19, were lower than the target levels of 3.92 *per cent* to 3.47 *per cent* fixed by the KERC throughout the same period. The Company received incentive of ₹ 206.30 crore for maintaining the transmission losses within the target and also for achieving the system availability above the target levels.

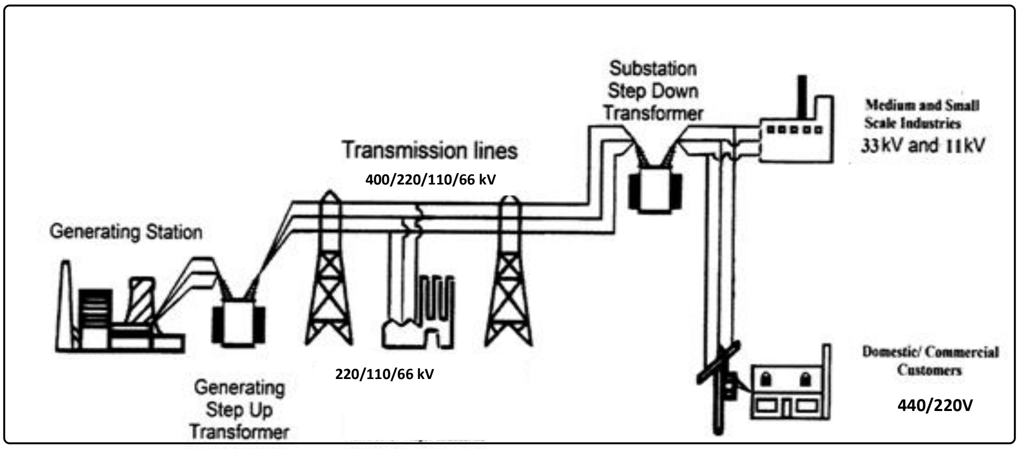
[35] Bengaluru, Mysuru, Tumakuru, Hassan, Kalaburgi and Bagalkote.
[36] A measure to assess the capability of transmitting electricity at its rated voltage.

Brief description of the transmission process

2.1.1.3. Transmission of electricity is defined as bulk transfer of power over long distances at high voltages, generally at 66kV and above. Electric power generated at relatively low voltages (11kV) in power generating plants is stepped up to high voltage (66/110/220/400kV) before it is transmitted in the transmission system to minimise the transmission losses. At substations[37] on the transmission system, transformers step down the power to a lower voltage and deliver it to distribution lines, which in turn carry power to the intended consumers.

A pictorial representation of a typical transmission process is provided below in the form of a schematic graph:

Chart No.2.1.1: **A pictorial representation of a typical transmission process**



Audit objectives

2.1.2. The Performance Audit was conducted to assess whether:

- the Substations and Transmission lines were conceptualized, planned and executed efficiently; and
- the intended benefits *viz.* energy savings, reduction of line losses, maintaining quality and uninterrupted power supply, *etc* were realised within the stipulated time.

Scope of Audit

2.1.3. A Performance Audit[38] on the activities of the Company, covering the period 2007-08 to 2011-12, was last included in the Audit Report of the Comptroller and Auditor General of India on Public Sector Undertakings, GoK for the year 2011-12.

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[37] Substations are facilities within the high voltage electric system used for stepping-up/ stepping-down voltages from one level to another, connecting electric systems and switching equipment in and out of the system.

[38] The Report has not been discussed by the Committee on Public Sector Undertakings (COPU) as of July 2020. A brief audit recommendations are mentioned in ***Paragraph 2.1.7***.

The present Performance Audit covers conceptualization, planning, execution of substations and transmission lines (220kV/110kV) and realisation of the intended benefits by the Company during 2014-15 to 2018-19.

Out of 160 works (completed and ongoing) valued at ₹ 2,975.63 crore executed by the Company during 2014-15 to 2018-19, 53 works valued ₹ 1,705.52 crore were selected for test-check in audit[39]. Audit sample ensured selection of at least 25 *per cent* of works in each of the six Zones of the Company.

Since audit is done on a sample, there may be similar errors/omissions in other projects/works being implemented by the Company, but not covered in audit. The Company may, therefore, like to internally examine all such other projects/works being executed, with a view to ensure that they are being carried out as per requirement and rules.

Audit Methodology

2.1.4. Audit methodology adopted for achieving the Audit Objectives involved explaining the audit objectives, criteria and scope of audit to the Government and the Management of the Company through an Entry Conference held on 4 February 2019. The Methodology also included issue of audit observations to and discussions with the Management seeking their replies. During the course of audit, records were scrutinised at Energy Department of GoK, Corporate Office of the Company at Bengaluru and its six Zonal Offices and fifteen Major Works Divisions.

The Performance Audit Report was issued to the Government/Management seeking their views. Besides, discussions were held with the Government and the Management in the Exit Conference that took place on 19 December 2019. The views furnished (December 2019/April 2020) by the Management/Government have been incorporated in the Report.

The Performance Audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Audit Criteria

2.1.5. The audit criteria adopted for the Performance Audit were derived from the following sources:

- Electricity Act, 2003, Regulations, guidelines/norms, orders and directions issued by the Karnataka Electricity Regulatory Commission (KERC) and Central Electricity Regulatory Commission (CERC) and Central Electricity Authority (CEA), Karnataka Electricity Grid Code and Indian Telegraph Act, 1885.

- Circulars/orders of the GoI/GoK, Perspective Plan and Annual Programme of Works prepared by the Company, Directions of the Board

[39] The selected works represents 33.13 *per cent* in terms of number of works and 57.32 *per cent* in terms of value as compared to the total number of works and value.

of Directors (BoD) of the Company and its sub-committees, internal circulars and manuals of the Company, Feasibility Reports and Detailed Project Reports and Contract agreements.

Acknowledgement

2.1.6. Audit acknowledges the cooperation and assistance extended by the Energy Department, GoK and Management of the Company in facilitating the conduct of Performance Audit.

Audit Findings

Previous audit recommendations

2.1.7. The Performance Audit on the 'Working of Karnataka Power Transmission Corporation Limited' included in the Audit Report of the Comptroller and Auditor General of India on Public Sector Undertakings, GoK for the year ended March 2012 recommended *inter-alia* that:

- The construction of substations and lines should be need based, against the backdrop of scarce resources, to avoid idling and excess capacity creation. The planning and execution require re-orientation to have synchronization of various aspects of implementation of the projects to facilitate taking up of issues such as forest and other statutory clearances, road cutting permissions, *etc* well in time and resolving them before award of works;

- There is a need to conduct effective survey of the line corridors to avoid problems such as the right of way during the course of construction. Adequate enquiries about suitability of the area and encumbrance should precede the acquisition of land and hindrance free land should be available to the contractors for construction of substations, along with award of work.

Audit noticed during the present Performance Audit that the Company had done little to take corrective action and that the problems of planning and execution including securing right of way, delay in obtaining forest and other statutory clearances continued to persist. They are brought out in the subsequent paragraphs.

Conceptualisation and Planning

Perspective plan and rolling plans

2.1.8. The Karnataka Electricity Grid Code (Grid Code) mandates the Distribution licensees to conduct load forecasting studies, which would form the basis of planning for expansion of Transmission System and based on which the Company was required to prepare Perspective Plan for a five-year period and Rolling Plans annually. These plans were to be filed with the State Regulatory Commission (KERC).

Audit observed that:

- the Company prepared a Perspective Plan for ten-year period (2012-22) based on a load forecasting study, instead of preparing for every five-year period. This Plan was filed in December 2013, with a delay of 33 months from the due date (April 2011). Further, the Company also did not submit to KERC the Rolling Plans during 2013-14 to 2015-16, while Rolling Plans for the next three years 2016-17, 2017-18 and 2018-19 were submitted at one go in September 2016, against the requirement of annual submission.

- the Company had executed 63 (66/110/220kV) substations, which were not part of the Perspective Plan, by incurring ₹ 859.78 crore during first five-year plan period (2012-13 to 2016-17), while 52 substations of various capacities (66/110/220/400kV) which were included in the Perspective Plan (2012-17) were left out. A zone-wise analysis revealed that 33 substations were established in Mysuru Zone against the requirement of 18 substations projected in the Perspective Plan, while there was reduction in number of substations executed in Bengaluru zone (30 substations executed against the requirement of 33 substations) and Tumakuru zone (13 substations executed against requirement of 23 substations). It is pertinent to mention here that 26 substations in Bengaluru and 11 substations in Tumakuru were loaded beyond their capacity (December 2019). Moreover, out of 63 substations not part of the Perspective Plan but executed by the Company, the optimal load of 80 *per cent* was achieved only in 22 substations (35 *per cent*), while the peak load of 15 substations was less than 50 *per cent* and in the remaining 26 substations, peak load was between 50 *per cent* and 80 *per cent.* As such, the preparation of Perspective Plan did not serve the purpose, as the substations were not executed where they were required.

Thus, the Company had not only failed to prepare the Perspective and Rolling Plans periodically as envisaged in the Grid code, it had also undertaken works which were not in the Perspective Plans, while also not executing those stations identified for execution in the Plans resulting in failure to reduce the overload in substations at Bengaluru and Tumakuru. Annual updation of the load forecast through Rolling Plans and preparation of Perspective Plan periodically could have given a true picture for the Company to assess the requirement of transmission capacity.

The Government replied (April 2020) that care would be taken for filing the Perspective Plan with the Commission within the stipulated time in future. It was further stated that the under-loading of substations below 50 *per cent* was due to non-completion of connected 11kV link lines by the Electricity Supply Companies (ESCOMs) and non-creation of industries in the vicinity of these substations as expected.

The fact remained that the Perspective Plans and Rolling Plans were not prepared as per the Grid Code, and even where plans were prepared there were deviations without justified reasons and without making any course corrections to the plan. This caused overloading of substations in the places identified in the Perspective Plan, while the substations executed outside the Perspective Plan were not optimally utilised. Further, it is also evident from the reply that there was lack of co-ordination between the Company and the ESCOMs as the substations were created without ensuring completion of connected 11kV lines.

In fact, KERC had also pointed out (February 2015) in its study of capital expenditure programme of the Company that the Perspective Plan was not being reviewed on a periodic basis and the Company while planning the capital works did not entirely depend on Perspective Plan but included the projects identified by its field offices and intermediate requests of ESCOMs. It was also pointed out that there was no mid period review or course correction carried out to the Perspective Plan, though it was an essential part of the planning.

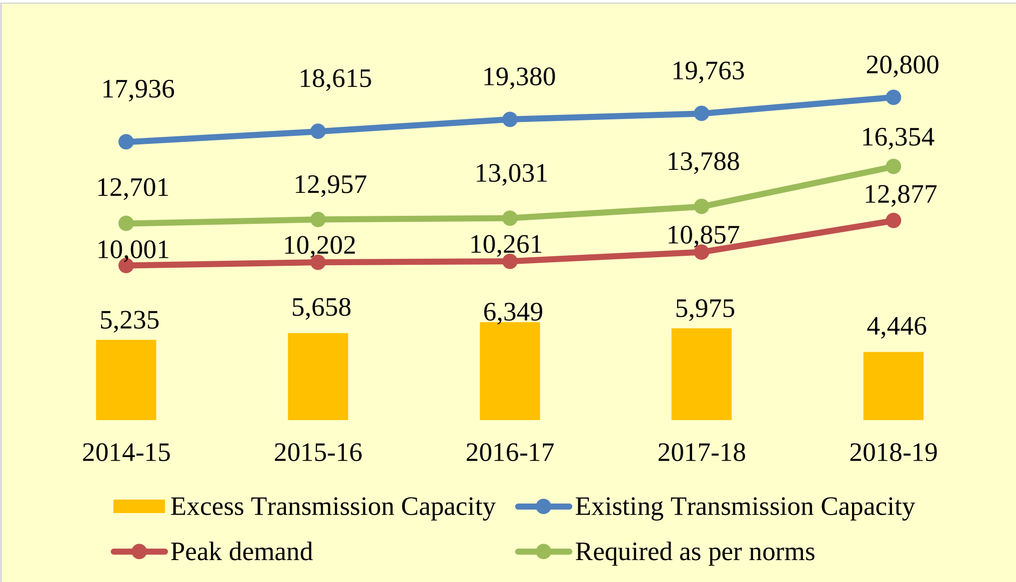
Creation of transmission capacity beyond norms

2.1.9. As per the Manual on Transmission Planning Criteria issued by the CEA, the new transmission additions required for system strengthening need to be planned keeping a margin of 27 *per cent*[40].

The peak electricity demand met in the State in 2018-19 as per the National Electricity Plan published by the Ministry of Power, GoI and the reports of the CEA, was 12,877 MW. Hence, the required transmission capacity after considering margin of 27 *per cent* was 16,354 MW. Against which, the actual transmission capacity in the State stood at 20,800 MW as on 31 March 2019.

The following graph depicts the transmission capacity created *vis-à-vis* the peak demand met[41] during 2014-15 to 2018-19.

Chart No:2.1.2: Transmission capacity *vis-à-vis* actual peak load (MW)



(Source: Tariff orders of KERC, CEA reports and information furnished by the Company)

[40] 10 *per cent* in the thermal loading limits of lines and transformers, 15 *per cent* in the interregional links and a margin of about + 2 *per cent* in the voltage limits.

[41] Peak Load refers to the simultaneous maximum demand of the system being studied under a specific time duration (e.g. annual, monthly, daily, *etc*).

Audit observed that the existing transmission capacity was in excess of requirement in all the five years, varying between 27 *per cent* and 49 *per cent* during 2014-15 to 2018-19. The transmission capacity was in excess by 27 *per cent* with reference to the requirement in 2018-19. As on 31 March 2019, the excess transmission capacity works out to 5,230 MVA[42] involving capital cost of ₹ 3,870 crore[43]. This cost was an avoidable burden placed on the consumers as the cost incurred on creation of these assets was factored into transmission tariff recoverable from the Distribution licensees.

The Government replied (April 2020) that the transmission capacity was created keeping in view the margin of around 25 *per cent* to the thermal loading limits of the transmission elements to meet the criteria of Manual on Transmission Planning. The excess capacity addition would suffice during system exigencies and future/unpredicted load generation scenarios.

The reply is not acceptable, as the excess transmission capacity worked out by audit is with reference to the annual peak load recorded after considering the margin of 27 *per cent* allowed by CEA.

Status of audit sampled works

2.1.10. The status of 53 works selected by audit is given in the following table:

Table No.2.1.1: Status of completion of sampled works as of December 2019

Sl. No	Description	Completed works	Ongoing works
1	Total number of works	33	20
2	Number of works completed within schedule date	3	-
3	Number of works with delay in completion beyond scheduled date		
	• **Less than one year**	11	3
	• **1 to < 3 years**	9	6
	• **3 to 5 years**	3	1
	• **> 5 years**	7	10

Audit observed that 53 works were due for completion between August 2004 and September 2019. However, only 33 out of 53 selected works were completed. Moreover, out of the 33 completed works, only three works were completed within the scheduled date of completion, 30 works were completed with delay ranging from one month to twelve years from the schedule date, while 20 works were still in progress (December 2019) ranging between three months and more than twelve years beyond their scheduled completion date.

The reasons for delay/non-completion of works were mainly deficiencies in execution of works such as, not ensuring right of way, not initiating proposals

[42] The transmission capacity in MVA is arrived at by dividing the power factor (0.85) with transformer capacity in MW, *i.e.* (4,446 MW)/0.85 = 5,230 MVA.

[43] Considering awarded (15.9.2016) cost of ₹ 5.92 crore for 8 MVA substation at Dashavara, the cost per MVA works out to ₹ 0.74 crore. Hence, the cost of excess transmission network is 5,230 MVA x ₹ 0.74 crore = ₹ 3,870 crore.

well in advance for statutory clearances from Railways, Forest, lack of timely action on defaulting contractors and inadequate monitoring. These issues are discussed in the subsequent paragraphs.

Execution of works

Designs and layout plan for substations

2.1.11. As per the orders issued (August 2000) by the Company, the Chief Engineer of the Zone concerned, after acquisition of land, was responsible for geo-technical investigation and survey of the land for the substation, which was then forwarded to the Superintending Engineer (Technical), who would inspect the site and furnish layout drawings and other details. The Chief Engineer of the Zone prepared estimates, which formed the basis for preparing a Detailed Project Report (DPR). The Planning and Coordination wing vetted and approved the DPRs. Audit observed that there were deficiencies in drawings and layout plans, as detailed below:

2.1.11.1. In four substations works, the designs and layout plans had undergone changes subsequent to award of works and in two Gas Insulated Substations (GIS), there were delays in finalizing the designs (refer ***Appendix-7***). The process of approval of revised designs took 5 to 13 months from the date issue of Letters of Intent (LoI), thereby delaying the commencement of works by that period. The change in layout plans was warranted due to location of site being at lower level than the surrounding land causing water logging, change in orientation of incoming lines, *etc*. These conditions were not mentioned in the survey/DPRs. An illustrative case is given alongside in Box 2.1.1.

Box No. 2.1.1

220/110kV substation at Mallat:

DPR for the work was approved in July 2012 and the work was awarded in February 2013. Audit observed that Block level and layout plan was changed, as the substation site was situated at lower level than the surrounding land and road causing water logging during rainy season. Further, it was found that the site consisted of black cotton soil requiring extra filling with murram. These hindrances were not mentioned in the survey/DPR.

The Government (April 2020) replied that necessary instructions would be issued to avoid such incidents in future.

Audit noticed that though there was a gap of 6 to 21 months between approval of DPRs and award of works (Sl.no.1 to 4 of ***Appendix-7***), the Company did not revisit the location of the substation to verify the site conditions before awarding works. Finalizing the designs and layout plans post-award of works, instead of carrying them out prior to tendering and awarding the works resulted in avoidable delay. Further, in respect of GIS substations (Sl.no.5 to 6 of ***Appendix-7***), where the designs were to be obtained from the manufacturer/supplier, there was a delay in finalising and approving the designs by five and 13 months respectively.

The Government replied (April 2020) that the DPR was prepared after studying site conditions and its suitability for the projects. However, the site conditions have changed subsequent to award of works thereby design and layout plans had to be changed. It is evident from the reply that the Company did not verify the suitability of designs at the time of award of works, causing unwarranted delay.

Right of way

2.1.12. As per the Transmission Lines Construction Manual of the Company, the survey of lines is to be made as accurately as possible as any error would lead to unnecessary delays in execution and increased expenditure. It also stipulates that after having marked the various feasible routes of the line on the topo sheets, a preliminary walkover survey is to be carried out and Right of Way (ROW) is to be established before detailed survey. Appropriate places for power line crossing, Railway and Road crossings should be located during the walkover survey. On completion of walkover survey, a route alignment should be prepared and then a detailed survey for tower alignment needs to be carried out. The Order (August 2000) issued by the Company also stipulates that forest, railways and post and telegraph (PTCC) clearance proposals have to be simultaneously taken up by the Major Works division with the authorities concerned soon after the line /location of the site are finalised.

Additionally, the Company was empowered under the Indian Telegraph Act, 1885 read with notification dated 24 March 2006 issued by the GoI under the Indian Electricity Act, 2003, to enter any premises or land upon which the electricity supply lines or other works have been lawfully placed by it for the purpose of transmission of energy.

Audit observed several lapses by the Company in ensuring timely commencement and completion of projects such as, faulty surveys that failed to detect existing infrastructure along the planned line locations, delays in approaching the statutory authorities concerned for the necessary clearances, prolonged delays in commencement of projects/awarding contracts, poor enforcement of contracts, *etc*.

Such lapses by the Company and the resultant prolonged delays in completion of projects led to delay in realisation of envisaged benefits such as energy savings, improvement of reliability of supply, meeting additional load growth, *etc.* Besides, some of the substations remained idle due to non-completion of associated lines. The gist of significant system deficiencies is highlighted below (***Paragraphs 2.1.13. to 2.1.15***), while other similar instances are detailed in ***Appendix-8a (***completed works) and ***Appendix-8b*** (on going works).

Deficiencies in Surveys/failure to identify existing critical infrastructure, forest land, railway lines, etc in the proposed line corridor.

2.1.13. The cases of delay in completion due to failure to identify railway lines, forest land, and other critical infrastructure passing through the line corridor during surveys are discussed below:

Table No.2.1.2: **Cases of failure to identify forest, railway lines, *etc* in the survey**

Sl. No.	Project	Date of LoI/ Scheduled Date of Completion	Nature of Lapse	Impact
1	Substation at Magadi along with associated lines.	March 2008/February 2009	The identified land for substation was a forest land, which was noticed only during execution of works.	• Delay of six years. • Substation was under-loaded at 32 *per cent* of its capacity due to non-completion of lines. • Lost energy savings of 3.2 MUs.
2	Substation at Pavagada and connected lines.	January 2013/ July 2014	The February 2011 survey did not mention existence of railway crossing (Tumakuru – Rayadurga) in the line corridor.	• Delay of more than four years. • Lost energy savings of 362 MUs.
3	Double Circuit (DC) line from Vasanthanarasapura PGCIL substation to Madhugiri substation.	July 2015/ July 2016	• The June 2013 survey did not mention the existence of railway project and Industrial area of KIADB. • Ignorance of available information on this railway project noticed (February 2014).	• Delay of three years. • Expenditure of ₹ 105.20 crore remained unproductive for three years. • Avoidable payment of compensation ₹ 39.56 crore to PGCIL[44].

A brief of each of the above cases is brought out below:

Substation at Magadi along with associated lines

2.1.13.1. The existence of forest land was identified only during the course of execution of works, which caused delay in forest clearance by more than three years (March 2008 to October 2011). This further caused abandoning of work by the contractor (M/s Deepak Cables India Ltd) and subsequent court litigation due to filing a case against the Company for cancelling the contract and re-awarding. The work was re-awarded to another agency (M/s KEC International Ltd) in May 2015. The substation was commissioned in February 2017 with an alternate line (Nelamangala-Anchepalya 220kV line), as the associated 220kV DC line from 400/220kv Bidadi PGCIL substation to 220/66/11kV Magadi substation was not completed (December 2019) due to objections from the farmers.

The Government replied (April 2020) that 220kV source line (Bidadi to Magadi) was pending as the farmers objected to the line work demanding higher compensation. The reply is silent on non-identification of forest land prior to award of work. The Company also failed to invoke the favourable provisions

[44] 220kV transmission line from Vasanthanarasapura to Antarasanahalli was taken up to evacuate power from 765/400/220kV Vsanthanarasapura PGCIL substation. As the PGCIL substation was kept idle due to non-completion of downstream assets by the Company, CERC while passing tariff order for PGCIL ordered for recovery from DISCOMs of the State. BESCOM which is the end beneficiary paid compensation of ₹ 39.56 crore to PGCIL and claimed refund from KPTCL, which was responsible for non-completion of evacuation lines.

of the Indian Telegraph Act according to which the land owners cannot obstruct to the work.

Substation at Pavagada and connected lines

2.1.13.2. The Company failed to consider the existence of the railway project, when it surveyed the line in 2011. It was only during the course of execution of the work, the Company noticed (February 2014) that 37 out of 208 locations of the line was passing through railway line (Tumakuru – Rayadurga). The Railway authorities informed (April 2014) that the said railway project was taken up in 2009 itself. Moreover, there was delay in getting the approval (October 2018) for change in alignment, and the work was completed in November 2018.

The Government replied (April 2020) that the marking stones of Tumakuru-Rayadurga railway track were not available during survey but was identified only during visit for soil classification in February 2014 and thereafter deviation in route was finalized with Railways. The reply is not acceptable as the survey was already done by 2006, the Railway had taken up the project in 2009, and the Company should have been aware of it. Sharing of work proposals with the railways before awarding the work could have averted the delay.

DC line from Vasanthanarasapura PGCIL substation to Madhugiri substation

2.1.13.3. The survey (May/June 2013) did not mention the existence of Tumakuru- Rayadurga line taken up in 2009. Despite the Company being aware of existence of Railway project in February 2014 during the execution of another line (Substation at Pavagada and connected lines), it had approached the Railways only in July 2015, after the contractor raised the issue of existence of Railway line in the line corridor. Moreover, both the works were executed by the same Division of the Company (Tumakuru). The Company also erred in its survey by not identifying the towers 1 to 43 passing through industrial area of Karnataka Industrial Area Development Board (KIADB) and existence of private land at Tower No. 1, 2, 3, 37, 38 and 39. The expenditure of ₹ 65.79 crore incurred on 203 out of 209 towers remained unproductive pending completion of six towers passing through private land. Also, another transmission line (Vasanthanarasapura to Antarasanahalli) on which ₹ 39.41 crore was spent by the Company got delayed as it was to pass through the same towers. The work was completed only in August 2019 with delay of three years.

The Government replied (April 2020) that it had no knowledge of proposal of Tumakuru-Rayadurga railway line. There were severe protests from farmers for payment of compensation for the tower area and hence the work had to be stopped until compensation was paid. The reply is not acceptable as the Company was aware of the railway line in February 2014, when Pavgada substation work was executed. The orders for compensation were issued by the District Commissioner in February 2016 and payment of compensation was also the responsibility of the Company. The Company should have invoked the provisions of Indian Telegraph Act, 1885 for hindrance free right of way.

Delay in obtaining statutory clearances.

2.1.14. The cases of delay in approaching the authorities concerned (railways, forest, *etc*) for construction of substations/lines are detailed in the following table.

Table No.2.1.3: Cases of delay in obtaining the clearances from forest/railways

Sl. No.	Project	Date of Letter of Intent (LoI)/ Scheduled date of Completion	Nature of Lapse	Impact
1	110kV Single Circuit (SC) line from Belgaum to Ghataprabha substation.	June 2007/ December 2007	• Six years delay in obtaining forest clearance despite knowledge of forest land enroute the proposed line corridor. • Delay in re-awarding of works by five years.	• Delay of ten years three months. • Power Interruptions in Belgaum City.
2	Substation and lines at Vikas Tech Park in Devarabeesanahalli.	June 2010/October 2011	Delay of 3 to 20 months from LoI in approaching various authorities for clearances, and consequent delays in receipt of approvals.	• Delay of five years five months. • Expenditure of ₹ 31.90 crore incurred on substation unfruitful for more than five years.
3	Shifting of 220/110kV line passing through HAL land.	May 2016/ December 2016	11 months delay in submission of proposals for forest clearance despite existence of forest being mentioned in the survey.	• Delay of two Years.

A brief of each of the above cases is brought out below:

110 kV SC line from Belgaum to Ghataprabha Substation

2.1.14.1. The Company took up the work of 110 kV SC line from Belgaum to Ghataprabha Substation to improve power supply to Belgaum City, without approaching the forest department despite knowing the fact that the existing line was passing through forest land. The line work which progressed for 34.517 kms out of 49.045 kms as of August 2012 was interrupted due to objections from the forest department. Though clearances were subsequently obtained in June 2013, the Company, however, delayed entrustment of the balance work to the new agency (M/s Mallikarjun Electricals) and its completion by almost five years (March 2018). The Company made correspondence with the contractor (M/s Deepak Cables India Ltd) by issuing reminders for completing the balance works, for which the contractor did not respond and hence re-awarded the balance work after termination. As a result of delay, the existing substations (220kV substations at Belgaum and Chikkodi) were overloaded and the power supply to Belgaum city was interrupted.

The Government replied (April 2020) that the existing line was passing through the forest area and since the new line has been constructed in the same corridor, forest proposal was not prepared and submitted. The reply is not acceptable as the Company should have been aware of the requirements under the Forest Act, 1980 and it failed to take precautionary confirmation about clearances of the Forest Department in time.

Substation at Vikas Tech Park in Devarabeesanahalli

2.1.14.2. There was abnormal delay in approaching various authorities for permission after issue of LoI (June 2010), *viz*. Railways (20 months), Lake development authority (12 months) and the Forest authorities (3 months). Consequently, the receipt of approvals was delayed, (received between October 2012 and November 2013). Besides, the Company did not resolve the objections raised by the private land owners under the enabling provisions of the Indian Telegraph Act. Thereby, completion of line works (March 2017) was delayed by more than five years from the scheduled date (October 2011). As a result, expenditure of ₹ 31.90 crore incurred on construction of substation, which was completed in October 2011, remained unfruitful until completion of lines, *i.e.* March 2017.

The Government replied (April 2020) that tenders were invited for both overhead lines and substation with an intention to charge substation along with line. However, due to right of way issues and court cases, line works could not be completed. The reply is silent on reasons for delay in approaching various authorities for clearances and non-invoking the enabling provisions of the Indian Telegraph Act.

Shifting of 220/110kV line passing through HAL land

2.1.14.3. Despite clear information in the survey report that the proposed line corridor passed through reserve forest, proposals for forest clearance were submitted in March 2017, eleven months after the date of commencement (May 2016). Clearance was obtained in March 2018 and line work completed in December 2018, resulting in a delay of two years from its scheduled date of completion.

The Government replied (April 2020) that obtaining forest clearance is a lengthy process and that the proposals could not be processed prior to the initiation of the shifting work due to paucity of time. Further, it was stated that there was protest from land owners during execution due to transmission line passing through the coconut and arecanut garden. The reply is not acceptable as it was a known fact that forest clearance was a lengthy process and the Company should have initiated proposals well in advance. Protest from land owners should have been dealt as per the provisions of the Indian Telegraph Act.

Non-enforcement of conditions of contract and enabling provisions of the Indian Telegraph Act, delay in re-awarding the contracts, etc.

2.1.15. The cases of non-enforcement of provisions of Indian Telegraph Act and non-invoking of conditions of contract, delay in awarding of contracts, *etc* are discussed below:

Table No.2.1.4: **Cases of delay in completion due to non-enforcement of law and contract conditions, delay in re-award of contracts, *etc*.**

Sl. No.	Project	Date of LoI/ Scheduled Date of Completion	Nature of Lapse	Impact
1	220 kV substation at Kudalgi and 220kV DC lines	November 2012/May 2014	• Delays in handing over of the substation site, approaching railway authorities. • Non-invoking provisions of the Indian Telegraph Act and contractual provisions.	• Non-completion of work even after lapse of more than five years from scheduled date. • Lost energy savings of 206.71 MUs.
2	66kV and 220kV lines from Vajamangala substation to Kadakola substation	August 2009, March 2010/February 2010, March 2011.	• Delay in re-awarding the work	• Delay of six years. • Lost energy savings of 5.46 MUs. • ₹ 3.72 crore remained unfruitful for five years. • Additional expenditure of ₹ 1.87 core.
3	Upgradation of Mulky substation and 110kV SC line from Nandikur to Mulky	January 2008/ August 2008	• Non-invoking of contract conditions despite default by the contractor. • Non-enforcement of provisions of Indian Telegraph Act.	• Non-completion of contract even after lapse of more than 11 years. • Additional expenditure of ₹ 3.41 crore. • Lost energy savings of 153.29 Mus. • Power interruptions in the areas coming under Mulky substation.
4	DC line from Chikkodi substation to Kudachi substation	May 2003/August 2004	Non-invoking of contractual provisions	• Delay of more than 11 years. • Additional expenditure of ₹ 5.37 crore.

A brief of each of the above cases is brought out below:

Construction of 220 kV substation at Kudalgi and 220kV DC lines

2.1.15.1. There were delays in handing over of the substation site (February 2013) by three months and approaching (September 2013) railway authorities by ten months after award of work and consequent delay in receipt of approvals from railways (November 2015). The Company had also failed to invoke penal provisions of the contract though there were delays in execution by the contractor (M/s LNARSY). Further, the Company did not invoke provisions of Indian Telegraph Act despite the District Court of Bellary passing the orders in favour of the Company in April 2018. This resulted in non-completion of work (December 2019) even after lapse of five years from scheduled date (May 2014).

The Government replied (April 2020) that all necessary steps were taken to obtain statutory approvals and also for paying compensation to the land owners. It was also stated that 95 *per cent* of 220kV station work was completed and 96 of 119 towers were erected for 220kV DC line. The remaining towers were pending completion for want of settlement of compensation to farmers.

The reply is silent on reasons for delays occurred at various stages, *viz*. handing over of site, approaching railways and non-invoking penal provisions for delays by the contractor. The reply that the works were not completed pending settlement of compensation is not acceptable as the Court while passing the order (April 2018) observed that as per the provisions of the Indian Telegraph Act, 1885, the Company was empowered to enter upon any premises/land upon which the electricity supply lines or other work have been lawfully placed by it for the purpose of transmission of energy. The Court order further stated that in case of dispute, if any, on the sufficiency of the compensation, the land losers could file suit in the court separately without obstructing the work.

66kV and 220kV lines from Vajamangala substation to Kadakola substation

2.1.15.2. The work of 66kV line was completed at a cost of ₹ 3.72 crore between the locations 1 to 3 and 21 to 86 and kept idle charged[45] since June 2011, due to objections from the affected Housing Societies between the locations 4 and 20. The case filed by these Housing Societies was disposed off in the DC Court, Mysuru in favour of the Company in November 2010. Similar objections were raised again during construction of 220kV line as the line passed through the same corridor (66kV) and the Company resolved the issue by agreeing to change in design of towers to Multi Circuit Multi Voltage (MCMV). Both the contracts were short-closed and fresh contract was awarded in August 2014 for the locations 4 to 20.

Despite receiving favourable Court verdict as early as November 2010, the Company delayed the process of finalising the estimates for change in design of towers and re-awarding the contract (August 2014). In the process, work completion (March 2016) was delayed by six years from scheduled date (March 2010) and incurred additional expenditure of ₹ 1.87 crore[46] due to change in design of towers.

The Government replied (April 2020) that delay was due to right of way issues and change in type of towers. The reply is not acceptable as the Company took abnormal time of almost four years to re-award the work even after resolving the ROW, which was not justified.

Upgradation of substation and construction of 110kV SC line from Nandikur to Mulky

2.1.15.3. The contractor (M/s Deepak Cables) had delayed the submission (June 2010) of check survey by more than two years from the date of award (January 2008). There were neither recorded reasons for such delay nor the Company initiated action on the contractor as per the terms of contract. The contract was terminated in May 2016 after almost eight years of scheduled date of completion

[45] Line is charged with power to avoid theft of conductors, pending completion of works.

[46] The difference between revised cost for 220/66kV MCMV line (₹ 3.72 crore) and the cost for 220kV and 66kV lines as per original contracts from location 4 to 20 (₹ 1.85 crore).

(August 2008) at risk and cost after incurring expenditure of ₹ 2.94 crore out of the contract value of ₹ 5.98 crore. The balance works awarded (January 2019) to M/s Ghana Constructions at ₹ 6.45 crore, though were to be completed by October 2019, were not completed due to non-clearance of right of way.

The Government replied (April 2020) that two cases pertaining to the work were pending before High Court of Karnataka. It was also stated that liquidated damages of ₹ 42.54 lakh were recovered from the agency and the escalated cost on account of termination will be recovered after completion of balance works. The reply is not acceptable as the Company did not invoke contractual terms for the default by M/s Deepak Cables. Secondly, the Company failed to invoke provisions of the Indian Telegraph Act for completing the pending works, as the compensation for right of way clearance should have been dealt with separately.

Construction of double circuit line from Chikkodi substation to Kudachi substation

2.1.15.4. The work awarded (May 2003) to M/s Mysore Electrical Industries Limited (MEI) at ₹ 7.48 crore was short closed in March 2010, after six years of scheduled date (August 2004), the reasons stated to be poor quality of work and MEI's inability to continue. The balance work awarded (April 2012) to M/s Deepak Cables (India) Ltd at ₹ 6.29 crore to complete by January 2013, was also not completed and the contract was terminated in September 2015. The work was completed in January 2016 through another agency (M/s Shiva kumar and Company) at a cost of ₹ 6.82 crore.

The Company was aware of the fact that MEI and M/s Deepak Cables (India) Ltd had breached the terms of contracts by not completing the work within the schedule, however, it did not take timely action to terminate the contracts. Instead, it had just issued reminders to the firms. Thereby, the Company lost eleven years (2004 to 2015). Further, the Company incurred ₹ 12.85 crore for completing the work, against the original contract price of ₹ 7.48 crore, causing additional cost of ₹ 5.37 crore.

The Government replied (April 2020) that in case of MEI, retention money/penalty of ₹ 2 crore had been retained. The reply further stated that it had decided to recover ₹ 4.15 crore towards risk and cost and non-returning of materials from M/s Deepak Cable (India) Ltd, of which ₹ 0.63 crore was recovered through forfeiture of bank guarantee. The reply is silent on reasons for delayed termination of contracts and the action taken to recover the balance cost of ₹ 3.52 crore from M/s Deepak Cable (I) Ltd.

As is apparent from the foregoing paragraphs, the majority of the works were held up as the Company repeatedly failed to:

- **i.** **identify presence of Railway projects and forest lands along the line routes/substation locations during survey;**
- **ii.** **file for statutory clearances immediately upon their identification in the survey and ensure simultaneous clearance for right of way along with award of works as per extant order and follow up at the highest level in the administration;**

iii. terminate and re-award the contracts and to take action on the defaulting contractors; and

iv. invoke the enabling provisions of the Indian Telegraph Act for ensuring right of way.

The fact that the above lapses in ensuring ROW occurred in as many as 24 out of 53 projects involving total expenditure of ₹ 800.19 crore[47] (13 completed - ₹ 493.78 crore and 11 ongoing - ₹ 306.41 crore) spanning across six zones despite favourable rulings of various courts and strong enabling provisions of the Indian Telegraph Act indicates that it is more likely a case of suboptimal efficiency by the concerned authorities rather than a mere case of non-compliance due to reasonable systemic limitations that usually occur in establishing linear infrastructure.

Deficiency in the system of placing orders for switch gears

2.1.16. Switchgear, which is composed of electrical disconnect switches, fuses or circuit breakers, is used in a substation to de-energise equipment to allow work to be done and to clear faults downstream. The Zonal Chief Engineer concerned was responsible for placing the purchase orders and for making available the switchgear well before the scheduled completion of the work.

Box No. 2.1.2
There was no system in place to trigger placement of purchase orders considering the scheduled date of completion and lead supply time required for vendor resulting in delays in commissioning of the substations.

Audit observed that, in eight substation works, the commissioning of substations was delayed by four to twelve months either due to delay in placement of purchase orders by the Company or delay in supply of switchgear by the vendor (refer ***Appendix-9***). In three cases (Sl.No.1,3 & 4 of ***Appendix-9***), purchase orders were placed on or after the scheduled date of Completion and in four cases (Sl. No.5 to 8 of ***Appendix-9***), the vendor had delayed the supply of switchgears.

Audit further observed that the Company, in line with its standing order dated 7 June 2012, met the entire requirement of switchgears for its substations from the Mysore Electrical Industries Limited (MEI), a wholly owned undertaking of GoK involved in the business of manufacturing of switchgears. However, the Company did not place the orders sufficiently in advance before completing the substation, by factoring in the supply capacity and lead time of MEI. This could have averted the idling of substations for want of switchgears. There was no system in place to trigger placement of purchase orders considering the scheduled date of completion and lead supply time required for MEI. This had caused unwarranted delays in commissioning of the substations.

[47] Refer ***Appendix 8a, Appendix 8b and Paragraph 2.1.13, 2.1.14 and 2.1.15***.

The Government replied (April 2020) that penalty was levied for delayed supply as per the terms and conditions of purchase order. Necessary instructions would be issued to all the transmission zones for placement of orders within time.

The reply is not acceptable, the Company should evolve a system to ensure timely placement of orders and supply of switchgears to avert the idling substations constructed with huge investment, as the invoking penalty does not address the issue.

Monitoring

2.1.17. As per the conditions of the contracts, the contractors had to submit a detailed Programme Evaluation Review Technique (PERT) chart consisting of various key phases of the work such as design, procurement, field erection activities within fifteen days of the date of Letter of Award of Contract. These were to be reviewed, updated, once every month and monitored by the respective Superintending Engineers. Further, as per the circular issued (July 2016) by the Company, the contractors should furnish to the Engineer the Monthly Progress Report detailing out the progress achieved on all erection activities along with photographs.

Audit observed that:

- the contractors submitted an Activity Chart in test checked cases of 53 works, detailing the milestones for different activities, *viz*. submission of designs and drawings, supply of materials, erection, *etc*. However, the milestones referred to in the Activity Charts were not reviewed at the Divisional level;

- there was no evidence in support of contractors submitting monthly progress reports along with photographs and the Company reviewing them for corrective action, in cases where there was breach of milestones;

- the Company had a web based Project Monitoring System (PMS) envisaged for online monitoring of different activities/projects from planning to execution stage. However, PMS did not capture pre-construction planning activities, potential risks and mitigation measures during execution. It did not support uploading of photographs or GIS information to track progress of the work with reference to Activity Chart, which would have potentially added robustness to the monitoring system. Also, there was no tool for evaluation of benefits post completion of projects.

Absence of effective monitoring was evident from the fact that 30 works were completed with delay ranging from one month to twelve years from the schedule date and 20 works were still under progress with delay ranging from three months to twelve years beyond their scheduled dates of completion.

The Government replied (April 2020) that the works were reviewed monthly at Division level and quarterly at Zonal level. It was also stated that necessary instructions would be issued to the project monitoring cell and to all the Zonal Chief Engineers to review the works regularly as per activity chart and obtain evidence in support of progress made from contractors. The reply is not acceptable, as the bottlenecks in completion of the works were not addressed in a timely manner, which led to non-completion of works beyond their scheduled dates. This indicated that monitoring at Divisional and Zonal level was not effective.

The Government during Exit Conference (19 December 2019) emphasized the need for uploading the progress of works on daily basis to the system so that action can be taken against the defaulting contractor and also any issues hampering the progress could be resolved without loss of time.

Outcome analysis

2.1.18. The Detailed Project Report *inter alia* brings out the benefits of the project. While the total energy savings was mentioned in quantitative terms, other benefits *viz*. reducing line/system losses, maintaining quality and uninterrupted power supply, improvement of reliability of power supply, reducing line length, improvement in tail-end voltage, improvement in voltage conditions, releasing load or future growth were not quantitative. A few DPRs included improvement of power supply to specific areas and reduction in overloading of identified stations.

The Company did not have a system of ex-post analysis on project benefits and there was no mechanism to measure the benefits envisaged. In the absence of these, audit could not vouch-safe the extent of benefits realised in respect of 33 completed projects.

Audit analysed the quantifiable loss due to delays in completion of 50 of the 53 test-checked projects. In respect of 30 projects which were completed at a cost of ₹ 992.35 crore after delays ranging from one month to twelve years, the Company lost energy savings of 1,597 Million Units (MUs). Further, 20 of the 50 works were still in progress (December 2019) with delays ranging from three months to more than twelve years beyond their scheduled completion dates, on which the Company had incurred ₹ 566.92 crore. The Company had also lost energy savings of 1,715 MUs in these incomplete projects till date (December 2019).

Thus, due to delays in completion of these 50 of 53 test-checked projects, the Company lost energy savings valued at about ₹ 556.42 crore[48] though an expenditure of ₹ 1,559.27 crore was incurred on them. The delay in completion results in increased tariff for the consumers as the interest charges on such capital expenditure is passed on to consumers in tariff. The Company had

[48] The total envisaged energy savings as per projections made in the Detailed Project Reports for 50 projects (30 completed with delay and 20 works not completed beyond their scheduled dates) was 3,312 MUs valued at ₹ 1,112.83 crore (1,597 MUs on completed works + 1,715 MUs on incomplete works). In the absence of ex-post analysis of project benefits, the loss has been calculated considering 50 *per cent* of the projected energy savings at an average purchase cost of power during 2018-19 (3,312 MUs x ½ = 1,656 MUs x ₹ 3.36 per unit = ₹ 556.42 crore).

incurred ₹ 566.92 crore on 20 of the 50 works which were still in progress (December 2019). Considering average interest rate of 9.73 *per cent* on the loans borrowed for capital works during five-years (2014-2019), the annual interest of ₹ 55.16 crore incurred on the value of investment made on the incomplete assets would be factored for Tariff fixation resulting in higher tariff.

In fact, KERC while approving Tariff Order 2019, noted that every year the Company was carrying forward huge amount of works-in-progress to the next year, which would have unjustified tariff implications and would amount to burdening the consumers with higher tariff without passing on the corresponding benefits to them.

Conclusion

2.1.19. It was appreciable that the Company was able to maintain the Transmission System Availability, a measure to assess the capability of transmitting electricity at its rated voltage, at more than 99 *per cent*, and also achieve Transmission losses at lesser than the targets fixed by KERC, throughout the period 2014-15 to 2018-19. The Company received an incentive of ₹ 206.30 crore for meeting the targets set by KERC. Audit, however, observed deficiencies in planning and execution of works which eventually led to non-achievement/deferment of the desired benefits.

2.1.19.1. *Planning*

- The Company had failed to prepare and file with the KERC the Perspective Plan and the Rolling plans, periodically, as required under the Grid Code and guidelines issued by CEA. Audit also observed that on one hand, the Company executed projects not in the Perspective Plan, while on the other, it did not execute projects envisaged in the Perspective Plan. The stations that exist in the vicinity of the proposed stations, which were not executed were seen to be overloaded;

- The existing transmission capacity of the Company was in excess of requirement during all the five years. The transmission capacity in 2018-19 was 20,800 MW against the requirement, of 16,354 MW (peak demand *plus* system margin of 27 *per cent*), as per the Manual on Transmission Planning Criteria issued by the CEA, resulting in excess capacity of 4,446 MW (5,230 MVA). The cost of creating such excess capacity was about ₹ 3,870 crore, which would be passed on to consumers in tariff.

2.1.19.2. *Execution of works*

While assessing whether the works/projects of the transmission network were planned and executed efficiently by the Company, Audit observed that only 3 out of the 53 works/projects were completed within their scheduled completion dates. The reasons for delay in completion of the balance works/projects were:

- Failure to re-assess the project site and prepare revised layout plans/designs before tendering the work as there were changes in ground conditions due to long delays in tendering the work from date of the approval of its DPR;

- Delay in approval of designs for the substations and lines;
- Failure to identify forest land and railway projects in the survey resulting in delay in applying and obtaining clearances from Forest Department/Railways;
- Failure to file for statutory clearances immediately upon their identification in the survey and ensure simultaneous clearance for right of way along with award of works;
- Failure to invoke the enabling provisions of the Indian Telegraph Act for ensuring right of way, despite having favourable judgments;
- Failure to take timely action to short-close and invoke penal provisions on the defaulting contractors;
- Inadequate monitoring to address the delay in completion of works.

Recommendations

The Company may:

1. **adhere to the norms fixed in the Manual on Transmission Planning Criteria before planning for additions to the existing transmission capacity so as to avoid creation of excess transmission capacity;**
2. **conduct proper survey, ensure hindrance free line corridor while awarding the works by initiating proposals well in advance to obtain statutory clearances, *viz*. forest, railways, *etc* in coordination with the Government and resolving the right of way problems, if need be, by invoking the provisions available under Indian Telegraph Act, 1885 so that the completion of works are not hampered;**
3. **revisit the location of substations prior to award of works to ensure that the layout plans, designs and drawings as proposed in the DPRs hold good and ensure completion of connected source and evacuation lines before establishing substations;**
4. **identify and take stringent action on the defaulting contractors and ensure prompt enforcement of contractual obligations to complete the projects in time;**
5. **strengthen the Project Monitoring System so as to capture pre-construction planning activities, potential risks and mitigation measures during execution and also uploading of photographs or GIS information to track progress of the work with reference to Activity Chart. Also, a tool for evaluation of benefits post completion of projects may be included.**

Chapter - III

Compliance Audit Observations on Power Sector PSUs

Chapter - III

3. Compliance Audit Observations on Power Sector PSUs

Important findings emerging from audit that highlight deficiencies in planning, investment and activities of the Management in the Power Sector Public Sector Undertakings (PSUs) are included in this Chapter. These include observations on cases where the intended objectives of the projects were not achieved.

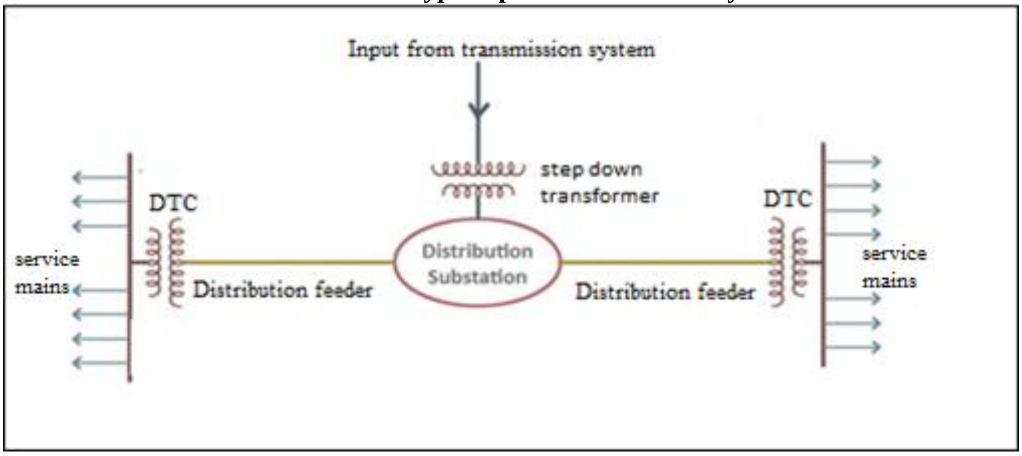
Bangalore Electricity Supply Company Limited, Hubli Electricity Supply Company Limited and Mangalore Electricity Supply Company Limited

3.1. *Metering of Distribution Transformer Centres in non-RAPDRP/Rural areas by the Electricity Supply Companies*

Introduction

3.1.1. A Distribution Transformer Centre (DTC), which provides final transformation in the electric power distribution system, is basically a step-down transformer. The high voltage from the transmission line (400/220/110/66kV) is stepped down to the primary distribution voltage level (11kV) by a step-down transformer. This voltage is further stepped down to 400/220 volts through DTC for consumption by the end users. Output from a DTC is transmitted by a distributor conductor for power supply to the end consumers through a small cable (called service mains) at the nearest electric pole**.** A typical power distribution system consisting of Distribution substation, feeders, Transformer Centres and end user points is depicted below:

Chart No.3.1.1: Typical power distribution system



The consumers are mapped (tagged) to the respective DTCs from which the power is supplied, by assigning unique codes to the consumer meters and to the DTCs. The purpose of consumer mapping is to identify revenue leakages by comparing the outflow of power from the DTC meters with that of consumer's meters connected under that DTC. The metering of DTCs and conduct of energy audit[49] facilitate proper assessment of distribution losses and enable detection and prevention of commercial losses at DTC level.

3.1.2. In order to have a realistic estimate of distribution losses and to avoid the payment by the consumers for the inefficiencies of the Electricity Supply Companies (ESCOMs) in the State, Karnataka Electricity Regulatory Commission (KERC) has been fixing the targets on distribution losses[50] for each ESCOM and issuing directions, from time to time, to reduce the losses.

In Tariff Order 2008, KERC directed the ESCOMs to prepare a metering plan for energy audit to measure the energy received in each of the responsibility centres and to account for the energy sales. The ESCOMs were required to undertake energy audit at DTC level and to report technical and commercial losses every year backed up by relevant studies justifying the loss levels indicated. Further, the ESCOMs were instructed (Tariff Order 2010) to complete the installation of meters to all the DTCs by 31 December 2010. The time lines were extended from time to time as the ESCOMs failed to meet them. As per the latest time line fixed by the Commission (Tariff Order 2019), ESCOMs were to complete DTC metering and submit energy audit reports by 31 May 2019.

Meanwhile, the Karnataka Electricity Distribution Code (KEDC), 2015 which came into effect from February 2016 also mandated fixing of meters to DTCs to facilitate monthly meter readings of all consumer installations along with the DTCs and to conduct month-wise DTC-wise energy audit, so as to reduce commercial and technical losses.

Scope of Audit

3.1.3. The ESCOMs had taken up metering of DTCs in 98 towns (towns with population of above 30,000) under the Central Government Sponsored Scheme of Restructured Accelerated Power Development and Reforms Programme[51] (R-APDRP) during July 2008 and completed in September 2016. The ESCOMs, in order to comply with the directives of KERC, also took up the metering of DTCs in non-RAPDRP/Rural areas between 2013-14 and 2018-19. The funding for these works (non-RAPDRP/ Rural areas) was met out of borrowings (₹ 334.15 crore) and internal resources.

The present audit covered the metering of DTCs by three ESCOMs in non-RAPDRP/Rural areas between 2013-14 and 2018-19, *viz*. Bangalore Electricity Supply Company Limited (BESCOM), Hubli Electricity Supply Company Limited (HESCOM) and Mangalore Electricity Supply Company

[49] Assessment of input and output energy from the DTCs with reference to actual consumption.

[50] For the financial year 2008, distribution losses of ESCOMs ranged between 14.99 *per cent* and 25.64 *per cent* (BESCOM-21.10 *per cent*; HESCOM-25.64 *per cent*; MESCOM-14.99 *per cent*).

[51] Performance Audit on implementation of R-APDRP was included in the Audit Report of C&AG of India on Public Sector Undertakings, Government of Karnataka for the year ended 31 March 2016.

Limited (MESCOM). Audit examined records in 15 divisions[52], apart from Corporate Offices of three ESCOMs. Three ESCOMs incurred capital expenditure of ₹ 449.81 crore and interest expense of ₹ 133.63 crore on the loans borrowed for DTC metering as of March 2019.

Audit objectives

3.1.4. The Audit objectives were to assess whether the ESCOMs:

- planned and executed the works of metering of DTCs in line with the applicable rules and norms;
- complied with the directives of KERC and the provisions of the Karnataka Electricity Distribution Code, 2015 on metering of DTCs in non-RAPDRP/rural areas; and
- conducted energy audit for evaluating distribution losses at DTC level to achieve the targeted levels.

Audit findings

Planning and execution

3.1.5.1. The project of metering of DTCs envisaged capturing the energy audit data from the DTCs, establishing a communication network between DTC and Data Management Centre in the subdivisions of ESCOMs using GPRS/GSM[53] network and pushing the data to server installed in the respective subdivisions. On receipt of meter data of all the DTCs, the respective Operation and Maintenance (O&M) sub-divisions were to evaluate the DTC meter data against the consumer meter data to measure the distribution losses at DTC level for corrective action.

The three ESCOMs (BESCOM, HESCOM and MESCOM) awarded the contracts for metering 1,14,324 Nos of DTCs[54] out of 1,56,174 between January 2013 and September 2015. The contracts were placed on total turnkey basis, *i.e*, supply, installation, commissioning and maintenance[55] for five years form the date of commissioning. The construction period was six to twelve months and operation and maintenance period was for five years from the date of completion.

Audit observed that the ESCOMs issued work orders with delay ranging from two years to more than five years from the stipulated date of completion by KERC (December 2010). There were no recorded reasons for such delay.

[52] **BESCOM**– Harihara, Hosakote, Magadi and Madhugiri; **HESCOM** – Dharwad Rural, Haveri, Sirsi, Belgaum Rural, Raibagh, Bijapur and Bagalkote; **MESCOM** – Bantwal, Udupi, Shivamogga and Kadur.

[53] General Packet Radio Service (GPRS)/Global System for Mobile communication (GSM).

[54] BESCOM: January 2013 for 45,000 of 77,333 DTCs; HESCOM: between March 2014 and May 2015 for 40,793 of 48,969 DTCs; MESCOM: September 2015 for 28,531 of 29,872.

[55] Contractor was responsible for downloading and analysis of data from DTC meters and push to data management centre and such data was to be used by the subdivision concerned.

Further, there were delays noticed in installation and commissioning of DTC meters by the contractors which ranged from four to twelve months[56] from the stipulated dates of the contracts. The ESCOMs extended the contracts for completion of metering the DTCs beyond the scheduled dates given in the contracts. In respect of BESCOM and HESCOM, there were no recorded reasons for delay in installation by contractors, however, in the case of MESCOM, the delays were attributed to non-availability of line clearances and monsoon rains. Thus, ESCOMs did not take up works in time and ensure timely completion.

The Government replied (June 2020) that metering of DTCs in urban areas under RAPDRP was initially taken up in 2007-08. Metering of all the DTCs could not be taken up at one go due to more number of DTCs and involvement of huge investment. It was further stated that the contracts were extended due to non-availability of line clearance, monsoon and delay in procuring materials.

The fact, however, remained that the ESCOMs failed to adhere to the KERC directives. Further, non-availability of line clearance and delay in procurement of material indicated deficient planning.

3.1.5.2. Regarding the balance DTCs (45,992 nos.) and the incremental DTCs (66,302 nos.) that were added in the system subsequently, ESCOMs did not take up metering. The details of balance DTCs and the incremental DTCs that were pending for metering are indicated in the table below:

Table No.3.1.1: **Details of addition of DTCs and pending DTCs for metering**

Sl. No.	ESCOM	DTCs to be metered	DTCs metered	Balance DTCs required metering	Incremental DTCs	DTCs to be metered (as of March/June 2019)
1	BESCOM	77,333	37,058[57]	40,275	25,189	65,464
2	HESCOM	48,969	43,252	5,717	8,970	14,687
3	MESCOM	29,872	31,218[58]	-	32,143	32,143

(Source: Information furnished by the ESCOMs)

Though the incremental DTCs in the system were substantial, ESCOMs failed to chalk out any plan for metering these DTCs. In BESCOM, the Board decided (March 2013) to carry out a post-work analysis of DTC metering to assess the extent of the benefits derived before proceeding for further metering, however, no such analysis was done by the Company in completed

[56] **BESCOM**: Ordered 45,000 DTCs, Completed in March 2014 against stipulated date of July 2013; **HESCOM**: Ordered for 40,793 DTCs, Completed between January 2015 and September 2015 (Phase-I) and between March 2015 and December 2015 (Phase-II), against stipulated date between August 2014 and October 2015 (Phase-I) and between June 2015 and December 2015 (Phase-II); **MESCOM**: Ordered for 28,531, Completed in November 2017 against stipulated date between April 2016 and November 2016.

[57] Though the DWA issued was for 45,000 DTCs, only 37,058 DTCs were done in the Non-RAPDRP Rural areas. Balance were metered for IP installations. Hence only 37,058 are considered.

[58] 2,687 DTCs were additionally entrusted for metering during the course of contract.

cases. Audit observed that for arriving at the overall losses based on DTC level, it was essential to ensure metering of all the DTCs in the distribution system. Since, BESCOM and HESCOM had not completed metering of the existing DTCs and MESCOM did not take up metering of newly added DTCs, the ESCOMs could not arrive at the overall losses despite incurring capital expenditure of ₹ 449.81 crore and interest expense of ₹ 133.63 crore as at 31 March 2019. In addition, ESCOMs had to incur recurring annual interest on outstanding loans to the extent of ₹ 40.43 crore[59].

The Government in its reply stated (June 2020) that incremental DTCs would be taken up after addressing the bottlenecks (network and communication issues) for the DTCs already metered as per the directions (September 2019) of the KERC.

Audit, however, observed that the ESCOMs failed to meter even the existing meters as of March/June 2019 and resolve the bottlenecks in conducting energy audit even after lapse of considerable time, despite persistent directives by the KERC year after year.

3.1.5.3 Audit further observed that even the installed meters were not communicating in certain DTCs which hampered the downloading of the meter data for carrying out energy audit. As of March 2020, 8,470 meters in BESCOM, 6,683 meters in HESCOM and 15,926 meters in MESCOM were not communicating, though the Executive Engineers/Assistant Executive Engineers concerned had certified, at the time of releasing payments to the contractors, that the meters were successfully commissioned.

Moreover, the contracts for DTC metering included maintenance for five years after commissioning. As per the terms of maintenance contract, it was the responsibility of the contractor to ensure establishment of a communication network between DTCs and the data management centre of ESCOMs using GPRS/GSM network and to ensure availability of all meter data at the data management centre server for facilitating energy audit. Despite having a maintenance contract, the problem of downloading data from meters persisted, thereby defeating the purpose of metering.

The Government replied (June 2020) that the payment was released after ensuring data communication and downloading of data. Non-communication of these meters subsequently was due to network and other issues and the agency has been directed to rectify the issues. The fact remained that the meters installed after incurring huge expenditure were not serving the intended purpose. Due to the Company's failure to enforce the contract terms of ensuring sustained good network, accurate data for realistic estimation of distribution losses could not be arrived at through energy audit.

Violation of terms of contract

3.1.6. The scope of contract (Clause 3.2 of agreement and item 20.01 (a) of DWA) for metering of DTCs included installation and commissioning of all

[59] BESCOM – ₹ 28.63 crore; HESCOM – ₹ 7.93 crore: MESCOM - ₹ 3.87 crore.

such items, which were needed for successful, efficient, safe and reliable operation of the equipment, unless otherwise specifically excluded in the specifications under 'exclusion' or Letter of Award. Any other items of work not specifically mentioned, but which are essentially required for satisfactory performance and completeness of these works were deemed to be included in the scope of works and the same were to be executed/carried out by the contractor at no extra cost to the ESCOMs.

Audit, however, observed that two ESCOMs, *viz*. BESCOM and HESCOM have supplied lead wires and Copper/Aluminum lugs[60] to the Contractors at the cost of ESCOMs, though these material were essentially required for commissioning of DTC meters and the cost of which were to be borne by the contractors as per the terms of contract. BESCOM and HESCOM incurred ₹ 7.07 crore[61] and ₹ 7.33 crore respectively towards supply of lead wires and Copper/Aluminum lugs in violation of terms of contract[62]. Thus, the payment of ₹ 14.40 crore tantamount to extension of an undue advantage to the contractors and resulted in avoidable financial burden to the ESCOMs.

The Government replied (June 2020) that the supply of lead wire and accessories were not included in the scope of the bidders and hence the expenditure was incurred as they were absolutely necessary for metering.

The reply is not acceptable, as the scope of contract included installation and commissioning of all such items, which were needed for successful, efficient, safe and reliable operation of the equipment. As confirmed in the reply, lead wire and other accessories were absolutely necessary for metering and hence they fall within scope of the bidders. Therefore, the expenditure of ₹ 14.40 crore incurred by the ESCOMs was unwarranted.

Non-conducting of energy audit

3.1.7.1. ESCOMs failed to carry out energy audit for all the DTCs that were metered. The energy audit[63] was done for only around 60 *per cent* of the metered DTCs in BESCOM and HESCOM and 43 *per cent* in MESCOM. KERC took a serious view (Tariff Order 2015 and 2016) in this regard stating that energy audit was not taken-up even in such DTCs for which metering has been completed negating the very purpose of metering them at a substantial cost.

The reasons for non-conducting of energy audit for the balance DTCs were attributed to non-completion of consumer indexing (mapping of consumers to DTCs), software integration issues, mismatch in DTC codes, *etc*. In the Audit Report of the C&AG on implementation of metering of DTCs under

[60] Lead wires are cables used to connect transformer with DTC meter and lugs are devices used for connecting cables to DTC meter.

[61] ₹ 1.50 crore to M/s. Genus Power Infrastructure Ltd and ₹ 5.57 crore to M/s. Asian Fab Tech Limited.

[62] This issue was not observed in MESCOM.

[63] BESCOM: 22,189 of 37,058 DTCs (60 *per cent*); HESCOM: 26,903 of 43,252 DTCs (62 *per cent*); MESCOM: 13,367 of 31,218 (43 *per cent*).

R-APDRP, Audit had highlighted similar operational issues[64] encountered by the ESCOMs. However, ESCOMs, without addressing these operational issues, went ahead with awarding the works for metering the DTCs in Non-RAPDRP and Rural areas also, defeating the very purpose of metering.

The Government while confirming audit observation on the reasons for non-conducting of energy audit stated (June 2020) that efforts are being made to resolve the issues and conduct energy audit.

3.1.7.2. Further, due to not resolving some of the operational issues such as, software integration, mismatch of DTC code, *etc*, the data generated through energy audit was not accurate. The division-wise and sub-division-wise results of energy audit are given in ***Appendix-10.*** It could be observed that the results had depicted 'negative loss' or '100 *per cent* loss' or error ('Blank' or 'N/A'). The results of energy audit in three ESCOMs in test checked cases are given in the following table:

Table No. 3.1.2: **Details of results of energy audit**

Sl. No.	ESCOM	Test checked DTCs (Nos)	No. of DTCs with 100 *per cent* loss	No. of DTCs with negative loss	No. of DTCs with no data/error	Percentage of errors
	(a)	(b)	(c)	(d)	(e)	f = (c+d+e)/b*100
1	BESCOM	9,368	1,373	1,569	4,292	77
2	HESCOM	6,028	2	636	4,847	91
3	MESCOM	9,462	-	745	3,473	45

(Source: Energy audit reports of respective ESCOMs)

It could be seen that the percentage of erratic results ranged between 45 *per cent* and 91 *per cent*. The ESCOMs, therefore, should have taken remedial measures on priority for addressing the bottlenecks, as DTC metering involved huge capital expenditure.

BESCOM, while furnishing the compliance to KERC (Tariff Order 2016), stated that mapping of DTCs to respective consumers is in progress and could be completed by January 2016 and it will be in position to submit system generated energy audit reports with effect from February 2016. Subsequently, BESCOM stated (Tariff orders 2017, 2018 and 2019) that though energy audit is being carried out, results were erratic due to incomplete mapping and software integration problems. HESCOM and MESCOM stated that action would be taken to address the issues and conduct energy audit for all the DTCs. Audit, however, observed that the ESCOMs have not resolved the various issues adversely impacting the DTC metering and have not submitted the accurate energy audit reports to the KERC yet (December 2019).

The Government confirmed (June 2020) in its reply that erratic results were due to improper tagging of consumer installations with the DTCs, mismatch of DTC codes, burnt meters, communication errors, *etc.* It further stated that action is being taken to resolve the issues.

[64] Refer performance audit on implementation of R-APDRP included in Audit Report on Public Sector Undertakings, GoK for 2015-16 (Para 2.2.18 to 2.2.20).

3.1.7.3. Audit conducted (June 2019) physical verification of DTCs to assess their functioning on a test check basis. Subdivision-wise observations are given in ***Appendix-11***. The following table indicates the observations noticed during physical verification by audit and the counter check from the data obtained from energy audit reports and Demand, Collection and Balance (DCB) Report:

Table No. 3.1.3: Results of physical verification of DTCs, energy audit report and DCB

Sl. No.	ESCOM	Good	Non-mapping of consumers	Meter burnt	Meter not recording/ display not working	Mismatch in location/ serial number of DTCs	Other issues[65]	Total
1	BESCOM	4	8	4	3	-	12	31
2	HESCOM	-	4	11	50	21	12	98
3	MESCOM	-	4	2	7	4	17	32

(Source: Physical verification, energy audit reports and DCB reports)

Audit observed that only four out of 161 DTC meters physically verified in three ESCOMs were in good condition and the balance meters were either burnt or non-functional. There were also cases of mismatch in location codes of DTCs in the energy audit reports, differences in number of consumers as per DTC and that recorded in billing software (called DCB –Demand, Collection and Balance Report) causing the errors in energy audit results. Further, the number of consumers as recorded in energy audit reports and that in DCB report were not matching, the differences ranged from 1 to 306 in HESCOM and 1 to 326 in MESCOM **(**refer ***Appendix-12*)**.

It was observed that the contracts for metering DTCs included maintenance for five years from the date of commissioning. However, the maintenance contract was restricted only to downloading and analysis of data from DTC meters for use by the subdivision concerned for energy audit purposes. The maintenance contract was deficient to the extent that it did not include remedial measures, such as replacing the burnt meters, rectifying the non-functional meters, rectifying the mismatch in codes, *etc*. As a result, ESCOMs have resorted to manual collection of the energy consumption as recorded in the DTC meters and as per the billing software maintained at sub-divisions for carrying out the energy audit. This defeated the very purpose of DTC metering.

The Government stated (June 2020) that the measures were taken to address the issues.

Impact of non-achievement of distribution loss levels

3.1.8. The distribution loss is the difference between the energy input and energy sold. The investments made to improve the distribution network should normally translate into reduction of distribution losses. Considering the achievement made by the ESCOMs in reduction of losses in the previous years and looking at the current loss levels, besides the capital expenditure

[65] Include meter not found on site, actual consumption less than that recorded in energy audit report, battery drained, *etc*.

incurred so far and the proposed capital expenditure for the current year, KERC fixed the targets for distribution losses while approving tariff. KERC allowed incentive for achieving the target and levied penalty for shortfall.

The details of targets *vis-a-vis* achievement of distribution losses and levy of penalty in three ESCOMs during 2016 to 2019 are indicated below:

Table No. 3.1.4: Penalty for non-achievement of distribution loss levels

Sl. No.	Tariff order	Targets fixed by KERC (*Per cent*)	Loss levels achieved (*Per cent*)	Penalty levied[66] (₹ in crore)
BESCOM				
1	2016	13.80	14.78	116.57
2	2019	13.00	13.17	28.75
HESCOM				
3	2017	18.00	20.92	164.35
MESCOM				
4	2018	11.35	11.40	1.48
5	2019	11.25	13.50	63.83
Total				**374.98**

(Source: Tariff orders issued by KERC)

Audit observed that ESCOMs had to pay penalty of ₹ 374.98 crore due to non-achievement of targeted distribution losses during the period from 2016 to 2019. The ESCOMs could have initiated corrective action, if the sources of losses were properly assessed. As the ESCOMs delayed implementation of metering of DTCs and failed to take any corrective action for resolving the bottlenecks in conduct of energy audits, payment of penalty was inevitable. This expenditure has to be absorbed by the ESCOMs, as this is not allowed to be factored into the tariff.

KERC had issued directions to ESCOMs every year at the time of approving tariff orders between 2008 and 2019 and also followed up the progress achieved in metering by each ESCOM. The year-wise summary of directives of KERC are given in ***Appendix-13.*** KERC also expressed (Tariff Orders 2017 and 2018) its displeasure for not resolving the issues and repeating the same assurances for the last several years without actually implementing them.

The Government stated (June 2020) that steps have been taken to replace faulty meters, updating consumer indexing, synchronizing DTC codes with billing software, *etc*. It was also stated that efforts are being made to reduce losses through re-conductoring and regular maintenance works.

Conclusion and recommendations

The ESCOMs incurred huge capital expenditure of ₹ 449.81 crore and interest expense of ₹ 133.63 crore on the loans borrowed for DTC metering as of March 2019. In addition, ESCOMs had to incur recurring annual interest on outstanding loans to the extent of ₹ 40.43 crore. However, the substantial capital expenditure incurred by the ESCOMs on metering remained unfruitful as the ESCOMs were not able to measure the accurate losses at DTC level on

[66] The actual distribution losses in other years (other than that mentioned in the table) were within the targets fixed by KERC.

account of incomplete consumer mapping to DTCs, non-communication of DTC meters due to poor network, software integration, *etc*. Besides, ESCOMs had to pay penalty to the tune of ₹ 374.98 crore due to non-achievement of targeted distribution losses which could have been avoided, had the ESCOMs taken action for resolving the bottlenecks in implementation of metering DTCs. Further, the capital expenditure incurred by the ESCOMs on metering gets into tariff fixation and increases the charges to be recovered from the consumers without any corresponding benefit.

The ESCOMs are therefore required to take constructive steps to make the investment on DTC metering fruitful, *viz.* ensuring metering of incremental DTCs on a continuous basis, identification of consumers under each DTC and mapping, resolving network issues (increasing bandwidth, *etc*), rectification of mismatch of DTC location codes with billing software and timely replacement/rectification of non-functional meters.

The Government stated (June 2020) that the action has been taken to address the bottlenecks in conducting DTC-wise energy audit and to reduce the distribution losses.

Karnataka Power Transmission Corporation Limited

3.2. Repair of failed Power Transformers

The Company failed to comply with its own circulars and guidelines prescribed for repair of failed power transformers. 55 transformers (64 per cent of the audit sample) valued at ₹ 41.55 crore have been left unrepaired for a period of one month to seven and a half years beyond the period of 360 days allowed for repair. These transformers could therefore not be used in the transmission system, leading to an avoidable purchase of new transformers with additional expenditure of ₹ 75.90 crore.

3.2.1. The Karnataka Power Transmission Corporation Limited[67] (the Company), which is a transmission licensee under Section 14 of the Electricity Act, 2003, operates and maintains Power Transformers (PT) of various capacities[68] in its transmission network. PT is an electrical device used in the transmission and distribution network of higher voltages for stepping-up and stepping-down the voltage. Any failure of a PT disrupts the power transmission system and jeopardizes the transmission network. To achieve

Picture No.3.2.1: Power Transformer

[67] The Company was incorporated (July 1999) under the Companies Act, 1956 as a wholly owned company of Government of Karnataka.

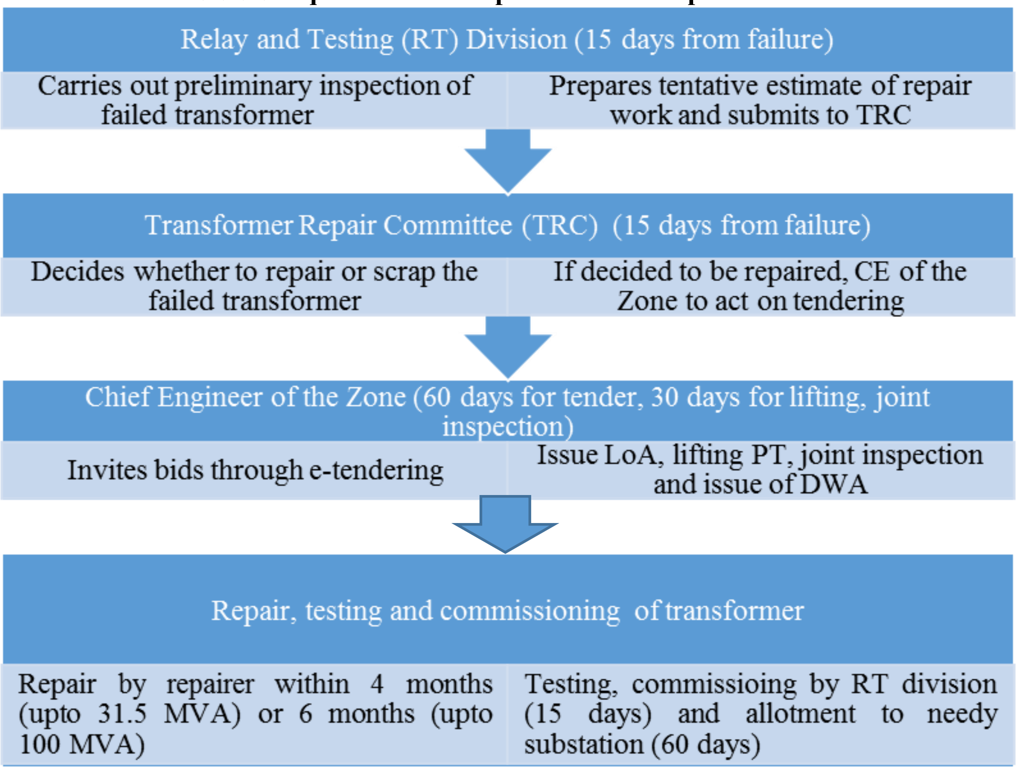
[68] 8 MVA, 10 MVA, 12.5 MVA, 16/20 MVA, 31.5 MVA 100 MVA and 150/167 MVA transformers.

efficiency in a transmission system, installation of required capacity of PTs and their proper maintenance are essential.

3.2.1.1. The Company prescribed (July 2009) the time schedule for the process of identification and repair of the failed/faulty PTs. The repair of transformers was carried out by inviting competitive bids. The tendering process was governed by the Karnataka Transparency in Public Procurement (KTPP) Act[69], 1999 and KTPP Rules, 2000.

The Relay and Testing (RT) Division of the Company, headed by an Executive Engineer and the Transmission Zone[70], headed by a Chief Engineer, were primarily responsible for identifying and getting the failed transformers repaired and putting them back into the transmission system. The following is the sequence of events/time schedule prescribed (July 2009) in the circulars for repair of failed transformers.

Chart No.3.2.1: Sequence of events prescribed for repair of transformers



(Days in brackets indicate period allowed for the activity)

Scope of Audit

3.2.2. To assess whether the failed PTs were identified and repaired within the stipulated time adhering to the circulars and guidelines issued (July 2009/June 2016) by the Company, provisions of KTPP Act, 1999 and KTPP Rules and relevant circulars issued thereunder. Out of the total 126 failed PTs in six

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[69] As per the Act, no Procurement Entity shall procure goods or services except by inviting Tenders, where the value of procurement exceeds five lakh rupees in case of construction works and one lakh rupees in case of goods or services other than construction works.

[70] The Company has six zones each headed by a Chief Engineer to manage the functions relating to transmission system at the field level.

zones of the Company, Audit examined records relating to 86 failed PTs[71] with written down value of ₹ 59.62 crore in three[72] zones. The selected sample of 86 PTs represented 68.25 *per cent* of the total transformer failures during 2013-19.

Repair management

3.2.3. The repair process of a failed/faulty PT was to be carried out in accordance with the time schedule prescribed (July 2009) by the Company. The total time allowed to get a failed transformer repaired and re-allotted to the needy substation was 360 days (refer ***Chart No.3.2.1***).

Audit observed that despite having a structured schedule, failed PTs were not repaired and put back into the system for use within the prescribed time. The status of the sample of 86 failed PTs out of 126 PTs reviewed in audit is indicated in the chart below:

Chart No.3.2.2: Status of failed transformers

It could be observed that, out of 86 PTs examined in the three zones, only 18 PTs (21 *per cent*) were repaired within the stipulated time and 11 PTs were repaired with delays ranging from one year to more than eight years beyond the prescribed time of 360 days (refer ***Paragraph 3.2.4***).

Out of the balance 55 PTs valued at ₹ 41.55 crore (refer ***Appendix-14)*** which were yet to be repaired (December 2019), 33 PTs (valued at ₹ 28 crore) were held with the repairers beyond the completion period stipulated in the contracts (refer ***Paragraph 3.2.5***) and 22 PTs were lying in the respective substations (December 2019), as the contracts for these PTs had not been finalised (refer ***Paragraph 3.2.6***). These 55 PTs were lying idle for one month to seven and a half years beyond the prescribed period of 360 days from the date of failure. The fact that 64 *per cent* of the failed transformers were yet to be repaired clearly demonstrates poor repair management by the Company.

[71] The three zones were selected considering highest incidence of failure in that order.

[72] Bengaluru – 36 PTs with WDV of ₹ 24.78 crore; Mysuru – 13 PTs with WDV of ₹ 9.22 crore; and Bagalkote- 37 PTs with WDV of ₹ 25.62 crore.

Delay in repairing Power Transformers

3.2.4. In respect of 11 PTs, which were repaired and received back, it was observed that the delays in repair were mainly attributable to delay by the RT Divisions/Zones concerned in finalizing tenders and awarding works as detailed in the table below:

Table No.3.2.1: Delays at various stages for repaired PTs

Sl. No.	Stages	Stipulated period	Delay beyond stipulated period
1	Submission of initial test report with tentative estimate by RT Division	15 days from date of failure	3 to 72 months
2	Tendering and issue of Letter of Award (LoA)	2 months from date of initial test report	5 to 14 months
3	Lifting of PT by repairer and issue of Detailed Work Award (DWA)	1 month from LoA	5 to 30 months
4	Repair	4 months from DWA	1 to 14 months

While the delay attributable to the RT Divisions/Zones (in initiating the tenders and in issuing LoA/DWA), ranged from 3 to 72 months, the delay attributable to the repairers was from 1 to 14 months beyond the scheduled completion period stipulated in the contracts. These delays from both RT Divisions/Zones and the repairers had delayed putting the PTs back into the transmission system by one to more than eight years beyond the prescribed schedule of 360 days from the date of their failure (refer ***Appendix-15)***, which could have been avoided had the Zones taken timely action for finalising the tenders (including issue of LoA/DWA). The reasons for such delays on the part of the Company were not available on record. Moreover, the Company did not act upon repairers for delay in repair beyond the stipulated dates of contracts.

Power Transformers held with repairers

3.2.5. The Letters of Award for 33 PTs were issued between May 2012 and March 2019 (refer ***Appendix-16***). Audit noticed considerable delay both on the part of the Zones in awarding the contracts and also on the part of the contractors in repairing the PTs leading to these PTs being held with repairers (December 2019) beyond their scheduled date of completion of repairs. Delay in finalizing tenders and awarding contracts for 33 PTs by the Zones and delay in their repair by contractors are indicated in the following table:

Table No.3.2.2: Delays at various stages for PTs yet to be received from repairers

Sl. No.	Stages	Stipulated period	Delay beyond stipulated period
1	Submission of initial test report with tentative estimate by RT Division	15 days from date of failure	2 to 46 months
2	Tendering and issue of Letter of Award (LoA)	2 months from date of initial test report	2 to 35 months
3	Lifting of PT by repairer and issue of Detailed Work Award (DWA)	1 month from LoA	3 to 66 months
4	Repair (as of December 2019)	4 months from DWA	4 to 63 months

As per the terms of the contracts, the transformers were to be repaired within four months from the date of the joint inspection/DWA[73]. If the repairer failed to execute the works, the Company, after issue of 30 days' notice to this effect, could terminate the contracts and execute the balance works at the risk and cost of the contractor. In addition, the terms of the contracts allowed forfeiture of the performance security and imposition of liquidated damages for non-performance of the contract. The liquidated damages were to be levied at the rate of ½ *per cent* of the contract price per week or part thereof subject to a maximum of 10 *per cent* of the contract price.

Audit observed the following deficiencies:

i. The repairers, within 30 days of LoA, were required to lift the failed transformers from the subdivisions and offer for joint inspection for preparing detailed estimate and issue of DWA. However, Audit noticed delays ranging from one month to three months beyond the stipulated period for lifting the PT and offering for joint inspection by the repairer in 28 of 33 PTs[74] (refer ***Appendix-17***). The Zones did not invoke penal provisions for the delay, though the terms of contracts allowed forfeiture of bid security and termination of the contracts;

ii. The PTs were to be repaired within four months from the date of joint inspection/DWA. The repairers did not deliver (December 2019) the transformers on time, with the delays ranging between 4 to 63 months beyond the stipulated time. Considering the delay caused by the repairers at various stages in respect of the 33 PTs, liquidated damages of ₹ 1.26 crore were leviable (refer ***Appendix-17***). However, this amount was not levied and recovered by the Zones from the defaulting repairers, though the zones had issued notices to the repairers. The notices issued by the Zones, while pointing out the delay in repair, stated that action would be taken as per the terms of contract, but audit did not notice any action being taken;

iii. Apart from the above, there was considerable delay on the part of the Zones in finalizing the tenders, issue of LoA and DWA (ranging upto 66 months). There was nothing on record to explain the reasons justifiable for such abnormal delays on the part of the Company. The Company attributed such delays to preoccupation of RT division attending break downs of substations and commissioning of new substations. This caused the deferment of repair process.

Audit further observed the following lacunae in repair management, which contributed to delays in repair:

- The Zones placed contracts repeatedly on two firms, *viz*. Seven contracts on M/s. Tarapur Transformer Ltd, Mumbai between May

[73] The Company conducts joint inspection of the failed transformer with the repairer in the premises of the repairer to arrive at the actual quantum of repairs required and issue DWA. Repairs should be taken up only after joint inspection and DWA. Joint inspection was to be offered by the repairer immediately after lifting the failed transformer (30 days from LoA).

[74] Sl.No.1, 2, 4 to 13, 15, 16, 17, 19 to 25, 27, 28 and 30 to 33 of ***Appendix-17.***

2012 and July 2016, and eight contracts on M/s. Vidyuth Transformers Pvt. Ltd, Kutch between May 2013 and September 2017 (refer ***Appendix-18***), though these repairers had not repaired and returned the PTs placed in the previous orders. The system of awarding the works was deficient to the extent that it did not involve an assessment of the previous performance of repairers before placing the new orders;

- It was also noticed that the Zonal Chief Engineers concerned served notices and issued reminders to the repairers for delay in repair. However, none of the three zones had either invoked the contractual provisions for levying liquidated damages on the defaulted repairers or initiated action to terminate these contracts and execute the balance works for repair of the PTs at the risk and cost of the repairers. Resultantly, the transformers remained with the contractors beyond the scheduled dates of completion as they did not pay any heed to these notices;

- Further, as per the instruction issued (June 2016) by the Company, the Zonal Chief Engineers concerned were required to review the status of the repair every month and report to the Superintending Engineer (Planning & Monitoring) at the Corporate Office of the Company. A separate report was also to be furnished in respect of transformers pending repair beyond seven months. No evidence for such a reporting arrangement by the CE was forthcoming from the records made available to audit. This lapse hampered the quality of monitoring due to absence of timely feedback from the executing authority to the planning and monitoring authority on the nature of the delays in repair.

Thus, the 33 PTs with book value of ₹ 28 crore were not brought back into the transmission system even after lapse of a considerable period of time from the date of their failure due to laxity on part of the Zones in executing the repair contracts, compounded by negligence in initiating timely action for cancelling the contracts or invoking penal provisions on the defaulting repairers.

The Government replied (July 2020) that the delays occurred due to preoccupation of the RT division in attending to breakdowns of substations and non-conducting of Transformer Repair Committee (TRC) meeting due to busy schedule of the members. With regard to delay in lifting PTs by the tenderers, it was stated that there was delay in furnishing Bank Guarantee (BG). Further it was replied that, out of 33 PTs, 15 PTs were repaired and the balance 18 PTs were with repairers and the Company was continuously pursuing with the repairers for expediting the repair. Liquidated damages were levied for delays.

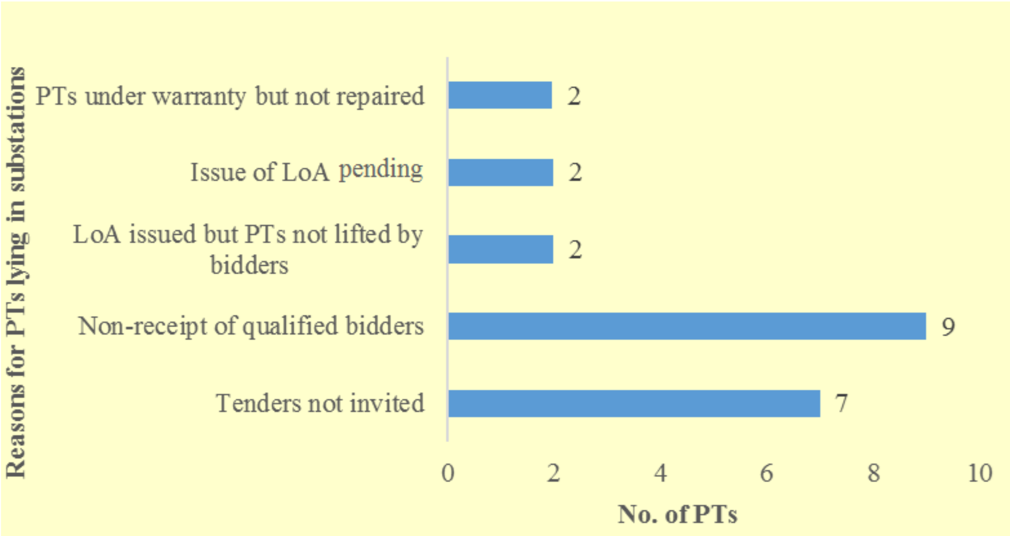
The reply is not acceptable, as there was breach of timelines fixed for repair and also there was nothing on record to show that RT Division ever discussed the constraints in adhering to the time schedule with management. The reason that the delay occurred due to busy schedule of TRC is not justified as it was the responsibility of the management to ensure that TRC takes timely decisions. As regards non-furnishing of BG, action should have been taken to terminate the contract as per the contractual terms. The fact also remained that

18 PTs out of 33 PTs were yet to be repaired and even the repaired 15 PTs were received after considerable delays.

Failed Power Transformers held at substations

3.2.6. The contracts for repair of 22 PTs valued at ₹ 13.55 crore, (refer ***Appendix-19***) have not been finalised yet (December 2019) for various reasons as tabulated below:

Chart No.3.2.3: Reasons for PTs lying in the substations without repair



It could be observed that while the Zones did not initiate action for inviting tenders for seven PTs, it did not analyse the reasons for non-response of qualified bidders for nine PTs. Further, in four contracts, either issue of LoA was pending or PTs were not lifted even after issue of LoA. Resultantly, these 22 PTs were lying idle without repair for a period ranging from one year to more than six years since their failure (December 2019).

The Government replied (July 2020) that out of 22 PTs, tender processing was completed in case of six PTs and for the remaining 16 PTs there were single bid/no response even after invitation of tenders for more than three times. However, the fact remained that all the 22 PTs were lying idle without repair for a period ranging from one to more than six years since their failure. Further, the Company did not analyse the reasons for low participation of bidders and moreover, in case of single bids, the Company could have awarded the contracts after third attempt with recorded justification as per the Karnataka Transparency in Public Procurement (KTPP) Act.

Impact of Delays - Avoidable cost on purchase of new PTs due to delay in repair

3.2.7. As a part of Company's annual capital works programme, the Company procures new transformers for the purpose of augmentation/creation of new sub-stations and replacement of faulty/failed PTs. It was observed that the Company procured 137 new PTs at a total cost of ₹ 231.61 crore in three zones during 2013-14 to 2018-19. Of these 137 PTs, the Company could have avoided purchase of 55 numbers costing₹ 75.90 crore[75], had the failed transformers (refer ***Paragraph 3.2.5 & 3.2.6***) been repaired timely and made available for use. Thus, the Company's failure in repair management had not only led to purchase of new PTs with additional cost, but also resulted in idling of 55 PTs valued at ₹ 41.55 crore.

The Government replied (July 2020) that the new PTs were procured considering requirement of augmentation/creation of new substation works. If any of the PTs failed and if the spare/repaired PTs were not available in the zone, then the available new PTs would be utilised to provide uninterrupted power supply. The reply confirms the fact that new PTs were purchased and put into use due to delay in repair of failed PTs, which could have been avoided if the time lines fixed for repair were adhered to.

Conclusion

- The Zones failed to adhere to its own timelines prescribed for repair of PTs, and only 21 *per cent* of the total PTs (18 out of 86 PTs) in three zones were repaired within the prescribed time. 22 PTs valued at ₹ 13.55 crore, were lying idle for one to more than six years since their failure because of non-finalisation of contracts**.**

- 33 PTs valued at ₹ 28 crore were held with repairers for a period ranging from 4 months to 63 months from the due dates in the contracts, yet the Zones did not take action to terminate the contract and levy and recover the liquidated damages of ₹ 1.26 crore from the defaulting repairers.

- Consequent to non-repair of failed PTs within prescribed timelines, these PTs (55 Nos) could not be brought back into the transmission system and also resulted in additional expenditure of ₹ 75.90 crore on purchase of new PTs.

The Government stated (July 2020) that necessary instructions will be issued to all the Chief Engineers of Transmission Zones to follow up the transformer repairs and to get back the repaired transformers well within the scheduled time as per the terms of contract and also to invoke contractual provisions to levy and recover the liquidated damages for all the commissioned PTs. It was also stated that the penalty would be calculated after completion of repair work in case of PTs which were under repair.

Recommendations

The Company may ensure:

- **adherence to the prescribed timelines by the RT Divisions with regard to initial inspection and finalisation of estimates of failed power transformers;**

[75] Calculated considering average cost of ₹ 1.69 crore per PT (₹ 231.61 crore / 137) *less* average repair cost of ₹ 30.69 lakh per PT. (55 x ₹ 1.38 crore = ₹ 75.90 crore).

- **timely decisions by the Transformer Repair Committee and finalisation of tenders by the Zones;**

- **enforcement of penal provisions of contracts in case of defaulting repairers;**

- **monthly review of progress of repair of PTs at zonal level as well as by the Superintending Engineer (Planning and Monitoring) in line with the existing instructions (June 2016) of the Company.**

Chapter - IV

Functioning of State PSUs (other than Power Sector)

Chapter - IV

4. Functioning of State Public Sector Undertakings (other than Power Sector)

Introduction

4.1. There were 103 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power Sector. These PSUs which were incorporated during the period between 1932-33 and 2018-19, included 97 Government Companies (84 working and 13 non-working) and six Statutory Corporations[76]. The PSUs included 11 subsidiary companies[77] and four associate companies[78].

The State Government provides financial support to the PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 103 PSUs (other than Power Sector), the State Government invested funds in 95 PSUs and in the remaining eight PSUs[79] being subsidiaries/associate companies, the State Government has no direct investment.

Contribution to economy of the State

4.2. A ratio of turnover of PSUs to the Gross Domestic Product (GDP) of the State shows the extent of activities of PSUs in the State economy. The table below provides the details of turnover of the PSUs (other than Power Sector) and GDP of the State for a period of five years ending March 2019:

Table No. 4.1: Details of turnover of PSUs (other than Power Sector) *vis-a-vis* GDP of the State

(₹ in crore)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Turnover	13,877.81	15,415.08	15,193.35	17,523.27	19,879.41
2	GDP of State	9,13,923.00	10,45,182.00	11,55,912.00	13,25,443.00	14,08,112.00
3	Percentage of Turnover to GDP of State	1.52	1.47	1.31	1.32	1.41

The turnover of these PSUs recorded continuous increase over previous years during 2014-15 to 2018-19 except 2016-17, where it had declined by 1.44 *per cent.* The increase in turnover was 11.08 *per cent* in 2015-16, 15.34 *per cent* in 2017-18 and 13.45 *per cent* in 2018-19, while increase in GDP of the State

[76] KSWC, KSFC, KSRTC, BMTC, NEKRTC and NWKRTC.
[77] NGEFH, MCA, KCDCL, TPL, MTC, KPL, KSVL, MMCL, MCT, BPRRDCL and KTL.
[78] JLR, FKL, KAMCPL and KTCPL.
[79] KCDCL, FKL, KAMCPL, KTCPL, TPL, BPRRDCL, MCT and KSVL (State Government has direct investment in the form of equity/loan in the remaining seven subsidiary/associate Companies).

varied from 6.24 *per cent* to 14.67 *per cent*.

The compounded annual growth of turnover of PSUs recorded 9.40 *per cent*[80] as against that of GDP of 11.41 *per cent*[81] during last five years. This resulted in decrease in share of turnover of the PSUs (other than Power Sector) to the GDP from 1.52 *per cent* in 2014-15 to 1.41 *per cent* in 2018-19.

Investment in PSUs (other than Power Sector)

4.3. There are some PSUs which were instrumental to the State Government in providing certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these PSUs have therefore been analysed under two major classifications *viz.* those in the social sector and those functioning in a competitive environment. Besides, 53 PSUs which do not fall under any of these two categories have been classified under 'Others'. Details of investment made in these 103 PSUs in the shape of equity and long term loans upto 31 March 2019 are detailed in ***Appendix-1(b)***.

4.4. The sector-wise summary of investment[82] (Equity and long-term loans) in these PSUs (other than Power Sector) as on 31 March 2019 is given below:

Table No. 4.2: **Sector-wise investment in PSUs (other than Power Sector)**

Sl. No.	Sector	Number of PSUs	Investment (₹ in crore)		
			Equity	Long term loans	Total
1	Social Sector	12	1,323.52	266.30	1,589.82
2	PSUs in competitive environment	38	2,256.48	3,906.06	6,162.54
3	Others	53	54,678.38	14,837.10	69,515.48
	Total	**103**	**58,258.38**	**19,009.46**	**77,267.84**

As on 31 March 2019, the total investment (equity and long-term loans) in these 103 PSUs was ₹ 77,267.84 crore. The investment consisted of 75.40 *per cent* towards equity and 24.60 *per cent* in long-term loans. The Long term loans advanced constituted 14.27 *per cent* (₹ 2,713.22 crore) by the State Government and 85.73 *per cent* (₹ 16,296.24 crore) from other financial institutions.

Disinvestment, Restructuring and Privatisation of PSUs (Other than Power Sector)

4.5. The State Government approved and adopted (February 2001) a comprehensive policy on public sector reforms and privatisation of Public

[80] Calculated as $[1(19{,}879.40/13{,}877.81)^{1/1\times4} - 1] \times 100$ ($r=n[(A/P)^{1/nt}-1]$ where r=rate of interest, n=compounding term, A=principal *plus* Interest, P=principal and t=compounding period).

[81] Calculated as $[1(14{,}08{,}112.00/9{,}13{,}923.00)^{1/1\times4} - 1] \times 100$.

[82] This includes investment by the State Government, Central Government and Others including holding companies.

Sector Undertakings in the State. Accordingly, seven companies[83] were dissolved/amalgamated at the end of September 2019. Further, out of 103 PSUs, the Government issued closure orders for 13 PSUs[84] which were non-working.

Budgetary support to PSUs (other than Power Sector)

4.6. The State Government provided financial support to PSUs in various forms through the annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off, interest waived, guarantees issued and guarantee commitment in respect of PSUs (other than Power Sector) for the three years ended 2018-19 are given below:

Table No. 4.3: Details regarding budgetary support to PSUs (other than Power Sector)

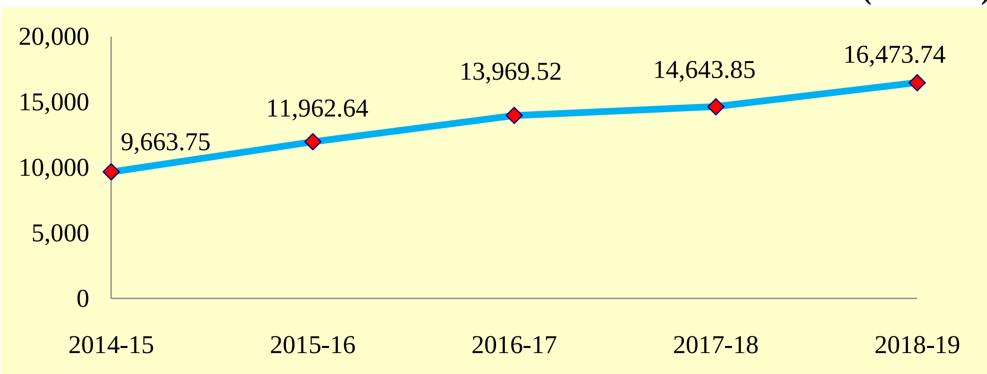
(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	11	4,220.80	13	4,100.37	20	6,634.99
2	Loans given from budget	2	44.70	3	356.33	4	984.21
3	Grants/Subsidy from budget	29	9,704.02	30	10,187.15	37	8,854.54
4	**Total outgo**	-	**13,969.52**	-	**14,643.85**		**16,473.74**
5	Waiver of loans and interest	-	-	-	-	-	-
6	Guarantees issued	11	2,116.32	8	3,464.19	7	2,999.11
7	Accumulated Guarantee Commitment	15	7,796.23	13	14,303.94	13	14,668.06

The details regarding budgetary outgo towards equity, loans, grants and subsidies for the past five years ended 2018-19 are given in the following Chart:

Chart No. 4.1: Budgetary outgo towards equity, loans, grants and subsidies

(₹ in crore)



[83] Karnataka Tungsten Moly Limited, Karnataka Agro Proteins Limited, Vishveswaraya Vidyuth Nigam Limited, Karnataka Film Industries Development Corporation Limited, Karnataka Small Industries Marketing Corporation Limited, Chamundi Machine Tools Limited and Karnataka State Textiles Limited.

[84] All the non-working companies are as per **Appendix-1(b)**. In respect of NGEF, which was one of the non-working PSUs, orders for withdrawal of closure were admitted by Hon'ble High Court of Karnataka in June 2017.

The budgetary support of the State Government in respect of equity, loans and grants and subsidies over a period of five years ending 2018-19 was on the increasing trend. It had increased from ₹ 9,663.75 crore in 2014-15 to ₹ 16,473.74 crore in 2018-19. The budgetary support of ₹ 16,473.74 crore during 2018-19 included equity of ₹ 6,634.99 crore, loans of ₹ 984.21 crore and grants and subsidy of ₹ 8,854.54 crore.

Status of Guarantees for loan and guarantee commission outstanding

4.7. In order to enable PSUs to obtain financial assistance from Banks and Financial Institutions, the State Government gives guarantee under Karnataka Ceiling on Government Guarantees Act, 1999 (as amended by Act 15 of 2002). The Government charges a minimum of one *per cent* as guarantee commission, which cannot be waived under any circumstances. The guarantee commitment increased from ₹ 7,796.23 crore in 2016-17 to ₹ 14,303.94 crore during 2017-18 and to ₹ 14,668.06 crore in 2018-19. Guarantee fee of ₹ 148.53 crore was paid by ten PSUs during 2018-19. The outstanding accumulated guarantee fees or commission as on 31 March 2019 was ₹ 39.64 crore[85].

Reconciliation with Finance Accounts

4.8. The figures in respect of equity, loans and guarantees outstanding as per the records of PSUs (other than Power Sector) should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the PSUs concerned and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2019 is given in the following table:

Table No. 4.4: Equity, loans and guarantees outstanding as per Finance Accounts *vis-a-vis* records of PSUs (other than Power Sector)

(₹ in crore)

Sl. No.	Outstanding in respect of	Amount as per Finance Accounts^	Amount as per records of PSUs	Difference
	(1)	(2)	(3)	(4 = 2-3)
1	Equity	46,002.60	57,443.74	(-) 11,441.14
2	Loans	2,710.12	2,713.22	(-) 3.10
3	Guarantees	16,771.05	14,668.06	2,102.99

^**Source:** Finance Accounts Statement no.18 (Loans), 19 (Equity) and 20 (Guarantees)

There were differences in respect of 87 PSUs as shown in the ***Appendix – 2(b)***. The major differences in equity and loans were observed in respect of nine companies[86]. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner and take appropriate action for rectifying/adjusting the differences.

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[85] The PSUs, which had major arrears was KFCSCL (₹ 17.76 crore), RGHCL (₹ 10.24 crore). the outstanding dues of remaining PSUs were ₹ 11.64 crore.

[86] KMDC, KSIIDC, KBJNL, KNNL, CNNL, VJNL (Sl. No. A17, A18, A30, A31, A32 and A33 of ***Appendix– 2(b)***) in respect of equity and RGHCL, VJNL and MPM (Sl. No. A28, A33 and A50 of ***Appendix – 2(b)***) in respect of loans.

Submission of accounts by PSUs (other than Power Sector)

4.9. The financial statements of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year, *i.e*. by end of September, in accordance with the provisions of Section 96(1) of the Companies Act, 2013. Failure to do so may attract penal provisions under Section 99 of the Act. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts.

The following table provides the details of progress made by working PSUs in finalisation of accounts by 30 September 2019:

Table No. 4.5: **Position relating to finalisation of accounts of working PSUs (other than Power Sector)**

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of working PSUs	69	70	79	83	90
2	Total number of accounts finalised during the year	68	61	66	66	95
3	Number of accounts finalised relating to current year	33	26	27	23	40
4	Number of accounts finalised relating to previous years	35	35	39	43	55
5	Number of accounts in arrears	43	54	67	79	78
6	Number of working PSUs with arrears in accounts	37	44	51	60	50
7	Extent of arrears (number in years)	1 to 2 years	1 to 3 years	1 to 4 years	1 to 5 years	1 to 6 years

During the year, 95 accounts pertaining to 75 PSUs were finalised, which included five accounts of five Statutory Corporations[87]. The number of accounts in arrears increased from 43 (2014-15) to 78 (2018-19). Of the 78 arrears of accounts, 71 accounts pertained to the working Government Companies, which were in arrears ranging between one and six years and seven accounts pertaining to six Statutory Corporations.

The Administrative Departments have the responsibility to oversee the activities of these PSUs and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The PAG/AG had periodically taken up the matter with the State Government/Administrative Departments concerned for liquidating the arrears of accounts.

4.10. The State Government made net investment of ₹ 6,671.84 crore in 27 out of 50 PSUs (other than Power Sector) during the years, for which accounts were not finalised as detailed in ***Appendix-3***. In the absence of finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred were properly accounted for and the purpose for which the amount was invested was achieved or not. Thus, the

[87] KSWC did not finalise any accounts during 2018-19.

Government's investment in such PSUs remained outside the control of the State Legislature.

4.11. There were arrears in finalisation of accounts by non-working PSUs. Out of 13 non-working PSUs, four[88] were in the process of liquidation whose accounts were in arrears for fourteen to sixteen years. Of the remaining nine non-working PSUs, six[89] PSUs had no arrears of accounts, the remaining three PSUs (NGEF, BSRCL and MMCL) has arrears of 16 years (NGEF), five years (BSRCL) and one year (MMCL). The position relating to arrears in finalization of accounts of non-working PSUs is given in the following table:

Table No.4.6: **Position relating to arrears in finalisation of accounts of non-working PSUs**

Sl. No.	No. of non-working companies	Period for which accounts were in arrears	No. of years for which accounts were in arrears
1	1	2018-19	01
2	1	2014-15 to 2018-19	05
3	1	2005-06 to 2018-19	14
4	2	2004-05 to 2018-19	15
5	2	2003-04 to 2018-19	16

Placing of Separate Audit Reports in the Legislature

4.12. The position depicted in the following table shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (upto 30 September 2019) on the accounts of Statutory Corporations in the Legislature:

Table No.4.7: **Status of placement of SARs in Legislature**

Sl. No.	Name of Statutory Corporation	Year upto which SARs placed in the Legislature	Year for which SARs not placed in the Legislature	
			Year of SAR	Date of issue to the Government/ Present Status (September 2019)
1	Karnataka State Road Transport Corporation	2017-18	2018-19	Preparation of SAR under progress
2	Bangalore Metropolitan Transport Corporation	2017-18	2018-19	
3	North Eastern Karnataka Road Transport Corporation	2017-18	2018-19	
4	North Western Karnataka Road Transport Corporation	2017-18	2018-19	
5	Karnataka State Financial Corporation	2017-18	2018-19	

Impact of non-finalisation of accounts of PSUs (other than Power Sector)

4.13. As pointed out in ***Paragraphs 4.9 and 4.10,*** the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the arrears of accounts, the actual contribution of PSUs to the State GDP for the year 2018-19

88 KSVL, MCL, KTL and MACCL.
89 KAIC, MTC, KPL, MLW, VSL and MCT.

could not be ascertained and their contribution to the State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that:

- **The Government may set up a cell to oversee the clearance of arrears of accounts and set the targets for individual companies, which can then be monitored by the cell; and**
- **Wherever the staff was inadequate or lacked expertise, the Government may explore other avenues/ mechanisms to enable them to clear the arrears in accounts.**

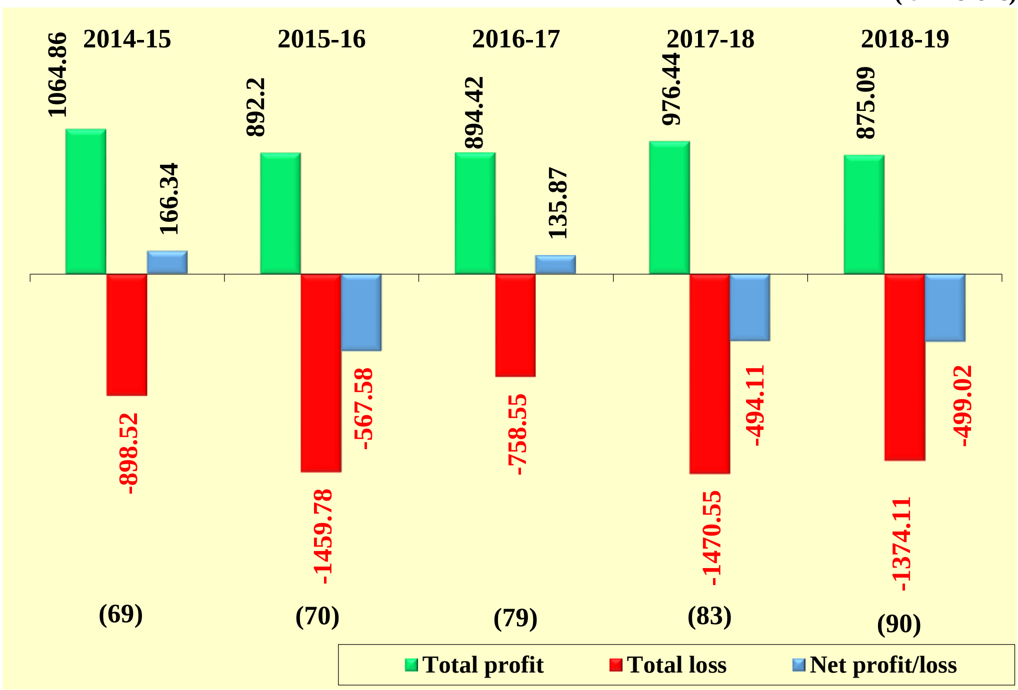
Performance of PSUs (other than Power Sector) as per their latest finalised accounts

4.14. The financial position and working results of working Government Companies and Statutory Corporations are detailed in ***Appendix–4(b)*** as per their latest finalised accounts as of 30 September 2019.

Overall profit (losses)[90] earned (incurred) by the working PSUs (other than Power Sector) of the State during 2014-15 to 2018-19 are given in the following bar chart:

Chart No. 4.2: Profit/Loss of working PSUs

(₹ in crore)



(Figures in brackets show the number of working PSUs in respective years)

As per their latest finalised accounts, out of the 103 PSUs (other than Power Sector), 90 PSUs are working and 13 PSUs non-working. Out of 90 working

[90] Profit/Losses during 2017-18 and 2018-19 were arrived at after considering Other Comprehensive Income (OCI).

PSUs, 49 PSUs earned profit of ₹ 875.09 crore and 28 PSUs incurred loss of ₹ 1,374.11 crore. Three PSUs (KSSKDCL, DDUTTL and RIDCL) did not finalise their first accounts. Eight PSUs[91] prepared only a statement of income and expenditure. Further, two (KAMICL and KAJDC) PSUs, incorporated during the year, did not finalise their first accounts.

The major contributors to profit were Karnataka Rural Infrastructure Development Limited (₹ 126.24 crore), Karnataka Soaps and Detergents Limited (₹ 109.45 crore). Huge losses were incurred by Karnataka Neeravari Nigam Limited (₹ 719.64 crore) and Bangalore Metropolitan Transport Corporation (₹ 217.61 crore).

The working PSUs showed net aggregate profits of ₹ 166.34 crore and ₹ 135.87 crore during 2014-15 and 2016-17 respectively and incurred net aggregate loss of ₹ 567.58 crore, ₹ 494.11 crore and ₹ 499.02 crore during the year 2015-16, 2017-18 and 2018-19 respectively.

The position of working PSUs (other than Power Sector) which earned profit/incurred loss during 2014-15 to 2018-19 is given in the following table:

Table No. 4.8: **PSUs (other than Power Sector) which earned profit /incurred loss**

Sl. No.	Year	Total PSUs	Number of PSUs which earned profits during the year	Number of PSUs which incurred loss during the year	Number of PSUs not prepared profit and loss account[92]
1	2014-15	69	41	20	8
2	2015-16	70	43	19	8
3	2016-17	79	45	19	15
4	2017-18	83	45	24	14
5	2018-19	90	49	28	13

Return on State Government funds infused in PSUs (other than Power Sector)

4.15. The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund. These parameters were discussed in subsequent paragraphs.

[91] RGHCL, KFCSCL, KVTSDCL, IKF, BBC, TMTP, SGB and KMERCL.

[92] Includes PSUs which have not prepared profit and loss account pending project completion, PSUs not prepared accounts being the first year of their operation and PSUs which prepared income and expenditure statement instead of profit and loss account.

Out of 103 PSUs (other than Power Sector) existing as at the end of March 2019, the State Government invested funds in 95 PSUs only as the State Government did not infuse any funds in eight PSUs.

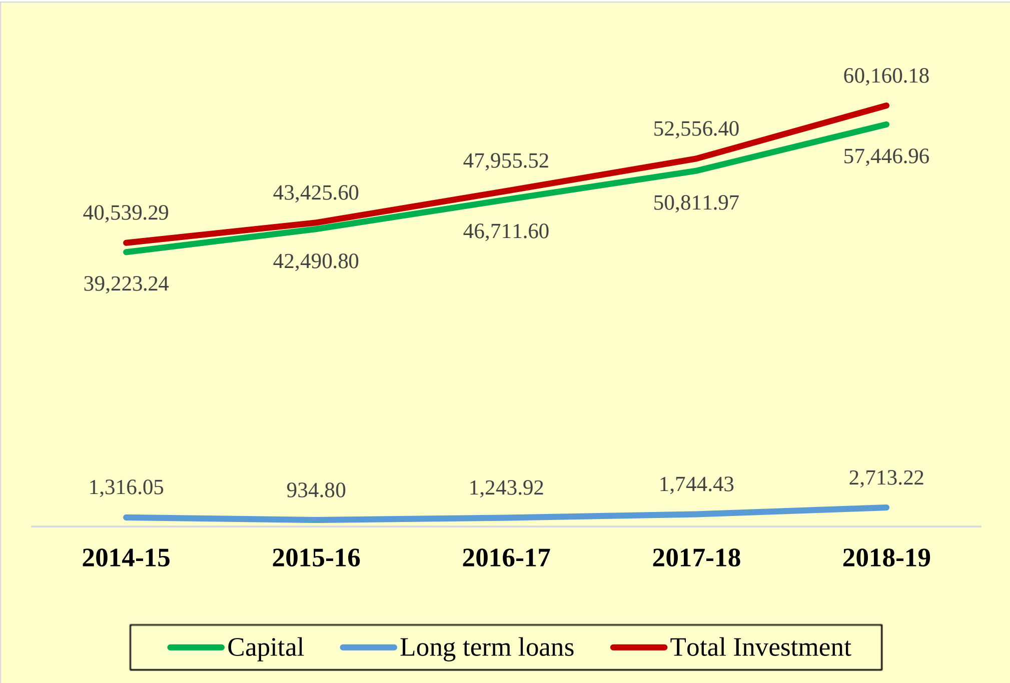
Return on Investment

4.15.1. The PSUs are expected to yield reasonable return on investment made by Government in the PSUs. The amount of investment in 95 PSUs (other than Power Sector) as on 31 March 2019 was ₹ 60,160.18 crore consisting of ₹ 57,446.96 crore as equity and ₹ 2,713.22 crore as long term loans by the State Government.

The investment grew by 48.40 *per cent* from ₹ 40,539.29 crore in 2014-15 to ₹ 60,160.18 crore in 2018-19 as shown in the following Chart:

Chart No. 4.3: **Investment in PSUs (other than Power Sector) by State Government**

(₹ in crore)



Return on the basis of historical cost of investment

4.15.2. Out of the total long term loans, only interest free loans have been considered as investment of the Government in these PSUs, as the interest free loans given to the PSUs are akin to equity since they have not been repaid and parts of the loans have been converted into equity subsequent to sanctions of the loans. Further, the funds made available in the forms of the grants/subsidies have not been considered as investment since they do not qualify to be considered as investment.

The investment of the State Government in 95 out of 103 PSUs (other than Power Sector) was arrived at by considering the investment of State Government as equity, adding interest free loans and deducting interest free loans which were later converted into equity if any, for each year.

As on 31 March 2019, the investment of the State Government in these 95 PSUs (other than Power Sector) was ₹ 60,160.18 crore consisting of equity of ₹ 57,446.96 crore and long term loans of ₹ 2,713.22 crore. Out of the released long term loans, ₹ 47.37 crore was interest free loan. Thus, considering the equity of ₹ 57,446.96 crore and interest free loan of ₹ 47.37 crore as investment of the State Government in these 95 PSUs, the investment on the basis of historical cost at the end of 2018-19 stood at ₹ 57,494.33 crore.

The sector wise return on investment on historical cost basis for the period 2014-15 to 2018-19 is given in the following table:

Table No. 4.9: **Return on State Government Investment on historical cost basis**

Sl. No.	Year wise sector-wise break-up	Total earnings/ losses (-) (₹ in crore)	Equity and interest free loans as at the end of the year (₹ in crore)	Return on Investment (*per cent*)
		2014-15		
1	Social Sector	61.25	756.34	8.10
2	PSUs in competitive environment	9.90	2,505.49	0.40
3	Others	-84.14	36,008.78	(0.23)
4	**Total**	**-12.99**	**39,270.61**	**(0.03)**
		2015-16		
1	Social Sector	119.27	850.24	14.03
2	PSUs in competitive environment	-42.45	2,554.28	(1.66)
3	Others	-826.64	39,133.65	(2.11)
4	**Total**	**-749.82**	**42,538.17**	**(1.76)**
		2016-17		
1	Social Sector	131.85	974.12	13.54
2	PSUs in competitive environment	146.15	2,316.06	6.31
3	Others	-327.73	43,468.79	(0.75)
4	**Total**	**-49.73**	**46,758.97**	**(0.11)**
		2017-18		
1	Social Sector	144.61	1,146.32	12.62
2	PSUs in competitive environment	-372.61	2,241.06	(16.63)
3	Others	-454.04	47,471.96	(0.96)
4	**Total**	**-682.04**	**50,859.34**	**(1.34)**
		2018-19		
1	Social Sector	142.13	1,226.33	11.59
2	PSUs in competitive environment	-283.95	2,108.73	(13.47)
3	Others	-542.18	54,159.27	(1.00)
4	**Total**	**-684.00**	**57,494.33**	**(1.19)**

The return on State Government investment is worked out by dividing the total earnings of PSUs with investment of the State Government in the form of equity and interest free loan. The return on investment of the PSUs, was negative in all the five years and declined from (-) 0.03 *per cent* in 2014-15 to (-) 1.19 *per cent* during 2018-19 mainly due to losses incurred by PSUs under competitive environment and other sectors. The overall return on investment was negative during 2014-15 to 2018-19 on account of significant losses incurred by Karnataka Neeravari Nigam Limited[93] (Other sector) and losses incurred by three road transport corporations[94] (PSUs in competitive environment). Karnataka Neeravari Nigam Limited was incurring continuous losses as revenue earned was not sufficient to meet its operating expenditure though the capital and administrative expenditure was funded by the State Government through budgetary support.

Return on the basis of Present Value of Investment

4.15.3. An analysis of the earnings *vis-a-vis* investments in respect of those PSUs (other than Power Sector) where funds had been infused by the State Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the Present Value (PV) of money. The PV of the Government investments has been computed to assess the rate of return on the PV of investments of GoK in the PSUs (other than Power Sector) as compared to the historical value of investments.

In order to bring the historical cost of investments to its present value at the end of each year upto 31 March 2019, the past investments/ year-wise funds infused by the GoK in the PSUs (other than Power Sector) have been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Therefore, PV of the State Government investment was computed in respect of PSUs (other than Power Sector) during 2010-11 to 2018-19.

The PV of the State Government investment in PSUs (other than Power Sector) was computed on the following assumptions:

- Interest free loans have been considered as investment infusion by the State Government as no interest on such loans has been paid by the PSUs. Further, in those cases where interest free loans given to the PSUs were later converted into equity, if any, the amount of loan converted into equity has been deducted from the amount of interest free loans and added to the equity of that year. The funds made available in the form of grants/subsidies have not been reckoned as investment, as they do not qualify to be considered as investment; and

- The average rate of interest on Government borrowings for the financial year concerned was adopted as the compounded rate for arriving at the PV since it represents the cost incurred by the Government towards investment of funds for the year and therefore considered as the

[93] Loss of ₹ 295.59 crore in 2014-15, ₹ 970.77 crore in 2015-16, ₹ 476.88 crore in 2016-17, ₹ 575.92 crore in 2017-18 and ₹ 719.64 crore in 2018-19.

[94] BMTC (₹ 217.61 crore), NWKRTC (₹ 71.98 crore) and NEKRTC (₹ 33.31) incurred during 2018-19.

minimum expected rate of return on investments made by the Government.

4.15.4. The Company-wise position of State Government investment in the PSUs (other than Power Sector) in the form of equity and interest free loans upto 2009-10 and from 2010-11 to 2018-19 is indicated in ***Appendix – 5(b).*** The consolidated position of PV of the State Government funds relating to PSUs (other than Power Sector) is indicated in the following table:

Table No. 4.10: Year-wise details of funds infused by the State Government and PV of Government funds for the period from 2010-11 to 2018-19

(₹ in crore)

Sl. No.	Year	PV of total investment at the beginning of the year	Equity infused by the State Government during the year	Interest free loans given by the State Government during the year	Total investment at the end of the year	Average rate of interest on Government borrowings[95] (in *per cent*)	PV of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[96]
(a)	(b)	(c)	(d)	(e)	(f=(c+d+e))	(g)	(h=f×(1+g)/100)	(i=f×(g/100))	(j)
1	up to 2009-10		23,506.04	17.97	23,524.01	6.70	25,100.12	1,576.11	
2	2010-11	23,647.51[97]	3,430.55	15.00	27,093.06	6.40	28,827.01	1,733.96	395.26
3	2011-12	28,827.01	3,411.54	10.25	32,248.80	6.60	34,377.23	2,128.42	149.33
4	2012-13	34,377.23	3,604.19	0.50	37,981.92	6.60	40,488.72	2,506.81	159.98
5	2013-14	40,488.72	3,250.82	-	43,739.54	6.20	46,451.39	2,711.85	364.96
6	2014-15	46,449.84[98]	3,382.63	3.65	49,836.12	6.50	53,075.47	3,239.35	-12.99
7	2015-16	53,075.47	3,267.56	-	56,343.03	6.50	60,005.33	3,662.30	-749.82
8	2016-17	60,005.33	4,220.80	-	64,226.13	6.30	68,272.37	4,046.25	-49.73
9	2017-18	68,272.37	4,100.37	-	72,372.74	7.70	77,945.44	5,572.70	-682.04
10	2018-19	77,945.44	6,634.99	-	84,580.43	8.20	91,516.03	6,935.60	-684.00
	Total		**57,446.96[99]**	**47.37**					

The funds infused by the State Government in PSUs (other than Power Sector) increased to ₹ 57,494.33 crore in 2018-19 from ₹ 23,524.01 crore as at 31 March 2010, as the State Government infused further funds in the shape of equity (₹ 33,940.92 crore), and interest free loans (₹ 29.40 crore) during the period 2010-11 to 2018-19. The PV of funds infused by the State Government upto 31 March 2019 worked out to ₹ 91,516.03 crore.

[95] The average rate of interest on borrowing by the State Government is adopted as per the Audit Reports of the C&AG of India on State Finances, GoK.

[96] Total Earning for the year depicts total of net earnings (profit/loss) as per their latest finalised accounts during the respective years relating to those PSUs (other than Power Sector) where funds were infused by State Government.

[97] The PV of investment made in Bangalore Metro Rail Corporation Limited (BMRCL - ₹ 1,451.16 crore) was excluded from opening balance due to transfer of Audit Jurisdiction to another office and that in Karnataka Small Industries Marketing Corporation Limited (KSIMC - ₹ 1.45 crore) on merger with KSSIDC.

[98] The PV of investment made in Chamundi Machine Tools Limited (CMTL - ₹ 0.86 crore) and Karnataka State Textiles Limited (KSTL - ₹ 0.69 crore) were excluded on liquidation.

[99] This excludes equity of BMRCL (₹ 1,360.04 crore), KSIMC (₹ 1.36 crore), CMTL (₹ 0.63 crore) and KSTL (₹ 0.50 crore) as these PSUs were transferred/merged/liquidated.

During 2010-11 to 2018-19, total earnings for the year remained below the minimum expected return to recover cost of funds infused in these PSUs. It was observed that Karnataka Neeravari Nigam Limited was the major contributor for losses during 2014-15 to 2018-19.

4.15.5. The return on State Government funds (at PV) infused in the PSUs (other than Power Sector) indicates the profitability and the efficiency of these PSUs. The return on State Government funds is worked out by dividing the total earnings[100] of these PSUs by the PV of the State Government investments. As these PSUs had negative return on investment during 2014-15 to 2018-19 (Refer Table 4.10), the return was not calculated.

Erosion of Net worth

4.15.6 Net worth is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses. The net worth[101] of PSUs (other than Power Sector), where the GoK had infused funds during 2014-15 to 2018-19 is indicated in the following table:

Table No. 4.11: **Net worth of PSUs (other than Power Sector) during 2014-15 to 2018-19**

(₹ in crore)

Sl. No.	Year	Paid up Capital at end of the year	Accumulated Profit (+)/ Loss (-) at end of the year	Net worth
1	2014-15	25,618.71	-997.76	24,620.95
2	2015-16	29,960.26	-1,179.37	28,780.89
3	2016-17	31,768.92	-1,291.12	30,477.80
4	2017-18	39,191.50	-3,102.81	36,088.69
5	2018-19	51,789.92	-2,754.87	49,035.05

As seen from the table above, the overall net worth of PSUs (other than Power Sector) was *positive* during the last five years ended 2018-19. However, the net worth of 26[102] out of 95 PSUs was eroded as at 31 March 2019.

Dividend Payout

4.15.7. The State Government formulated (May 2003) guidelines according to which Government nominees on the Boards of Public Enterprises or Joint Ventures, where the State Government had equity holding, should insist on the declaration of minimum dividend of 20 *per cent* on shareholding. In case payment of dividend to this extent was not possible, dividend payout must constitute at least 20 *per cent* of profit after tax. Dividend Payout relating to

[100] This includes net profit/losses for the concerned year relating to those PSUs where the funds have been infused by the State Government.

[101] Paid up capital *plus* Free reserves *less* Accumulated loss.

[102] NACDCL (₹ 0.23 crore), KUDCL (₹ 0.19 crore), KSACPL (₹ 25.14 crore), KSPAML (₹ 9.81 crore), KHDCL (₹ 79.62 crore) RGHCL (₹ 20.91 crore), LIDKAR (₹ 16.41 crore), KSCDCL (₹ 3.26 crore), MPM (₹ 307.05 crore), KSMB (₹ 16.67 crore), MYSUGAR (₹ 407.94 crore), KSTDC (₹ 10.18 crore), TMTP (₹ 2.61 crore), HDSCL (₹ 0.72 crore), SSCL (₹ 0.03 crore), SGB (₹ 0.01 crore), BMTC (₹ 57.61 crore), NWKRTC (₹ 650.17 crore), NEKRTC (₹443.27 crore), KAIC (₹ 315.49 crore), MTC (₹ 4.45 crore), KPL (₹ 5.86 crore), MMCL (₹ 0.08), MLW (₹ 318.45 crore), MCL (₹ 2.96 crore) and NGEF (₹ 362.34 crore).

PSUs (other than Power Sector) during the period 2014-15 to 2018-19 is shown in the following table:

Table No. 4.12: **Dividend Payout during 2014-15 to 2018-19**

(₹ in crore)

Sl. No.	Year	Total PSUs where equity infused by GoK		PSUs which earned profit during the year		PSUs which declared/paid dividend during the year		Dividend payment as a percentage of Paid up capital
		Number of PSUs	Paid up capital	Number of PSUs[103]	Paid up capital	Number of PSUs	Dividend declared/ paid by PSUs	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8=7/5*100)
1	2014-15	74	24,635.61	47	3,028.11	16	23.52	0.78
2	2015-16	75	29,306.50	44	2,019.65	17	28.70	1.42
3	2016-17	84	31,362.49	45	2,560.47	13	12.18	0.48
4	2017-18	89	38,128.91	46	3,407.45	14	19.44	0.57
5	2018-19	95	51,015.65	47	11,304.20	10	34.89	0.31

During the period 2014-15 to 2018-19, the number of PSUs which earned profits ranged between 44 and 47, out of which only 10 to 17 PSUs have declared dividend. Further, the Dividend payment as a percentage of paid up capital for PSUs during 2014-15 to 2018-19 was very nominal which ranged between 0.31 *per cent* and 1.42 *per cent*.

Further, one PSU each in 2014-15 (KSPHIDCL), 2015-16 (KSMCL) and 2016-17 (KSPHIDCL) and two PSUs (KSPHIDCL and HGML) in 2017-18 and four PSUs (KSDL, KSMCL, MPVL and KSPHIDCL) in 2018-19 declared/paid dividend more than the prescribed minimum of 20 *per cent*.

Return on Equity

4.15.8. Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using companies' assets to create profits and is calculated by dividing net profit after taxes with shareholders' fund[104].

Return on Equity has been computed in respect of PSUs (other than Power Sector) where funds had been infused by the State Government. The details of Shareholders fund and ROE relating to these PSUs during the period from 2014-15 to 2018-19 are given in the following table:

Table No. 4.13: **Return on Equity relating to PSUs (other than Power Sector)**

Sl. No.	Year	Net profit after taxes (₹ in crore)	Shareholders' Fund (₹ in crore)	Return on Equity (*per cent*)
1	2014-15	(-) 12.99	24,620.95	-
2	2015-16	(-) 749.82	28,780.89	-
3	2016-17	(-) 49.73	30,477.80	-
4	2017-18	(-) 682.04	36,088.69	-
5	2018-19	(-) 684.00	49,035.05	-

[103] This excludes subsidiary/associates where State Government had not directly invested, and includes non-working companies.

[104] Shareholder's fund = Paid up capital *plus* Free reserves *less* Accumulated loss.

As seen from the above table, the RoE was *negative* during 2014-15 to 2018-19 as the PSUs (other than Power Sector) incurred losses in all the five years.

Return on Capital Employed

4.15.9. Return on Capital Employed (ROCE) is a ratio that measures a Company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) with the capital employed[105]. The details of ROCE of PSUs (other than Power Sector) during the period from 2014-15 to 2018-19 are given in table below:

Table No. 4.14: **Return on Capital Employed**

Sl. No.	Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	ROCE (*per cent*)
1	2014-15	717.56	35,433.69	2.03
2	2015-16	202.37	47,061.69	0.43
3	2016-17	1,095.97	48,347.07	2.27
4	2017-18	983.00	57,151.05	1.72
5	2018-19	1005.95	73,958.27	1.36

The ROCE of PSUs (other than Power Sector) declined from 2.03 *per cent* in 2014-15 to 1.36 *per cent* in 2018-19 indicating the profitability was not commensurate with the Capital Employed. The ROCE during 2015-16 was very low at 0.43 *per cent* due to decrease in profitability of PSUs.

Analysis of Long term loans of PSUs (other than Power Sector)

4.16. The analysis of the long term loans of the companies which had leverage during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

Interest Coverage Ratio

4.16.1. Interest coverage ratio is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing a Company's earnings before interest and taxes (EBIT) with interest expenses of the same period. The lower the ratio, the lessor the ability of the Company to pay interest on debt. An interest coverage ratio of below one indicates that the Company is not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those PSUs (other than Power Sector) which had interest burden during the period from 2014-15 to 2018-19 are given in the following table:

[105] Capital Employed = Paid up share capital *plus* Free reserves and surplus *plus* long term loans *less* accumulated loss.

Table No. 4.15: **Interest coverage ratio of PSUs (other than Power Sector)**

Sl. No.	Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of Companies having interest burden	Number of Companies having interest coverage ratio more than one	Number of Companies having interest coverage ratio less than one
1	2014-15	643.38	717.56	43	25	18
2	2015-16	849.18	202.37	39	22	17
3	2016-17	798.02	1,095.97	30	18	12
4	2017-18	1,246.98	983.00	40	23	17
5	2018-19	1,398.81	1,005.95	46	4	42

It was observed that the percentage of PSUs (other than Power Sector) with interest coverage ratio of more than one ranged between 9 *per cent* and 60 *per cent* during 2014-15 to 2018-19. As at 31 March 2019, 42 out of 46 PSUs had interest ratio of less than one, indicating that these PSUs could not generate sufficient revenues to meet their expenses on interest.

Debt-Turnover Ratio

4.16.2. The debt-turnover ratio is calculated by dividing loans outstanding with turnover at the end of the year. The debt turnover ratio of working PSUs[106] (other than Power Sector) during the last five years is shown in the following table:

Table No. 4.16: Debt Turnover ratio of working PSUs (other than Power Sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Debt	9,966.48	10,991.17	17,437.64	20,629.38	24,285.46
2	Turnover	13,854.17	15,399.44	15,173.41	17,489.40	19,877.30
3	Debt-Turnover ratio	0.72:1	0.71:1	1.15:1	1.18:1	1.22:1

The debt-turnover ratio of working PSUs (other than Power Sector) has not improved as the compounded annual growth rate of Turnover (9.44 *per cent*) was less than that of Debt (24.94 *per cent*) during 2014-15 to 2018-19.

Winding up of non-working PSUs (other than Power Sector)

4.17.1. There were 13 non-working PSUs[107] (all companies) as on 31 March 2019. Of these, four PSUs have commenced the liquidation process.

Further, 13 non-working companies also included one Company (Bangalore Suburban Rail Corporation Limited), for which the GoK issued Orders (June 2017) re-constituting the Board of Directors for taking necessary steps for the

[106] This excludes PSUs where the State Government had no direct investment and non-working PSUs.

[107] As per **Appendix 4(b)** – 11 PSUs under Competitive Environment and two PSUs in Others.

closure of the Company. The formal orders for closure were yet (September 2019) to be issued.

The number of non-working companies at the end of each year for the past five years is given in the following table:

Table No. 4.17: Non-working PSUs Particulars

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	No. of non-working companies	12	12	12	13	13

Since the non-working PSUs did not contribute to the State economy and did not meet the intended objectives, these PSUs may be considered for closure. During 2018-19, six out of thirteen non-working PSUs incurred ₹ 39.07 crore[108] towards administrative costs. This expenditure was financed through rental receipts, interest receipts and other receipts.

4.17.2. The stages of closure in respect of non-working PSUs are given below:

Table No. 4.18: Stages of closure of non-working PSUs

Sl. No.	Particulars	Companies
1	Total number of non-working PSUs	13
2	Of (1) above, the number under	
(a)	Liquidation by Court (liquidator appointed)	4[109]
(b)	Liquidation process withdrawn	1[110]
(c)	Closure, *i.e.* closing orders/ instructions issued but liquidation process not yet started	8

The Companies, which have taken the route of winding up by Court order are under liquidation for a period ranging from fourteen years to sixteen years. The process of voluntary winding up under the Companies Act is much faster and requires to be explored.

Comments on Accounts of PSUs (other than Power Sector)

4.18.1. Seventy working PSUs (other than Power Sector) forwarded their 90 audited accounts to the Accountant General between 1 October 2018 and 30 September 2019. Of these, 64 accounts (of 54 companies) were selected for Supplementary Audit. The Audit Reports of the Statutory Auditors (appointed by the CAG) and the supplementary audits of the CAG indicate that the quality of maintenance of accounts requires improvement. The details of aggregate

[108] KAIC (₹ 24.12 crore), MTC (₹ 0.99 crore), KPL (₹ 0.13 crore), MLW (₹ 13.73 crore), VSL (₹ 0.06 crore) and MCT (₹ 0.04 crore).

[109] KSVL, MCL, KTL and MACCL.

[110] The GoK decided to withdraw the closure orders of NGEF as there were no arrears of loan and proposed for utilisation of land and other valuable properties of the Company for public projects. Based on an application from GoK, the Hon'ble High Court of Karnataka admitted (June 2017) for withdrawal of closure orders passed earlier.

money value of comments of statutory auditors and the CAG are given in the following table:

Table No. 4.19: Impact of audit comments on working companies

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No.	Amount	No.	Amount	No.	Amount
1	Decrease in profit (accounts)	11	505.90	16	300.12	17	374.60
2	Increase in profit (accounts)	4	13.07	2	17.43	5	9.49
3	Decrease in loss (accounts)	1	0.57	2	7.29	4	286.92
4	Increase in loss (accounts)	6	36.39	5	37.58	4	4.29
5	Non-disclosure of material facts (instances)	1	-	2	-	20	-
6	Errors of classification (instances)	-	-	3	-	24	-

During the year 2018-19, the Statutory Auditors issued unqualified reports on 31 accounts, qualified reports on 57 accounts and adverse report (which means that accounts did not reflect a true and fair position) on two accounts. The compliance of companies with the Accounting Standards remained poor as there were 83 instances of non-compliance in 30 accounts during the year.

4.18.2. Similarly, five working Statutory Corporations forwarded their five accounts to the AG during the year 2018-19. Of these, four accounts of four Statutory Corporations pertained to sole audit by the CAG, while the other one (KSFC) was supplementary audit after audit by Statutory Auditors. The Audit Reports of Statutory Auditors and the sole/supplementary audit of the CAG indicate that the quality of maintenance of accounts requires improvement. The details of aggregate money value of comments of the Statutory Auditors and the CAG are given in the following table:

Table No. 4.20: Impact of audit comments on Statutory Corporations

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	3	17.95	2	3.77	2	14.32
2	Increase in profit	1	116.10	-	-	-	-
3	Decrease in loss	1	0.27	-	-	1	0.57
4	Increase in loss	1	2.67	4	148.06	2	1.08

During the year, all five accounts were issued qualified certificates. Two Statutory Corporations reported a total profit of ₹ 30.05 crore, while three reported losses amounting to ₹ 322.90 crore.

Response of the Government to Audit

Performance Audits and Compliance Audit Paragraphs

4.19. One Performance Audit and three Compliance Audit paragraphs related to PSUs (other than Power Sector) were issued to the Additional Chief

Secretaries/Principal Secretaries of the respective Departments to furnish replies. Replies were received for the Performance Audit and one Compliance Audit paragraph. The replies to two Compliance Audit Paragraphs (***Paragraphs 6.1 and 6.2***) were partially received from the Government (September 2020). The views of the Government have been suitably incorporated.

Follow up action on Audit Reports

Replies outstanding

4.20. The Reports of the CAG represent the culmination in the process of audit scrutiny. It is therefore necessary that they elicit appropriate and timely response from the Executive. The Finance Department, Government of Karnataka, issued (January 1974) instructions to all Administrative Departments to submit replies to paragraphs and Performance Audits (PAs) included in the Audit Reports of the CAG within a period of three months of their presentation to the Legislature, without waiting for any questionnaires from the Committee on Public Undertakings (COPU). The status of receipt of replies to the report of the CAG of India from the GoK is given in the following table:

Table No. 4.21: **Replies not received as on 30 September 2019**

Sl. No.	Year of the Audit Report	Date of placing the Audit Report in the State Legislature	Total PAs and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which replies were not received	
			PAs	Paragraphs	PAs	Paragraphs
1	2016-17	22.02.2018	1	10	0	2
	Total		**1**	**10**	**0**	**2**

It could be seen that replies for two paragraphs in respect of two Departments[111] were not furnished by GoK (September 2019).

Discussion of Audit Reports by COPU

4.21. The status of Performance Audits (PAs) and paragraphs relating to PSUs (other than Power Sector) appeared in Audit Reports on PSUs and discussed by COPU as on 30 September 2019 was as detailed in the following table:

Table No. 4.22: **Status of discussion of PAs and Paragraphs**

Sl. No.	Period of Audit Report	Number of PAs/paragraphs			
		Appeared in Audit Report		Discussed	
		PAs	Paragraphs	PAs	Paragraphs
1	2012-13	2	6	2	5
2	2015-16	1	10	1	6
3	2016-17	1	10	0	5
	Total	**4**	**26**	**3**	**16**

[111] Finance Department and Water Resources Department.

Compliance to Reports of COPU

4.22. The three reports of COPU (Report No. 127, 128 and 130) contained 24 recommendations in respect of paragraphs pertaining to three Departments[112], which appeared in the Reports of the CAG of India between the period 2008-09 and 2014-15 and the five *suo-motu* reports (Report No. 125, 129, 131, 132 and 133) contained 52 recommendations. These reports were presented to the State Legislature between December 2011 and February 2018.

Action Taken Notes (ATN) from the Government of Karnataka pertaining to three paragraphs of above three Reports of COPU and five *suo-motu* Reports of COPU were not received (September 2019).

It is recommended that the Government may ensure sending replies to Paragraphs/Performance Audits and ATNs on the recommendations of COPU as per the prescribed time schedule.

Response to Inspection Reports

4.23. Audit observations noticed during audit and not settled on the spot were communicated to the heads of the PSUs and the concerned Departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of Departments within a period of one month. The Department-wise break-up of Inspection Reports and audit observations outstanding as on 31 March 2019 is given in ***Appendix-6 (Sl.No.2 to 21)***.

It is recommended that the Government may ensure that a procedure exists for taking action (a) against officials who fail to respond to Inspection Reports based on the reports of Audit Monitoring Cell constituted by the Government; and (b) to recover loss/outstanding advances/overpayment within the prescribed time.

[112] Commerce and Industries Department, Urban Development Department and Social Welfare Department.

Chapter - V

Performance Audit on PSUs (other than Power Sector)

Chapter - V

5. Performance Audit on PSUs (other than Power Sector)

5.1. Performance Audit on 'Development of State Highways through Public Private Partnership by Karnataka Road Development Corporation Limited'

Executive Summary

Introduction

Karnataka Road Development Corporation Limited (the Company) was incorporated (July 1999) as a wholly owned Government of Karnataka (GoK) Company under the Companies Act, 1956. The objectives of the Company were to construct, erect, build, develop, improve and maintain, express routes and roads and bridges, sideways, tunnels, *etc.*, under Build Own Transfer (BOT) or Build Own Operate Transfer (BOOT) or Build Own Lease Transfer (BOLT) or Design, Build, Finance, Operate, Maintain and Transfer (DBFOMT) schemes or otherwise in a manner which will facilitate the above mentioned works, and to decide, levy and collect toll/service charges.

Audit Objectives

The objectives of the Performance Audit were to assess whether:

- the conceptualisation and selection of the PPP projects were done in line with the norms/guidelines of GoI/IBRD; and
- the PPP projects were planned and implemented economically and efficiently, and post implementation monitoring was effective and the envisaged benefits were realised.

Audit Findings

- ➢ The approvals for taking up of the five of six projects through World Bank Co-financing under PPP mode were in deviation from the decision taken in respect of KSHIP projects, wherein it was decided to execute the projects with negative VfM and Equity IRR of more than 18 *per cent*, under EPC mode. The deviation had resulted in an additional outflow of annuity by ₹ 80.16 crore in two out of six projects over the concession period of eight years. (*Paragraph 5.1.10.2*)
- ➢ As per the traffic survey conducted by the Company at 13 locations/chainages, traffic volume of the six projects taken up under the World Bank Co-financing ranged between 1,630 PCUs and 4,508 PCUs and it did not touch the bench mark of 5,000 PCUs fixed by GoI. However, the traffic volume was not considered as the criteria while approving these six projects under PPP. (*Paragraph 5.1.10.3*)

- The GoK approved and developed four-laning of Stretch-I and two-laning for Stretch-II of Bellary City-Andhra Pradesh (AP) border road in the year 2010 and 2013 respectively, against the recommendation as per traffic survey for the year 2020 and 2024 respectively, overlooking the traffic survey projections and the norms of Planning Commission. As a result, the Company incurred an additional expenditure of ₹ 29.53 crore. (*Paragraph 5.1.11*)

- Award of contract at higher VGF than that approved by the GoI resulted in an additional budget outflow and benefit to the Concessionaire to the extent of ₹ 22.81 crore. (*Paragraph 5.1.12*)

- There was delay in initiation of land acquisition in respect of six projects taken up under World Bank Co-financing. As a result, the Company concluded Concession Agreements (CA) with delay of twelve to twenty-one months from the date stipulated in the Procurement Plan. (*Paragraph 5.1.13.1*)

- In two projects, road users were put into inconvenience, despite toll being collected, due to non-completion of intermittent stretches at 12 chainages for a total length of 16.480 kms in Yelahanka - A.P border road and Rail Over Bridges (ROBs) in Dharwad-Alnavar-Ramnagar road. (*Paragraphs 5.1.13.2* and *5.1.13.3*)

- The Company/Concessionaires did not adhere to the terms of the CA in VGF/Annuity projects with respect to the safety requirements at design, completion and operation and maintenance stages. In the absence of any assessment of the accident potential and safety performance, there was no assurance that the safety requirements were not compromised in these roads and the cost of complying with such safety requirements were also not de-scoped and recovered from the Concessionaires. (*Paragraph 5.1.14*)

- The Concessionaire of Dharwad-Alnavar-Ramnagar road, who was required to remit ₹ 32 crore to the safety fund under the change of scope, did not remit the amount, pending issue of orders by the Company. Similarly, no action was taken to finalise the change of scope in respect of Yelahanka-AP border road, Bellary City-AP border road and five World Bank Co-financed projects, thereby giving advantage to the Concessionaires, who were required to remit 80 *per cent* of the cost of the de-scoped works to the safety fund. (*Paragraph 5.1.15.1*)

- The Company incurred avoidable expenditure of ₹ 17.39 crore on two projects (Yelahanka - A.P border and Ginigere-Gangavathi-Sindhanur road) by including unwarranted works in the scope of the projects. (*Paragraphs 5.1.16.1* and *5.1.16.2*)

- The Company failed to avail loan assistance of ₹ 9.43 crore from IBRD causing annual additional interest burden of ₹ 56.58 lakh to the State Government. (*Paragraph 5.1.17*)

- The use of fly ash was not considered in three projects, *viz*. Bellary City-AP border, Ginigere-Gangavathi-Sindhanur, and Bidar to Chincholi road, though they fell within the limits of specified distance from the thermal power stations, thereby defying the directives of MoRTH/MoEF for promoting the utilisation of fly ash. (*Paragraph 5.1.18*)

- The toll rates for two projects were determined as per the model notification annexed to the CA, instead of approved GoK toll notification, 2009. This resulted in recurring avoidable burden on the users and extension of undue benefit to the Concessionaires. The excess user fee collected during April 2018 to December 2018 for Wagdhari-Ribbanapalli road and during April 2018 to March 2019 for Dharwad-Alnavar-Ramnagar road worked out to ₹ 6.24 crore and ₹ 1.24 crore respectively. (*Paragraph 5.1.19.1*)

- The Concessionaire of Dharwad-Alnavar-Ramnagar road was allowed to levy and collect the toll from the users for the stretch of 23.20 kms, which has carriage width of 5.5 meters. This was in violation of the toll notification, 2009 issued by GoK. The excess collection during April 2018 to March 2019 worked out to ₹ 1.41 crore. This was an unwarranted recurring burden on users and benefit to the Concessionaire. (*Paragraph 5.1.19.2*)

- The Company delayed the commencement of toll collection in respect of five projects executed under World Bank Co-financing by five to eleven months. This resulted in loss of potential revenue of ₹ 35.86 crore. (*Paragraph 5.1.19.3*)

- The Company had neither conducted annual traffic sampling nor the toll collection systems at the toll plazas were connected with the network of the Company. There was no means to ensure that the Concessionaire was not given undue advantage, if any, in terms of increased revenue due to increase in traffic than that projected. (*Paragraph 5.1.20*)

- The Concessionaires did not adhere to the conditions of the CA relating to operation and maintenance of roads, causing inconvenience to the road users. The Company also failed to initiate action as per the terms of the CA to undertake maintenance work at the risk and cost of the concessionaire and to levy damages (*Paragraph 5.1.21*)

- Monitoring was absent during pre-project implementation of six projects implemented under World Bank Co-financing as the Performance Review Unit (PRU) under the Chairmanship of the Additional Chief Secretary, IDD, GoK and the Project Monitoring Unit (PMU) at the Company level were constituted only after concluding the CAs for the projects. Also, PMU has not submitted monthly reports to PRU on project implementation. The GoK did not appoint the State Road Regulatory Authority, which was not in line with the recommendations of the Expenditure Reforms Commission, GoK. (*Paragraph 5.1.22*)

Introduction

5.1. Karnataka Road Development Corporation Limited (the Company), Bengaluru was incorporated (July 1999) as a wholly owned Government of Karnataka (GoK) Company under the Companies Act, 1956. The objectives of the Company were to construct, erect, build, develop, improve and maintain, express routes and roads and bridges, sideways, tunnels, *etc.,* under Build Own Transfer (BOT) or Build Own Operate Transfer (BOOT) or Build Own Lease Transfer (BOLT) or Design, Build, Finance, Operate, Maintain and Transfer (DBFOMT) schemes or otherwise in a manner which will facilitate the above mentioned works, and to decide, levy and collect toll/service charges.

Picture No. 5.1.1: World Bank Co-financed (Bidar to Chincholi) project road developed by company.

The fund requirements for the projects taken up by the Company were sourced through the State budgetary support, Viability Gap Funding (VGF) by Government of India (GoI) and GoK, World Bank, borrowings from financial institutions, Toll collections, *etc*.

Organisational setup

5.1.1. The Company functions under the administrative control of Public Works, Ports and Inland Water Transport Department (PWP&IWTD), GoK. The Management of the Company was vested with the Board of Directors (BoD) consisting of twelve directors including Chairman and Managing Director. The Company had five project offices located at Davanagere, Hassan, Hubballi, Kalaburagi and Mysuru, each headed by an Executive Engineer/Assistant Executive Engineer.

Public Private Partnership Projects

5.1.2. The Infrastructure Policy, 2007 of GoK facilitated an increasing role for Public Private Partnership (PPP), both in creating new infrastructure assets as well as in managing assets already created, to derive benefits *inter-alia* savings in costs through innovative designs, timely project implementation and higher efficiencies in operations, that would deliver better value for money and enhanced quality of services to the users by way of better managerial practices and efficiencies.

The PWP&IWTD is the primary State Governmental body responsible for all public works including buildings, roads[113], ports and inland waterways, while

[113] The Gram Panchayat Engineering Division and Karnataka Rural Road Development Agency coming under the Department of Rural Development and Panchayat Raj of GoK are responsible for construction and maintenance of rural roads.

Karnataka State Highways Improvement Project[114] (KSHIP) and the Company focus exclusively on construction or rehabilitation, upgrading or improvement of existing roads.

5.1.3. The following institutional mechanism is in place at the State Government level for project appraisals and approvals:

Chart No.5.1.1: Appraisal and approval mechanism of PPP projects

Project evaluation

- Infrastructure Development Corporation (Karnataka) Limited assists the departments concerned in evaluation of projects under PPP.
- PPP Cell headed by the Principal Secretary, Infrastructure Development Department (IDD) is the nodal agency to receive proposals in respect of projects taken up under PPP and place before Single Window Agency (SWA) and State High Level Committee (SHLC) for approval.

VGF/Anuity projects

- SWA under the Chairmanship of the Chief Secretary approves the projects costing upto ₹ 50 crore.
- SHLC headed by the Chief Minister examines and approves the projects costing beyond ₹ 50 crore.
- The Empowered Institution headed by the Secretary, Department of Economic Affairs (DEA), GoI clears the VGF projects proposed by the State Government.

WB funded projects

- Project Governing Board (PGB) headed by the Chief Secretary to the GoK approves projects costing > ₹ 200 crore.
- Steering Committee headed by the Principal Secretary to GoK, IDD approves projects upto ₹200 crore and recommends the projects and policy matters to the PGB for approval.

Scope of Audit

5.1.4. The scope of this Performance Audit was to examine the PPP projects implemented by the Company for development of State Highways during the years 2014-15 to 2018-19. The details of projects implemented by the Company under PPP are given in ***Appendix-20***. The Company implemented 12 projects[115] having total length of 788.74 kms at a total project cost of ₹ 2,670.73 crore. Out of the above 12 projects, the Company implemented two projects under BOT (Annuity), four projects under BOT/DBFOT (Toll) through VGF, and six projects under Hybrid Annuity[116] through World Bank Co-financing.

[114] KSHIP is a project implementation unit of PWP&IWT Department of GoK set up for improvement of road network of the State with assistance from World Bank (International Bank for Reconstruction and Development-IBRD).

[115] Excluding project at Sl.No.7 of ***Appendix-20***, which was not executed as the financial closure was not achieved.

[116] Under Hybrid Annuity mode, 40 *per cent* of the total project cost was provided as lump sum grant in equal ratio (20 *per cent* each) by the International Bank for Reconstruction and Development (IBRD) and the Company. The remaining 60 *per cent* of the cost was invested by the Concessionaires, which was reimbursable from the Company in the form of semi-annuity during the concession period of eight years. The Company was entitled to collect and retain the toll revenue in all these six roads.

Audit reviewed only Operation and Maintenance aspect of four projects[117] completed prior to 2014-15 (Sl.No.1, 2, 3 and 4 of ***Appendix -20***) and the project implementation of the remaining eight projects executed during 2014-15 to 2018-19 (Sl.No.5, 6 and 8 to 13 of ***Appendix -20***).

Audit Methodology

5.1.5. The methodology adopted for audit involved explaining the Audit Objective and Criteria to the top Management of the Government and the Company through an Entry Conference, which was held on 11 February 2019. Audit scrutinised the records at the Corporate Office and Project offices of the Company and at the PWP&IWTD. The methodology also involved interaction with the personnel of the audited entity (the Company) and PWP&IWTD, analysis of data, collection of information through audit requisitions, issue of audit queries and issue of Draft Performance Audit Report to the Management and the Government. The Government furnished replies to the Draft Performance Audit Report in January 2020. The Audit Report was discussed with the Government in the Exit Conference held on 10 January 2020 and the views of the Government are suitably included in the Report.

The Performance Audit was conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Audit Objectives

5.1.6. The objectives of the Performance Audit were to assess whether:

- the conceptualisation and selection of the PPP projects were done in line with the norms/guidelines of GoI/IBRD; and

- the PPP projects were planned and implemented economically and efficiently, post implementation monitoring was effective and the envisaged benefits were realised.

Audit Criteria

5.1.7. The Audit criteria for assessing the audit objectives were derived from the following sources:

- Guidelines/norms issued by the Planning Commission, Ministry of Environment and Forest and Climate Change (MoEF & CC), GoI;

- Guidelines/norms of GoK, Land Acquisition Act, 1894 and 2013, Karnataka Private Investment Project (Road Toll or user fee Determination of Rates and Collection), Notification 2009 and 2015;

[117] Of which one project, *viz.*, Bellary City-AP border Road, which was completed in March 2013, was transferred to the Company *vide* Government Order (GO) dated September 2011 subsequent to concluding the Concession Agreement (August 2010) by PWP&IWTD. As this project was not reviewed earlier by audit, all transactions (except tendering and awarding) have been reviewed in the present Performance Audit.

- Guidelines of International Bank for Reconstruction and Development (IBRD), Loan Agreements and Project Agreements signed with IBRD, Project Appraisal Document, norms of Indian Road Congress (IRC), specifications of Ministry of Road Transport and Highways (MoRTH) and National Highway Authority of India (NHAI);

- Traffic study reports, Feasibility study reports, Detailed Project Reports (DPR), Contract documents, Concession Agreements, Operation, Maintenance and Development (OMD) Agreements/Manuals.

Acknowledgement

5.1.8. Audit acknowledges the co-operation extended by the PWP&IWT Department of the GoK and the Management of Karnataka Road Development Corporation Limited in facilitating the conduct of the Performance Audit.

Audit findings

5.1.9. The detailed audit findings are discussed in the subsequent paragraphs under five broad sections, *viz*. i. Inconsistencies in selection of projects, ii. Execution of projects, iii. Levy and collection of toll, iv. Operation and maintenance and Post implementation monitoring, and v. Outcome analysis. The observations included under the first section, *viz.* 'Inconsistencies in selection of projects' cover the first audit objective, while the next four sections deal with the second audit objective.

Inconsistencies in selection of projects

5.1.10. Audit findings on approval of projects with reference to norms of GoI, *viz*. Value for Money, Equity IRR and other criteria such as traffic projections and approved VGF are discussed in ***Paragraphs 5.1.10.1* to *5.1.12***.

Non-consideration of prescribed criteria during approval of projects/accepting bids

5.1.10.1. As the budgetary support from GoK and GoI were insufficient for development of roads, the State identified the roads which could be co-financed by the World Bank (IBRD). These projects were then executed by KSHIP[118] (refer ***Paragraph 5.1.2***) and the Company. The Company executed six projects (**Sl.No.8 to 13 of *Appendix-20***) under World Bank Co-financing through Hybrid Annuity model. As per the conditions for financing, the parameters for evaluation of projects were Value for Money (VfM), which is carried out to

[118] Karnataka State Highway Improvement Project (KSHIP) is a project implementation unit of PWP&IWT Department of GoK set up for improvement of road network of the State mainly with the assistance from World Bank. PWP&IWT Department of GoK is the primary State Governmental body responsible for all public works including buildings, roads, ports and inland waterways, while KSHIP and the Company carryout construction or rehabilitation, upgrading or improvement of existing roads. The Steering Committee and the Project Governing Board are the common decision making bodies for approving the projects executed by KSHIP and the Company under World Bank funding.

judge whether PPP is likely to offer better value for the public than traditional procurement.

Further, as per the norms[119] of MoRTH, GoI, a bid is acceptable if Equity IRR[120] is upto 18 *per cent*, and if Equity IRR exceeds 18 *per cent*, the project needs to be bid on Engineering, Procurement and Construction (EPC) mode. The norms also stipulated that if the traffic volume is less than 5,000 Passenger Car Units (PCUs), the project was required to be taken up on EPC mode.

Accordingly, the Company carried out VfM analysis of the six projects and determined the semi-annuity thresholds[121] for the purpose of bid evaluation. The Company, through the international competitive bidding, selected the Concessionaires based on the lowest semi-annuity quote. The details of the projects are indicated in the table below:

Table No.5.1.1: VfM analysis for World Bank Co-financed projects

(₹ in crore)

Sl. No.	Project	Total project cost	Semi-annuity threshold determined for bid evaluation	Semi-annuity quote accepted for award	Equity IRR for semi-annuity accepted (*per cent*)	VfM[122]
1	WCP-1	235.76	32.30	34.20	23.96	-15.48
2	WCP-2	226.20	30.20	24.99	16.00	43.65
3	WCP-3	276.93	37.60	26.28	25.06	95.21
4	WCP-5	219.94	29.80	19.62	23.74	85.61
5	WCP-6	205.13	27.40	17.73	22.96	80.90
6	WCP-7	204.92	28.30	31.41	22.90	-25.80

***WCP – World Bank Co-financed Project; WCP-4 is not executed by the Company.**

Overlooking Equity IRR/VfM criteria

5.1.10.2. The Steering Committee/PGB, while approving (July 2015/August 2015) the above projects under PPP, considered only VfM as the criterion for accepting or rejecting the bids, without considering Equity IRR. Besides, two of these six projects (WCP-1 and 7), which had negative VfM, were also approved at higher semi-annuity stating that the overall VfM of all the projects works out to be positive and the outflow of annuity due to negative VfM was not significant.

Audit observed that the above approvals were in deviation from the decision taken for the projects executed by KSHIP under the same World Bank Co-financing, wherein it was decided (December 2013) to execute those projects, which had negative VfM and Equity IRR of more than 18 *per cent*, under EPC mode. Further, approval of WCP-1 and WCP -7 based on overall VfM was also

[119] A committee headed by Shri B.K. Chaturvedi was constituted (August 2009) by the GoI to take a holistic look at financing needs and arrive at a financing plan that balances the needs of road sector and other priority areas of Government. The report of the Committee was accepted (November 2009) by the MoRTH, GoI.

[120] Internal Rate of Return (IRR) represents the time adjusted earnings over project life. Equity IRR measures the returns for the investors (equity holders), after the debt has been paid off.

[121] Semi-annuity is the amount that is to be paid half-yearly to the successful bidder (Concessionaire) over the period of concession based on the quotes accepted.

[122] VfM= Net Present Value of the differential semi-annuity of threshold determined and that quoted by the successful bidder.

not in order, as it was not the prescribed criterion and moreover this criterion was not adopted while approving the KSHIP projects despite overall VfM being positive in those projects[123] resulting in an additional outflow of annuity by ₹ 80.16 crore[124] over the concession period of eight years.

Non-consideration of Traffic Volume criteria

5.1.10.3. It was further observed that the traffic volume of the six projects (***Refer Table No. 5.1.1)*** as per the traffic survey conducted (September/October 2013) by the Company at 13 locations/chainages ranged between 1,630 PCUs and 4,508 PCUs and it did not touch the benchmark of 5,000 PCUs fixed by GoI. Audit, however, observed that this benchmark for traffic volume was not considered while approving the projects.

Moreover, the annual toll revenue of ₹ 55.62 crore as estimated (December 2015) by the Company from these six projects got reduced (by 77 *per cent*) to ₹ 13.04 crore[125] (December 2019) subsequent to completion of projects, making the projects unviable as the Company had to depend on State budgetary support for repayment of the loans borrowed for the projects. This otherwise was proposed to be met out of the revenue realised from the toll collections. Specific reasons for such drastic reduction in projected traffic revenue were not forthcoming from the records furnished.

Thus, the decision by the Steering Committee/PGB to approve the projects under PPP overlooking the norms of GoI led to the projects becoming unviable, and defeated the purpose of using the PPP mode for execution of the projects.

The Government replied (January 2020) that norms prescribed referred to annuity projects, whereas the projects under consideration were hybrid co-financing projects which was a mix of EPC and annuity format. These norms were prepared for NHDP projects, which are generally four-lane and above and carry substantial commercial traffic, while the traffic in the State Highways are generally local and agricultural. Further, rebidding on EPC route would have taken at least six months to one-year time with further escalation in cost.

The reply is not acceptable, as the norms deal with both two-lane and four-lane under BOT (Toll), BOT (Annuity) and EPC modes, while hybrid annuity is a combination of these models. In fact, the Steering Committee[126]/PGB, while approving KSHIP projects, had considered the norms applied to National

[123] Four roads were executed under KSHIP-II and the VfM for these projects were: WAP1: ₹ 153.34 core; WAP2: ₹ 47.50 crore; WAP3: ₹ 37.51 crore; WAP4: (-) ₹ 27.68 crore. The overall VfM works out to (+) ₹ 210.67 crore.

[124] ₹ 1.90 crore (₹ 34.20 crore - ₹ 32.30 crore) + ₹ 3.11 crore (₹ 31.41 crore - ₹ 28.30 crore) = ₹ 5.01 crore x 16 semi-annuity instalments = ₹ 80.16 crore.

[125] The Company appraised (March/April 2019) the GoK of reduction in estimated annual toll revenue, while requesting grants for repayment of Vijaya Bank loan.

[126] The projects executed by the Company and the KSHIP were similar and executed under IBRD funding. The Steering Committee/PGB approved the projects executed by both these entities. The Steering Committee, headed by the Pr. Secretary to GoK, IDD, has the members from Planning and Statistics Department, Finance Department (budget & Resources), Finance Department (expenditure), PWP&IWTD, Managing Director of KRDCL, Chief Project Officer and Project Director of KSHIP.

Highways including criterion of Equity IRR and VfM and therefore applicability of MoRTH norms cannot be denied. It was unclear as to why the Steering Committee/PGB, which was the decision making body for both KSHIP and the Company, has followed two different standards for approving similar projects. Further, the traffic volume was to be determined based on number of PCUs, but not on type of vehicles (commercial, local, agricultural) as stated. It was also not justified to execute the projects under PPP violating the norms under the pretext that rebidding would take time.

Granting approvals in deviation from traffic survey projections

5.1.11. The Model Concession Agreement (MCA) on State Highways issued by the Planning Commission states that where traffic intensity is comparatively low, limited widening of highways should be undertaken with further planning for widening after seven to twelve years depending on the projected traffic growth.

The traffic survey conducted (July 2009) by the DPR consultant of the Bellary City-Andhra Pradesh border road, recommended two-laning for chainage km 1.500 to chainage km 10.000 (Stretch-I) in the year 2011 (projected traffic-6,267 PCUs) and four-laning in the year 2020 (projected traffic-15,495 PCUs). Similarly, the survey recommended two-laning from chainage km. 10.000 to chainage km. 27.170 (Stretch-II) in the year 2024 (projected traffic-6,251 PCUs) and four-laning in the year 2034 (projected traffic-15,014 PCUs). The DPR was prepared accordingly.

Audit made the following observations:

- The GoK approved (August 2010) for four-laning of Stretch-I and two-laning for Stretch-II in the year 2010 itself, against the recommendation as per the traffic survey for the year 2020 and 2024 for the respective stretches. The Concession Agreement (CA) was concluded (August 2010) accordingly for implementing the project through BOT (Annuity) mode with a total annuity pay out of ₹ 327.60 crore. The Provisional Commercial Operation Date[127] (PCOD) of the project was March 2013;

- The road was not part of the GoK's prioritised roads[128]. Moreover, as per the communication received from the Deputy Commissioner of Bellary District, the road was not an important link as it joins a small town (Alur in Kurnool district) in Andhra Pradesh and the traffic was not high;

- Development of road into four-lane (Stretch-I) and two-lane (Stretch-II) in 2013 itself instead of 2020 and 2024 respectively, was not in line with its own traffic survey projections but was also in violation of the MCA on State Highways issued by the Planning Commission. Consequently,

[127] Provisional Commercial Operation Date is declared after completion of 75 *per cent* of the total length of project highway, which entitles for collection of user charges through toll.
[128] GoK identified 10,000 kms of roads having 10,000 PCUs and entrusted to the Company for development. Bellary City-AP border road was not part of 10,000 kms.

the Company incurred an additional expenditure of ₹ 29.53 crore on account of advancement of widening the road;

- The Company, on completion of the project, conducted (September 2017) a traffic survey for commencement of tolling and estimated an annual potential toll revenue of ₹ 2.82 crore. However, the Company could not finalise the contract for toll collection through bidding as the responses were poor even after four calls (between October 2017 and March 2018). It was noticed that the average daily traffic of 5,183 PCUs estimated initially reduced to 2,385 PCUs. The reasons for such reduction were not on record.

Therefore, there was no necessity of conversion of road into four-lane (Stretch-I) and two-lane (Stretch-II) even in 2020. Thus, the Company should have taken decision of widening the road after revisiting the actual traffic in 2020.

The Government in its reply (January 2020) stated that the four-lane road in the Stretch-I was considered in the beginning of the project itself due to strategic connectivity of the road to the green field airport, heritage sites and future economic activity in the region. If the project had been developed with two-lanes in 2013, the necessity of taking up of augmentation work for four-laning would have arisen within five years by 2018 to keep the road open for traffic by 2020 and developing in phases within short gap is not beneficial as it increases the investment and logistic costs. It was also stated that the Company was unable to engage toll contractor even after four calls as there could be a viability issue due to smaller length of road (29 kms).

The reply is not acceptable, as the Company overlooked its own survey projections, thereby defeating the very purpose of conducting a survey. Secondly, the Company's argument that four-lane was constructed due to strategic connectivity of the road is not supported by the facts as the Deputy Commissioner had indicated that there was low intensity of traffic. This has been proved by the fact that the Company could not get a contractor for collecting the toll as it was unviable. Thirdly, widening of road much ahead of requirement was not in line with the MCA issued by the Planning Commission.

Approval of project at higher VGF

5.1.12. The Company's initial proposal for implementation of Yelahanka-AP border road submitted (January 2013) to the DEA, GoI at a total project cost of ₹ 380.85 crore with VGF of 40 *per cent* was returned (February 2013) stating that the project was viable with VGF at 30 *per cent* of the total project cost. But, the Company revised the proposal at VGF of 34 *per cent* and re-submitted (March 2013) for approval. The DEA, gave (April 2013) in principle approval to the revised proposal and agreed to release its share of VGF of ₹ 76.17 crore, being 20 *per cent* of the total project cost of ₹ 380.85 crore. The balance VGF of 14 *per cent* (₹ 53.32 crore) of the total project cost was to be borne by the GoK.

The bids invited (July 2013) on the basis of the lowest VGF required by the bidder for implementing the project had no response in the initial two tenders.

In the third attempt (February 2014), the contract with the lowest VGF of 39.99 *per cent* (₹ 152.33 crore) was awarded (January 2015) to M/s. Ramalingam Construction Company Private Limited.

As the DEA, GoI returned (February 2013) the initial project proposal (January 2013) of the Company when the VGF was projected at 40 *per cent*, awarding the contract at a higher VGF was not justified and amounted to extension of benefit to the Concessionaire as his investment was reduced by that extent. As a result of award of contract at higher VGF than that approved by the GoI, there was an additional budget outflow to the extent of ₹ 22.81 crore (5.99 *per cent* of ₹ 380.85 crore). As the project was unviable due to higher VGF, the Company should have executed the project under EPC mode as per the existing norms of GoI.

The Government replied (January 2020) that 34 *per cent* was only an estimate, while price discovery takes place through a bidding process. The cost and the traffic projections of Concessionaires could vary from the Company's estimate for various reasons and therefore 34 *per cent* may not be taken as sacrosanct until the bid process is completed.

There is no denial of the fact that the cost and traffic projections of the Concessionaire might vary from the estimate. But the bench mark for VGF was fixed considering the financial viability of the project, which was pegged at 34 *per cent*. Therefore, awarding the contract at 39.99 *per cent* overlooking the communication from GoI was not justified.

To summarise the observations under 'Inconsistencies in selection of projects', audit concludes that the decisions for approving the projects were inconsistent and not in line with the norms of GoI. The available inputs, such as financial parameters, traffic survey projections, viability of projects, *etc* were overlooked while arriving at decisions in eight out of twelve projects reviewed by audit.

Execution of projects

5.1.13. Audit findings on land acquisition, execution of roads, enforcement of conditions of CA on safety requirements, change of scope, inclusion of additional works and compliance to the norms on usage of fly ash for construction of roads are discussed in ***Paragraphs 5.1.13.1* to *5.1.18***.

Delay in procurement process

5.1.13.1. As per the Procurement Plan drawn by the Company for the six projects executed under World Bank Co-financing, CA was to be concluded in December 2014 and Financial Closure/ Appointed Date[129] was to be achieved in June 2015 for all the six projects. Further, as per the terms of the CA, the Financial Closure was to be achieved by the Concessionaire within 180 days

[129] 'Financial Closure' is the date on which financing documents for funding by lenders becomes effective and the Concessionaires get immediate access to such funds. 'Appointed Date' is the date on which financial closure is achieved or an earlier date which both the Parties may determine by mutual consent, and shall be deemed to be the date of commencement of the concession period.

from the date of CA and the Company was to handover 80 *per cent* of the project site on or before Appointed Date[130].

Audit observed delays in concluding CAs and achieving Financial Closure/Appointed Date, due to delay in initiating land acquisition process by the Company. It was observed that though the roads were identified for development in May 2011[131] and the loan agreement and project agreement with IBRD were concluded to that effect, the Company initiated the process of land acquisition only between September 2014 and October 2017 and final notification for possession of the land was issued between August 2016 and February 2019. This was due to delay in formation of land acquisition cell (2012), engagement of personnel required (2014) and approval (2015) of Resettlement Action Plan (RAP).

As a result, the Company concluded CAs only in December 2015 for five projects (WCP-1, 3, 5, 6 and 7), and in October 2016 for one project (WCP-2), with delays of twelve to twenty-one months from the date stipulated in the Procurement Plan. Resultantly, Appointed Date was declared only in September/October 2016 for five projects (WCP-1, 3, 5, 6 and 7) and in August 2017 for one project (WCP-2). The delay with reference to Procurement Plan was 15 months for five projects and 26 months for one project.

The Government replied (January 2020) that a tentative procurement schedule was prepared after the roads were identified and shared with World Bank in the earliest instance even before DPR preparation. The evaluation process took time as the six projects were launched at one-go and land acquisition could not be completed due to certain issues beyond the control of the Company.

The reply is not acceptable, as the Company did not ensure timely formation of land acquisition cell, engagement of personnel, approval of RAP which caused delay in issuing preliminary notifications for acquisition and consequent delay in declaring Appointed Date. As the Company could acquire land within two years from the date of issue of preliminary notifications, early action on this could have expedited the process. Due to the cascading effect of delay at various stages, the completion has been deferred and thus the users were deprived of improved road conditions for 15 months in five roads and 26 months in one road.

Failure to provide hindrance-free road to users

5.1.13.2. The PCOD for Yelahanka - A.P Border road was issued in September 2018 on completion of 55.522 kms (75.76 *per cent*) of the total length of project highway and the Concessionaire commenced the collection of user fee from the date of issue of PCOD (September 2018) as per the terms of the CA. Audit

[130] Appointed Date, which is the date reckoned for commencing the concession period, is declared after achieving the financial closure by the Concessionaire and fulfilment of obligations (handing over of 80 *per cent* of the land) by the Company.

[131] loan agreement between GoI and IBRD and the project agreement between GoK and IBRD were concluded in May 2011 for co-financing the six projects implemented by the Company. The length of roads to be developed by the Company was included in the Project Appraisal Document, which was part of the loan and project agreements concluded with IBRD.

observed that certain intermittent stretches at 12 chainages for a total length of 16.480 kms (22.51 *per cent*) were pending completion due to incomplete land acquisition (May 2019) as indicated below:

Table No.5.1.2: Incomplete intermittent stretches

Sl. No.	Incomplete chainages	Number of Kms
1	23+080 to 23+500	0.840
2	24+570 to 25+000	0.430
3	26+860 to 27+000	0.140
4	35+700 to 35+820	0.240
5	36+260 to 36+480	0.440
6	37+650 to 38+060	0.410
7	48+100 to 48+500	0.800
8	51+920 to 54+000	4.160
9	73+220 to 75+960	5.480
10	79+400 to 80+360	1.920
11	82+040 to 82+450	0.820
12	84+820 to 85+220	0.800
	Total	**16.480**

It could be seen from the incomplete stretches that there were hindrances at frequent intervals of chainages. These incomplete stretches included certain major works, *viz.* two Rail Over Bridges, one major bridge, four minor bridges, 19 cross drainage structures and bypass at Gowribidanur. The reason for non-completion was mainly due to non-acquisition of land by the Company. Delays were noticed in issuing awards for compensation to the land losers, ranging from 13 to 23 months from the Appointed Date (March 2016). It was further noticed that the compensation of ₹ 180 crore was not paid yet (June 2019) pending release of funds by GoK, causing delay in completion of pending works. In most of the chainages, incomplete stretches exist for every one to two kilometres, thereby the very purpose of the development of project under PPP, *viz.* savings in vehicle operating costs and travel time costs was not achieved. Besides, the road users were subjected to payment of the toll without the corresponding benefit of improved travelling conditions.

Picture No. 5.1.2: Incomplete bypass at Gowribidanur (May 2019).

The Government replied (January 2020) that the land acquisition in respect of Yelahanka-AP border road was hampered due to absence of a full-fledged Special Land Acquisition Officer (SLAO) from December 2014 to June 2016 and the post was vacant from May 2017 to August 2017.

The reply is not acceptable. As per the evidence on record, SLAO was available for the entire period during December 2014 to June 2016 and there was an additional charge even during the period when post was vacant/regular charge was not available. Non-completion of works even as of December 2019 substantiates the fact that non-availability of SLAO was not the reason for delay in land acquisition.

5.1.13.3. The Dharwad-Alnavar-Ramnagar road for a length of 61.75 kms was declared for provisional commercial operation with effect from August 2013. The scope of the project, *inter-alia*, included construction of three Rail-Over-Bridges (ROB) at chainages km.5+530, km.22+850 and km.39+185. However, these works were not completed yet (December 2019).

Picture No. 5.1.3: one of the three incomplete ROBs at Chainage km 5+530 (April 2019).

Audit observed that the Railways proposed for revision in designs for ROBs at the time of execution and consequently there were delays in finalisation of change of scope by the Concessionaire and approval of designs by the Company/Government. The designs submitted (March 2012) by the Concessionaire were revised by the Railways (September 2013) from initial envisaged single span to three spans with increased deck level of the bridge from 6.525 meters to 8.14 meters.

Based on the above revisions proposed by the Railways, the Concessionaire proposed (November 2014) change of scope of work. As the Independent Engineer of the Company objected to the cost worked out by the Concessionaire due to adoption of wrong schedule of rates, the cost was reworked twice (October 2015/June 2016) and resubmitted by the Concessionaire in June 2016. The Company, after scrutiny of the said proposals by the Independent Engineer and further revisions in cost, submitted the change of scope to the Government in August 2016. The Government approved the revision of designs only in March 2018. Thus, the entire process took more than six years from the initial submission of designs by the Concessionaire. As there was abnormal delay in completion of ROBs, the Railways insisted for early completion and hence, the Government, after deliberating the issue of delay, decided (August 2018) to take up the works on cost-sharing basis between Railways and GoK. The works were pending completion (December 2019).

Picture No. 5.1.4: Incomplete approach road to ROB (April 2019).

As a result of delay in completion of works of ROBs, a length of 3.13 kms of approach road to ROBs was not completed and the road users were deprived of the hindrance-free road, despite the toll being collected since August 2013.

The Government replied (January 2020) that the proposals for executing the works on cost sharing basis were in process.

The fact remained that the work has not been completed even after considerable time (seven years) from the COD (August 2013). The Company failed to get the works of ROBs executed by the Concessionaire as per the revised designs communicated by the Railways in July 2012 due to abnormal delay in finalisation of change of scope.

Safety requirements compromised

5.1.14. The IRC guidelines provides road safety audit as a procedure for assessing the accident potential and safety performance. This is an important aspect of quality assurance applied to the implementation of a road project. Safety audit was to be carried out by specialists, who were independent of the design process.

As per the CA (Schedule L) concluded for the six projects[132] implemented under VGF/Annuity, safety requirements apply to all phases of construction, operation and maintenance with emphasis on identification of factors associated with accidents, consideration of the same, and implementation of appropriate remedial measures.

Audit scrutiny of compliance to the safety requirements in these projects revealed that the Company/Concessionaires did not adhere to the terms of the CA. The following table depicts the non-compliance with the requirement of the CA on safety:

Table No.5.1.3: **Non-compliance to the safety requirements**

Sl. No.	Requirement of Concession Agreement		No. of projects not complied
1	Design Stage	The Company to appoint a Safety Consultant to collect and analyse reasons on fatal accidents and incorporate recommendations of safety audit report in the design of the project.	Three projects (Sl. No. 2, 5 and 6 of ***Appendix-20***).
2	Completion Stage	Appointment of Safety Consultant by the Company to carryout safety audit of completed construction work and to act upon the recommendations.	Two projects (Sl. No. 2 and 5 of ***Appendix-20***).
3	Operation and Maintenance period	The Concessionaire to collect and analyse accidents and furnish monthly report to the Company on measures taken to avert or minimize accidents.	Six projects (Sl. No. 1 to 6 of ***Appendix-20***).
4	Annual safety audit	The Company to appoint a safety consultant every accounting year and to act upon safety audit report recommendations.	Five projects (Sl. No. 1 to 5 of ***Appendix-20***).
5	Safety Management Unit	The Concessionaire to appoint a Highway Safety Management Unit and officer with special knowledge in road safety and road engineering.	Six projects (Sl. No. 1 to 6 of ***Appendix-20***).

[132] Hubballi-Lakshmeshwara, Bellary City-AP border, Wagdhari-Ribbanapalli, Dharwad-Alnavar-Ramnagar, Ginigere-Gangavathi–Sindhanur and Yelahanka - A.P Border.

Sl. No.	Requirement of Concession Agreement		No. of projects not complied
6	Medical aid	The Concessionaire to provide the emergency medical aid with one ambulance along with a chauffeur.	Three projects (Sl. No. 2, 5 and 6 of ***Appendix-20***).
7	Mobile police squad	The Concessionaire to provide mobile police squad round the clock for patrolling of the project high way, construct building for traffic aid posts and hand over them to the Company.	Two projects (Sl. No. 2 and 5 of ***Appendix-20***).

It could be observed that the safety requirements were not followed at every stage of the project implementation. The Company and the Concessionaires failed to perform their obligations with respect to safety requirements. In the absence of any assessment of the accident potential and safety performance, there was no assurance that the safety requirements were not compromised in these roads. Moreover, it was the Company's responsibility to ensure that the costs of unexecuted works were arrived at, with the help of the Independent Engineer and the Concessionaire and to take action to recover such costs, so that the Concessionaire was not unduly benefited. The Company, however, did not act upon the same (December 2019).

The Government replied (January 2020) that the Independent Engineers were appointed for all PPP projects and an exclusive Road Safety Expert is rendering the services through the Independent Engineer. The Road Safety Consultant was appointed during the Operation and Maintenance period for two projects (Wagdhari-Ribbanapalli road and Ginigere-Gangavathi-Sindhanur). The Concessionaires would be directed to establish Highway Safety Management Unit as per the terms of CA.

The reply mentions about the road safety expert working with the Independent Engineers for the limited period, while the requirement as per the CA was that the safety consultant should be available throughout the period of implementation of the project, *i.e.* design, construction, operation and maintenance. The safety audit report was not available for Ginigere-Gangavathi-Sindhanur road.

5.1.14.1. The safety audit was conducted once (December 2018) during operation and maintenance period in respect of Wagdhari-Ribbanapalli road, which made certain important recommendations for rectification, *viz.* strengthening of shoulders on either side of the road, improving the capacity of identified junctions and footpaths, signages, road safety devices and road markings, and improvement to existing truck lay bay by constructing the median to bifurcate with the main carriageway.

Audit, however, observed that there was nothing on record in support of implementation of the above recommendations. Thus, the Company/Concessionaire failed to ensure compliance to the safety audit recommendations, thereby compromising the road safety to the users.

The Government replied (January 2020) that suitable action will be taken to ensure compliance to the safety audit requirements/recommendations.

Undue advantage to Concessionaires

5.1.15. The Company extended undue benefit to the Concessionaires, by not finalising the change of scope of projects, not revising the project costs and not collecting the cost incurred on the Independent Engineers as discussed in ***Paragraphs 5.1.15.1*** to ***5.1.15.3***.

Non-finalisation of descoping orders and non-remission of amount to safety fund

5.1.15.1. As per the terms of the CA (Article 16), if the Concessionaire fails to complete any construction work on account of force majeure or for reasons solely attributable to the Company, the Concessionaire was required to pay 80 *per cent* of the sum saved therefrom to the safety fund maintained by the Company within a period of 180 days of the project completion date.

Audit observed that in two projects, *viz*. Bellary City-AP border road and Dharwad-Alnavar-Ramnagar road, the Company removed certain works from the scope of these projects. However, no action was taken to finalise the cost of de-scoped works in respect of Bellary City-AP border road[133], while no orders were issued on change of scope in spite of finalising the cost of reduction in scope for Dharwad-Alnavar-Ramnagar road, thereby giving advantage to the Concessionaires. The Concessionaire of Dharwad-Alnavar-Ramnagar road was required to remit ₹ 32 crore to the safety fund. In another project (Yelahanka-AP border road) though there was a reduction in length of Right of Way (ROW)[134] than that envisaged in the CA and the norms of IRC, the Company did not take action to de-scope the works.

Similarly, the Company did not finalise the change of scope in respect of World Bank Co-financed projects, though there were additions and deletions in the scope of five projects (reduction[135] in WCP-1 and WCP-5 and additions[136] WCP-2, 3, and 6).

The Government replied (January 2020) that change of scope is not finalised for Bellary City-AP border road due to non-receipt of information from the Concessionaire. With regard to Dharwad-Alnavar-Ramnagar road and World Bank Co-financed projects, it was stated that the action will be taken to finalise

[133] Construction of Electronic Calling Boxes (January 2013), Road work from chainage. 1+500 to chainage.1+ 900 and reduction in width from 23 metres to 21 metres from chainage. 1+900 to chainage.2+ 460, Solid Noise Barrier to be erected at places nearer schools at Yerragudi village, Lake Enhancement works and box culverts, non-construction of traffic aid posts and medical aid posts and building of two residential quarters, *etc.*

[134] ROW in the Stretch-I and Stretch II ranged from 23.50 metres to 26.50 metres and 12 metres to 23.50 metres respectively against the envisaged ROW of 30 metres.

[135] **WCP-1**: Reduction in width of carriageway for approaches of major bridge on Malaprabha river and addition of Belawadi junction improvement; **WCP-5**: Reduction of scope of works, *viz.* providing additional length of drain, junction improvement, deletion of paved shoulders and overlay.

[136] **WCP-2**: Additional works for construction of four lane between chainage 57+550 to 59+150 in Kamthana village in link 4A; **WCP-3**: Construction of additional RCC Box type drains in built up section in link A, B, and C, construction of four lane divided carriage way in built up sections in four villages; **WCP-6**: Additional works for widening of pavement in built-up locations in chainage 22+000 to 23+700 and (ii) providing additional drains of 3010 m length as per the site conditions.

the change of scope as per the terms of CA. It was also replied that the required land for the balance width of Yelahanka-AP border road was being acquired.

The reply indicated that the Concessionaires were allowed to evade the payment to the safety fund, especially in respect of Bellary City -AP border road for which delay was six years from the COD. The reply is silent with regard to the reasons for non-remittance of amount to safety fund by the Concessionaire in respect of Dharwad-Alnavar-Ramnagar road, where the cost was already worked out by the Company.

Failure to revise scope of project leading to undue benefit to Concessionaire

5.1.15.2. The scope of work for development of Yelahanka-AP border road included construction of two Rail Over-Bridges (ROB) at chainage km.32.500 (between Rajankunte and Doddaballapur stations) and chainage km. 80.200. Subsequently, the Company de-scoped (November 2016) the work of one ROB at chainage km.32.500 estimated at ₹ 26.66 crore, as the GoK approved (June 2015) the execution of the work on cost sharing basis by the PWP&IWTD with South-Western Railways.

Audit observed that the Railways informed the Company in January 2014 about the sanction by its Board for construction of ROB at chainage km. 32.500, *i.e.* prior to inviting the bids (February 2014) and concluding the CA (June 2015). However, the Company, without taking cognizance of the communication from Railways, included the said ROB in the scope of the project. As a result, the Concessionaire unduly benefitted by ₹ 5.33 crore, being 20 *per cent* of the cost of the de-scoped work, as the Concessionaire was required to remit to the safety fund, only 80 *per cent* of the cost. Eventually, the Company had to descope this work subsequently as it was decided to construct on cost sharing basis by the railways and PWP&IWTD, resulting in benefit to the Concessionaire.

The Government replied (January 2020) that the tenders were invited based on the in-principle approval given by the DEA, GoI in April 2013, which included construction of two ROBs. Any modification in the total project cost would require revised approval of GoI which would consume too much time affecting the project implementation.

The reply is not acceptable, as the Company did not take cognizance of intimation (January 2014) from the Railways before inviting the bids. Further, the Company could have communicated the revision in project cost even at the time of final approval (May 2017) by GoI as that was only a formality. Therefore, the Company's decision to finalise the contract without reducing the scope was not justified.

Non-collection of Independent Engineer's remuneration and interest on delayed payments

5.1.15.3. The CA stipulated that the remuneration, cost and expenses of the Independent Engineer should be paid by the Company and 50 *per cent* of such expenditure was to be reimbursed by the Concessionaire to the Company within 15 days of receiving a statement of expenditure and any delay attracted interest at the rate of 5 *per cent* above the Bank Rate. Audit observed that the Company received only ₹ 9.33 crore[137] from the Concessionaires against the demand (June 2012 to April 2019) of ₹ 24.31 crore[138] receivable in respect of nine projects. The Company did not levy interest on belated payments by the Concessionaires.

The Government replied (January 2020) that the dues of ₹ 13.58 crore accumulated upto December 2018 for World Bank funded projects were recovered. While the recovery in respect of World Bank funded projects was made after audit observation was issued, the reply is silent on delay and non-recovery of ₹ 2.92 crore receivable for Dharwad-Alnavar-Ramnagar and Wagdhari-Ribbanapalli roads and non-recovery of interest for the delay.

Avoidable expenditure

5.1.16. The Company incurred avoidable expenditure of ₹ 17.39 crore on two projects, by including unwarranted works in the scope of the projects as discussed in ***Paragraphs 5.1.16.1*** and ***5.1.16.2***:

Faulty inclusion of a NH stretch in project in violation of MORTH's conditions

5.1.16.1. In respect of Yelahanka–AP border road, the MoRTH gave in-principle approval (April 2013) to the project with a condition that GoK shall not include National Highway (NH) stretch of 1.20 kms at chainage km.38.232 to km.39.400 and no improvement works should be taken up in future without the consent of the MoRTH. This condition was reiterated by MoRTH even while giving final approval of the project in May 2017.

Audit, however, observed that the Company took (June 2017) possession of the said NH stretch from NHAI for its development under change of scope. The scope of the work included shifting of utilities and improvement of existing carriage way at an estimated cost of ₹ 10.10 crore. The decision of the Company was not only in violation of condition for approval of the project by MoRTH, but also resulted in unwarranted expenditure of ₹ 10.10 crore, as the NHAI handed over the road to the Company with a condition that the development has to be done through Company's own funds.

The Government replied (January 2020) that the stretch has been developed with uniform road way width to avoid traffic congestion and achieve smooth flow of traffic. The fact remained that the stretch of 1.20 kms was part of NH and had to be executed by NHAI. Moreover, the Company had undertaken only shifting of utilities and developmental work in the existing four-lane road.

[137] Dharwad-Alnavar-Ramnagar and Wagdhari-Ribbanapalli - ₹ 4.04 crore; WCP-1 and 7 - ₹ 5.29 crore.

[138] Dharwad-Alnavar-Ramnagar and Wagdhari-Ribbanapalli - ₹ 6.96 crore; WCP-1 and 7 - ₹ 5.96 crore and WCP-2, 3, 5 and 6 - ₹11.39 crore.

Undertaking a project which was already planned to be created by MoRTH/ NHAI

5.1.16.2. The Company took up conversion of two lane road into six-lane for a distance of two kilometres within the town limits of Sindhanur (km 79.000 to km 80.750), with the approval (November 2015) of Externally Aided Projects wing of PWP&IWTD and signed (March 2016) the supplementary agreement with the Concessionaire of Ginigere-Gangavathi-Sindhanur road project. The work was completed in October 2017 at a cost of ₹ 7.29 crore.

Audit observed that the above stretch of two kilometres within town limits of Sindhanur was included in NH-150A (Jewargi-Chamarajanagar section in Sindhanur City) *vide* gazette notification of MoRTH dated 4 March 2014 for developing into six-lane. This work was in the pipeline (August 2015) for execution by NH wing of PWP&IWTD and the expenditure for the work was to be borne by GoI. In spite of these facts, the PWP&IWTD approved and the Company signed the supplementary agreement for execution of the work at its own expense, resulting in avoidable expenditure of ₹ 7.29 crore.

The Government replied (January 2020) that two kilometres within the town limits of Sindhanur was developed based on the request of the elected member of the constituency to provide free flow of traffic to the residents/commuters of the town. The Company, however, failed to consider the fact that the road would have otherwise been developed at the expense of MoRTH/NHAI and incurred unwarranted expenses.

Foregone benefit of IBRD assistance

5.1.17. In respect of World Bank Co-financed Projects, 40 *per cent* of the construction cost was to be paid to the Concessionaire as lump sum grant in four equal instalments, *i.e.* on completion of 25 *per cent*, 50 *per cent*, 75 *per cent* and 100 *per cent* of the work. Out of 40 *per cent* of the cost, 20 *per cent* was to be met from IBRD loan to be released through KSHIP wing of PWP&IWTD and the remaining 20 *per cent* was to be met out of the loan availed (April 2017) from Vijaya Bank by the Company. The currency of IBRD loan and Vijaya Bank loan expired in December 2018 and April 2020 respectively.

Audit observed, in respect of one project (WCP-5) against which lump sum grant of ₹ 70.38 crore was to be paid to the Concessionaire, that the first and second instalment amounting to ₹ 35.19 crore was paid (June 2017/September 2017) out of Vijaya Bank loan and third and fourth instalments amounting to ₹ 25.76 crore were paid (December 2017/May 2018) out of IBRD loan. The balance amount of ₹ 9.43 crore towards the fourth instalment was not released pending completion of certain works. The Company could not draw the balance amount of ₹ 9.43 crore from IBRD loan as its currency expired in December 2018.

Though the Company was aware of the fact that the currency of IBRD loan expires (December 2018) prior to that of Vijaya Bank (April 2020), the first and second instalments were released out of Vijaya Bank loan, instead of IBRD loan. This caused additional financial burden to the State Government as the loan from IBRD was cheaper in terms of rate of interest by 6 *per cent*[139] (aprox). The annual additional interest burden on ₹ 9.43 crore would be ₹ 56.58 lakh.

The Government replied (January 2020) that the lump sum grants out of IBRD loan to be released through KSHIP were delayed due to paucity of funds during June to August 2017. Any delay in making lump sum payment would attract interest as per the terms of CA and hence payment was released out of Vijaya Bank loan.

The reply is not acceptable, as it was observed that the Company did not submit bills to KSHIP for releasing payments towards first and second instalments. Secondly, the Company's claim of paucity of funds was not supported by any evidence for having communicated by KSHIP to that effect.

Violation of norms of MoRTH/ MoEF&CC to use fly ash for construction

5.1.18. The MoRTH issued (November 2001) directions for use of fly ash in construction of road/flyover embankment, especially in the areas where fly ash is available in plenty. The MoEF & CC also directed (November 2009) that no agency, person or organisation shall, within a radius of 100 kms (revised to 300 kms in January 2016) of a thermal power plant, undertake construction or approve design for construction of roads or flyover embankments with top soil.

Audit observed that the use of fly ash was not considered in three projects, *viz*. Bellary City-AP border, Ginigere-Gangavathi-Sindhanur, and Bidar to Chincholi road (WCP-2), though they fell within the limits of specified distance[140] from the thermal power stations, thereby defying the directives of MoRTH/MoEF for promoting the utilisation of fly ash. In case of Ginigere-Gangavathi-Sindhanur road, provision was made to use fly ash for embankment of 2.95 lakh cubic meter, but it was not considered at the time of execution.

The Government replied (January 2020) that fly ash was not used for Ginigere-Gangavathi-Sindhanur road as the quantity for embankment was very less and also it was not feasible due to location of thermal power stations beyond 100 kms. In respect of World Bank Projects, it was stated that the usage of fly ash was not envisaged as none of the projects were located within 100 kms at the time of finalisation of tenders (January 2015).

The reply is not acceptable. As verified by audit, the requisite fly ash was available at BTPS[141]. Moreover, the distance from Bellary Thermal Power Station (BTPS) to the project road, *i.e.* Ginigere-Gangavathi-Sindhanur ranged between 47 kms and 90 kms. Further, Bidar to Chincholi road, for which CA was concluded in October 2016, was well within 300 kms and it was mandatory

[139] Interest rate of Vijaya Bank at the time of entering into loan agreement was 8.65 *per cent* to be reset annually, while that of IBRD was 2.54 *per cent*.

[140] Bellary City-AP border road to Bellary Thermal Power Station (BTPS): 25 to 45 kms; Ginigere- Gangavathi-Sindhanur road to BTPS: 47 to 90 kms; WCP-2: 165 to 225 kms from Raichur Thermal Power Station.

[141] There was 14.51 lakh MTs of unlifted fly ash at Unit-1 of BTPS, which was pumped into ash pond. (Source: Audit Report of CAG on Public Sector Undertakings, GoK for the year ended March 2014).

to use fly ash with effect from January 2016. The reply is silent on non-usage of fly ash for Bellary City-AP border road.

To summarise the observations under 'Execution' of projects, audit concludes that the system was deficient to the extent that it did not ensure:

- **timely completion of land acquisition process in seven projects;**
- **timely approvals for change in designs in one project;**
- **enforcement of conditions of the Concession Agreements with regard to safety requirements and descoping the works in six projects;**
- **compliance to the conditions for sanction of projects (one project) and the norms of MoEF&CC (three projects).**

Levy and collection of toll

5.1.19. Audit findings on determination of toll rates, commencement of toll collection, compliance to the terms of CA on annual traffic sampling and computerisation of toll plazas are discussed in ***Paragraphs 5.1.19.1*** to ***5.1.19.3***.

Extra burden on the road users

5.1.19.1. As per Karnataka Private Investment Project (Road toll or User fee determination of Rates and Collection) Notification, 2009, the base toll rates of 2009-10 as given in the notification were to be increased every year from 1st April on the basis of Whole Sale Price Index[142] (WPI). As per the said notification, the toll rates for Wagdhari-Ribbanapalli Road and Dharwad-Alnavar -Ramnagar road were required to be determined accordingly.

The CA concluded with the Concessionaires of the above two Projects states that the Fee Rules/Notification issued by the State Government shall constitute Schedule – R of the Agreement. However, for assistance in drafting the Fee Rules, a model notification was annexed to the CA.

Audit observed that the toll rates were determined as per the model notification annexed to the CA, instead of approved GoK toll notification, 2009. It was observed that the base rates in the model notification were higher than that in the GoK toll notification, 2009. Further, the model notification allowed for annual increase considering Wholesale Price Index (WPI) and an increase of additional three per cent, whereas the GoK toll notification 2009 allowed only for annual increase on account of WPI.

The toll rates leviable as per the GoK toll notification, 2009 and actual levied as per the model notification in respect of Wagdhari-Ribbanapalli road are indicated in the following table:

[142] For arriving at toll rate for 2010-11: Base toll rate of 2009-10 x WPI of December 2009/WPI of December 2008.

Table No.5.1.4: Levy of user charges

Sl. No.	Type of vehicles	Base Rate 2009-10 (₹ /km)		User charges as on 1 April 2012 (₹ /km)	
		To be considered as per GoK toll notification, 2009	Actual Considered	To be levied as per GoK toll notification, 2009	Actual levied
1	Car/Van/Jeep	0.50	0.58[143]	0.632[144]	0.732
2	Mini bus, LCV	0.75	0.87	0.948	1.097
3	Bus/Truck	1.50	1.75	1.895	2.208
4	MAV	2.25	2.62	2.843	3.305

It could be seen from the above that the base rates considered for the purpose of calculating toll were higher than that of GoK toll notification, 2009 resulting in levy and collection of excess toll charges of ₹ 5 to ₹ 65 per vehicle by the Concessionaire in the first stretch (60.61 kms) and ₹ 5 to ₹ 80 in the second stretch (76.067 kms) with effect from the date of commencement of toll, *i.e.* September 2012. Similar method was also followed for calculating the toll rates for Dharwad-Alnavar –Ramnagar road and excess collection of toll ranged from ₹ 15 to ₹ 85 per vehicle.

The toll collection for Wagdhari-Ribbanapalli road, and Dharwad-Alnavar -Ramnagar road commenced with effect from September 2012 and December 2013 respectively. Audit quantified the excess user fee collected from the road users for the period April 2018 to December 2018 (based on available data) in respect of Wagdhari-Ribbanapalli road and for April 2018 to March 2019 in respect of Dharwad-Alnavar -Ramnagar road, which worked out to ₹ 6.24 crore and ₹ 1.24 crore respectively.

Thus, fixation of toll in violation of the Toll Notification, 2009 resulted in recurring avoidable burden on the users and extension of undue benefit to the Concessionaires.

The Government replied (January 2020) that the financial model was prepared based on the toll structure indicated in the model CA published by the Planning Commission. The same was communicated to the DEA, GoI and got approved. The proposal of calculation of the toll charges has also been approved by the State Government.

The reply is not acceptable. As per the approved terms of the CAs, the Fee Rules/Notification issued by the State Government should have been the basis for calculating the toll (Clause 27.1.1 and Schedule of R of the CA). Moreover, the toll notification, 2009 issued by the GoK clearly stipulated that the toll rates for Wagdhari -Ribbanapalli Road and Dharwad-Alnavar-Ramnagar road were to be fixed based on the rates mentioned in the notification.

5.1.19.2. As per the GoK toll notification, 2009, levy of user fee is applicable only for the two-lane roads with a width of 7.0 metre carriage way and above.

[143] As per notification dated 5 September 2012 issued by PWP&IWTD.

[144] Toll rate for 2012-13 = 0.586 (base rate of 2011-12) x WPI of December 2011 (157.3) / WPI of December 2010 (146) = ₹ 0.632.

Audit observed that the total length of the Dharwad-Alnavar-Ramnagar road was 61.75 kms, which included the length of 23.20 kms passing through reserve forest area having carriage width of 5.5 metres. As the forest department did not permit construction of road carriage width of seven metres in the stretch of 23.20 kms, the carriage way was restricted to 5.5 metres.

However, the Concessionaire was allowed to levy and collect the toll from the users for the entire stretch of 61.75 kms instead of restricting it to 38.55 kms (excluding 23.20 kms). This was in violation of toll notification issued by the GoK. On the other hand, the Company did not take action to de-scope the work of reduction (estimated at ₹ 10.49 crore) in width from 7 metres to 5.5 metres for this stretch of 23.20 kms (refer ***Paragraph 5.1.15.1***).

The excess collection of toll for 23.20 kms, which had carriage width of 5.5 metres, worked out to ₹ 1.41 crore[145] during April 2018 to March 2019[146]. This excess toll collected year after year upto December 2040 was an unwarranted burden on users and benefit to the Concessionaire.

The Government replied (January 2020) that there were no specific directions for reduction in user fee for the road with lesser width of carriage way and has not resulted in excess collection of toll.

The reply is not acceptable, as per the Toll notification, 2009, levy of user fee was applicable only for the roads with two or more lanes with a width of 7.0 metre carriage way and above and therefore, collection of user fee for a length of 23.20 kms of road, which was built with lesser carriage width of 5.5 meters, was not in order.

Non-realisation of toll revenue

5.1.19.3. As per the guidelines of the Planning Commission, the Company was required to commence collection of toll within 45 days from the date of issue of PCOD or issue of notification, whichever was later. In six World Bank Co-financed projects, for which the toll rights vest with the Company, it was imperative to ensure that the toll collection commence immediately after PCOD to avoid any eventual loss of revenue. The GoK approved tolling of these roads in March 2016.

Audit noticed that the Company delayed the commencement of toll collection in five of these six projects for which PCOD was issued in February 2018/October 2018. The Letters of Acceptance (LoA) for collection of user fee were issued to the agencies between February 2019 and July 2019, but the collection of toll commenced between September 2019 and January 2020, delay being five to eleven months. There were no reasons on record for the delay in commencing the collection of user fee even after issue of LoA.

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[145] The excess toll has been worked out for 23.20 kms which has carriage width of 5.5. meters, by multiplying actual number of vehicles with toll rate per vehicle (varied from ₹ 15 to ₹ 95 depending on type of vehicle – car, lorry, bus, *etc*).

[146] The vehicles' data was not available for the period 2013-14 to 2017-18 and hence the excess collection of user fee could not be calculated in audit.

Considering the actual annual toll revenue of ₹ 13.04 crore as per the LoA, the loss of potential revenue for five projects works out to ₹ 35.86 crore[147]. Resultantly, the burden on the State budget would increase by this extent as the Company had to seek budgetary support for repaying the loan availed from Vijaya Bank.

The Government replied (January 2020) that toll collection could not be commenced immediately after issue of PCOD since works in several sections were pending. In spite of many impediments, such as local aggression and court cases the Company was able to commence toll operations in five projects and the toll collection for the remaining one would start in March 2020.

The reply is not acceptable:

i. As per the terms of CA, PCOD was issued after ensuring that the road can be safely and reliably placed in commercial operation though certain works were not complete and hence the contention that toll collection could not be commenced due to pending works was not justified;

ii. The reply that court cases impeded the commencement of toll collection was not supported by evidence;

iii. Reply does not explain delay in commencing the toll collection after issue of LoA. Private players were able to collect toll in respect of VGF projects, whereas the Company had failed to collect toll even after issue of LoA to contractors;

iv. Moreover, toll for the remaining one project (WCP-2: Bidar-Chincholi) has not been commenced yet (September 2020).

Non-conducting of traffic sampling

5.1.20. As per terms of the CA of Wagdhari-Ribbanapalli, Dharwad-Alnavar-Ramnagar and Ginigere-Gangavathi-Sindhanur road projects, the Company had to inspect the relevant records of the Concessionaire and conduct traffic sampling for determining the actual traffic on the Project Highway. If the traffic sampling demonstrated that the actual traffic was more than the traffic reported by the Concessionaire, the traffic determined by the traffic sampling was deemed to be the traffic for the purposes of the Agreement. Further, in the event of actual average traffic fallen short of or exceeded the Targeted Traffic by more than two and half per cent, the Concession Period was to be adjusted accordingly.

Further, the conditions of CAs stipulated that the Concessionaires should install, operate and maintain a computer system with round-the-clock connections to

[147] **WCP-1,6,7**: LoA/Date of commencement- July 2019/December 2019: Loss - ₹ 13.04 crore × 5/12 months × 3 projects = ₹ 16.30 crore; **WCP-3:** LoA/Date of commencement - February 2019/January 2020: Loss - ₹13.04 crore x 11/12 months × 1 project = ₹ 11.95 crore; **WCP-5:** LoA/Date of commencement - February 2019/September 2019: Loss - ₹ 13.04 crore × 7/12 months × 1 project = ₹ 7.61 crore.

the networks of the Company for exchange of data and information necessary for efficient and transparent regulation and management of traffic.

Audit observed that the Company had neither conducted annual traffic sampling nor the toll collection systems at the toll plazas were connected with the network of the Company. Thereby there were no means to ensure that the Concessionaire was not given undue advantage, if any, in terms of increased revenue due to more traffic than that projected.

The Government while assuring that the traffic survey and sampling will be carried out in accordance with the provisions of the CA stated (January 2020) that the traffic was reviewed based on the monthly progress reports submitted by the Concessionaires as the Concessionaires have reported that the actual toll revenue was not as per the projections. It was further stated that the Company was in the process of hosting a website and project monitoring system for all the projects, and connection to network of the Company will be established.

The reply is not acceptable, as the Company relied on the reports of the Concessionaire without conducting actual sample survey as required by the CA.

To summarise the findings under 'Levy and collection of toll', audit concludes that there were lacunae in the system as the Company failed to ensure adherence to the terms of the CA and the notified orders of the Government on toll fixation in two projects. It also failed to ensure timely commencement of toll collection (five projects) and complying with the terms of the CA with regard to monitoring and assessment of traffic (three projects) through sampling.

Operation and maintenance and Post-implementation monitoring

5.1.21. The CA concluded by the Company for Annuity/ VGF projects stipulated that the Concessionaire should carry out periodic preventive maintenance to ensure safe, smooth and uninterrupted flow of traffic on the Project Highway during the concession period. The Concessionaire was also required to evolve a maintenance manual for the regular and preventive maintenance of the Project Highway in conformity with the Specifications and Standards and provide annual programme of maintenance to comply with the maintenance requirements.

Audit, however, observed that the Concessionaires did not adhere to the conditions of the CA relating to operation and maintenance of roads as detailed in ***Appendix No.21***. The important findings are mentioned below:

i. O&M manuals and Annual Maintenance Programme for Bellary City-AP border and Ginigere- Gangavathi-Sindhanur roads were submitted with delay of three to five years from the COD, while they were not submitted in respect of Dharwad-Alnavar-Ramnagar since 2014-15. Thereby, there was no effective monitoring mechanism to oversee the maintenance activity undertaken by the Concessionaires;

ii. In respect of Hubballi-Lakshmeshwara road, Benkelman Beam Deflection (BBD) test[148] was conducted in June 2015 and August 2018, after a gap of three years two months, against the requirement of the annual test. Further, overlaying of road was done only for 25 kms against the requirement for 42.96 kms;

iii. In respect of Dharwad-Alnavar-Ramnagar road, the Concessionaire did not take action for overlaying the road with bituminous concrete after completion of five years from COD (due in August 2018). The condition of the road found to be deteriorated, as the design life of the upper bituminous was only for five years. The Independent Engineer/ Geotechnical expert also pointed out to the inconvenience caused to users due to non-rectification of damages to the road;

Picture No. 5.1.5: Poorly maintained Dharwad-Alnavar-Ramnagar road (May 2019).

iv. The renewal of wearing surface[149] of Bellary City-AP border road pavement was done in December 2018 against the due date of March 2017, *i.e.* after 22 months of the due date;

v. No action has been taken for renewal of wearing course for Wagdhari-Ribbanapalli road even beyond the due date (January 2018) and to conduct Roughness Index and BBD test at the specified intervals (annual);

Picture No. 5.1.6: Poorly maintained Wagdhari-Ribbanapalli road (April 2019).

vi. In respect of Ginigere-Gangavathi-Sindhanur road, condition stipulating regular periodic maintenance during fifth and tenth year was not included in the agreements, which was a deviation from the CAs concluded in other projects.

Audit further observed that the terms of CA (Clause 17.8 and 17.9) empowers the Company, in case the Concessionaire fail to maintain/repair the road in

[148] BBD test is conducted for evaluation of structural capacity of existing flexible pavements and also for estimation and design for strengthening of any weak pavement in highways.

[149] The wearing surface, also called wearing course is the top layer of a road designed to resist abrasion from traffic.

conformity with the maintenance requirements, to undertake maintenance work at the risk and cost of the Concessionaire. In addition, a sum equivalent to 20 *per cent* of such cost was required to be paid by the Concessionaire to the Government/Company as damages. However, the Company failed to initiate any action.

It was also observed that M/s.GVR Infra Projects Ltd, Chennai, who is the Concessionaire for three projects[150], had become insolvent. As the concession period of the two projects (Wagdhari-Ribbanapalli Road and Dharwad-Alnavar-Ramnagar) was valid upto December 2040, there would be an additional financial burden to the GoK/ Company on operation and maintenance.

Thus**,** the Company had no system in place either to ensure that the Concessionaires had complied with the conditions of the CAs with regard to periodic maintenance of roads or to invoke contractual provisions and recover such costs from the Concessionaires in five projects. Failure to maintain the roads as per maintenance requirement had not only caused inconvenience to the road users, but also deprived them of better value for money and enhanced quality of services expected to be provided under PPP. This had also resulted in undue benefit to the Concessionaires as the Company failed to invoke terms of the Concession Agreement.

The Government in its reply (January 2020) agreed to direct the Concessionaires to submit O&M manual and to take steps to ensure compliance with CA with regard to annual plan for maintenance.

Monitoring

5.1.22. The Guidelines of the Planning Commission (August 2012) *inter-alia* suggested a two tier mechanism for monitoring PPP projects, *viz*. Projects Monitoring Unit (PMU) at the project authority (Company) level and Performance Review Unit (PRU) at the Ministry level or State Government Level as depicted in the Chart below:

Chart No. 5.1.2: **Monitoring mechanism of PPP projects**

Performance Review Unit (PRU)
at State Government Level

- PRU review the monthly reports submitted by PMU and oversee or initiate action for rectifying any defaults or lapses.

Projects Monitoring Unit (PMU)
at Company Level

- PMU submit monthly report to PRU regarding compliance to the conditions of agreements, achivement of financial closure, adherence to the timelines, action plans for defaults, *etc*.

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150 Hubballi-Lakshmeshwara Road, Wagdhari-Ribbanapalli Road and Dharwad-Alnavar–Ramnagar Road.

The guidelines stipulated reporting by the PMU regarding compliance to the conditions precedent[151] and achievement of financial closure, adherence to the time lines and other obligations, remedial measures and action plan for curing defaults, levy and collection of user charges, *etc*. The PRU was to review the report submitted by PMU and oversee or initiate action for rectifying any defaults or lapses.

Audit observed that the PRU under the Chairmanship of the Additional Chief Secretary, IDD, GoK and PMU headed by a Superintending Engineer of the Company was constituted only in February 2016 and March 2016 respectively, *i.e.* after concluding the CAs (December 2015) for World Bank Co-financed projects, thereby there was no monitoring mechanism during pre-project implementation for ensuring timely acquisition of land, achievement of financial closure/Appointed Date, *etc*. Further, the PMU has not submitted any monthly reports to PRU on project implementation.

Further, the Report of the Expenditure Reforms Commission, GoK recommended (May 2011) appointment of an independent regulator (State Road Regulatory Authority) on the model of the regulator in the energy sector to lay down the norms regarding quality of roads, terms and conditions of getting roads constructed through PPP mode and tolling policy for roads. The GoK, however, did not appoint the State Road Regulatory Authority (December 2019).

The impact of the absence of reporting mechanism to the PRU at the State level and non-creation of independent Road Regulatory Authority was very much evident from the fact of delay in concluding CAs, non-completion of certain pending works due to land acquisition issues, non-finalisation of de-scoping of works, fixation of higher user fee, delay in collection of user fee, non-compliance to the norms for road safety and operation and maintenance, *etc*.

The Government during the exit conference (December 2020) stated that the PPP projects had commenced their operations recently and action will be taken at appropriate time to create the regulatory body for roads. It was also replied (January 2020) that submission of reports to the PRU would be ensured in future.

Outcome analysis

5.1.23. While it is appreciable that the Company was successful in completing the roads of 788.74 kms and improving their motorable condition to a greater extent, there were drawbacks in implementation as well.

[151] Conditions precedent refers to the conditions to be fulfilled by both the Company (handing over of required land) and the Concessionaire (financial closure).

Picture No. 5.1.7: Ginigere-Gangavathi-Sindhanur road – before and after development.

1. The envisaged benefits from the projects (360.91 kms) implemented under World Bank Co-financing were deferred by 15 months in five projects and 26 months in one project due to delay in procurement process mainly due to delay in initiation of land acquisition process.

2. The actual toll revenue for World Bank Co-financed projects reduced by 77 *per cent* of the initial projections and also the Company failed to ensure timely commencement of collection of user fee. Resultantly, the Company depended on the State Budget for servicing the loan availed for the projects.

3. General public, despite payment of toll, could not reap the benefits of smooth commute and other related savings such as vehicle operating cost, travel time, *etc*, due to multiple incomplete intermittent stretches as in the Yelahanka-AP border road (***Paragraph 5.1.13.2***) and absence of operation and maintenance as in the Hubballi-Lakshmeshwara Road, Bellary City-AP border road, Wagdhari-Ribbanapalli road and Dharwad-Alnavar-Ramnagar road (***Paragraph 5.1.21***) defeating the purpose of taking up projects through PPP mode of execution.

4. Further, one project (Bellary City-AP border road) was developed under BOT (Annuity) despite the road not being part of the prioritised roads of the State Government. The users were burdened with higher user fee in two roads (Wagdhari-Ribbanapalli road and Dharwad-Alnavar-Ramnagar road) due to violation of toll notification issued by the State Government. Further, there was no assurance that the safety requirements have not been compromised in construction of roads in the absence of safety audits being conducted. Thus, the expected outcome of better value for money to the users through enhanced quality of services and better managerial practices were not achieved fully in real terms.

Conclusion

1. Five World Bank Co-financed projects were approved under hybrid annuity mode overlooking the norms fixed by the GoI and bench marks adopted while approving KSHIP projects. There was an additional financial burden of ₹ 80.16 crore due to award of two of these projects

with negative VfM. There were delays in declaring Appointed Date by 15 to 26 months with reference to the procurement plan drawn by the Company due to delay in initiation of land acquisition proposals. The Company had foregone the revenue of ₹ 35.86 crore due to delay in commencing the collection of toll;

2. Bellary City-AP border road was developed into four-lane under annuity ignoring the traffic survey projections resulting in additional financial burden of ₹ 29.53 crore. The Company incurred an avoidable expenditure of ₹ 22.81 crore due to award of works at higher VGF in one project and ₹ 17.39 crore due to unjustified inclusion of certain works in deviation from norms/approvals in two projects;

3. The Concessionaires were given undue advantage by not finalising the change of scope and allowing them to evade remittance of 80 *per cent* of the cost of reduced scope of works to the safety fund. The Concessionaire did not remit ₹ 32 crore to the safety fund in one VGF project pending issue of orders;

4. The road users were burdened with higher user fee in two VGF projects due to fixation of toll in violation of toll notification issued by the Government. Such additional recurring burden on the users of these two roads for one year was worked out to ₹ 8.89 crore;

5. The Company and the Concessionaires failed to perform their obligations with respect to safety requirements for the roads executed under VGF/Annuity. The Concessionaires did not carry out the operation and maintenance of the roads violating the terms of the Concession Agreements and the Company also failed to act upon firmly on the defaulting Concessionaires;

6. The monitoring mechanism at State level was absent. The State Road Regulatory Authority as recommended (May 2011) by the Expenditure Reforms Commission was not set up.

Thereby, the expected higher efficiency in operations, enhanced quality of services and better value for money were not achieved.

Recommendations

1. **The Company may ensure strict adherence to norms of GoI and implement them in line with the project approvals without any deviations while assessing the viability of the projects under PPP;**

2. **The pre-project requirements, especially the land acquisition process should be given priority and completed beforehand in coordination with the departments concerned to avoid eventual delays in project completion;**

3. **The Company may ensure adherence to the terms of Concession Agreements on project implementation, including safety**

requirements and operation and maintenance to ensure all-weather, all time availability of good quality and safe roads;

4. **The toll should be fixed in line with the toll notification issued by the GoK and the Company should ensure timely commencement of collection of toll. State level monitoring should be ensured at all stages of project implementation;**
5. **GoK may establish the State Road Regulatory Authority as recommended by the Expenditure Reforms Commission for better monitoring of projects implemented under PPP.**

Chapter - VI

Compliance Audit Observations on PSUs (other than Power Sector)

Chapter - VI

6. Compliance Audit Observations on PSUs (other than Power Sector)

Important findings emerging from audit that highlight deficiencies in planning, investment and activities of the Management in the State Government Companies and Statutory Corporations (other than Power Sector) are included in this Chapter. These include observations on non-compliance to norm, rules and regulations.

Public Sector Undertakings

6.1. Implementation of Corporate Social Responsibility

During 2014-18, eighteen PSUs were required to spend ₹ 84.27 crore towards CSR activities, but they spent only an amount of ₹ 65.93 crore. Out of this, an amount of ₹ 14.28 crore was spent on ineligible activities. The monitoring mechanism for the implementation of CSR was also found to be inadequate.

Introduction

6.1.1. Corporate Social Responsibility (CSR) is a self-regulating business model that helps a Company be socially accountable to itself, its stakeholders, and the public. The inclusion (August 2013) of the CSR mandate under the Companies Act, 2013 (the Act) is an attempt to supplement the Government's efforts of equitably delivering the benefits of growth and to engage the corporate world with the country's development agenda. Section 135 of the Act enjoins the Board of Directors of every Company having net worth of ₹ 500 crore or more, or turnover of ₹ 1,000 crore or more or a net profit of ₹ 5 crore or more, during any financial year, to ensure that the Company spends at least 2 *per cent* of the average net profit made during the three immediate preceding financial years, for the purpose of its CSR. The Ministry of Corporate Affairs (MCA) has also issued (February 2014) the Companies (Corporate Social Responsibility Policy) Rules, 2014 stipulating further requirements on formation of CSR committee and policy formulation.

Audit Objective

6.1.2. The audit objective was to ascertain whether the Public Sector Undertakings (PSUs) adhered to the provisions of the Companies Act, 2013 on CSR and the Companies (Corporate Social Responsibility Policy) Rules, 2014.

Scope of audit and criteria

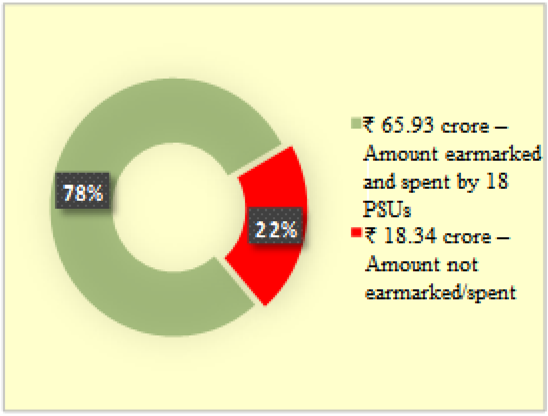
6.1.3. Audit examined the records of 18 PSUs[152], which met the criteria of Section 135 of the Companies Act, 2013, covering the period 2014-15 to 2017-18. The criteria adopted to assess the audit objective were the provisions of the Companies Act, 2013 and the Companies (Corporate Social Responsibility Policy) Rules 2014.

Audit findings

The audit findings are discussed in the subsequent paragraphs.

Shortfall in expenditure under CSR

Chart No. 6.1.1: Amount spent and shortfall under CSR



6.1.4. As per Section 135 of the Act, the eligible PSUs were to spend at least 2 *per cent* of the average net profit made during the three immediate preceding financial years, for the purpose of its CSR. The selected 18 PSUs were required to earmark/spend ₹ 84.27 crore during 2014-18 towards CSR activities. However, of this, 14 PSUs had not spent an amount of ₹18.34 crore[153]. While there was deficit in spending with reference to mandated amount for these 14 PSUs, three PSUs (MEIL, KSIIDC and KSHDC) did not spend any amount in three years, three PSUs (KSSIDC, KSFIC and KEONICS) in two years, and three PSUs (KAVIKA, JLR and BESCOM) in

[152] There were 21 PSUs which came under the ambit of Section 135 of the Companies Act during 2014-15 to 2017-18, of which there were no significant deviations in three PSUs (KPCL, MESCOM and KSBCL) and hence these three were excluded from the analysis. The list of 18 PSUs considered in this audit are - Bangalore Electricity Supply Company Limited (BESCOM), Hutti Gold Mines Limited (HGML), Jungle Lodges and Resorts Limited (JLR), Karnataka Renewal Energy Development Limited (KREDL), Mysore Sales International Limited (MSIL), Karnataka Vidyuth Karkhane Limited (KAVIKA), Karnataka Electronics Development Corporation Limited (KEONICS), Karnataka Forest Development Corporation Limited (KFDCL), Karnataka Power Transmission Corporation Limited (KPTCL), Karnataka Soaps and Detergents Limited (KSDL), Karnataka State Handicrafts Development Corporation Limited (KSHDC), Karnataka State Minerals Corporation Limited (KSMCL), Karnataka State Forest Industries Corporation Limited (KSFIC), Karnataka Silk Industries Corporation (KSIC), Karnataka State Industrial & Infrastructure Development Corporation Limited (KSIIDC), Karnataka State Small Industries Development Corporation Limited (KSSIDC), Marketing Communication and Advertising Limited (MCA), Mysore Electrical Industries Limited (MEIL).

[153] BESCOM (₹ 87 lakh), HGML (₹ 51 lakh), JLR (₹ 10 lakh), KAVIKA (₹ 26 lakh), KEONICS (₹ 11 lakh), KFDCL (₹ 58 lakh), KSFIC (₹ 30 lakh), KSHDC (₹ 40 lakh), KSIC (₹1.97 crore), KSIIDC (₹ 2.48crore), KSMCL (₹ 9.48 crore), KSSIDC (₹ 74 lakh), MCA (₹ 10 lakh) and MEIL (₹ 44 lakh).

one year. Further, 11[154] of these 14 PSUs did not disclose specific reasons for shortfall in their Annual Reports, though such disclosure was required as per provisions of the Act.

KSMCL in its reply (October 2020) agreed to spend the shortfall amount in the ensuing years, KSIIDC stated (June 2020) that the shortfall has been made good during 2018-19 and 2019-20, MEIL stated (June 2020) that the shortfall to the extent of ₹ 25 lakh out of ₹ 44 lakh was spent in 2019-20, while KSSIDC replied (June 2020) that it has contributed more than the required minimum amount towards CSR. KSHDC replied (July 2020) that it has spent ₹ 35.18 lakh towards CSR during July 2020 and stated that remaining amount would be spent in the current year. BESCOM stated (May 2020) that the short fall of expenditure in 2017-18 was spent in 2018-19. KSHDC and BESCOM enclosed the documents in support of amount spent.

The reply of KSSIDC is not acceptable as the Company spent excess only during 2017-18 (spent ₹ 70 lakh against the requirement of ₹ 49 lakh) and spent lesser than the requirement in 2015-16 (₹ 30 lakh against the requirement of ₹ 39 lakh), while no amount was spent in 2014-15 and 2016-17 against the requirement of ₹ 42 lakh and ₹ 44 lakh respectively.

6.1.5. The developmental activities on which the PSUs had spent under CSR included construction of class rooms, residential buildings and libraries for students, supply of benches and desks and construction of toilet blocks to the schools and colleges, supply of free gas stoves, providing drinking water facilities, construction of community halls, construction of bus shelters, conducting health camps, supply of laboratory equipment to the Government hospitals, *etc*.

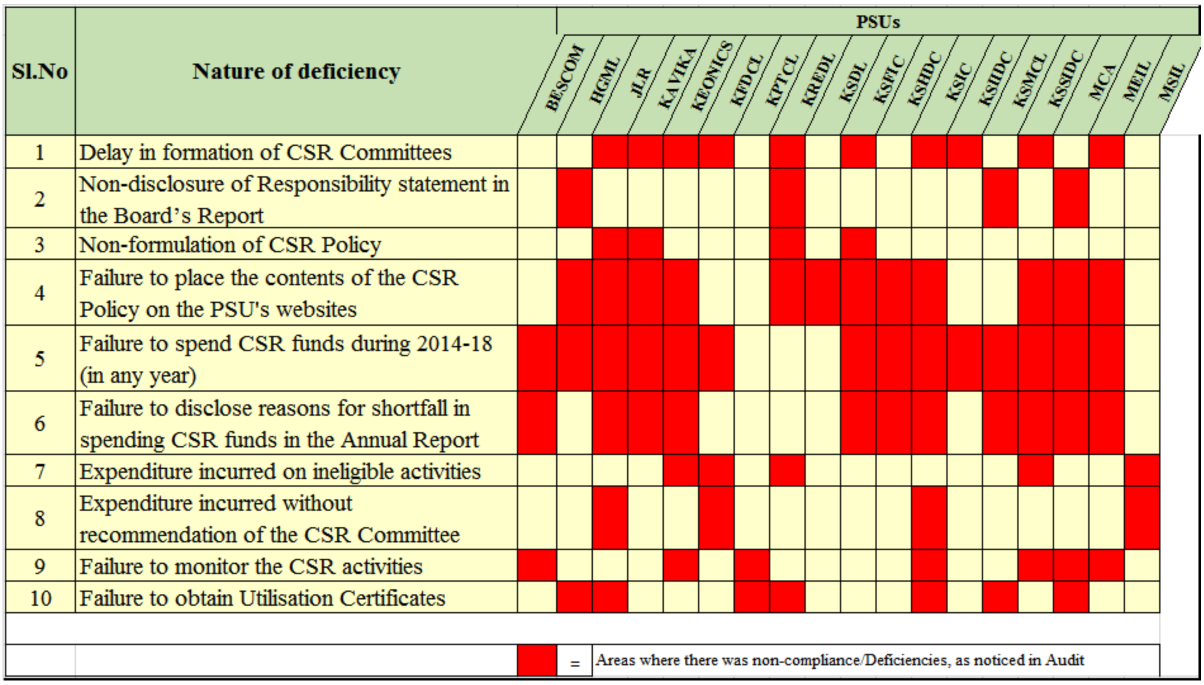
It was, however, observed that there were non-compliances/deficiencies in complying with the Act and Rules with regard to formation of CSR Committee and Policy formulation, shortfall in spending the mandatory amounts under CSR. Audit also noticed expenditure of ₹14.28 crore incurred on ineligible activities, expenditure of ₹ 14.63 crore incurred without recommendation of CSR Committee and lapses in monitoring the expenditure by the CSR Committee. These deficiencies are brought out in the succeeding paragraphs.

Deficiencies in complying with the Act and Rules

6.1.6. The following chart gives the details of deficiency/non-compliance to the various provisions of CSR.

[154] BESCOM, JLR, KAVIKA, KEONICS, KSFIC, KSHDC, KSIC, KSMCL, KSSIDC, MCA and MEIL.

Chart 6.1.2: Deficiency/Non-compliance to provisions of CSR by the PSUs



6.1.7. Lapses in constitution of CSR Committee and policy formulation

i. Section 135 of the Companies Act, 2013 stipulated constitution of a CSR Committee of the Board to formulate and recommend to the Board the activities to be undertaken by the company and the amount of expenditure to be incurred on the CSR activities. Audit observed that 10[155] out of the 18 PSUs formed CSR Committees after a delay ranging from two to twenty months. Consequently, eight of these 10 PSUs, did not spend mandated amount of ₹ 5.16 crore[156] under CSR during the period of absence of CSR Committee.

ii. All the 18 PSUs had disclosed the composition of the Committee in their Board's Annual Reports as required under Rule 8 of the CSR Rules, 2014. Four PSUs[157], however, did not disclose the Responsibility Statement of the CSR Committee in their Board's Report (2014-18), as required under the CSR Rules, 2014.

   One PSU (MCA) stated (September 2019) that non-disclosure was by oversight, while another PSU (KSSIDC) stated (March 2020) that it would follow the Act/Rules scrupulously. KSMCL replied (October 2020) that it has noted the observation to comply in ensuing years.

iii. Four[158] of the 18 PSUs had not formulated a CSR Policy. Twelve PSUs[159], which had formulated a CSR Policy did not place the contents

[155] JLR, KAVIKA, KEONICS, KFDCL, KREDL, KSFIC, KSIC, KSIIDC, KSSIDC and MEIL.

[156] JLR (2014-15: ₹ 11 lakh), KAVIKA (2014-15: ₹ 13 lakh), KEONICS (2014-16: ₹ 74 lakh), KREDL (2014-15: ₹51 lakh), KSFIC (2015-17: ₹ 14 lakh), KSIIDC (2014-17: ₹ 2.74 crore), KSSIDC (2014-15: ₹ 42 lakh) and MEIL (2014-17: ₹ 37 lakh).

[157] HGML, KREDL, KSMCL and MCA.

[158] KAVIKA, JLR, KSFIC and KREDL.

of the CSR Policy on their websites as required under CSR Rules 2014. KEONICS and JLR stated (February 2020/March 2020) that the CSR Policy had now been uploaded on the website, while KSSIDC stated (June 2020) that action is being taken to upload the Policy. Audit, however, observed that KSSIDC and JLR were yet to upload the CSR Policy in their websites (July 2020). The replies from other PSUs are awaited.

6.1.8. Expenditure on ineligible activities

i. Five PSUs spent ₹ 14.28 crore on activities, which were not specified/not in line/not in conformity with Schedule VII[160] of the Act, and Rule 6 of the CSR Rules 2014. Such ineligible activities included amounts spent on Temples/religious institutions (2017-18: ₹13 lakh by KREDL), issuing laptops to journalists (2016-17: ₹15 lakh by KEONICS) and contribution to Chief Minister's (CM) Relief Fund (₹ 14 crore by MSIL (2014-18), KFDCL (2014-15) and KSSIDC - 2014-15). As a result, developmental activities under CSR were short achieved to that extent.

In their replies, KFDCL stated (May 2020) that the CSR Committee was not fully aware of CSR Regulations, KEONICS stated (Government forwarded the reply in June 2020) that CSR committee gave *post facto* approval for distribution of laptops as directed by the Government, while MSIL stated (June 2020) that it had treated contribution to the CM Relief Fund under 'Promoting Health Care' which is part of Schedule VII. The response of KFDCL validates the audit observation of expenditure on ineligible activities, while replies of KEONICS and MSIL are not acceptable as the activities do not form part of Schedule VII.

6.1.9. Expenditure without recommendation from CSR Committee

i. The Act and CSR Rules, 2014 prescribed that the CSR Committee was to recommend the projects/proposals to the Board for approval. Audit observed that four PSUs spent ₹ 14.63 crore[161] during 2014-18 without recommendation from the CSR Committee. This included (a) ₹ 12 crore contribution to the CM Relief Fund (not eligible under CSR) by MSIL though the CSR Committee had met thrice (August 2015, April 2016 and November 2017); (b) ₹ 19 lakh by KSIC (c) ₹ 2.19 crore (including ₹ 1 crore to CM Relief Fund not eligible under CSR) by KFDCL, though the CSR Committee met four times (August 2014,

[159] HGML, JLR, KAVIKA, KEONICS, KREDL, KSDL, KSFIC, KSHDC, KSIC, KSSIDC, MCA and MEIL.

[160] Schedule VII of the Act specifies the areas or subjects to be undertaken by companies under CSR. This includes activities related to healthcare, education and skill development, social inequality, environment sustainability, national heritage, art and culture, armed forces, sports, funds set up by Central Government, technology incubators, rural development projects, slum area development, capacity building.

[161] JLR - ₹ 25 lakh (2016-17); KFDCL - ₹ 2.19 crore (2014-18); KSIC - ₹ 19 lakh (2014-17); MSIL - ₹ 12 crore (2014-18).

February 2016, December 2016 and August 2017); and (d) ₹ 25 lakh by JLR (CSR Committee did not meet during 2016-17 in which amount was spent).

While KFDCL replied (May 2020) that the CSR Committee had authorised Managing Director (MD) to take all necessary action, JLR replied (March 2020/June 2020) that members of the CSR Committee were part of the Board and that the Board had noted and ratified (March 2017) the action of the Company. The fact remained that the CSR committees had not recommended the expenditure incurred, which was thus in violation of the CSR Rules. The replies from MSIL and KSIC are awaited.

6.1.10. Formulation and Monitoring of CSR Policy

i. Section 135 of the Act requires formulation of CSR Policy, and Rules 5 and 6 of CSR Rules states that the CSR Policy of the company should include a list of CSR projects/programs which a company plans to undertake. These Rules also specify the modalities for execution and the monitoring process of such projects/programs including the setting up of a transparent monitoring mechanism by the CSR Committee.

Audit observed that four[162] PSUs did not formulate the CSR Policy at all, while one PSU (KSSIDC) did not mention the monitoring mechanism in its CSR Policy. Further, though six PSUs, had specified the monitoring mechanism in their Policies, the same was not adhered to as (a) the modalities of monitoring were not specified (BESCOM), (b) CSR Group/CSR Cell/Monitoring cell as required to be formed in the Policy (in addition to CSR Committee) to periodically monitor the projects (KEONICS, KSIC, MCA and MEIL) was not formed, and (c) Half-yearly monitoring was not done (KPTCL). In the absence of the monitoring mechanism, there was no assurance that the amount spent by these PSUs was utilised for the intended purposes.

In its reply KAVIKA stated (March 2020) that action will be taken to formulate CSR Policy, while KSSIDC stated (March 2020) that amounts were paid to Government undertakings/institutions, while KEONICS stated (June 2020) that the observation is noted for future compliance and action. The reply of KSSIDC is not acceptable, as it did not mention the monitoring mechanism in its CSR Policy and moreover, the Company should have a system in place to ensure that the contributions under CSR were spent for the intended purposes irrespective of the type of the institution (Government or Private). BESCOM stated (May 2020) that it is in the process of forming a CSR monitoring committee to identify and monitor CSR activities.

[162] KAVIKA, JLR, KSFIC and KREDL.

ii. One PSU (KSDL), contributed ₹ 4.68 crore to CSR Trust[163] during 2014-18 with delays ranging from 12 months to 24 months[164], but spent only ₹ 72.03 lakh (from the Trust) and the balance amount was kept in the Trust account without spending. KSDL while confirming the delay in releases stated (June 2020) that action has been taken to release the amount towards CSR activities in 2019-20. The fact remained that the amount, which was required to be spent each year, was kept with the Trust without spending.

iii. Audit observed that seven PSUs[165] failed to obtain Utilisation Certificates for ₹ 10.83 crore spent (2014-18) on various activities under CSR from the respective implementing agencies (District Commissioners/Trusts). In the absence of Utilisation Certificates, these PSUs had no means to ensure that the amount was spent for the intended purposes.

MCA replied (September 2019) that the observation was noted for future compliance. JLR stated (March 2020) that the amounts were spent through Government agencies and not through NGOs. The reply of JLR is not acceptable as the Company did not formulate the CSR Policy at all and moreover the Company should have a system in place to ensure that the contributions under CSR were spent for the intended purposes irrespective of the type of the institution to whom the contributions were made. Government replied (July 2020) in case of KPTCL that letters were addressed to the Deputy Commissioners concerned to provide UCs for the amount spent under CSR. KSMCL stated (October 2020) that it was pursuing continuously to obtain the UCs at the earliest. The replies from the other PSUs are awaited.

Conclusion

The CSR mandate under Companies Act, 2013 and CSR Rules, 2014 was not fully complied with by 18 PSUs during the period 2014-15 to 2017-18. The deficiencies included:

- Non-formulation of CSR Policy by four PSUs, spending ₹ 14.63 crore without recommendation of the CSR Committee in four PSUs and spending ₹ 14.28 crore on activities not specified under Schedule VII of the Act, in five PSUs;

- Fourteen of the 18 PSUs spending less than the prescribed amount for CSR activities, with the overall shortfall being ₹ 18.34 crore. Specific reasons for such shortfall were also not disclosed in the Annual Reports by 11 PSUs, as required under the Act and CSR Rules 2014;

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[163] As per Rule 4(2) of CSR Rules 2014, the Company may decide to undertake its CSR activities through a registered trust, a joint venture, *etc*. Accordingly, KSDL has formed such Trust and contributed the amount towards CSR activities.

[164] 2014-15 (contributed on 4.7.2016); 2015-16 (transferred on 31.3.2018); 2016-17 (transferred on 31.03.2018) and 2017-18 (transferred on 11.3.2019).

[165] KREDL (₹ 3.81 crore), HGML (₹ 80 lakh), KSIC (₹ 70 lakh), JLR (₹ 20 lakh), KSMCL (₹ 2.03 crore), MCA (₹ 12 lakh), KPTCL (₹ 3.17 crore).

- Not devising a monitoring mechanism for the implementation of CSR activities in seven PSUs, as mandated in the Act/Rules/Policies. The PSUs either had no CSR Policy, or the formulated CSR Policies did not specify the modalities of monitoring, or the PSUs failed to adhere to the specified modalities. Further, seven PSUs did not obtain Utilisation Certificates for ₹ 10.83 crore. In the absence of a monitoring mechanism and system of obtaining Utilisation Certificates, there was no assurance that the expenditure incurred was for the intended purpose.

Recommendations

PSUs may ensure:

- **formulating a CSR Policy as per the requirement of the Companies Act;**

- **that expenditure under CSR is as per the recommendations by the CSR committee and that the activities are in conformity with Schedule-VII of the Companies Act;**

- **spending funds earmarked for CSR within the time frame prescribed under the Companies Act;**

- **devising appropriate monitoring mechanisms for effective implementation of CSR activities including timely collection of Utilisation Certificates.**

Public Sector Undertakings

6.2. Payment of interest on income tax by PSUs

PSUs failed in estimating their profits properly to assess the tax liability and payment of advance tax leading to payment of avoidable interest of ₹ 6.64 crore.

As per Section 208 of the Income Tax Act, 1961 (the Act), Advance tax was payable during a financial year in every case where the amount of such tax payable by the assessee during that year was ₹ 10,000 or more. *Section 211* of the IT Act further provided that the advance tax was payable in four instalments during each financial year, viz. 15th June (15 *per cent*), 15th September (45 *per cent*), 15th December (75 *per cent*) and 15th March (100 *per cent* of tax liability).

In case the assessee failed to pay advance tax or where the advance tax paid was less than 90 *per cent* of the assessed tax, simple interest (Section 234B) at the rate of one *per cent* was payable for every month or part of a month on short assessed tax. Further, if the quarterly Advance tax paid was less than the prescribed percentage, simple interest at the rate of one *per cent* per month was payable for a period of three months on the shortfall from the prescribed percentage (15/45/75/100 *per cent*) of tax due on the returned income.

It was, therefore, imperative that the Public Sector Undertakings (PSUs), which were liable for tax under the IT Act, had a mechanism in place for proper estimation of their income/profits and payment of advance tax within the due dates so as to avoid payment of interest.

Audit examined the compliance to the provisions of the IT Act with regard to assessing the profits and payment of advance income tax in five[166] PSUs during 2013-14 to 2017-18. The estimated and actual tax payable, actual tax paid and interest on tax paid by these PSUs during 2013-14 to 2017-18 are detailed in the ***Appendix 22***. Audit findings are summarised in the table below:

Table No.6.2.1: Deficiencies in assessment of profits and payment of advance tax

Sl. No.	Details of PSUs	Audit observations
1	**Mysore Electrical Industries Limited (MEI)**, involved in manufacturing of Switch Gear equipment used in the Power Transformers and other industrial applications, had registered profits continuously during 2013-14 to 2017-18. The Company paid interest of ₹ 1.40 crore under Section 234B and 234C of the IT Act during 2013-14 to 2017-18.	• The Company did not estimate the profits for the purpose of payment of advance tax in any of the quarters during 2013-14 to 2017-18, except in the third and fourth quarters of 2017-18. Moreover, the profit of ₹ 4 crore, which was estimated in the third and fourth quarters of 2017-18, was much less (22 *per cent of* actual profit) than the actual profit of ₹ 18.10 crore recorded during that year and ₹ 6.03 crore recorded during the previous year, indicating flaw in the system of estimation of profits. The basis for estimating ₹ 4 crore was not kept on record; • Further, the Company registered profits during 2013-14 to 2017-18. However, it did not pay advance tax in the first three quarters during 2013-14 to 2015-16, while no advance tax was paid in any of the quarters for 2016-17. During 2017-18, advance tax was paid only in the third and fourth quarters. Even the advance tax paid in the fourth quarter during 2013-14 to 2015-16 and third and fourth quarters of 2017-18 was very nominal, which ranged from 8 to 34 *per cent* of the actual liability. Thus, the Company had not only violated the provisions of the IT Act by not-paying advance tax, but also incurred avoidable interest expense of ₹ 1.40 crore during 2013-14 to 2017-18. The Government stated (August 2020) that the discrepancies noticed in the earlier years (2013-14 to 2017-18) have been identified and proper mechanism is put in place. Audit noticed that the Company had taken corrective action in assessing tax liability and payment of advance tax during 2018-19.
2	**Karnataka Vidyuth Karkhane Limited (KAVIKA)** involved in manufacture of	• The Company had not estimated its profits in first and second quarters of 2015-16 and 2016-17, while the profits estimated during 2013-14, 2014-15 and last two quarters of 2015-16 and 2016-17 ranged between ₹ 3.82 crore and ₹ 6 crore, which were much less than the actuals. The actual profit ranged between ₹ 7.19 crore and ₹ 10.09 crore. The basis and justification for

166 Mysore Electrical Industries Limited, Karnataka Vidyuth Karkhane Limited, Karnataka Soaps and Detergents Limited, Marketing Communication and Advertising Limited, Karnataka State Beverages Corporation Limited.

Sl. No.	Details of PSUs	Audit observations
	power distribution transformers, had registered profits during 2013-14 to 2016-17. The Company paid penal interest amounting to ₹ 73.31 lakh under Section 234B and 234C during 2013-14 to 2016-17[167].	estimating the lower profits was not kept on record. It was observed that the Company did not keep the previous year's trend into consideration while estimating its profits. For instance, the Company recorded the profit of ₹ 6.80 crore in 2012-13, but profit estimated in the subsequent year (2013-14) was ₹ 4 crore. Similarly, the actual profit in 2013-14 was ₹ 8.73 crore, while the Company estimated only ₹ 3.82 crore in 2014-15; • Consequent to underestimation of profits, the advance tax paid by the Company for 2013-14 and 2014-15 was much less than the actual liability. The actual advance tax paid was 55 *per cent* against the requirement of 90 *per cent* under Section 234B. Further, the Company did not pay advance tax during first two quarters of 2015-16 and 2016-17 and the advance tax paid in third and fourth quarters was only to the extent of 32 *per cent* and 19 *per cent* of the actual liability respectively in those two years; Audit observed that the annual budget estimates, which could have given a reasonable basis for estimation of income and expenses and profits, were not prepared by the Company during 2013-14 to 2016-17. Even though the Company in its monthly meetings reviewed the quantitative details of production and sales, it did not assess the quarterly profitability with reference to the projected production and sales. This resulted in payment of interest of ₹ 73.31 lakh on income tax. The Company replied (March 2020) that it would take adequate measures for estimation of profit in advance by preparing annual budget plan in ensuing years and to review profits quarterly based on past trends of turnover and other relevant factors.
3	**Karnataka Soaps and Detergents Limited (KSDL)** is engaged in manufacturing and selling of soaps, detergents and sandalwood oil and toiletries of all kinds. The Company has been making profits consistently since 2013-14. The Company paid interest of ₹ 3.38 crore under section 234B and 234C during 2013-14 to	• The Company has the system in place for preparing monthly budgets depicting estimated sales, revenue and expenses. Based on the initial estimates, the Company assessed the profits and tax liability every quarter. Audit, however, observed that the profits were not estimated realistically, which was evident from the fact that the estimated profits in the first three quarters of 2013-14 to 2015-16 and 2017-18 were much less than the actuals, the variation ranging between 32 *per cent* and 78 *per cent* of the actual profits. Audit observed that though the budgets were prepared on a monthly basis, the Company did not revise the quarterly profits based on the past trends available nor did it review the adequacy of tax payment. Further, the Company paid tax only to the extent of 64 *per cent* and 74 *per cent* of the actual liability respectively during 2013-14 and 2014-15, thereby attracting interest under Section 234B. Also, the quarterly tax paid during 2013-14 to 2017-18 fell short of the prescribed percentage (15/45/75/100 *per cent*) and thus attracted interest under Section 234C.

[167] The Company made loss in 2017-18.

Sl. No.	Details of PSUs	Audit observations
	2015-16 and 2017-18.	The Government, while accepting the fact that care will be taken to remit the advance tax without any shortfall, stated (August 2020) that it was not able to ascertain the actual interest on fixed deposits as the details were received from respective banks only at the end of the financial year and also the actual sales were estimated based on tentative figures received from different departments and branches of the Company. Further, it was stated that the valuation of inventory was done only at the time of finalisation of accounts and hence could not be ascertained at each quarter of the financial year. Similarly, marketing expenditure on promotional activities was accounted in branches and final expenditure would be known after finalisation of accounts. The reply is not acceptable, as the interest income from fixed deposits is certain and known to the Company and the Company does not need to depend on banks for intimation. Also, the Company has the system of preparing monthly budgets and should be in a position to ascertain actual sales reasonably well. Further, in the financial interest of the Company, valuation of inventory and estimation of marketing expenditure should be done quarterly instead of doing at the time of finalisation of accounts considering the past trends and other relevant factors.
4	**Marketing Communication & Advertising Limited (MCA)** is involved in providing service in consultancy, business, advertising, contract, *etc*. The Company has continuously recorded profits during 2013-14 to 2017-18. The Company paid interest of ₹ 71.46 lakh under Section 234B and 234C during 2016-17 and 2017-18.	• The Company erred in estimating the profits during 2016-17 and 2017-18. The estimated profits in the second and third quarters with reference to actuals works out to 53 *per cent* and 64 *per cent* in 2016-17 and 57 *per cent* and 64 *per cent* in 2017-18. Audit observed that the Company, while estimating the profits for the purpose of payment of advance tax, deducted the unallocated expenses (representing employee benefits and other administrative expenditure), which ranged between ₹ 5.52 crore in 2013-14 and ₹ 11.24 crore in 2017-18, from the estimated profits although these expenses were taken into account while arriving at the profits. As a result of deduction of these expenses, the profits had been reduced. The rationale behind such deduction was not kept on record. This resulted in payment of lesser advance tax. • Further, the Company, paid an amount lesser than the amount that was assessed to be paid, citing 'conservative basis', 'rounding off', *etc*. The difference between the estimated tax and the actual remittance ranged upto ₹ 8.93 lakh in 2017-18, ₹ 55.65 lakh in 2016-17, ₹ 42.78 lakh in 2015-16, ₹ 25.83 lakh in 2014-15 and ₹ 18.13 lakh in 2013-14. This was one of the reasons, apart from incorrect estimation of profits, that contributed to payment of lesser tax. The Government, in reply (August 2020), admitted Company's mistake on reduction of unallocated expenses and assured that it would be rectified henceforth. The reply is silent on reasons for paying lesser amount than that estimated by the Company.
5	**Karnataka State Beverages Corporation**	• The Company prepared the annual budget estimates every year projecting revenue and expenditure. The tax liability has also been assessed considering these estimates. However, due to

Sl. No.	Details of PSUs	Audit observations
	Limited (KSBCL) is engaged in the business of channelizing and distribution of duty paid liquor in the State. It has posted profits during 2013-14 to 2017-18. The Company paid interest of ₹ 40.98 lakh under section 234B and 234C during 2014-15 to 2015-16 and 2017-18.	accounting of certain incomes during the last quarters of the financial years (2013-14 to 2015-16 and 2017-18), such as unadjusted credit balances (pending claims from liquor suppliers), revenue from redemption of investment, the Company has ended up paying interest under section 234 B and 234C for falling short of the prescribed percentage of quarterly advance tax payment. The Government forwarded (February 2020) the reply of the Company. The reply states that interest u/s 234B and 234C was paid mainly on account of unadjusted credit balance (pending claim from the liquor suppliers) taken as income based on the Board's decision. The Company also stated that, a committee has been formed for reviewing the budget estimates at each quarter with respect to actuals to ensure a realistic approach in payment of tax in line with the changes in growth trends. Audit, however, observed that as per the decision of the Board in June 2014, the unadjusted credit balances were to be treated as income if there were no claims after completing three years. Hence, it was possible for the Company to consider these unclaimed balances while estimating the income if there was a system of periodical review of these balances.

Thus, the PSUs failed to evolve an adequate system for estimation of their profits for assessing the tax liability and payment of advance tax which has led to payment of avoidable interest of ₹ 6.64 crore[168].

Recommendations

The PSUs may, therefore, establish a robust mechanism for realistic estimation of their profits based on available information such as past trends in sales, revenue and expenses and the corresponding profits, and make payment of advance tax on due dates to avoid interest under section 234B and 234C of the IT Act.

Karnataka State Road Transport Corporation

6.3. Passenger amenities at Bus stations

Introduction

6.3.1. Karnataka State Road Transport Corporation (the Corporation) was established (August 1961) under the Road Transport Corporations Act, 1950 to provide an efficient, safe and comfortable passenger transport service in the State of Karnataka. The Corporation operated 8,695 buses and handled an average of 30 lakh passengers per day during 2018-19. As of March 2019, the

[168] MEI - ₹ 1.40 crore; KAVIKA - ₹ 73.31 lakh; KSDL - ₹ 3.38 crore; MCA - ₹ 71.46 lakh and KSBCL - ₹ 40.98 lakh.

Corporation had 153 bus stations (District bus stations – 28 nos; Taluk bus stations – 76 nos; and Hobli[169] bus stations – 49 nos).

The volume of the passengers handled by the Corporation makes the provision of essential passenger amenities an important aspect of the performance of the Corporation. It is imperative for the Corporation, being in the service sector, to prioritize customer care, as the passengers expect value for money and best possible amenities. The basic amenities that are expected to be provided at bus stations include proper access to the bus station, seating arrangements in the bus stand, waiting rooms, proper shelter from the weather, information systems about vehicle arrival, security systems, canteen facilities, clean toilets, safe drinking water, *etc*. Also, specially-abled passengers need to be provided with other facilities such as ramps, railings, and special toilets.

Audit Objective

6.3.2. The Audit Objective was to assess whether the passenger amenities provided at the bus stations were adequate as per the norms issued by the Corporation.

Audit Scope, Methodology and Criteria

6.3.3. Audit selected 40 of the 153 bus stations operated by the Corporation using random sampling[170] by ensuring that minimum 25 *per cent* of total bus stations in each of the three categories (District, Taluk and Hobli) were selected. The audit sample consisted of seven District bus stations[171], 21 Taluk bus stations[172] and 12 Hobli bus stations[173]. The Audit was conducted between April 2019 and June 2019. Audit conducted joint inspection of the sampled bus stations along with the Officers of the Corporation.

The norms for operation of Bus stations as issued by the Corporation (May 2015) was adopted as the Audit Criteria.

Audit observations are based on the joint inspection conducted by audit with the management in the test checked 40 bus stands and most of them are of a nature that may reflect similar deficiencies in other bus stations of the Corporation, but not covered in audit. The Corporation may, therefore, like to internally review all such other bus stations, with a view to ensure availability of passenger amenities as per the norms.

[169] Hobli is a cluster of adjoining villages administered together for the purpose of collection of taxes and maintenance of land records by the Revenue Department.

[170] Random sampling using *IDEA* Software.

[171] Basaveshwara bus station (Peenya), Chamarajanagar, Chitradurga, Madikeri, Mandya, Mangalore and R.S.Naidunagar (Mysore).

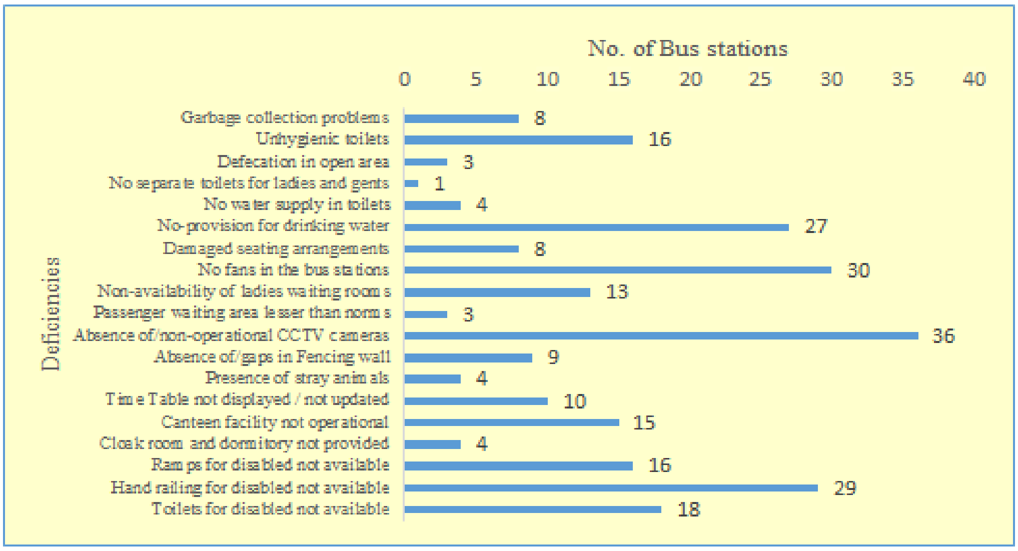
[172] Bangarpet, B.C.Road, Chennapatna, Channarayapatna, Chikkanayakanahalli, Dharmasthala, Gowribidanur, Harihara, Honnali, K.R.Nagar, Malavalli, Nagamangala, Puttur, Sira, Shidlaghatta, Srirangapatna, Srinivasapura-1, Srinivasapura-2,Virajpete, Tiptur and Turuvekere.

[173] Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Ilawala, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

Audit Findings

6.3.4. Audit findings on adequacy of passenger amenities provided at bus stations with reference to norms prescribed by the Corporation are summarized below:

Chart No. 6.3.1: **Deficiencies noticed in test checked 40 Bus Stations**



The audit findings are discussed in detail in the following paragraphs.

Formulation of norms

6.3.4.1. Audit observed that the Corporation had not formulated any norms or guidelines on passenger amenities until 2014-15. It was only during May 2015 that the Corporation issued certain norms (revised in June 2015 and June 2016) on minimum facilities required for passengers at bus stations, *i.e.* after lapse of over five decades (54 years) of commencement of its operations (1961-62 to 2014-15). The norms stipulated provision for toilets for men and women, exclusive waiting room for women passengers, facilities for passengers with disabilities and installation of CCTV cameras, canteen facilities, *etc*.

Audit also observed that the norms for passenger amenities laid down by the Corporation were inadequate as they did not cover some of the essential amenities such as hygiene, waste management, cleanliness and drinking water facility at the bus stations.

Waste Management and cleanliness

6.3.4.2. To protect environment/public health, maintenance of hygiene in the bus stations is critical and is an essential and primary requirement in view of the influx of passengers every day. The hygiene in public places assumed even more significance after the launch (October 2014) of Swachh Bharat Abhiyan, a cleanliness campaign by the Government of India focusing on sanitation and maintaining a hygienic environment. Hygiene at bus stations includes effective waste management, maintenance of cleanliness in the circulating area outside the building, on the platform, waiting rooms and toilets.

Audit observed that:

i. The Corporation did not have a system in place to ensure segregation of waste into Biodegradables, Dry and Domestic Hazardous waste at source in spite of the fact that large quantities of mixed waste consisting of plastic bottles, packaging waste, food waste, *etc* were generated at the bus stations every day.

Picture No. 6.3.1: Gauribidanur bus station – dilapidated dustbin with unsegregated waste (July 2019).

Picture No. 6.3.2: Madikeri bus station – unsegregated waste (May 2019).

ii. The dustbins, which are the primary collection points of garbage, were not provided at three hobli bus stations[174]. Further, five bus stations[175] were unclean with garbage strewn around in the parking areas and open areas of bus stations, water logging, serving as mosquito breeding grounds. Open defecation was also observed at three bus stations[176]. These may lead to pollution and health problems to the passengers and public at large.

Picture No. 6.3.3: Sidlaghatta bus station – waste bin with unsegregated waste filled with water (July 2019).

Picture No. 6.3.4: Chitradurga bus station – Garbage strewn around in open area (June 2019).

[174] ***Hobli:*** Nuggehalli, Ramanathpura and Salagame.
[175] ***District:*** Chitradurga, ***Taluk:*** Harihara and Sira, ***Hobli:*** Arehalli and Salagame.
[176] ***District:*** Chitradurga, ***Taluk:*** Sira, ***Hobli:*** Salagame.

Picture No. 6.3.5: Open defecation at Sira bus station (July 2019).

Picture No. 6.3.6: Water logging at Harihara bus station (June 2019).

iii. The toilets at 16 bus stations[177] (40 *per cent* of audit sample) were extremely poor and unhygienic with stagnation of waste and suffocating odour. Separate ladies and gents' toilets were not available at one bus station (Salagame) and even the existing three urinals were in an open area and were filthy. There was no water supply in toilets at four bus stations[178].

Picture No. 6.3.7: Srinivasapura old bus station - Damaged toilet (April 2019).

Picture No. 6.3.8: Sidlaghatta bus station – damaged toilet (July 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the cleaning of bus stand premises was outsourced to the cleaning contractors selected through tender. The cleanliness of premises and toilets was evaluated on an hourly basis by the stand in-charge concerned and penalty was levied on the contractor for the lapse of cleanliness. It was also stated that strict instructions were issued to the contractors for segregating the waste and separate dustbins were provided for biodegradable and dry hazardous wastes. Surprise visit by the senior officers of the Corporation is being done to check the cleanliness. It was further stated that the action will be taken to provide adequate toilet blocks immediately and the water supply in

[177] ***District:*** Chamarajnagar, Chitradurga and Mandya, ***Taluk:*** Channapatna, Channarayapatna, Gauribidnur, Harihara, Honnali, KR Nagar, Sira, Srinivasapur (old), Tiptur and Turvekere, ***Hobli:*** Birur, Gandasi and Ramanathpura.

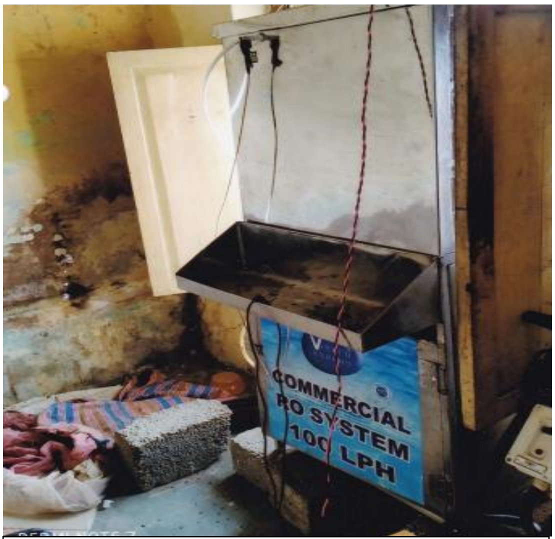
[178] ***Taluk***: Channarayapatna; ***Hobli:*** Birur, Sirigere and Gandasi.

bus stations has been restored and the defective and damaged toilets were replaced.

The fact remained that the cleanliness of bus stand premises was poor despite the terms of contracts provided for hourly evaluation of cleanliness and imposition of penalty for non-performance of contract. This indicated that the contractual provisions were not strictly enforced and monitored by the Corporation. Further, the fact that it did not even make any norms for these amenities shows its apathy towards maintenance of cleanliness.

Absence of drinking water facility

6.3.4.3. Providing potable water to the passengers is a basic and essential amenity which the Corporation should ensure at all the bus stations. However, no specific norms were in place in the Corporation. Audit observed that drinking water facility was not available in as many as 25 bus stations[179] (63 *per cent* of audit sample), while drinking water was unclean, salty as observed during joint inspection due to non-functional RO systems in five bus stations[180]. Audit observed that the Corporation had no maintenance contracts for up keep of RO systems.



Picture No. 6.3.9: Non-functioning RO water plant at Sira bus station (July 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that action was being taken to drill new bore wells wherever there was no or insufficient water supply and the RO plants for drinking water supply had been provided in 11 bus stations and similar facilities would be provided in the remaining bus stations at the earliest. It was further stated that RO systems are repaired on need based as there was no annual maintenance contracts and the RO system at five bus stations, where water was salty and unclean, were repaired now and drinking water is provided to the public.

Facilities for specially-abled passengers

6.3.4.4. The norms laid down by the Corporation prescribed provisions for ramp, hand railings, special toilets at all bus stations to make bus stations more friendly to specially-abled passengers.

[179] ***District:*** Chamarajnagar, Mandya, Madikeri and RS Naidunagar, ***Taluk*:** Bangarpet, Channapatna, Channarayapatna, KR Nagar, Malavalli, Nagamangala, Srirangapatna, Tiptur and Virajpet, ***Hobli:*** Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Ilvala, Melukote, Nuggehalli, Ramanathpura, Salagame and Sirigere,

[180] ***Taluk:*** Malavalli, Nagamangala, Sira, Srinivasapura new and Srirangapatna.

Audit observed that the infrastructure was not adequately built for the specially-abled passengers as ramps were not available at 16 bus stations[181] (40 *per cent* of audit sample) and hand railings were not available at 29 bus stations[182] (72 *per cent* of audit sample). Further, special toilet facilities for use and convenience of specially-abled passengers were not provided at 18 bus stations[183] (45 *per cent* of audit sample).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that ramps were provided in five out of 16 bus stations, hand railings were provided in 10 out of 29 bus stations and toilets for specially-abled passengers were provided in three out of 18 bus stations pointed by audit. It was further stated that the action is being taken to provide ramps, hand railings and special toilets at the remaining bus stations.

Passengers' waiting area

6.3.4.5. Waiting area is an important link to ensure proper arrival and departure of the passengers at bus stations. The norms of the Corporation prescribe provision of waiting area for the passengers, privacy and enhanced security to ladies. They prescribe exclusive waiting rooms for women passengers at all bus stations.

Audit observed that

i. The seating arrangements at eight bus stations[184] were in a damaged condition, there was no provision for fans in 30 of 40 sampled bus stations (75 *per cent*) depriving the passengers of proper seating facilities at the waiting areas and also there was no lighting facility in one bus station (Gandasi), posing threat to security to the passengers during the night. This is extremely inconvenient for passengers, especially those who have to wait for longer hours at the bus stations. The norms of the Corporation do not specify the standards to be maintained at the waiting area in terms of seating, lighting and ventilation.

[181] ***Taluk:*** Channapatna, Channarayapatna, Chikkanayakanahalli, Malavalli, Sira, Tiptur and Turuvekere; ***Hobli***: Arehalli, Belakawadi, Birur, Gandasi, Harohalli, Nuggehalli, Ramanathapura, Salagame and Sirigere.

[182] ***District:*** Chamarajanagar, Chitradurga and Mandya; ***Taluk:*** Bangarpet, Channapatna, Chikkanayakanahalli, Channarayapatna, Harihara, Honnali, KR Nagar, Malavalli, Nagamangala, Srinivasapura (Old and New bus stations), Sira, Srirangapatna, Tiptur and Turuvekere; ***Hobli:*** Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

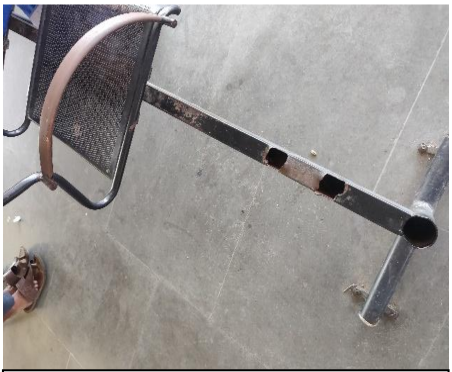
[183] ***Taluk:*** Bangarpet, Harihara, Honnali, KR Nagar, Sira, Srinivasapura Old bus station and Tiptur; ***Hobli***: Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

[184] ***District*****:** Madikeri and Mandya; ***Taluk:*** Channarayapatna, Dharmasthala, Malavalli, Nagamangala, Sidlaghatta and Srirangapatna.

Picture No. 6.3.10: Sidlaghatta bu station – Missing bench for sitting (July 2019).

Picture No. 6.3.11: Malavalli bus station- Missing chair (May 2019).

Picture No. 6.3.12: Damaged seats at Dharmasthala bus station (May 2019).



Picture No. 6.3.13: Nagamangala bus station – Missing chair (May 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the seating arrangements have been restored in all the eight bus stations and action will be taken to provide fans at all the bus stations. It was further stated that the action has been taken to provide adequate lighting facility at Gandasi bus station.

ii. Exclusive waiting rooms for ladies were not provided for in 13 bus stations[185] (32 *per cent* of the audit sample). Out of the rest 27 bus stations, in three bus stations (Channarayapatna, Mandya and Malavalli), ladies waiting rooms were utilized as a pass issuing counter/booking office, whereas at Srirangapatna, it was kept locked.

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the action has been taken to provide ladies waiting room in one bus station and the remaining 12 bus stations will be provided with one during upgradation. The reply is silent on ladies waiting rooms being used as pass issuing counters in three bus stations.

[185] ***Taluk:*** Channapatna, Chikkanayakanahalli, Nagamangala, Sira, Tiptur and Turuvekere; ***Hobli:*** Belakawadi, Hirisave, Ilawala, Melukote, Nuggehalli, Ramanathapura and Salagame.

iii. The area of the passenger waiting area was less than the prescribed norm[186] in three bus stations[187]. Further, the condition of Madikeri *(District)* and Sira *(Taluk)* bus stations was extremely poor because of water seepage during rains;

Picture No. 6.3.14: Water seepage at Madikeri bus station (May 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the passenger waiting area will be extended during upgradation of those bus stations. It was further stated that the upgradation of Madikeri bus station and extension of Sira bus station has been taken up to improve the facilities and seepage of water has been stopped at Madikeri.

Safety of passengers

6.3.4.6. The norms of the Corporation provided for construction of compound wall/fencing on all sides of bus stations, and installation of Close Circuit Television (CCTV) cameras with storage facilities, at all bus stations.

Audit observed that in nine bus stations[188], the security wall/fencing was not built to cover all sides and there were gaps in walls, and as a result there was garbage dumping, movement of vehicles and public through these gaps. Audit further noticed the presence of stray animals (cattle/pigs/dogs) in four bus stations[189] which not only hindered the cleanliness operations but also posed risks of accidents.

Audit also observed that 35 bus stations[190] (87 *per cent* of audit sample) were not monitored by CCTV cameras. Further, in one bus station (Puttur), CCTV cameras were installed at entry and exit points only and did not cover passenger seating areas, bus bay, *etc*. In another bus station (Channarayapatna) CCTV cameras were not in working condition. Thus, by not ensuring the

[186] 3,400 sq. ft. (including 1,000 sq. ft. building) in district bus stations, 1,000 sq. ft. in taluk bus stations and 720 sq. ft. in hobli bus stations.

[187] ***Hobli*:** Belakawadi (500 sq.ft), Ramanathapura (687 sq.ft) and Sirigere (576 sq.ft).

[188] ***District:*** Mandya; ***Taluk:*** Bangarpet, Dharmasthala, Malavalli, Tiptur and Virajpet; ***Hobli:*** Arehalli, Ilwala and Salagame.

[189] ***District:*** Chitradurga ***Taluk:*** Gowribidanur and Harihara ***Hobli:*** Arehalli.

[190] ***District*:** Basaveshwara Bus station (Peenya), Chamarajanagar, Madikeri and R.S Naidu Nagar; ***Taluk*:** Bangarpet, B.C Road, Channapatna, Chikkanayakanahalli, Dharmasthala, Gauribidanur, Harihara, Honnali, KR Nagar, Malavalli, Nagamangala, Sidlaghatta, Sira, Srinivasapura (Old and new bus stations), Srirangapatna, Virajpet, Tiptur and Turuvekere; ***Hobli*:** Arehalli, Belakavadi, Birur, Gandasi, Harohalli, Hirisave, Ilawala, Melukote, Nuggehalli, Ramanathapura, Salagame and Sirigere.

installation of CCTV cameras and proper compound walls in the bus stations, the Corporation compromised the safety and security of passengers.

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the compound wall/fencing has been provided to all the bus stations, except for few, due to litigations and action will be taken to resolve the issues at the earliest. It was further replied that proposal for installation of CCTV cameras at all major bus stations is under process.

Non-display of Time table

6.3.4.7. Display of Time Table at bus stations facilitates passengers by providing the complete information about the arrival and departure of buses to different destinations. The norms of the Corporation prescribed that all the bus stations shall have a system of display of the Time Table for arrival and departure of buses. Audit, however, observed that the Time Table was not displayed in nine bus stations[191] causing inconvenience to the passengers on arrival and departure of buses. Further, the Time Table was not updated to reflect the actual schedule of buses operated at Nuggehalli bus station.

Picture No. 6.3.15: Srirangapatna bus station – Non-functional display of bus arrival/ departure timings (April 2019).

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the Corporation has instructed the Divisional Controllers concerned to take suitable action to display the updated timetables in all the bus stations and the updation is under progress.

Canteen facilities

6.3.4.8. The norms prescribed for providing canteen facility at bus stations and to display price list of various food items. Audit observed that Canteen was not operational at 14 bus stations[192] (37 *per cent* of audit sample) though these bus stations had a provision for running canteen facility, while one bus station (Sirigere) had no provision for operating canteen, which caused inconvenience to passengers if they required refreshments. Also, the price list for various food items was not displayed at the canteen in two bus stations (Mandya and Srirangapatna), which could leave scope for overcharging the passengers.

The Government forwarded (June 2020) the reply of the Corporation wherein it was stated that the instructions have been issued to all the concerned to

[191] ***Hobli:*** Belakavadi, Hirisave, Ramanathapura, Salagame and Sirigere; ***Taluk*****:** B.C Road, Channapatna, Nagamangala and Turuvekere.

[192] ***District:*** Basaveshwara Bus station (Peenya) and RS Naidu Nagar; ***Taluk*****:** B.C Road, Harihara, Nagamangala, Sidlaghatta, Sira and Srinivasapura (Old and New bus stations); ***Hobli:*** Belakavadi, Harohalli, Hirisave, Nuggehalli, Ramanathapura.

display the price list compulsorily in all the bus stations. With regard to bus stations where canteen facilities were not operational, it was stated that there were no takers to run the canteens, however, efforts would be made to select the licensees to run the canteens.

Cloak room and dormitory

6.3.4.9. The norms prescribed provision of facilities such as dormitory and cloak room at District bus stations. Audit observed that cloak room facility was not available in two bus stations (Mandya and Chamarajanagar) and dormitory was not available in four of seven test checked bus stations (Chitradurga, Mandya, R.S Naidu Nagar and Chamarajanagar).

The Corporation stated (February 2020) that the facilities will be provided if there is any specific demand. The reply is not acceptable as non-provision of cloak room and dormitory facilities at district bus stations was violation of its own norms.

Conclusion

The Corporation failed to establish any norms for passenger-amenities until 2014-15. The norms brought out by the Corporation in May 2015 / June 2016 were inadequate as they did not include/set reasonable standards for some of the essential amenities on hygiene and waste management and providing drinking water facilities at bus stations. The cleanliness and waste management at bus stations was poor as the facilities for segregation of waste, drinking water and clean toilets were found to be inadequate in 25 of 40 bus stations (63 *per cent*). Further, seats for passengers in bus stands were broken, there were no exclusive waiting rooms for ladies in 33 *per cent* of the selected bus stations and security of passengers was not ensured by providing the mandated CCTV cameras in 35 of 40 bus stations (87 *per cent*). The infrastructure for specially-abled passengers was also inadequate with no special toilet facilities (in 45 *per cent*), ramps (in 40 *per cent*) and railings (in 72 *per cent*).

The Government/Corporation, while acknowledging the shortcomings pointed out by audit, stated that action has been initiated to rectify and resolve them at the earliest and upgradation of all these bus stations with the best passenger amenities is being taken up in a phased manner.

Recommendations

The Corporation may ensure:

1. **that norms for maintaining hygiene and essential amenities at bus stations such as drinking water, waste management, proper seating arrangements, *etc* are framed;**

2. **that basic facilities of ventilation, seating and lighting in waiting areas are maintained for the comfort of passengers;**

3. **that special requirements of travelers are met by providing exclusive waiting rooms for ladies, special toilets, ramps and railings for specially-abled passengers.**

4. **that highest priority is accorded to security of passengers by providing CCTV cameras with periodical review at all the bus stations.**

Bengaluru
The 25 JAN 2021

(Anup Francis Dungdung)
Accountant General (Audit-II)
Karnataka

Countersigned

New Delhi
The 27 JAN 2021

(Girish Chandra Murmu)
Comptroller and Auditor General of India

Appendices

Appendix-1(a)

Statement showing position of equity and outstanding loans relating to Power Sector PSUs as on 31 March 2019

(*Referred to in Paragraph 1.3*)

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
A	**Generation**									
1	Karnataka Power Corporation Limited (KPCL)	July 1970	4,769.45	-	-	4,769.45	-	-	4,776.69	4,776.69
2	KPC Gas Power Corporation Limited (Subsidiary of Company at Sl. No. 1) (KPCGPCL) (Formerly KPC Bidadi Power Corporation Private Limited)	April 1996	-	-	276.60	276.60	-	-	1,038.22	1,038.22
3	Raichur Power Corporation Limited (Joint Venture of Company at Sl. No. 1 and other Central PSUs) (RPCL)	April 2009	-	-	2,373.76	2,373.76	-	-	11,853.62	11,853.62
B	**Transmission**									
4	Karnataka Power Transmission Corporation Limited (KPTCL)	July 1999	2,182.32	-	-	2,182.32	2.38	-	5,989.36	5,991.74
C	**Distribution**									
5	Bangalore Electricity Supply Company Limited (BESCOM)	April 2002	1,343.54	-	-	1,343.54	421.25	58.73	4,399.31	4,879.29
6	Hubli Electricity Supply Company Limited (HESCOM)	April 2002	1,554.24	-	-	1,554.24	1,500.00	1,644.62	1,398.39	4,543.01
7	Mangalore Electricity Supply Company Limited (MESCOM)	April 2002	528.70	-	-	528.70	0.48	-	881.21	881.69
8	Chamundeshwari Electricity Supply Corporation Limited (CESC)	December 2004	918.52	-	-	918.52	8.59	7.60	1,502.63	1,518.82
9	Gulbarga Electricity Supply Company Limited (GESCOM)	April 2002	1,269.42	-	-	1,269.42	5.37	-	1,081.58	1,086.95
D	**Others**									
10	Karnataka Renewable Energy Development Limited (KREDL)	March 1996	0.50	-	-	0.50	-	-	-	-
11	Power Company of Karnataka Limited (Associate of ESCOMs at Sl. No. 5 to 9) (PCKL)	August 2007	-	-	20.05	20.05	-	-	3,766.80	3,766.80
	Total		**12,566.69**	**-**	**2,670.41**	**15,237.10**	**1,938.07**	**1,710.95**	**36,687.81**	**40,336.83**

***** Equity includes share deposit/share application money pending allotment.

Appendix-1(b)

Statement showing position of equity and outstanding loans relating to PSUs (other than Power Sector) as on 31 March 2019

(*Referred to in Paragraph 4.3 and 4.5*)

(₹ in crore)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
A. WORKING GOVERNMENT COMPANIES										
Social Sector										
1	D. Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	October 1977	491.71	-	-	491.71	8.76	-	114.78	123.54
2	Karnataka State Women's Development Corporation (KSWDC)	September 1987	16.99	-	-	16.99	-	-	-	-
3	Dr.B.R. Ambedkar Development Corporation Limited (BRADCL)	March 1975	389.12	80.00	-	469.12	-	-	128.34	128.34
4	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited (KMVSTDC)	July 2006	17.78	17.19	-	34.97	-	-	-	-
5	The Karnataka Minorities Development Corporation Limited (KMDC)	February 1986	291.90	-	-	291.90	-	-	-	-
6	Karnataka Thanda Development Corporation Limited (KTDCL)	February 2009	0.01	-	-	0.01	-	-	-	-
7	Karnataka Vishwakarma Community Development Corporation Limited (KVCDCL)	February 2014	0.01	-	-	0.01	-	-	14.42	14.42
8	Karnataka Bhovi Development Corporation Limited (KBDCL)	May 2016	18.80	-	-	18.80	-	-	-	-
9	Nijasharana Ambigara Chowdaiah Development Corporation Limited (NACDCL)	November 2017	-	-	-	-	-	-	-	-
10	Karnataka State Safai Karmachari Development Corporation Limited (KSSKDCL)	June 2016	-	-	-	-	-	-	-	-

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
11	Karnataka Adi Jambava Development Corporation (KAJDC)	June 2018	-	-	-	-	-	-	-	-
12	Karnataka Uppara Development Corporation Limited (KUDCL)	October 2017	0.01	-	-	0.01	-	-	-	-
	Sector-wise Total		**1,226.33**	**97.19**	**-**	**1,323.52**	**8.76**	**-**	**257.54**	**266.30**
PSUs in Competitive Environment										
13	The Karnataka Handloom Development Corporation Limited (KHDCL)	October 1975	46.68	5.20	-	51.88	46.40	-	-	46.40
14	Karnataka State Handicrafts Development Corporation Limited (KSHDCL)	March 1964	7.80	1.22	-	9.02	0.68	-	0.15	0.83
15	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited (LIDKAR)	October 1976	6.85	-	-	6.85	25.50	-	-	25.50
16	Karnataka Soaps and Detergents Limited (KSDL)	July 1980	31.82	-	-	31.82	-	-	-	-
17	Karnataka State Coir Development Corporation Limited (KSCDCL)	February 1985	3.01	-	-	3.01	2.51	-	-	2.51
18	The Mysore Paper Mills Limited (MPM)	May 1936	225.19	-	41.92	267.11	-	-	-	-
19	Karnataka Vidyuth Karkhane Limited (KAVIKA)	October 1976	5.62	-	-	5.62	7.84	-	-	7.84
20	The Mysore Electrical Industries Limited (MEI)	February 1945	7.67	-	2.32	9.99	17.50	-	-	17.50
21	NGEF (Hubli) Limited (Subsidiary of Company at C-9) (NGEFH)	December 1988	-	-	3.20	3.20	12.89	-	0.06	12.95
22	Karnataka Silk Industries Corporation Limited (KSIC)	April 1980	36.00	-	-	36.00	-	-	-	-
23	Karnataka Silk Marketing Board Limited (KSMB)	November 1979	31.45	-	-	31.45	22.00	-	-	22.00

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
24	Karnataka State Textile Infrastructure Development Corporation Limited (KSTIDCL)	February 1994	3.22	-	-	3.22	-	-	-	-
25	Karnataka State Minerals Corporation Limited (KSMCL) (Formerly Mysore Minerals Limited)	May 1966	5.95	-	0.05	6.00	-	-	-	-
26	The Hutti Gold Mines Company Limited (HGML)	July 1947	2.20	-	0.76	2.96	-	-	-	-
27	The Mysore Sugar Company Limited (MYSUGAR)	January 1933	16.83	-	0.92	17.75	-	-	-	-
28	The Mysore Paints and Varnish Limited (MPVL)	November 1947	0.95	-	0.09	1.04	-	-	-	-
29	Mysore Sales International Limited (also an Associate of Company at A-46) (MSIL)	March 1966	22.56	-	20.18	42.74	-	-	-	-
30	Marketing Communication and Advertising Limited (Subsidiary of Company at A-29) (MCA) (Formerly Marketing Consultants and Agencies Limited)	September 1972	3.46	-	3.57	7.03	-	-	-	-
31	The Karnataka State Tourism Development Corporation Limited (KSTDC)	February 1971	6.41	-	-	6.41	4.00	-	-	4.00
32	Jungle Lodges and Resorts Limited (also an Associate of Company at A-31) (JLR)	March 1980	0.42	-	0.79	1.21	-	-	-	-
33	D. Devraj Urs Truck Terminals Limited (DDUTTL)[193]	January 1980	-	-	-	-	-	-	-	-
	Sector-wise Total		**464.09**	**6.42**	**73.80**	**544.31**	**139.32**	**-**	**0.21**	**139.53**
Others										
34	Karnataka State Agro Corn Products Limited (KSACPL)	April 1973	2.73	-	-	2.73	24.32	-	-	24.32

[193] Audit entrustment of this PSU received in December 2018.

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
35	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)	April 1996	0.50	-	-	0.50	-	-	-	-
36	Karnataka State Pulses Abhivridhi Mandali Limited (KSPAML) (formerly Karnataka Togari Abhivridhi Mandali Limited - KTAML)	May 2002	5.00	-	-	5.00	-	-	-	-
37	The Karnataka Fisheries Development Corporation Limited (KFDC)	October 1970	17.84	-	-	17.84	-	-	-	-
38	Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL)	December 2001	6.05	-	-	6.05	-	-	-	-
39	Karnataka Compost Development Corporation Limited (Subsidiary of Company at C-1) (KCDCL)	August 1975	-	-	0.50	0.50	-	-	2.93	2.93
40	Karnataka Cashew Development Corporation Limited (KCDC)	February 1978	7.15	0.44	-	7.59	-	-	-	-
41	Karnataka Forest Development Corporation Limited (KFDCL)	January 1971	9.31	-	-	9.31	-	-	-	-
42	The Karnataka State Forest Industries Corporation Limited (KSFIC)	March 1973	2.67	-	-	2.67	-	-	-	-
43	Karnataka State Seeds Corporation Limited (KSSCL)	August 1973	1.59	-	2.17	3.76	-	-	-	-
44	Food Karnataka Limited (Associate of Company at A-29) (FKL)	April 2003	-	-	0.10	0.10	-	-	-	-
45	Karnataka State Mango Development and Marketing Corporation Limited (KSMDMCL)	January 2011	0.01	-	-	0.01	-	-	-	-
46	Karnataka State Industrial Infrastructure and Development Corporation Limited (KSIIDC)	July 1964	694.71	-	-	694.71	3.65	-	6.40	10.05

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
47	Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)	November 1993	8.06	-	-	8.06	-	-	-	-
48	Sree Kanteerava Studios Limited (KSL)	March 1966	5.82	-	0.06	5.88	-	-	-	-
49	Karnataka Asset Management Company Private Limited (Associate of Company at A-46) (KAMCPL)	April 1998	-	-	0.50	0.50	-	-	-	-
50	Karnataka Trustee Company Private Limited (Associate of Company at A-46) (KTCPL)	April 1998	-	-	0.01	0.01	-	-	-	-
51	Karnataka State Construction Corporation Limited (KSCCL)	September 1968	2.05	-	-	2.05	5.53	-	-	5.53
52	Karnataka Rural Infrastructure Development Limited (KRIDL)	August 1974	12.25	-	-	12.25	-	-	-	-
53	Karnataka State Police Housing and Infrastructure Development Corporation Limited (KSPHIDCL) (Formerly Karnataka State Police Housing Corporation Limited)	June 1985	0.12	-	-	0.12	-	-	5.39	5.39
54	Rajiv Gandhi Housing Corporation Limited (RGHCL) (Formerly Rajiv Gandhi Rural Housing Corporation Limited)	April 2000	3.00	-	-	3.00	-	-	892.18	892.18
55	Karnataka Road Development Corporation Limited (KRDCL)	July 1999	1,145.70	-	50.00	1,195.70	114.15	-	173.39	287.54
56	Krishna Bhagya Jala NigamLimited (KBJNL)	August 1994	7,095.01	-	-	7,095.01	-	-	7,086.96	7,086.96
57	Karnataka Neeravari Nigam Limited (KNNL)	November 1998	29,847.84	-	-	29,847.84	-	-	2,988.56	2,988.56
58	Cauvery Neeravari Nigama Limited (CNNL)	June 2003	11,883.02	-	143.83	12,026.85	-	-	2,235.00	2,235.00
59	Vishveswaraya Jala Nigam Limited (VJNL)	January 2017	2,989.17	-	-	2,989.17	1,285.41	-	-	1,285.41

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
60	Karnataka Antharaganga Micro Irrigation Corporation Limited (KAMICL)	December 2018	0.05	-	-	0.05	-	-	-	-
61	Bangalore Airport Rail Link Limited (BARL)	March 2008	5.70	-	0.05	5.75	-	-	-	-
62	Tadadi Port Limited (Subsidiary of Company at A-46) (TPL)	May 2012	-	-	0.05	0.05	-	-	-	-
63	Hubli Dharwad BRTS Company Limited (HDBRTS)	August 2012	14.00	-	6.00	20.00	-	-	-	-
64	Invest Karnataka Forum (IKF)	August 2016	-	-	-	-	-	-	-	-
65	Bangalore Bio-innovation Centre (BBC)	April 2015	0.01	-	-	0.01	-	-	-	-
66	Tumakuru Machine Tool Park (TMTP)	February 2017	0.05	-	-	0.05	-	-	-	-
67	Hubballi Dharwad Smart City Limited (HDSCL)	March 2017	0.05	0.05	-	0.10	-	-	-	-
68	Davanagere Smart City Limited (DSCL)	May 2016	100.00	100.00	-	200.00	-	-	-	-
69	Belagavi Smart City Limited (BSCL)	May 2016	100.00	100.00	-	200.00	-	-	-	-
70	Shivamogga Smart City Limited (SSCL)	February 2017	0.05	-	0.05	0.10	-	-	-	-
71	Tumakuru Smart City Limited (TSCL)	February 2017	0.05	-	0.05	0.10	-	-	-	-
72	Mangaluru Smart City Limited (MSCL)	April 2017	0.05	-	0.05	0.10	-	-	-	-
73	Bengaluru Smart City Limited (BLRSCL)	January 2018	100.00	-	100.00	200.00	-	-	-	-
74	Bengaluru PRR Development Corporation Limited (BPRRDCL)	October 2017	-	-	25.00	25.00	-	-	-	-
75	Karnataka State Small Industries Development Corporation Limited (KSSIDC)	April 1960	25.92	-	0.10	26.02	12.65	-	-	12.65

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
76	Karnataka State Electronics Development Corporation Limited (KEONICS)	September 1976	29.07	-	-	29.07	-	-	-	-
77	Karnataka State Beverages Corporation Limited (KSBCL)	June 2003	12.00	-	-	12.00	-	-	-	-
78	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	September 1973	3.25	-	-	3.25	-	-	-	-
79	Karnataka Tourism Infrastructure Limited (KTIL)	July 2015	6.50	-	-	6.50	-	-	-	-
80	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)	September 2008	0.05	-	-	0.05	-	-	-	-
81	Karnataka Public Lands Corporation Limited (KPLCL)	December 2008	0.05	-	-	0.05	-	-	-	-
82	Karnataka Mining Environment Restoration Corporation Limited (KMERCL)	June 2014	0.01	-	-	0.01	-	-	-	-
83	Science Gallery Bengaluru (SGB)	January 2000	-	-	-	-	-	-	-	-
84	Rail Infrastructure Development Company (Karnataka) Limited (RIDCKL)	November 2000	-	-	-	-	-	-	-	-
	Sector-wise Total		**54,136.46**	**200.49**	**328.52**	**54,665.47**	**1,445.71**	**-**	**13,390.81**	**14,836.52**
	TOTAL A (All sector-wise Government Companies)		**55,826.88**	**304.10**	**402.32**	**56,533.30**	**1,593.79**	**-**	**13,648.56**	**15,242.35**
B. WORKING STATUTORY CORPORATIONS										
PSUs in Competitive Environment										
1	Karnataka State Warehousing Corporation (KSWC)	November 1957	16.75	3.90	-	20.65	691.36	-	25.25	716.61
2	Karnataka State Financial Corporation (KSFC)	March 1959	656.75	-	38.64	695.39	-	-	1,285.00	1,285.00
3	Karnataka State Road Transport Corporation (KSRTC)	August 1961	242.79	49.10	-	291.89	-	-	252.23	252.23

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government				State Government	Central Government	
4	Bangalore Metropolitan Transport Corporation (BMTC)	August 1997	104.72	-	-	104.72	-	-	811.40	811.40
5	North Western Karnataka Road Transport Corporation (NWKRTC)	November 1997	369.46	-	-	369.46	-	-	133.54	133.54
6	North Eastern Karnataka Road Transport Corporation (NEKRTC)	August 2000	131.12	-	-	131.12	-	-	135.47	135.47
	Sector-wise Total		**1,521.59**	**53.00**	**38.64**	**1,613.23**	**691.36**	**-**	**2,642.89**	**3,334.25**
	TOTAL B (All sector-wise Statutory Corporations)		**1,521.59**	**53.00**	**38.64**	**1,613.23**	**691.36**	**-**	**2,642.89**	**3,334.25**
C. NON WORKING GOVERNMENT COMPANIES										
PSUs in Competitive Environment										
1	Karnataka Agro Industries Corporation Limited (KAIC)	September 1967	7.54	-	-	7.54	68.98	-	-	68.98
2	The Mysore Tobacco Company Limited (Subsidiary of Company at C-1) (MTC)	April 1937	0.62	-	0.15	0.77	1.54	-	-	1.54
3	Karnataka Pulpwood Limited (Subsidiary of Company at A-41) (KPL)	February 1985	13.91	-	1.25	15.16	2.89	-	-	2.89
4	The Karnataka State Veneers Limited (Subsidiary of Company at A-42) (KSVL)	August 1974	-	-	1.00	1.00	-	-	1.00	1.00
5	The Mysore Match Company Limited (Subsidiary of Company at A-42) (MMCL)	May 1940	0.005	-	0.045	0.05	0.23	-	-	0.23
6	The Mysore Lamp Works Limited (MLW)	August 1936	10.76	-	1.05	11.81	113.38	-	3.50	116.88
7	The Mysore Cosmetics Limited (MCL)	March 1966	0.01	-	0.15	0.16	-	-	-	-
8	The Mysore Chrome Tanning Company Limited (Subsidiary of Company at A-29) (MCT)	March 1940	-	-	0.76	0.76	0.12	-	0.29	0.41

Appendix-1(b) (contd.)

Sl. No.	Sector & Name of the PSU	Month and year of incorporation	Equity* at close of the year 2018-19				Long term loans outstanding at close of the year 2018-19			
			State Government	Central Government	Others	Total	State Government	Central Government	Others	Total
9	NGEF Limited (NGEF)	April 1965	41.99	-	4.52	46.51	227.24	-	-	227.24
10	Karnataka Telecom Limited (Subsidiary of Company at C-9) (KTL)	July 1985	0.78	-	2.22	3.00	-	-	-	-
11	The Mysore Acetate and Chemicals Company Limited (MACCL)	December 1963	9.96	-	2.22	12.18	13.11	-	-	13.11
	Sector-wise Total		**85.58**	**-**	**13.37**	**98.94**	**427.49**	**-**	**4.79**	**432.28**
Others										
1	Bangalore Suburban Rail Company Limited (BSRCL)	March 2014	-	-	-	-	-	-	-	-
2	Vijayanagar Steel Limited (VSL)	December 1982	12.91	-	-	12.91	0.58	-	-	0.58
	Sector-wise Total		**12.91**	-	-	**12.91**	**0.58**	-	-	**0.58**
Sub-total (C)			**98.49**	-	**13.37**	**111.85**	**428.07**	-	**4.79**	**432.86**
Total (A+B+C)			**57,446.96**	**357.10**	**454.33**	**58,258.38**	**2,713.22**	-	**16,296.24**	**19,009.46**

***** Equity includes share deposit/share application money pending allotment.

Appendix-2(a)

Equity, Loans and Guarantees outstanding as per Finance Accounts *vis-a-vis* records of Power Sector PSUs

(*Referred to in Paragraph 1.6*)

(₹ in crore)

Sl. No.	Name of the PSU	Data as per Finance Accounts 2018-19			Data as per PSU Records 2018-19			Difference		
		Equity*	Loans	Guarantees	Equity*	Loans	Guarantees	Equity*	Loans	Guarantees
1	Karnataka Power Corporation Limited (KPCL)	5,049.64	12.78	110.00	4,769.45	-	110.00	280.19	12.78	-
2	Karnataka Power Transmission Corporation Limited (KPTCL)	1,472.00	869.75	-	2,182.32	2.38	-	(710.32)	867.37	-
3	Bangalore Electricity Supply Company Limited (BESCOM)	988.00	3.64[194]	58.73	1,343.54	421.25	58.73	(355.54)	(417.61)	-
4	Hubli Electricity Supply Company Limited (HESCOM)	1,084.55	1,500.00	161.72	1,554.24	1,500.00	108.12	(469.69)	-	53.60
5	Mangalore Electricity Supply Company Limited (MESCOM)	351.41	-	28.47	528.70	0.48	-	(177.29)	(0.48)	28.47
6	Chamundeshwari Electricity Supply Corporation Limited (CESC)	739.89	-	43.58	918.52	8.59	-	(178.63)	(8.59)	43.58
7	Gulbarga Electricity Supply Company Limited (GESCOM)	859.63	-	33.34	1,269.42	5.37	46.38	(409.79)	(5.37)	(13.04)
8	Karnataka Renewable Energy Development Limited (KREDL)	24.50	-	-	0.50	-	-	24.00	-	-
9	Power Company of Karnataka Limited (PCKL)	202.12	-	3766.80	-	-	3,766.80	202.12	-	-
	Total	**10,771.74**	**2,386.17**	**4,202.64**	**12,566.69**	**1,938.07**	**4,090.03**	**-1,794.95**	**448.10**	**112.61**

***** Equity includes share deposit/share application money pending allotment.

[194] Loan included for both BESCOM and MESCOM.

Appendix – 2(b)

Equity, Loans and Guarantees outstanding as per Finance Accounts *vis-a-vis* records of PSUs (other than Power Sector)

(*Referred to in Paragraph 4.8*)

(₹ in crore)

Sl. No.	Name of the PSU	Data as per Finance Accounts 2018-19			Data as per PSU Records 2018-19			Difference		
		Equity *	Loans	Guarantees	Equity *	Loans	Guarantees	Equity *	Loans	Guarantees
A. WORKING GOVERNMENT COMPANIES										
1	Karnataka State Agro Corn Products Limited (KSACPL)	2.23	-	-	2.73	24.32	-	(0.50)	(24.32)	-
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)	9.09	-	-	0.50	-	-	8.59	-	-
3	Karnataka Stata Pulses Abhivridhi Mandali Limited (KSPAML)	-	-	-	5.00	-	-	(5.00)	-	-
4	The Karnataka Fisheries Development Corporation Limited (KFDC)	14.37	0.75	-	17.84	-	-	(3.47)	0.75	-
5	Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL)	6.00	-	-	6.05	-	-	(0.05)	-	-
6	Karnataka Cashew Development Corporation Limited (KCDC)	7.08	0.08	-	7.15	-	-	(0.07)	0.08	-
7	Karnataka Forest Development Corporation Limited (KFDCL)	25.70	-	-	9.31	-	-	16.39	-	-
8	The Karnataka State Forest Industries Corporation Limited (KSFIC)	2.29	0.16	-	2.67	-	-	(0.38)	0.16	-
9	Karnataka State Seeds Corporation Limited (KSSCL)	0.96	1.44	10.00	1.59	-	-	(0.63)	1.44	10.00
10	Karnataka State Mango Development and Marketing Corporation Limited (KSMDMCL)	-	-	-	0.01	-	-	(0.01)	-	-
11	The Karnataka Handloom Development Corporation Limited (KHDCL)	14.16	9.02	27.00	46.68	46.40	22.76	(32.52)	(37.38)	4.24
12	Karnataka State Handicrafts Development Corporation Limited (KSHDCL)	7.58	1.21	0.10	7.80	0.68	0.15	(0.22)	0.53	(0.05)
13	D. Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	491.00	5.10	101.68	491.71	8.76	101.67	(0.71)	(3.66)	0.01
14	Karnataka State Women's Development Corporation (KSWDC)	14.06	-7.42	0.30	16.99	-	-	(2.93)	(7.42)	0.30
15	Dr. B.R. Ambedkar Development Corporation Limited (BRADCL)	425.08	-	128.34	389.12	-	128.34	35.96	-	-

Appendix – 2(b) (contd.)

Sl. No.	Name of the PSU	Data as per Finance Accounts 2018-19			Data as per PSU Records 2018-19			Difference		
		Equity *	Loans	Guarantees	Equity *	Loans	Guarantees	Equity *	Loans	Guarantees
16	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited (KMVSTDC)	32.21	-	28.47	17.78	-	-	14.43	-	28.47
17	The Karnataka Minorities Development Corporation Limited (KMDC)	888.42	-	38.93	291.90	-	-	596.52	-	38.93
18	Karnataka State Industrial Infrastructure and Development Corporation Limited (KSIIDC)	2,241.67	17.76	-	694.71	3.65	-	1,546.96	14.11	-
19	Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)	20.86	35.43	-	8.06	-	-	12.80	35.43	-
20	Sree Kanteerava Studios Limited (KSL)	5.38	0.05	-	5.82	-	-	(0.44)	0.05	-
21	Karnataka Thanda Development Corporation Limited (KTDCL)	-	-	-	0.01	-	-	(0.01)	-	-
22	Karnataka Vishwakarma Community Development Corporation Limited (KVCDCL)	-	-	14.57	0.01	-	14.42	(0.01)	-	0.15
23	Karnataka Bhovi Development Corporation Limited (KBDCL)	13.80	5.10	-	18.80	-	-	(5.00)	5.10	-
24	Karnataka Uppara Development Corporation Limited (KUDCL)	-	-	-	0.01	-	-	(0.01)	-	-
25	Karnataka State Construction Corporation Limited (KSCCL)	2.05	5.78	-	2.05	5.53	-	-	0.25	-
26	Karnataka Rural Infrastructure Development Limited (KRIDL)	280.75	-62.67	-	12.25	-	-	268.50	-62.67	-
27	Karnataka State Police Housing and Infrastructure Development Corporation Limited (KSPHIDCL)	218.04	-	5.39	0.12	-	5.39	217.92	-	-
28	Rajiv Gandhi Housing Corporation Limited (RGHCL)	96.11	548.21	892.18	3.00	-	1,068.77	93.11	548.21	(176.59)
29	Karnataka Road Development Corporation Limited (KRDCL)	1,145.70	-	274.63	1,145.70	114.15	173.39	-	(114.15)	101.24
30	Krishna Bhagya Jala NigamLimited (KBJNL)	23,745.34	-128.70	7,086.96	7,095.01	-	6,275.50	16,650.33	(128.70)	811.46
31	Karnataka Neeravari Nigam Limited (KNNL)	13,034.03	-0.33	2,988.44	29,847.84	-	2,988.56	(16,813.81)	(0.33)	(0.12)
32	Cauvery Neeravari Nigama Limited (CNNL)	-	-	2,235.00	11,883.02	-	2,235.00	(11,883.02)	-	-
33	Vishveswaraya Jala Nigam Limited (VJNL)	-	383.89	1,539.06	2,989.17	1,285.41	-	(2,989.17)	(901.52)	1,539.06
34	Karnataka Antharaganga Micro Irrigation Corporation Limited (KAMICL)	-	-	-	0.05	-	-	(0.05)	-	-

Appendix – 2(b) (contd.)

Sl. No.	Name of the PSU	Data as per Finance Accounts 2018-19			Data as per PSU Records 2018-19			Difference		
		Equity *	Loans	Guarantees	Equity *	Loans	Guarantees	Equity *	Loans	Guarantees
35	Bangalore Airport Rail Link Limited (BARL)	-	-	-	5.70	-	-	(5.70)	-	-
36	Hubli Dharwad BRTS Company Limited (HDBRTS)	-	-	-	14.00	-	-	(14.00)	-	-
37	Bangalore Bio-innovation Centre (BBC)	-	-	-	0.01	-	-	(0.01)	-	-
38	Tumakuru Machine Tool Park (TMTP)	-	-	-	0.05	-	-	(0.05)	-	-
39	Hubballi Dharwad Smart City Limited (HDSCL)	-	-	-	0.05	-	-	(0.05)	-	-
40	Davanagere Smart City Limited (DSCL)	-	-	-	100.00	-	-	(100.00)	-	-
41	Belagavi Smart City Limited (BSCL)	-	-	-	100.00	-	-	(100.00)	-	-
42	Shivamogga Smart City Limited (SSCL)	-	-	-	0.05	-	-	(0.05)	-	-
43	Tumakuru Smart City Limited (TSCL)	-	-	-	0.05	-	-	(0.05)	-	-
44	Mangaluru Smart City Limited (MSCL)	-	-	-	0.05	-	-	(0.05)	-	-
45	Bengaluru Smart City Limited (BLRSCL)	-	-	-	100.00	-	-	(100.00)	-	-
46	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited (LIDKAR)	231.94	-	-	6.85	25.50	-	225.09	(25.50)	-
47	Karnataka Soaps and Detergents Limited (KSDL)	21.63	4.06	-	31.82	-	-	(10.19)	4.06	-
48	Karnataka State Coir Development Corporation Limited (KSCDCL)	1.88	-	-	3.01	2.51	-	(1.13)	(2.51)	-
49	Karnataka State Small Industries Development Corporation Limited (KSSIDC)	19.98	25.31	-	25.92	12.65	-	(5.94)	12.66	-
50	The Mysore Paper Mills Limited (MPM)	237.37	544.01	115.00	225.19	-	-	12.18	544.01	115.00
51	Karnataka Vidyuth Karkhane Limited (KAVIKA)	0.58	2.92	-	5.62	7.84	-	(5.04)	(4.92)	-
52	The Mysore Electrical Industries Limited (MEI)	30.58	1.58	-	7.67	17.50	-	22.91	(15.92)	-
53	NGEF (Hubli) Limited (NGEFH)	-	214.79	-	-	12.89	-	-	201.90	-
54	Karnataka State Electronics Development Corporation Limited (KEONICS)	37.57	1.79	-	29.07	-	-	8.50	1.79	-
55	Karnataka Silk Industries Corporation Limited (KSIC)	13.09	1.81	-	36.00	-	-	(22.91)	1.81	-
56	Karnataka Silk Marketing Board Limited (KSMB)	2.92	22.00	-	31.45	22.00	-	(28.53)	-	-
57	Karnataka State Minerals Corporation Limited (KSMCL)	0.97	1.09	-	5.95	-	-	(4.98)	1.09	-

Appendix – 2(b) (contd.)

Sl. No.	Name of the PSU	Data as per Finance Accounts 2018-19			Data as per PSU Records 2018-19			Difference		
		Equity *	Loans	Guarantees	Equity *	Loans	Guarantees	Equity *	Loans	Guarantees
58	The Hutti Gold Mines Company Limited (HGML)	3.00	3.02	-	2.20	-	-	0.80	3.02	-
59	The Mysore Sugar Company Limited (MYSUGAR)	335.78	138.04	-	16.83		-	318.95	138.04	-
60	The Mysore Paints and Varnish Limited (MPVL)	5.94	-	-	0.95	-	-	4.99	-	-
61	Karnataka State Beverages Corporation Limited (KSBCL)	12.00	-0.66	-	12.00	-	-	-	(0.66)	-
63	Mysore Sales International Limited (MSIL)	15.09	1.50	-	22.56	-	-	(7.47)	1.50	-
63	Marketing Communication and Advertising Limited (MCA)	-	-	-	3.46	-	-	(3.46)	-	-
64	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	3.25	10.12	-	3.25	-	369.11	-	10.12	(369.11)
65	The Karnataka State Tourism Development Corporation Limited (KSTDC)	9.13	1.20	-	6.41	4.00	-	2.72	(2.80)	-
66	Jungle Lodges and Resorts Limited (JLR)	0.68	-	-	0.42	-	-	0.26	-	-
67	Karnataka Tourism Infrastructure Limited (KTIL)	-	-	-	6.50	-	-	(6.50)	-	-
68	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)	-	-	-	0.05	-	-	(0.05)	-	-
69	Karnataka Public Lands Corporation Limited (KPLCL)	-	-	-	0.05	-	-	(0.05)	-	-
70	Karnataka Mining Environment Restoration Corporation Limited (KMERCL)	-	-	-	0.01	-	-	(0.01)	-	-
B. WORKING STATUTORY CORPORATIONS										
1	Karnataka State Warehousing Corporation (KSWC)	16.79	191.41	-	16.75	691.36	-	0.04	(499.95)	-
2	Karnataka State Financial Corporation (KSFC)	1,078.41	13.08	1,285.00	656.75	-	1,285.00	421.66	13.08	-
3	Karnataka State Road Transport Corporation (KSRTC)	615.92	0.12	-	242.79	-	-	373.13	0.12	-
4	Bangalore Metropolitan Transport Corporation (BMTC)	66.31	-	-	104.72	-	-	(38.41)	-	-
5	North Western Karnataka Road Transport Corporation (NWKRTC)	266.85	-	-	369.46	-	-	(102.61)	-	-
6	North Eastern Karnataka Road Transport Corporation (NEKRTC)	183.43	-	-	131.12	-	-	52.31	-	-

Appendix – 2(b) (contd.)

Sl. No.	Name of the PSU	Data as per Finance Accounts 2018-19			Data as per PSU Records 2018-19			Difference		
		Equity *	Loans	Guarantees	Equity *	Loans	Guarantees	Equity *	Loans	Guarantees
C. NON WORKING GOVERNMENT COMPANIES										
1	Karnataka Agro Industries Corporation Limited (KAIC)	3.48	34.10	-	7.54	68.98	-	(4.06)	(34.88)	-
2	The Mysore Tobacco Company Limited (MTC)	0.61	13.54	-	0.62	1.54	-	(0.01)	12.00	-
3	Karnataka Pulpwood Limited (KPL)	-	-	-	13.91	2.89	-	(13.91)	(2.89)	-
4	The Mysore Match Company Limited (MMCL)	0.01	-	-	0.01	0.23	-	0.00	(0.23)	-
5	The Mysore Lamp Works Limited (MLW)	11.23	57.46	-	10.76	113.38	-	0.47	(55.92)	-
6	Vijayanagar Steel Limited (VSL)	12.91	378.49	-	12.91	0.58	-	-	377.91	-
7	The Mysore Cosmetics Limited (MCL)	-	-	-	0.01	-	-	(0.01)	-	-
8	The Mysore Chrome Tanning Company Limited (MCT)	0.32	0.06	-	-	0.12	-	0.32	(0.06)	-
9	NGEF Limited (NGEF)	15.48	214.79	-	41.99	227.24	-	(26.51)	(12.45)	-
10	Karnataka Telecom Limited (KTL)	-	4.11	-	0.78	-	-	(0.78)	4.11	-
11	The Mysore Acetate and Chemicals Company Limited (MACCL)	3.51	15.52	-	9.96	13.11	-	(6.45)	2.41	-
Total		**46,002.60**	**2,710.12**	**16,771.05**	**57,443.74**	**2,713.22**	**14,668.06**	**(11,441.14)**	**(3.10)**	**2,102.99**

***** Equity includes share deposit/share application money pending allotment.

Appendix-3
Statement showing investments made by the GoK in PSUs whose accounts are in arrears
(*Referred to in Paragraphs 1.7, 1.8 and 4.10*)

(Figures in columns 4 & 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital as per the latest finalised accounts #	Period of accounts pending finalisation	Investment made by the State Government during the years for which accounts are in arrears		
					Equity and Share Deposit	Loans	Grants/Subsidy
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
A. WORKING GOVERNMENT COMPANIES							
1	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)	2017-18	0.50	2018-19	-	-	10.16
2	Karnataka Stata Pulses Abhivridhi Mandali Limited (KSPAML)	2017-18	5.00	2018-19	-	-	-
3	Karnataka Sheep And Wool Development Corporation Limited (KSAWDCL)	2014-15	6.05	2015-16, 2016-17, 2017-18, 2018-19	-	-	142.45
4	The Karnataka State Forest Industries Corporation Limited (KSFIC)	2017-18	2.67	2018-19	-	-	-
5	Karnataka State Seeds Corporation Limited (KSSCL)	2017-18	3.75	2018-19	0.01	-	-
6	Food Karnataka Limited (FKL)	2017-18	0.10	2018-19	-	-	-
7	Karnataka State Mango Development and Marketing Corporation Limited (KSMDMCL)	2017-18	0.01	2018-19	-	-	1.50
8	The Karnataka Handloom Development Corporation Limited (KHDCL)	2017-18	51.88	2018-19	-	32.00	5.60
9	Karnataka State Handicrafts Development Corporation Limited (KSHDCL)	2017-18	9.02	2018-19	-	-	-
10	D. Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	2017-18	199.21	2018-19	25.00	-	240.17

Appendix-3 (contd.)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital as per the latest finalised accounts #	Period of accounts pending finalisation	Investment made by the State Government during the years for which accounts are in arrears		
					Equity and Share Deposit	Loans	Grants/Subsidy
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
11	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited (KMVSTDC)	2017-18	20.00	2018-19	-	-	-
12	Karnataka State Industrial Infrastructure and Development Corporation Limited (KSIIDC)	2017-18	667.15	2018-19	27.56	-	-
13	The Karnataka Minorities Development Corporation Limited (KMDC)	2014-15	99.78	2015-16, 2016-17, 2017-18, 2018-19	-	-	-
14	Karnataka Vishwakarma Community Development Corporation Limited (KVCDCL)	2017-18	0.01	2018-19	-	-	19.00
15	Nijasharana Ambigara Chowdaiah Development Corporation Limited (NACDCL)	2017-18	0.01	2018-19	-	-	-
16	Karnataka State Safai Karmachari Development Corporation Limited (KSSKDCL)	First Accounts not finalised		2016-17, 2017-18. 2018-19	-	-	-
17	Karnataka Adijambava Development Corporation (KAJDC)	-	-	2018-19	-	-	-
18	Karnataka Uppara Development Corporation Limited (KUDCL)	2017-18	0.01	2018-19	0.01	-	-
19	Karnataka State Construction Corporation Limited (KSCCL)	2013-14	2.05	2014-15, 2015-16, 2016-17, 2017-18, 2018-19	-	-	-
20	Karnataka Rural Infrastructure Development Limited (KRIDL)	2017-18	12.25	2018-19	-	-	-

Appendix-3 (contd.)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital as per the latest finalised accounts #	Period of accounts pending finalisation	Investment made by the State Government during the years for which accounts are in arrears		
					Equity and Share Deposit	Loans	Grants/Subsidy
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
21	Rajiv Gandhi Housing Corporation Limited (RGHCL)	2017-18	3.00	2018-19	-	-	3,466.36
22	Krishna Bhagya Jala Nigam Limited (KBJNL)	2017-18	7,095.01	2018-19	217.13	-	-
23	Cauvery Neeravari Nigama Limited (CNNL)	2017-18	8,713.88	2018-19	1,341.56	-	61.97
24	Karnataka Antharaganga Micro Irrigation Corporation Limited (KAMICL)	-	-	2018-19	0.05	-	0.91
25	Bangalore Airport Rail Link Limited (BARL)	2017-18	5.00	2018-19	-	-	-
26	Hubli Dharwad BRTS Company Limited (HDBRTS)	2017-18	20.00	2018-19	-	-	-
27	Tadadi Port Limited (TPL)	2017-18	0.05	2018-19	-	-	-
28	Bangalore Bioinnovation Centre (BBC)	2017-18	0.01	2018-19	-	-	3.75
29	Hubballi Dharwad Smart City Limited (HDSCL)	2017-18	0.10	2018-19	0.05	-	79.00
30	Belagavi Smart City Limited (BSCL)	2017-18	200.00	2018-19	-	-	200.00
31	Shivamogga Smart City Limited (SSCL)	2017-18	0.10	2018-19	0.05	-	4.00
32	Mangaluru Smart City Limited (MSCL)	2017-18	0.10	2018-19	0.05	-	4.00
33	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited (LIDKAR)	2017-18	6.85	2018-19	-	11.87	50.00
34	Karnataka State Small Industries Development Corporation Limited (KSSIDC)	2017-18	26.02	2018-19	-	-	-
35	The Mysore Paper Mills Limited (MPM)	2013-14	118.89	2014-15, 2015-16, 2016-17, 2017-18, 2018-19	-	-	-
36	Karnataka Vidyuth Karkhane Limited (KAVIKA)	2017-18	5.62	2018-19	-	-	-

Appendix-3 (contd.)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital as per the latest finalised accounts #	Period of accounts pending finalisation	Investment made by the State Government during the years for which accounts are in arrears		
					Equity and Share Deposit	Loans	Grants/Subsidy
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
37	Karnataka Silk Marketing Board (KSMB)	2017-18	31.45	2018-19	-	-	3.00
38	The Mysore Sugar Company Limited (MYSUGAR)	2012-13	8.73	2013-14, 2014-15, 2015-16, 2016-17, 2017-18, 2018-19	-	-	-
39	Karnataka Power Transmission Corporation Limited (KPTCL)	2017-18	2,182.32	2018-19	-	-	-
40	Gulbarga Electricity Supply Company Limited (GESCOM)	2017-18	1,114.96	2018-19	107.20	-	-
41	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	2017-18	3.25	2018-19	-	-	6.00
42	Jungle Lodges and Resorts Limited (JLR)	2017-18	1.21	2018-19	-	-	2.50
43	Karnataka Tourism Infrastructure Limited (KTIL)	2017-18	6.50	2018-19	-	-	-
44	D. Devaraj Urs Truck Terminals Limited (DDUTTL)	-	-	2016-17, 2017-18, 2018-19	-	-	-
45	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)	2013-14	0.01	2014-15, 2015-16, 2016-17, 2017-18, 2018-19	-	-	-
46	Rail Infrastructure Development Company (Karnataka) Limited (RIDCKL)	-	-	2018-19	-	-	-
	Total A (Working Government Companies)	**-**	**20,622.51**	**-**	**1,718.67**	**43.87**	**4,300.37**

Appendix-3 (contd.)

Sl. No.	Name of the Public Sector Undertaking	Year up to which accounts finalised	Paid up capital as per the latest finalised accounts #	Period of accounts pending finalisation	Investment made by the State Government during the years for which accounts are in arrears		
					Equity and Share Deposit	Loans	Grants/Subsidy
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
B. WORKING STATUTORY CORPORATIONS							
1	Karnataka State Warehousing Corporation (KSWC)	2016-17	7.80	2017-18, 2018-19	-	354.18	-
2	Karnataka State Financial Corporation (KSFC)	2017-18	936.94	2018-19	-391.55	-	-
3	Karnataka State Road Transport Corporation (KSRTC)	2017-18	291.89	2018-19	-	-	-
4	Bangalore Metropolitan Transport Corporation (BMTC)	2017-18	104.59	2018-19	0.13	-	341.98
5	North Western Karnataka Road Transport Corporation (NWKRTC)	2017-18	142.31	2018-19	227.15	-	74.18
6	North Eastern Karnataka Road Transport Corporation (NEKRTC)	2017-18	99.15	2018-19	31.97	-	78.09
	Total B (Working Statutory Corporations)	**-**	**1,582.68**	**-**	**-132.30**	**354.18**	**494.25**
	Grand Total (A + B)	**-**	**22,205.19**	**-**	**1,586.37**	**398.05**	**4,794.62**

Paid-up Capital does not include Share Deposits/Share Application Money pending allotment.

Appendix-4(a)

Summarised financial position and working results of Power Sector PSUs as per their latest finalised financial statements/accounts.

(*Referred to in Paragraph 1.9*)

(Figures in columns (5) to (11) and (13) are ₹ in crore)

Sl. No.	Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital ^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A	**Generation**												
1	Karnataka Power Corporation Limited (KPCL)	2018-19	2019-20	4,769.45	4,776.69	5,104.41	7,744.20	-992.06	-	14,650.55	-0.10	9,873.86	4,623
2	KPC Gas Power Corporation Limited (KPCGPCL)	2018-19	2019-20	14.05	1,038.22	-17.50	-	-3.25	-	1,034.77	0.94	-3.45	127
3	Raichur Power Corporation Limited (RPCL)	2018-19	2019-20	2,373.76	11,853.62	-2,893.47	1,047.53	-1,251.30	-	11,333.91	2.41	-519.71	420
	Sub Total (A)			**7,157.26**	**17,668.53**	**2,193.44**	**8,791.73**	**-2,246.61**	**-**	**27,019.23**	**-**	**9,350.70**	**5,170**
B	**Transmission**												
4	Karnataka Power Transmission Corporation Limited (KPTCL)	2017-18	2018-19	2,182.32	5,365.26	2,086.25	2,859.53	212.14	-97.71	9,633.83	0.05	4,268.57	10,292
	Sub Total (B)			**2,182.32**	**5,365.26**	**2,086.25**	**2,859.53**	**212.14**	**-97.71**	**9,633.83**	**-**	**4,268.57**	**10,292**
C	**Distribution**												
5	Bangalore Electricity Supply Company Limited (BESCOM)	2018-19	2019-20	546.92	4,879.29	-147.67	19,538.74	84.77	-	5,278.54	0.21	399.25	15,434
6	Hubli Electricity Supply Company Limited (HESCOM)	2018-19	2019-20	1,554.24	4,543.01	-1,955.77	7,764.56	690.00	-3,181.27	4,141.48	-1.72	-401.53	9,812
7	Mangalore Electricity Supply Company Limited (MESCOM)	2018-19	2019-20	481.82	881.69	187.82	3,316.86	56.39	-	1,551.33	0.08	669.64	5,489
8	Chamundeshwari Electricity Supply Corporation Limited (CESC)	2018-19	2019-20	888.37	1,518.82	-875.74	4,103.78	-209.35	-167.44	1,531.45	-16.58	12.63	6,910
9	Gulbarga Electricity Supply Company Limited (GESCOM)	2017-18	2018-19	1,114.96	1,086.95	-1,349.58	4,291.76	-472.63	-462.49	852.33	2.01	-234.62	7,203
	Sub Total (C)			**4,586.31**	**12,909.76**	**-4,140.94**	**39,015.70**	**149.18**	**-3,811.20**	**13,355.13**	**-**	**445.37**	**44,848**

Appendix-4(a) (contd.)

Sl. No.	Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital ^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
D	**Other**												
10	Karnataka Renewable Energy Development Limited (KREDL)	2018-19	2019-20	0.50	-	263.05	52.79	43.41	-0.11	263.55	0.16	263.55	58
11	Power Company of Karnataka (PCKL)	2018-19	2019-20	20.05	3,766.80	3.51	0.00	-0.09	-0.14	3,790.36	0.00	23.56	29
	Sub Total (D)			**20.55**	**3,766.80**	**266.56**	**52.79**	**43.32**	**-0.25**	**4,053.91**	**-**	**287.11**	**87**
	Grand Total (A+B+C+D)			**13,946.44**	**39,710.35**	**405.31**	**50,719.75**	**-1,841.97**	**-3,909.16**	**54,062.10**	**-**	**14,351.75**	**60,397**

¥ Accumulated Profit/Loss includes General Reserve (both together also called as Free Reserves).

$$ Net profit/loss includes Other Comprehensive Income (OCI).

^^ Paid-up Capital does not include Share Deposits / Share Application Money pending allotment.

Impact of accounts include the net impact of comments of Statutory Auditors and the CAG and is denoted by (+) increase in profit/decrease in losses and (-) decrease in profit/increase in losses.

@ Capital employed represents Shareholders fund (i.e. Paid up capital *plus* Free Reserves) and long term borrowings *less* accumulated loss.

∞ Return on Equity has been worked out as Profit after tax / (Paid-up capital *plus* Free Reserves).

Appendix – 4(b)

Summarised financial position and working results of PSUs (other than Power Sector) as per their latest finalised financial statements/accounts.

(*Referred to in Paragraph 4.14)*

(Figures in columns (5) to (11) and (13) are ₹ in crore)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital ^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
A. WORKING GOVERNMENT COMPANIES													
Social Sector													
1	D. Devaraj Urs Backward Classes Development Corporation Limited (DUBCDCL)	2017-18	2018-19	199.21	96.57	147.91	12.03	-12.75	0.00	443.69	-0.04	347.12	74
2	Karnataka State Women's Development Corporation (KSWDC)	2018-19	2019-20	16.49	0.00	45.92	5.00	4.93	-2.38	62.41	0.08	62.41	45
3	Dr.B.R. Ambedkar Development Corporation Limited (BRADCL)	2018-19	2019-20	350.00	128.34	267.25	0.00	98.81	0.00	745.59	0.16	617.25	197
4	Karnataka Maharshi Valmiki Scheduled Tribes Development Corporation Limited (KMVSTDC)	2017-18	2019-20	20.00	23.16	141.31	4.20	28.93	0.00	184.47	0.18	161.31	21
5	The Karnataka Minorities Development Corporation Limited (KMDC)	2014-15	2017-18	99.78	58.15	12.47	1.04	12.47	-1.82	170.40	0.11	112.25	195
6	Karnataka Thanda Development Corporation Limited (KTDCL)	2018-19	2019-20	0.01	0.00	20.93	0.00	6.49	0.00	20.94	0.31	20.94	64
7	Karnataka Vishwakarma Community Development Corporation Limited (KVCDCL)	2017-18	2018-19	0.01	14.86	1.18	1.09	0.69	0.00	16.05	0.58	1.19	7
8	Karnataka Bhovi Development Corporation Limited (KBDCL)	2018-19	2019-20	0.01	0.00	5.23	0.02	3.00	0.00	5.24	0.57	5.24	28
9	Nijasharana Ambigara Chowdaiah Development Corporation Limited (NACDCL)	2017-18	2018-19	0.01	0.00	-0.24	0.00	-0.24	0.00	-0.23	1.04	-0.23	Not Furnished

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital ^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
10	Karnataka State Safai Karmachari Development Corporation Limited (KSSKDCL)	First Accounts not finalised										-	Not furnished
11	Karnataka Adi Jambava Development Corporation (KAJDC)	First Accounts not finalised										-	Not Furnished
12	Karnataka Uppara Development Corporation Limited (KUDCL)	2017-18	2018-19	0.01	0.00	-0.20	0.00	-0.20	0.00	-0.19	1.05	-0.19	Not Furnished
	Sector-wise Total			**685.53**	**321.08**	**641.76**	**23.38**	**142.13**	**-4.20**	**1,648.37**	**-**	**1,327.29**	**631**
PSUs in Competitive Environment													
13	The Karnataka Handloom Development Corporation Limited (KHDCL)	2017-18	2018-19	51.88	40.40	-131.50	164.47	-2.93	0.00	-39.22	0.04	-79.62	414
14	Karnataka State Handicrafts Development Corporation Limited (KSHDCL)	2017-18	2018-19	9.02	0.83	43.03	45.79	5.89	0.00	52.88	0.11	52.05	109
15	Dr. Babu Jagjivan Ram Leather Industries Development Corporation Limited (LIDKAR)	2017-18	2018-19	6.85	25.50	-23.26	12.41	1.84	0.00	9.09	-0.11	-16.41	120
16	Karnataka Soaps and Detergents Limited (KSDL)	2018-19	2019-20	31.82	0.00	1,478.74	568.25	1,09.45	0.00	1,510.56	0.07	1,510.56	837
17	Karnataka State Coir Development Corporation Limited (KSCDCL)	2018-19	2019-20	3.01	2.51	-6.27	4.69	0.17	-3.42	-0.75	-0.05	-3.26	34
18	The Mysore Paper Mills Limited (MPM)	2013-14	2014-15	118.89	166.25	-425.94	383.71	-78.16	-15.31	-140.80	0.25	-307.05	1,710
19	Karnataka Vidyuth Karkhane Limited (KAVIKA)	2017-18	2018-19	5.62	7.84	17.52	122.55	-5.26	0.00	30.98	-0.23	23.14	167
20	The Mysore Electrical Industries Limited (MEI)	2018-19	2019-20	9.99	17.50	28.55	83.20	11.97	0.00	56.04	0.31	38.54	374
21	NGEF (Hubli) Limited (NGEFH)	2018-19	2019-20	3.20	12.95	-18.89	130.50	0.53	-1.39	-2.74	-0.03	-15.69	122

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital ^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
22	Karnataka Silk Industries Corporation Limited (KSIC)	2018-19	2019-20	36.00	0.00	128.55	158.31	36.02	-0.13	164.55	0.22	164.55	490
23	Karnataka Silk Marketing Board Limited (KSMB)	2017-18	2018-19	31.45	22.75	-48.12	4.02	-0.06	0.00	6.08	0.00	-16.67	39
24	Karnataka State Textile Infrastructure Development Corporation Limited (KSTIDCL)	2018-19	2019-20	3.22	0.00	12.10	9.35	-0.03	-0.23	15.32	0.00	15.32	31
25	Karnataka State Minerals Corporation Limited (KSMCL)	2018-19	2019-20	6.00	0.00	2257.69	21.07	19.11	-111.53	2,263.69	0.01	2,263.69	777
26	The Hutti Gold Mines Company Limited (HGML)	2018-19	2019-20	2.96	0.00	1,894.03	503.56	80.50	0.00	1,896.99	0.04	1,896.99	4,169
27	The Mysore Sugar Company Limited (MYSUGAR)	2012-13	2015-16	8.73	184.63	-416.67	109.79	-50.27	-9.22	-223.31	0.12	-407.94	828
28	The Mysore Paints and Varnish Limited (MPVL)	2018-19	2019-20	1.04	0.00	58.27	61.22	13.38	-0.82	59.31	0.23	59.31	90
29	Mysore Sales International Limited (MSIL)	2018-19	2019-20	42.74	0.00	321.10	1,819.82	19.79	0.00	363.84	0.05	363.84	166
30	Marketing Communication and Advertising Limited (MCA)	2018-19	2019-20	3.57	0.00	132.48	262.34	17.12	0.00	136.05	0.13	136.05	39
31	The Karnataka State Tourism Development Corporation Limited (KSTDC)	2018-19	2019-20	6.41	4.00	-16.59	63.87	1.47	-3.24	-6.18	-0.14	-10.18	594
32	Jungle Lodges and Resorts Limited (JLR)	2017-18	2018-19	1.21	0.49	77.84	51.52	6.62	0.00	79.54	0.08	79.05	578
33	D. Devraj Urs Truck Terminals Limited (DDUTTL)	First Accounts not finalised after entrustment of Audit										-	Not furnished
	Sector-wise Total			**383.61**	**485.65**	**5,362.66**	**4,580.44**	**187.15**	**-145.29**	**6,231.92**		**5,746.27**	**11,688**
Others													
34	Karnataka State Agro Corn Products Limited (KSACPL)	2018-19	2019-20	2.73	24.32	-27.87	0.00	0.45	-0.32	-0.82	-0.02	-25.14	30

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital ^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
35	Karnataka State Agricultural Produce Processing and Export Corporation Limited (KAPPEC)	2017-18	2018-19	0.50	0.00	17.67	3.39	1.23	0.00	18.17	0.07	18.17	32
36	Karnataka Stata Pulses Abhivridhi Mandali Limited (KSPAML)	2017-18	2019-20	5.00	48.98	-14.81	3.58	1.84	0.00	39.17	-0.19	-9.81	10
37	The Karnataka Fisheries Development Corporation Limited (KFDC)	2018-19	2019-20	17.84	0.00	10.74	196.11	3.65	0.00	28.58	0.13	28.58	89
38	Karnataka Sheep and Wool Development Corporation Limited (KSAWDCL)	2014-15	2017-18	6.05	0.00	-5.00	18.23	-0.25	0.00	1.05	-0.24	1.05	70
39	Karnataka Compost Development Corporation Limited (KCDCL)	2018-19	2019-20	0.50	4.39	-4.15	0.66	0.07	-3.22	0.74	-0.02	-3.65	23
40	Karnataka Cashew Development Corporation Limited (KCDC)	2018-19	2019-20	7.59	0.00	-0.68	8.13	0.33	-0.90	6.91	0.05	6.91	59
41	Karnataka Forest Development Corporation Limited (KFDCL)	2018-19	2019-20	9.31	0.00	263.71	74.65	-15.05	0.51	273.02	-0.06	273.02	639
42	The Karnataka State Forest Industries Corporation Limited (KSFIC)	2017-18	2018-19	2.67	0.55	34.17	50.32	4.31	0.17	37.39	0.12	36.84	129
43	Karnataka State Seeds Corporation Limited (KSSCL)	2017-18	2018-19	3.75	0.00	30.54	171.52	0.30	0.00	34.29	0.01	34.29	182
44	Food Karnataka Limited (FKL)	2017-18	2018-19	0.10	0.00	1.57	0.00	0.02	0.00	1.67	0.01	1.67	3
45	Karnataka State Mango Development and Marketing Corporation Limited (KSMDMCL)	2017-18	2018-19	0.01	0.00	1.72	0.00	0.01	0.00	1.73	0.00	1.73	31
46	Karnataka State Industrial Infrastructure and Development Corporation Limited (KSIIDC)	2017-18	2018-19	667.15	10.05	-160.41	15.76	44.40	3.53	516.79	0.09	506.74	60

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
47	Karnataka Urban Infrastructure Development and Finance Corporation Limited (KUIDFC)	2018-19	2019-20	8.06	0.00	13.98	5.97	0.42	0.00	22.04	0.02	22.04	303
48	Sree Kanteerava Studios Limited (KSL)	2018-19	2019-20	0.88	0.00	2.67	1.83	0.38	0.57	3.55	0.11	3.55	8
49	Karnataka Asset Management Company Private Limited (KAMCPL)	2018-19	2019-20	0.50	0.00	3.86	1.37	0.30	0.00	4.36	0.07	4.36	5
50	Karnataka Trustee Company Private Limited (KTCPL)	2018-19	2019-20	0.01	0.00	0.48	0.07	0.06	0.00	0.49	0.12	0.49	1
51	Karnataka State Construction Corporation Limited (KSCCL)	2013-14	2017-18	2.05	5.53	15.66	4.27	-3.73	0.00	23.24	-0.21	17.71	109
52	Karnataka Rural Infrastructure Development Limited (KRIDL)	2017-18	2018-19	12.25	0.00	655.79	3,668.96	126.24	-62.76	668.04	0.19	668.04	774
53	Karnataka State Police Housing and Infrastructure Development Corporation Limited (KSPHIDCL)	2018-19	2019-20	0.12	5.39	107.93	56.60	30.81	0.00	113.44	0.29	108.05	263
54	Rajiv Gandhi Housing Corporation Limited (RGHCL)	2017-18	2018-19	3.00	1,068.77	-23.91	0.29	*	0.48	1,047.86	0.00	-20.91	48
55	Karnataka Road Development Corporation Limited (KRDCL)	2018-19	2019-20	310.00	287.54	-65.51	4.28	78.22	0.00	532.03	0.32	244.49	70
56	Krishna Bhagya Jala NigamLimited (KBJNL)	2017-18	2018-19	7,095.01	6,609.23	-2,587.22	17.54	-119.40	219.73	11,117.02	-0.03	4,507.79	1,749
57	Karnataka Neeravari Nigam Limited (KNNL)	2018-19	2019-20	29,092.02	2,988.56	-4,469.21	53.93	-719.64	66.20	27,611.37	-0.03	24,622.81	2,734
58	Cauvery Neeravari Nigama Limited (CNNL)	2017-18	2018-19	8,713.88	7,772.14	28.15	0.00	12.93	-9.12	16,514.17	0.00	8,742.03	1,904
59	Vishveswaraya Jala Nigam Limited (VJNL)	2018-19	2019-20	2,367.37	1,285.41	-120.78	0.01	-31.64	0.00	3,532.00	-0.01	2,246.59	386
60	Karnataka Antharaganga Micro Irrigation Corporation Limited (KAMICL)	First Accounts not finalised										-	1

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital ^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments #	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
61	Bangalore Airport Rail Link Limited (BARL)	2017-18	2018-19	5.00	0.00	-3.02	0.00	-0.05	0.00	1.98	-0.02	1.98	7
62	Tadadi Port Limited (TPL)	2017-18	2018-19	0.05	0.00	-0.03	0.00	-0.00	0.00	0.02	-0.02	0.02	0
63	Hubli Dharwad BRTS Company Limited (HDBRTS)	2017-18	2018-19	20.00	0.00	-6.66	0.00	-4.57	0.00	13.34	-0.34	13.34	26
64	Invest Karnataka Forum (IKF)	2018-19	2019-20	0.00	0.00	0.00	0.00	*	0.00	0.00	-	0.00	7
65	Bangalore Bio-innovation Centre (BBC)	2017-18	2018-19	0.01	0.00	0.65	4.38	*	0.00	0.66	-	0.66	8
66	Tumakuru Machine Tool Park (TMTP)	2018-19	2019-20	0.05	0.00	-2.66	0.00	*	0.00	-2.61	-	-2.61	8
67	Hubballi Dharwad Smart City Limited (HDSCL)	2017-18	2018-19	0.10	0.00	-0.82	0.00	-0.82	0.00	-0.72	1.14	-0.72	9
68	Davanagere Smart City Limited (DSCL)	2018-19	2019-20	200.00	0.00	-8.23	0.00	-5.89	0.00	191.77	-0.03	191.77	24
69	Belagavi Smart City Limited (BSCL)	2017-18	2018-19	200.00	0.00	-0.05	0.00	-0.05	0.00	199.95	0.00	199.95	37
70	Shivamogga Smart City Limited (SSCL)	2017-18	2018-19	0.10	0.00	-0.13	2.60	-0.13	0.00	-0.03	4.19	-0.03	22
71	Tumakuru Smart City Limited (TSCL)	2018-19	2019-20	0.10	0.00	0.00	0.00	0.71	0.00	0.10	7.10	0.10	31
72	Mangaluru Smart City Limited (MSCL)	2017-18	2018-19	0.10	0.00	0.00	0.00	0.00	0.00	0.10	0.03	0.10	24
73	Bengaluru Smart City Limited (BLRSCL)	2018-19	2019-20	200.00	0.00	0.00	0.00	-0.00	0.00	200.00	0.00	200.00	Not furnished
74	Bengaluru PRR Development Corporation Limited (BPRRDCL)	2018-19	2019-20	25.00	0.00	-1.00	0.00	-0.06	0.00	24.00	0.00	24.00	1
75	Karnataka State Small Industries Development Corporation Limited (KSSIDC)	2017-18	2018-19	26.02	12.65	147.49	33.24	12.32	-0.12	186.16	0.07	173.51	196
76	Karnataka State Electronics Development Corporation Limited (KEONICS)	2018-19	2019-20	27.47	0.00	102.14	535.45	11.80	4.65	129.61	0.09	129.61	87

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments#	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
77	Karnataka State Beverages Corporation Limited (KSBCL)	2018-19	2019-20	12.00	0.00	268.11	128.01	28.17	0.00	280.11	0.10	280.11	394
78	Karnataka Food and Civil Supplies Corporation Limited (KFCSCL)	2017-18	2018-19	3.25	0.00	2.31	2,150.44	*	-58.24	5.56	-	5.56	655
79	Karnataka Tourism Infrastructure Limited (KTIL)	2017-18	2018-19	6.50	0.00	-0.06	0.00	-0.03	0.00	6.44	0.00	6.44	0
80	Karnataka Vocational Training and Skill Development Corporation Limited (KVTSDCL)	2013-14	2015-16	0.01	0.00	4.20	1.70	*	0.00	4.21	-	4.21	24
81	Karnataka Public Lands Corporation Limited (KPLCL)	2018-19	2019-20	0.05	0.00	5.96	1.69	0.67	0.00	6.01	0.11	6.01	23
82	Karnataka Mining Environment Restoration Corporation Limited (KMERCL)	2018-19	2019-20	0.01	0.00	0.08	0.00	*	0.00	0.09	-	0.09	5
83	Science Gallery Bengaluru (SGB)	2018-19	2019-20	0.00	0.00	-0.01	-	*	0.00	-0.01	-	-0.01	Not Furnished
84	Rail Infrastructure Development Company (Karnataka) Limited (RIDCKL)	First Accounts not finalised										-	Not Furnished
	Sector-wise Total			**49,054.17**	**20,123.51**	**-5,782.64**	**7,214.98**	**-541.67**	**161.16**	**63,395.04**	**-**	**43,271.53**	**11,300**
	TOTAL A (All sector-wise Government Companies)			**50,123.31**	**20,930.24**	**221.78**	**11,818.80**	**-212.39**	**11.67**	**71,275.33**	**-**	**50,345.09**	**23,619**
B.WORKING STATUTORY CORPORATIONS													
PSUs in Competitive Environment													
1	Karnataka State Warehousing Corporation (KSWC)	2016-17	2018-19	7.80	433.51	132.69	61.38	6.22	-0.02	574.00	0.04	140.49	307
2	Karnataka State Financial Corporation (KSFC)	2017-18	2018-19	936.94	1,399.06	-391.20	254.39	25.55	-12.32	1,944.80	0.05	545.74	808
3	Karnataka State Road Transport Corporation (KSRTC)	2017-18	2018-19	291.89	282.38	-176.37	2,975.03	4.50	-2.00	397.90	0.04	115.52	38,449
4	Bangalore Metropolitan Transport Corporation (BMTC)	2017-18	2018-19	104.59	1,025.34	-162.20	1,764.71	-217.61	-0.24	967.73	3.78	-57.61	33,878

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments#	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
5	North Western Karnataka Road Transport Corporation (NWKRTC)	2017-18	2018-19	142.31	148.30	-792.48	1,589.59	-71.98	-0.84	-501.87	0.11	-650.17	23,665
6	North Eastern Karnataka Road Transport Corporation (NEKRTC)	2017-18	2018-19	99.15	71.02	-542.42	1,415.50	-33.31	0.57	-372.25	0.08	-443.27	20,574
	Sector-wise Total			**1,582.68**	**3,359.61**	**-1,931.98**	**8,060.60**	**-286.63**	**-14.85**	**3,010.31**	**-**	**-349.30**	**1,17,681**
	TOTAL B (All sector-wise Statutory Corporations)			**1,582.68**	**3,359.61**	**-1,931.98**	**8,060.60**	**-286.63**	**-14.85**	**3,010.31**	**-**	**-349.30**	**1,17,681**
C. NON-WORKING GOVERNMENT COMPANIES													
PSUs in Competitive Environment													
1	Karnataka Agro Industries Corporation Limited (KAIC)	2018-19	2019-20	7.54	278.41	-323.03	Not considered for non-working companies	-23.30	0.00	-37.08	0.07	-315.49	0
2	The Mysore Tobacco Company Limited (MTC)	2018-19	2019-20	0.77	1.54	-5.22		10.28	0.00	-2.91	-2.31	-4.45	1
3	Karnataka Pulpwood Limited (KPL)	2018-19	2019-20	15.16	0.00	-21.02		-0.13	0.00	-5.86	0.02	-5.86	0
4	The Karnataka State Veneers Limited (KSVL)	2004-05	2005-06	1.00	1.00	-8.85		-0.45	0.00	-6.85	0.06	-7.85	0
5	The Mysore Match Company Limited (MMCL)	2017-18	2018-19	0.05	0.00	-0.13		-0.13	0.00	-0.08	1.63	-0.08	0
6	The Mysore Lamp Works Limited (MLW)	2018-19	2019-20	11.81	116.88	-330.26		-12.51	0.00	-201.57	0.04	-318.45	6
7	The Mysore Cosmetics Limited (MCL)	2003-04	2004-05	0.16	0.00	-3.12		-0.79	0.00	-2.96	0.27	-2.96	0
8	The Mysore Chrome Tanning Company Limited (MCT)	2018-19	2019-20	0.76	0.41	-8.48		0.03	0.00	-7.31	0.00	-7.72	0
9	NGEF Limited (NGEF)	2002-03	2003-04	46.51	227.24	-408.85		-157.48	0.00	-135.10	0.43	-362.34	0
10	Karnataka Telecom Limited (KTL)	2003-04	2004-05	3.00	0.00	36.11		0.05	0.00	39.11	0.00	39.11	0
11	The Mysore Acetate and Chemicals Company Limited (MACCL)	2002-03	2003-04	12.18	13.11	12.18		-0.46	0.00	37.47	-0.02	24.36	0
	Sector-wise Total			**98.94**	**638.59**	**-1,060.67**	**0.00**	**-184.89**	**0.00**	**-323.14**	**-**	**-961.73**	**7**

Appendix – 4(b) (contd.)

Sl. No.	Sector / Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital^^	Loans outstanding at the end of year	Accumulated profit (+)/ loss (-) ¥	Turnover	Net profit (+) /loss (-) $$	Net impact of Audit comments#	Capital Employed @	Return on Equity (Ratio) ∞	Net worth	Manpower (No. of employees) (as on 31.3.2019)
Others													
1	Bangalore Suburban Rail Company Limited (BSRCL)	First Accounts not finalised (Five years accounts pending)										-	Not furnished
2	Vijayanagar Steel Limited (VSL)	2018-19	2019-20	12.91	0.58	-0.60	Not considered	-0.12	0.00	12.89	-0.01	12.31	0
	Sector-wise Total			**12.91**	**0.58**	**-0.60**	**0.00**	**-0.12**	**0.00**	**12.89**	**-**	**12.31**	**0**
	TOTAL C (All sector-wise Non-working Government companies)			**111.85**	**639.17**	**-1061.27**	**0.00**	**-185.01**	**0.00**	**-310.25**	**-**	**-949.42**	**7**
Grand Total (A+B+C)				**51,817.84**	**24,929.02**	**-2,771.47**	**19,879.41**	**-684.03**	**-3.18**	**73,975.39**	**-**	**49,046.37**	**1,41,307**

¥ Accumulated Profit/Loss includes General Reserve (both together also called as Free Reserves).
$$ Net profit/loss includes Other Comprehensive Income (OCI).
^^ Paid-up Capital does not include Share Deposits / Share Application Money pending allotment.
# Impact of accounts include the net impact of comments of Statutory Auditors and the CAG and is denoted by (+) increase in profit/decrease in losses and (-) decrease in profit/increase in losses.
@ Capital employed represents Shareholders fund (i.e. Paid up capital *plus* Free Reserves) and long term borrowings *less* accumulated loss.
$ Return on capital employed has been worked out by adding net profit/loss after tax with interest expenses and tax expenses.
∞ Return on Equity has been worked out as Profit after tax / (Paid-up capital *plus* Free Reserves).
* Prepared Statement of Income and Expenditure account (Sl. No.54, 64, 65, 66, 78, 80, 82, 83) under working Government companies).

Appendix – 5(a)

Statement showing State Government funds infused in Power Sector PSUs during the period from 2010-11 to 2018-19

(*Referred to in Paragraph 1.10.4*)

(₹ in crore)

Sl. No.	Year	KPCL		KREDL		KPTCL		BESCOM		HESCOM		MESCOM		CESC		GESCOM		Total	
		1		2		3		4		5		6		7		8		9	
		Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
1	Upto 2009-10	1,743.26		0.5		1,218.27		415.97		563.25		132.34		157.30		305.14		4,536.03	
2	2010-11	538.71	0	0	0	357.05	0	88.45	0.94	70.43	0	25.00	0	25.00	0	69.56	0	1,174.20	0.94
3	2011-12	625.00	0	0	0	100.00	0	42.50	0	73.85	0	14.73	0	80.71	0	89.50	0	1,026.29	0
4	2012-13	400.00	0	0	0	292.93	0	97.50	0	124.00	0	19.00	0	62.50	0	104.00	0	1,099.93	0
5	2013-14	563.70	0	0	0	107.07	0	35.58	0	31.24	0	39.00	0	23.20	0	25.52	0	825.31	0
6	2014-15	475.78	0	0	0	20.00	0	18.00	0	49.16	0	22.66	0	46.13	0	83.44	0	715.17	0
7	2015-16	423.00	0	0	0	87.00	0	97.02	0	69.97	0	27.63	0	127.73	0	99.61	0	931.96	0
8	2016-17	0	0	0	0	0	0	218.68	0	229.17	0	91.71	0	138.29	0	193.95	0	871.80	0
9	2017-18	0	0	0	0	0	0	189.64	0	200.35	0	91.13	0	133.15	0	191.50	0	805.77	0
10	2018-19	0	0	0	0	0	0	140.20	0	142.82	0	65.50	0	124.51	0	107.20	0	580.23	0
	Total	**4,769.45**	**0**	**0.5**	**0**	**2,182.32**	**0**	**1,343.54**	**0.94**	**1,554.24**	**0**	**528.70**	**0**	**918.52**	**0**	**1,269.42**	**0**	**12,566.69**	**0.94**

Appendix – 5(b)

Statement showing State Government funds infused in PSUs (other than Power Sector) during the period from 2010-11 to 2018-19

(*Referred to in Paragraph 4.15.4*)

(₹ in crore)

Sl. No.	Name of the PSU	Upto 2009-10		2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		Total	
		Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
Social Sector																							
1	DUBCDCL	118.71	-	24.00	-	24.00	-	20.00	-	25.00	-	45.00	-	35.00	-	50.00	-	125.00	-	25.00	-	491.71	-
2	KSWDC	9.86	-	-	-	0.56	-	0.16	-	0.33	-	0.65	-	0.65	-	2.98	-	1.30	-	0.50	-	16.99	-
3	BRADCL	101.37	-	7.60	-	8.34	-	8.35	-	15.81	-	36.90	-	58.25	-	70.90	-	45.90	-	35.70	-	389.12	-
4	KMVSTDC	3.82	-	-	-	5.65	-	4.93	-	-0.93	-	4.31	-	-	-	-	-	-	-	-	-	17.78	-
5	KMDC	124.49	-	26.50	-	-	-	83.50	-	-	-	57.41	-	-	-	-	-	-	-	-	-	291.90	-
6	KTDCL	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-
7	KVCDCL	-	-	-	-	-	-	-	-	0.01	-	-	-	-	-	-	-	-	-		-	0.01	-
8	KBDCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18.80	-	18.80	-
9	NACDCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	KSSKDCL	-	-	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	KAJDCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	KUDCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	0.01	-
Sub-total		**358.26**	**-**	**58.10**	**-**	**38.55**	**-**	**116.94**	**-**	**40.22**	**-**	**144.27**	**-**	**93.90**	**-**	**123.88**	**-**	**172.20**	**-**	**80.01**		**1,226.33**	**-**
PSUs in Competitive Environment																							
13	KHDCL	39.18	-	7.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46.68	-
14	KSHDCL	2.84	-	-	-	-	-	-0.04	-	-	-	2.50	-	2.54	-	-0.04	-	-	-	-	-	7.80	-
15	LIDKAR	6.85	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.85	-
16	KSDL	31.82	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	31.82	-
17	KSCDCL	3.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.01	-
18	MPM	76.97	-	-	-	106.03	-	-	-	78.84	-	-36.65	-	-	-	-	-	-	-	-	-	225.19	-
19	KAVIKA	5.62	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.62	-
20	MEI	7.67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.67	-
21	NGEFH	-	-	-	-	-	10.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.00

Appendix – 5(b)(contd.)

Sl. No.	Name of the PSU	Upto 2009-10		2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		Total	
		Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
22	KSIC	58.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-22.00	-	-	-	-	-	36.00	-
23	KSMB	31.45	-	-	12.00	-	0.25	-	0.50	-	-	-	-	-	-	-	-	-	-	-	-	31.45	12.75
24	KSTIDCL	2.22	-	-	-	-	-	1.00	-	-	-	-	-	-	-	-	-	-	-	-	-	3.22	-
25	KSMCL	2.97	-	2.98	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.95	-
26	HGML	2.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.20	-
27	MYSUGAR	7.81	-	9.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16.83	-
28	MPVL	0.95	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.95	-
29	MSIL	7.46	-	-	-	-7.46	-	21.10	-	1.46	-	-	-	-	-	-	-	-	-	-	-	22.56	-
30	MCA	3.46	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.46	-
31	KSTDC	6.41	-	-	3.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.41	3.00
32	JLR	0.50	-	-	-	-	-	-	-	-	-	-	-	-0.08	-	-	-	-	-	-	-	0.42	-
33	DDUTTL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
34	KSWC	6.75	-	-	-	10.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16.75	-
35	KSFC	613.76	-	25.81	-	153.14	-	53.66	-	51.93	-	75.00	-	75.00	-	75.00	-	-75.00	-	-391.55	-	656.75	-
36	KSRTC	242.79	-	-	-	-	-	1.00	-	-1.00	-	-	-	-	-	-	-	-	-	-	-	242.79	-
37	BMTC	157.71	-	0.26	-	-0.25	-	-	-	-0.01	-	-	-	-52.99	-	-0.13	-	-	-	0.13	-	104.72	-
38	NWKRTC	212.77	-	25.00	-	43.66	-	31.62	-	15.70	-	-	-	24.28	-	-210.72	-	-	-	227.15	-	369.46	-
39	NEKRTC	204.23	-	25.25	-	-98.36	-	-	-	-	-	-	-	-	-	-31.97	-	-	-	31.97	-	131.12	-
40	KAIC	55.90	11.72	-	-	-	-	-	-	-	-	-	-	-	-	-48.36	-	-	-	-	-	7.54	11.72
41	MTC	0.61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	0.62	-
42	KPL	13.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13.91	-
43	KSVL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
44	MMCL	0.01	-	-	-	-	-	-	-	-	-	-	-	0.04	-	-	-	-	-	-0.04	-	0.01	-
45	MLW	10.76	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10.76	-
46	MCL	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-
47	MCT	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
48	NGEF	41.99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	41.99	-
49	KTL	0.78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.78	-

Appendix – 5(b)(contd.)

Sl. No.	Name of the PSU	Upto 2009-10		2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		Total	
		Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
50	MACCL	9.96	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			9.96	-
Sub-total		**1,869.33**	**11.72**	**95.82**	**15.00**	**206.76**	**10.25**	**108.34**	**0.50**	**146.92**	**-**	**40.85**	**-**	**48.79**	**-**	**-238.22**	**-**	**-75.00**	**-**	**-132.33**	**-**	**2,071.26**	**37.47**
Others																							
51	KSACPL	2.23	-	-	-	-	-	-	-	0.50	-	-	-	-	-	-	-	-	-	-	-	2.73	-
52	KAPPEC	0.50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.50	-
53	KSPAML	5.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.00	-
54	KFDC	16.16	-	-	-	-	-	-	-	-	-	-	-	-	-	1.68	-	-	-	-	-	17.84	-
55	KSAWDCL	6.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.05	-
56	KCDCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
57	KCDC	4.15	-	-	-	3.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.15	-
58	KFDCL	9.31	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.31	-
59	KSFIC	2.67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.67	-
60	KSSCL	1.43	-	-	-	-	-	-	-	-	-	-	-	0.15	-	-	-	-	-	0.01	-	1.59	-
61	FKL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
62	KSMDMCL	-	-	-	-	0.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-
63	KSIIDC	368.44	3.90	60.90		-62.34		60.10		3.00		122.96	3.65	140.11		-26.02		-	-	27.56		694.71	7.55
64	KUIDFC	6.06	-	-	-	-	-	-	-	-	-	-	-	2.00	-	-	-	-	-	-	-	8.06	-
65	KSL	0.82	-	-	-	-	-	4.00	-	-	-	0.55	-	0.45	-	-	-	-	-	-	-	5.82	-
66	KAMCPL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
67	KTCPL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
68	KSCCL	2.05	2.35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.05	2.35
69	KRIDL	12.25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.25	-
70	KSPHIDCL	0.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.12	-
71	RGHCL	3.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.00	-
72	KRDCL	817.41	-	169.18	-	30.00	-	43.80	-	42.31	-	51.20	-	37.41	-	-43.61	-	0.20	-	-2.20	-	1,145.70	-
73	KBJNL	6,877.88	-	123.27	-	-	-	101.49	-	-	-	-	-	-224.76	-	-	-	-	-	217.13	-	7,095.01	-
74	KNNL	7,641.13	-	1,978.02	-	2,431.98	-	2,182.19	-	2,215.57	-	2,276.87	-	2,721.68	-	2,586.93	-	2,196.68	-	3,616.79	-	29,847.84	-
75	CNNL	4,064.93	-	944.21	-	761.72	-	970.15	-	800.79	-	745.37	-	447.01	-	1,480.71	-	326.57	-	1,341.56	-	11,883.02	-

Appendix – 5(b)(contd.)

Sl. No.	Name of the PSU	Upto 2009-10		2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		Total	
		Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
76	VJNL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	327.00	-	1,252.06	-	1,410.11		2,989.17	-
77	KAMICL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-	0.05	-
78	BARL	5.70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5.70	-
79	TPL	-	-	-	-	-	-	0.05	-	-0.05	-	-	-	-	-	-	-	-	-	-	-	-	-
80	HDBRTS	-	-	-	-	-	-	15.13	-	-	-	-	-	-1.13	-	-	-	-	-	-	-	14.00	-
81	IKF	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
82	BBC	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-	-	0.01	-
83	TMTP	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-	-	-	0.05	-
84	HDSCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-	0.05	-
85	DSCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	-	-	-	100.00	-
86	BSCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	-	-	-	100.00	-
87	SSCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-	0.05	-
88	TSCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-	0.05	-
89	MSCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-	0.05	-
90	BLRSCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100.00	-	100.00	-
91	BPRRDCL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25.00	-	-25.00	-	-	-
92	KSSIDC	24.56	-	-	-	1.36	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25.92	-
93	KEONICS	15.87	-	1.00	-	0.50	-	2.00	-	1.50	-	0.50	-	2.00	-	2.00	-	2.60	-	1.10		29.07	-
94	KSBCL	12.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.00	-
95	KFCSCL	3.25	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.25	-
96	KTIL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.50	-	-	-	-	-	6.50	-
97	KVTSDCL	0.04	-	-	-	-	-	-	-	0.01	-	-0.04	-	0.04	-	-	-	-	-	-	-	0.05	-
98	KPLCL	-	-	0.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.05	-
99	KMERCL	-	-	-	-	-	-	-	-	-	-	0.05	-	-0.05	-	0.01	-	-	-	-	-	0.01	-
100	SGB	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
101	RIDCKL	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
102	BSRCL	-	-	-	-	-	-	-	-	0.05	-	-	-	-	-	-0.05	-	-	-	-	-	-	-

Appendix – 5(b)(contd.)

Sl. No.	Name of the PSU	Upto 2009-10		2010-11		2011-12		2012-13		2013-14		2014-15		2015-16		2016-17		2017-18		2018-19		Total	
		Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL	Equity	IFL
103	VSL	12.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12.91	-
104	KSCMCL[195]	-	-	-	-	-	-	-	-	-	-	0.05	-	-0.05	-	-	-	-	-	-	-	-	-
105	KSPDCL[196]	-	-	-	-	-	-	-	-	-	-	-	-	0.01	-	-0.01	-	-	-	-	-	-	-
Sub-total		**19,915.92**	**6.25**	**3,276.63**	**-**	**3,166.23**	**-**	**3,378.91**	**-**	**3,063.68**	**-**	**3,197.51**	**3.65**	**3,124.87**	**-**	**4,335.14**	**-**	**4,003.17**	**-**	**6,687.31**	**-**	**54,149.37**	**9.90**
Grand total		**22,143.51**	**17.97**	**3,430.55**	**15.00**	**3,411.54**	**10.25**	**3,604.19**	**0.50**	**3,250.82**	**-**	**3,382.63**	**3.65**	**3,267.56**	**-**	**4,220.80**	**-**	**4,100.37**	**-**	**6,634.99**	**-**	**57,446.96**	**47.37**

195 The Company has since been closed.
196 The Audit jurisdiction of the Company was transferred to MAB New Delhi.

Appendix-6

Statement showing the department-wise outstanding Inspection Reports (I. Rs)

(*Referred to in Paragraphs 1.18 and 4.23*)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding Paragraphs	Year from which outstanding
1	Energy	11	238	1,469	2010-11
2	Agriculture and Horticulture	12	35	145	2005-06
3	Animal Husbandry, Fisheries/ Forest, ecology and environment	8	12	85	2007-08
4	Commerce and Industries	30	43	359	2010-11
5	Transport	6	71	387	2010-11
6	Co-operation	1	3	36	2011-12
7	Tourism	3	4	44	2014-15
8	Water Resources	4	187	898	2010-11
9	Public Works	2	3	18	2012-13
10	Social Welfare and Labour / Women and Child Welfare	12	25	240	2006-07
11	Food, Civil Supplies and Consumer Affairs	1	3	30	2012-13
12	Finance	2	22	101	2010-11
13	Housing	1	4	25	2009-10
14	Information Technology, Biotechnology and Science & Technology	3	2	19	2015-16
15	Urban Development	12	11	81	2011-12
16	Employment and Training	1	3	52	2013-14
17	Home	1	3	13	2010-11
18	Rural Development and Panchayat Raj	1	4	38	2006-07
19	Revenue	1	2	20	2013-14
20	Kannada, Culture and Information	1	2	47	2014-15
21	Women and Child Development	1	5	50	2010-11
	Total[197]	**114**	**682**	**4,157**	

[197] Excludes Inspection Reports in respect of Departmental Undertakings, Karnataka Government Insurance Department and Karnataka Electricity Regulatory Commission.

Appendix-7
Designs and layout plans of substations
(*Referred to in Paragraph 2.1.11.1*)

Sl. No	Name of the substation	Date of DPR/Date of LoI (gap between DPR and LoI)	Date of approval of design (time consumed for approval) from LoI	Audit observation
Chang in design				
1	220/110kV Mallat substation	July 2012/February 2013 (6 months)	July 2013/December 2013 (9 months)	• Refer ***Paragraph 2.1.11.1*** (Box 2.1.1)
2	Alabala 110/11kV substation	May 2014/February 2015 (8 months)	May 2015/September 2015 (7 months)	• Original layout plan was approved in April 2015. However, on verification of site by the Chief Engineer of Bagalkot zone, it was decided to change the lay out plan and the Earthmat design [198] due to water logging and also to make provision for future extension of terminal bay. The revised layout was approved in May 2015 and Earthmat design was approved in September 2015. The Government replied (April 2020) that the site was in normal condition at the time of purchase, but during execution it was found that the site was totally water logged warranting revision in layout. The station was commissioned in March 2016. The reply confirms the fact that the prior verification of site did not take place before awarding the work.
3	110/33kV substation, Belavanaki, Hubli	August 2015/June 2017 (21 months)	January 2018 (7 months)	• Earth Mat design was changed due to incoming line orientation and resultant change in substation layout. The Government replied (April 2020) that that farmers have constructed (February/March 2016) an earthen tank subsequent to detailed survey (June 2015), which caused delay. The reply confirms the fact that the Company failed to verify the site conditions before awarding the work, though there was a gap of almost two years between approval of DPR and actual award of work.
4	220kV substation MSEZ, Mangalore	October 2010/May 2011 (6 months)	November 2011 (5 months)	• Substation layout was revised due to change in orientation of 220kV and 110 kV bays to avoid criss-crossing of two 110 kV lines. The Government replied (April 2020) that based on the request of MSEZ, the orientation of layout was revised to avoid crossing 220kV and 110kV lines, which delayed the project.

[198] Earth Mat is a grounding system in substation which ensures safety against electrical shocks, discharge the over-voltage from over-head ground wires or the lightning masts to earth.

Appendix-7 (contd.)

Sl. No	Name of the substation	Date of DPR/Date of LoI (gap between DPR and LoI)	Date of approval of design (time consumed for approval)	Audit observation
Delay in finalisation and approval of design				
5	220/66/11kV substation, GIS, ITI, Bangalore	April 2015/May 2017 (24 months)	November 2017/January 2018 (7 months)	• The designs for GIS substations were to be furnished by the manufacturer/supplier of the equipment. Audit observed delay in furnishing the designs by the supplier and approval of the designs by the Company. It was further observed that the additional earthmat designs were approved in January 2018, *i.e.* after lapse of seven months. This caused delay in commencing the works. The Government replied (April 2020) that the Earthmat design for GIS was furnished by the manufacturer of GIS equipment after award of work depending on the technical specifications and the design criteria. The design has been furnished by the manufacturer and the work was under progress. The reply is silent on delay in finalizing the designs which caused delay in commencing the works.
6	400/220kV GIS, Devanahalli hardware park	February 2017/March 2018 (12 months)	As of May 2019, design was not approved (13 months)	• Audit observed delays in approval of survey (January 2019), handing over of land for construction of the station (March 2019), receipt of clearance from Airport Authority of India (April 2019). The earth mat design was not approved (May 2019). The Government replied (April 2020) that Earthmat design has been furnished by the manufacturer and the work was under progress. The reply is silent on reasons for delay at various stages and in finalising and approving the designs.

Appendix-8(a)
Details of works completed with delay due to ROW issues
(*Referred to in Paragraph 2.1.12*)

Sl. No.	Name of the work and details of award/completion/expenditure	Audit remarks
The cases where the works (Total expenditure - ₹ 196.99 crore) were completed with delay of one year to ten years from their scheduled dates due to not enforcing conditions of contract and failure to invoke provisions of Indian Telegraph Act, which gives powers to the Company to proceed with the work without interruption and pursue with land owners separately with regard to payment of compensation.		
1	Construction of 220 kV DC line from Varahi to Kemar, Kemar to SRS Kavoor-118km • **Award cost:** ₹ 83.17 crore • **Date of LoI:** February 2007 • **Scheduled date of completion**: February 2008 • **Actual date of Completion:** February 2018 • **Delay:** 10 years • **Expenditure:** ₹ 91.22 crore	Out of 117.83 kms of line, 100.10 kms line was commissioned between June 2009 and July 2010. The remaining 17.73 kms line was commissioned during February 2018, mainly due to objection by landlords. The land owner had approached Hon'ble High Court in 2011 after the DC court awarded the case in favour of Company and it was cleared in 2015. The Government replied (April 2020) that the work was delayed due to right of way issues and delay in statutory clearance from CEA relating to safety, compliance to observations of Electrical Inspectorate, GoK also consumed time. The reply is not acceptable as the Company failed to exercise favourable provisions of the existing law and also the safety compliance was the responsibility of the Company which should have been ensured.
2	110 kV SC Kulashekara-I line to DC line from Vamanjoor to Kulashekara Milk Dairy. • **Award cost:** ₹ 4.91 crore • **Date of LoI:** April 2007 • **Schedule date of completion** October 2007 • **Actual date of Completion:** January 2016 • **Delay:** 8 years 4 months • **Expenditure:** ₹ 4.81 crore	Line work was commenced in December 2007, after four months of LoI. Further, the work was delayed as the adjacent lands were consolidated by real estate developers, who approached Court requesting to deviate the line along the border of their lands. The Government replied (April 2020) that the work was delayed due to right of way issues and also the agency had delayed the work despite issuing several reminders, liquidated damages of ₹ 49.15 lakh were recovered from the agency. The reply is not acceptable as the Company should have terminated the contract and re-awarded, when the contractor delayed completion of work and also the right of way issues could have been dealt with the enabling provisions of law.
3	220kV UG Cable from 220kV HSR substation to 220kV substation at NIMHANS • **Award cost:** ₹ 97.12 crore • **Date of LoI:** May 2009 • **Scheduled date of completion:** May 2010 • **Date of completion:** February 2017 • **Delay:** 6 years 9 months. • **Expenditure:** ₹ 80.29 crore	The work of laying Under Ground (UG) cable involved obtaining road cutting permission from the Bruhat Bangalore Mahanagara Palike (BBMP) and NIMHANS authorities. The Company took (March 2010) permission from BBMP and NIMHANS for a period of six months between March 2010 and September 2010. The contractor (M/s Deepak Cables India Ltd), however, partly completed laying of UG cable in twelve out of 19 (section 1 to 10, 18 and 19) sections. Subsequently, the route alignment had to be deviated due to construction of underpass at 10th section by BBMP, which was approved by the Company in November 2011 and extended the contract. The contractor failed to meet deadlines, but completed the work in February 2017. The Company did not invoke penal provisions to terminate and re-award the work. Audit further observed that the work of establishing 220/66kV substation at NIMHANS, which was awarded in June 2006, was completed in May 2008 at a cost of ₹ 28.07 crore. This substation was to be commissioned with UG cable, however, it was commissioned in May 2012 by drawing power from an alternate source, after four years of its completion

Appendix-8(a) (contd.)

Sl. No.	Name of the work and details of award/completion/expenditure	Audit remarks
		due to abnormal delay in laying of UG cable. Thus, investment of ₹ 28.07 crore spent on substation remained idle for four years. The Government replied (April 2020) that the work involved obtaining road cutting permission from BBMP, which caused delay in completion. The reply is not acceptable as the Company did not act to terminate the contract when the contractor failed to complete the work within scheduled time (May 2010), despite having permission from BBMP upto September 2010. The contractor failed to meet the deadlines even during extended period of contract.
4	Construction of 220kV DC line from 400/220kV GIS station PGCIL at Bidadi to existing 220/66kV Bidadi, • **Award cost:** ₹ 10.92 crore • **Date of LoI:** December 2011 • **Schedule date of completion:** June 2012 • **Actual date of Completion:** October 2013 • **Delay:** 1 year 4 months • **Expenditure:** ₹ 6.31 crore	Out of 24 locations, in six locations work was delayed due to land owners objecting to the work. The work was completed after resolving the issues. The Government replied (April 2020) that objections were received from various agencies such as M/s Toyota Kirloskar Motors, KIADB for drawing lines in their premises/land and also there were objections from farmers. The fact remained that the Company. without ensuring the right of way. commenced the works which caused avoidable delay.
5	Constructions of 110kV SC line-Kurugodu tap line to Tekkalkote substation. • **Award cost:** ₹ 7.22 crore • **Date of LoI:** June 2014 • **Schedule date of completion:** June 2015 • **Actual date of Completion:** August 2017 • **Delay:** 2 years 2 months • **Expenditure:** ₹ 6.01 crore	The farmers in location 1 to 30 have approached civil court. Though the matter was sorted out during December 2016, work was recommenced in February 2017 after diverting the line corridor and completed in August 2017. The Government replied (April 2020) that the work was delayed as there was objection from the farmers for construction of line in their land. It was also stated that these issues were beyond the control of the Company. The reply is not acceptable as the Company could have completed the work by invoking provisions of the Indian Telegraph Act.
6	Establishment of 110/11kV substation at Khedagi cross along with 110 kV SC line of 10.969 KMs. • **Award cost:** ₹ 8.63 crore • **Date of LoI:** June 2017 • **Schedule date of completion:** June 2018 • **Actual date of Completion:** August 2019 • **Delay:** 1 year two months • **Expenditure:** ₹ 8.35 crore	The line works were completed in March 2019, while substation was completed in August 2019. Audit observed delays on the part of the contractor in completing the works and also right of way issues. The Government replied (April 2020) that there was protest from the land owners against erection of towers at location no.1, 2 & 3, which were resolved by obtaining Caveat from the Court in February 2019 and Tower erection and stringing was completed in March 2019. With regard to substation, it was stated that the land owner stopped the work and issue was resolved subsequently. The fact remained that the Company failed to exercise the provisions of law to ensure right of way.

Appendix-8(b)
Details of incomplete works due to ROW issues
(*Referred to in Paragraph 2.1.12*)

Sl. No.	Name of the work and details of award/delay/expenditure	Audit remarks
The cases where the works (Total expenditure - ₹ 189.07 crore) were not completed even after delay of one year to twelve years from their scheduled dates due to not enforcing conditions of contract and failure to invoke provisions of Indian Telegraph Act, which gives powers to the Company to proceed with the work without interruption and pursue with the land owners separately with regard to payment of compensation.		
1	Construction of Balance 220 kV DC line from Tallak-Hiriyur (PGCIL) for a distance of 60.481 KMs. • **Award cost:** ₹ 73.30 crore • **Date of LoI:** August 2006 • **Schedule date of completion:** August 2007 • **Delay as on December 2019:** 12 years 6 months • **Expenditure:** ₹ 6.34 crore	The line work of 40 kms was completed as of January 2009 and the work did not progress further due to objections from land owners. Resultantly, the expenditure incurred so far remained unfruitful, besides objective of improving the reliability of power supply in Challakere and Molakalmuru taluk has not been achieved. The Government replied (April 2020) that there were severe right of way issues. The contractor has stopped the work after completion of erection of 42 towers. It was also stated that the notice was issued to the contractor in February 2019 for completing the work. The fact remained that the work which was scheduled to be completed by August 2007 has not been completed yet as the Company failed to ensure right of way.
2	Balance work of 220kV D/C line from Somanahalli to Malur 220kV substation and Malur 220kV station to Kolar • **Award cost:** ₹ 27.39 crore • **Date of LoI:** August 2006 • **Schedule date of completion:** May 2007 • **Delay as on December 2019:** 12 years 9 months • **Expenditure:** ₹ 35.27 crore	The execution of the transmission lines (between Somanahalli to Malur) required diversion of 4.34 ha of forest land, of which 3.98 hectares passes through Bannerghatta National Park and 0.36 hectares passes through a Bangalore Urban Forest Division. As the diversion involved National Park, the matter was decided by the Supreme Court and the orders were passed allowing for diversion only in May 2008 subject to certain conditions. Subsequently, the Company took abnormally longer time of nine years for fulfilling the conditions (including payment of Net Present Value of ₹ 4.40 crore) and to get the clearance from Ministry of Environment and Forest (MoEF), GoI, which happened only in March 2017, indicating the lapse on the part of the Company. The Company, without addressing the right of way issues, awarded the contracts thrice in May 1998, May 1999 and May 2006. The first contract (two contracts) awarded at total cost of ₹ 19.26 crore with stipulation to complete by March 1999 was stopped in May 1999/August 2002 after investing ₹ 17.12 crore. The second contract awarded in May 1999 was also short closed in January 2006. The third contract, awarded to M/s Deepak Cables India Ltd in August 2006 with a stipulation to complete by May 2007, was terminated in November 2015 after expending ₹ 35.27 crore. The Company, after obtaining clearance (March 2017) from MoEF, re-awarded (September 2017) the balance works to M/s Sagar Steels Pvt. Ltd for ₹ 13.18 crore to be completed by September 2018. Though the contractor did not furnish required bank guarantee (₹ 89.93 lakh), the Company waited till January 2019 (16 months from LoI) for receipt of guarantee without terminating the contract. The work, however, was not yet completed (December 2019). The Government replied (April 2020) that the delay in completion was due to non-performance of contractual obligations, severe right of way issues, clearance from Bannerghatta National Park Authorities, *etc*. It was further stated that an amount of ₹ 7.85 crore was recovered through liquidated damages/forfeiture of bank guarantee and retention money.

Appendix-8(b) (contd.)

Sl. No.	Name of the work and details of award/delay/expenditure	Audit remarks
		The reply is not acceptable, the Company's failure was very apparent from the fact that the work, which was scheduled to be completed by May 1999, was not completed (December 2019), and taking up of the work without ensuring prior clearance from forest authorities was not in order. Moreover, the Company did not initiate timely action to terminate the contracts of defaulting contractor (M/s Sagar Steels Pvt. Ltd). The expenditure of ₹ 35.27 crore spent on lines remained unfruitful.
3	110kV DC line from Kavoor to Kulashekhara-8.4 KMs. • **Award cost:** ₹ 9.06 crore • **Date of LoI:** April 2007 • **Schedule date of completion:** October 2007 • **Delay as on December 2019:** 12 years 5 months • **Expenditure:** ₹ 6.65 crore	Check survey was submitted by contractor in October 2007, after more than one year from the scheduled date of completion. Due to delay in commencement of the work, lands in the identified line corridor were consolidated by the real estate developers resulting in obstruction to work completion. Out of 50 locations, only 36 towers were erected and stringing of 24 spans was completed. The work was stopped by the contractor since October 2012 and was terminated at risk and cost of contractor in October 2017, after five years of stoppage. The balance work was not re-awarded. The expenditure of ₹ 6.65 crore incurred so far on the erection of lines remained unfruitful pending completion of balance work. The Government replied (April 2020) that various cases relating to the work are pending before Courts. It was also stated that the liquidated damages of ₹ 50.59 lakh were recovered from the agency. Revised estimate for ₹ 11.18 crore was submitted in October 2019 and the escalated cost on account of termination of contract would be recovered after award of the balance work.
4	Establishing 2x100 MVA, 220/66kV substation at Naganathapura. • **Award cost:** ₹ 2.31 crore • **Date of LoI:** July 2007 • **Schedule date of completion:** January 2008 • **Delay as on December 2019:** 12 years one month • **Expenditure:** ₹ 3.97 crore	The contractor commenced the work in March 2012, *i.e.* after lapse of five years of LoI. The contract was terminated in January 2017, with financial progress of ₹ 3.97 crore after nine years from the scheduled date. The cost has been escalated due to delay in completion. The balance work was not completed. The Government replied (April 2020) that it had recovered liquidated damages of ₹ 66.94 lakh and forfeited retention money of ₹ 38.08 lakh. The reply is silent on reasons for not taking action on the contractor despite delay of five years in commencing the work and delay in termination of contract.
5	Shifting of 220kV DC line passing through Airport land by construction of 220kV LILO line in Hassan for a distance of 17.67 KMs. • **Award cost:** ₹ 15.70 crore • **Date of LoI:** September 2007 • **Schedule date of completion:** February 2008 • **Delay as on December 2019:** 12 years • **Expenditure:** ₹ 8.51 crore	The proposals for diversion of 3.83 hectares of forest land was submitted in December 2010 and approved in February 2016. The demand from farmers for higher compensation delayed the works. The DC, Hassan approved compensation rates in August 2018. Payment of compensation was pending. The envisaged objective of shifting the load of Hassan 220/66kV substation from Shivamogga-Bangalore line to Shivamogga-Mysore line was not achieved due to unresolved right of way issues. The Government replied (April 2020) that the contractor stopped the work at location no.40. 41 and 42 as farmers demanded higher compensation. The approval for land compensation was given by the Company in January 2019. The instructions were issued (February/March 2019) to the agency to restart the work and conducted revised check survey in October 2019. Erection of 63 of 68 towers was completed. The reply is not acceptable, as the compensation issue should have been pursued separately as per the law without stoppage of work.

Appendix-8(b) (contd.)

Sl. No.	Name of the work and details of award/delay/expenditure	Audit remarks
6	Substation at Mangalore Special Economic Zone (MSEZ) and associated line • **Award cost:** ₹ 37.27 crore • **Date of LoI:** May 2011 • **Schedule date of completion:** May 2012 • **Delay as on December 2019:** 8 years 9 months • **Expenditure:** ₹ 38.33 crore	The work of substation was commenced only in January 2012 after seven months of award (May 2011) as the Company took four months to hand over the land (September 2011) to the contractor and also due to revision in substation layout subsequent to award of work. As regards construction of line, the contractor (M/s. Vishwanath Projects Limited) commenced work only in May 2014, three years after issue of Letter of Intent (May 2011) for which penal provisions of the contract were not invoked. Further, as the line passed over the railway line, the required clearance was submitted (June 2011/January 2012/February 2015) after award of work, but clearance from the Railway authorities was not received (December 2019). The Company did not pursue Railways at appropriate levels in the Government, the evacuation lines were not completed (December 2019). There was delay of three years in commissioning substation and also the substation was underutilised (14.50 *per cent*) due to non-completion of evacuation lines. The Government replied (April 2020) that the main purpose of completing 220 kV station was for catering to the power requirement to the MSEZ, which was prioritised and completed. It was further stated that the demand raised by the Railways was paid in February 2019, but approval was awaited. The reply is silent on delays at various stages and non-invoking of penal provisions for delay on the part of the contractor and also reasons for delay in receipt of approval from Railways.
7	Establishment of 1X10 MVA, 220kV substation at Benkikere (Channagiri) along with construction of 220kV and 66kV MC/DC/SC lines. • **Award cost:** ₹ 97.64 crore • **Date of LoI:** May 2017 • **Schedule date of completion:** August 2018 • **Delay as on December 2019:** 1 year 4 months • **Expenditure:** ₹ 86.94 crore	Audit observed that expenditure incurred on substation and lines remained unproductive, as the line works were not completed, only 88 out of 199 tower locations were completed. It was also observed that non-completion of line works had caused overloading of neighbouring 220kV substations (Davangere and Shivamogga) over 85 *per cent* of their capacity. The reasons for delay was due to objections from the land owners who filed cases in the DC court and non-obtaining forest clearance. The Government replied (April 2020) that the delay in completion was due to non-issue of forest clearance and demand for higher compensation by the land owners. It was also stated that the compensation issue was resolved in August 2019 and the contractor re-commenced the work from November 2019. It is evident from the reply that the Company failed to obtain forest clearance before commencing the work and payment of compensation should have been dealt with separately as per the provisions of law without stoppage of work.
8	Construction of 110 kV SC line on DC tower from 110kV Guledgudda substation to Ilkal substation. • **Award cost:** ₹ 6.20 crore • **Date of LoI:** August 2011 • **Schedule date of completion:** August 2012 • **Delay as on December 2019:** 7 years 5 months • **Expenditure:** ₹ 3.06 crore	The contract was terminated in February 2015 with financial progress of ₹ 3.06 crore after more than two and half years form scheduled date. The tenders for the balance works estimated at ₹ 4.90 crore was invited in March 2019. The cost was escalated by ₹ 1.76 crore. The Company, though, recovered ₹ 89.84 lakh by way of liquidated damages and forfeited bank guarantee, did not recover the escalated cost on account of termination. The Government replied (April 2020) that the escalated cost on account of termination will be recovered after award of balance works. The fact remained that the Company failed to take timely action for termination of contract, resultantly the cost was escalated and work was not completed even after delay of more than seven years.

Appendix-9

Details of placement of purchase orders for switchgears and delay in commissioning of substations

(*Referred to in Paragraph 2.1.16*)

Sl. No.	Name of the work	Date of award	Schedule date of completion	Date of purchase order	Actual date of supply /date of commissioning of substation	Audit Remarks
1	220kV Mallat substation (Kalaburgi Zone)	March 2013	August 2014	January-2017	December 2017/March-2018	• Purchase Order was placed after completion of substation. • Delay in supply resulted in delay in commissioning of substation by nine months.
2	110kV Tolamatti substation (Bagalkot Zone)	November 2016	September 2017	NA	October 2017/December 2017	• Substation along with line was completed in May 2017, but was commissioned on December-2017 with delay of six months.
3	Nirna 110kV substation (Kalaburgi Zone)	December 2014	December 2015	February 2016	July 2016/November 2016	• Purchase Order was placed after schedule date of completion of work, which resulted in delay in commissioning of substation by twelve months.
4	Google 110kV substation (Kalaburgi Zone)	March 2015	March 2016	March 2016	September 2016/March 2017	• Substation was charged in March 2017, due to delay in placing purchase order and supply.
5	Ripponpet 110kV substation (Hassan Zone)	January 2016	January 2017	March 2016	July 2017/July 2017	• Delay in supply of switchgear resulted in delay in commissioning of the substation by six months.
6	Bennur110kV substation (Bagalkot Zone)	February 2017	February 2018	November 2017	July 2018/August 2018	• Delay in supply of switchgear by four months resulted in delay in commissioning of the substation by six months.
7	Shiggaon110kV substation (Bagalkot Zone)	June 2014	June 2015	March 2015	September 2015/March 2016	• Delay in supply of switchgear by three months delayed commissioning of the substation by six months.
8	Belavanki 110kV substation (Bagalkot Zone)	June 2017	June 2018	September 2017	August 2018/October 2018	• Delay in supply of switchgear by six months delayed commissioning of the substation by four months.

Appendix – 10
Results of Energy Audit
(Paragraph No. 3.1.7.2)

Sl. No.	Division/ subdivision/section	Test checked DTCs	No. Of DTCs with 100 *per cent* loss	No. Of DTCs with Negative loss	No. of DTCs with no data/error	Total	Percentage of discrepancies to total energy audit data generated
(a)	(b)	(c)	(d)	(e)	(f)	(g=d+e+f)	(h=g/c*100)
	BESCOM						
1	Harihara	2,277	623	770	514	1,907	83.75
2	Hoskote	3,354	473	758	1,130	2,361	70.39
3	Magadi	3,737	277	41	2,648	2,966	79.37
	Total	**9,368**	**1,373**	**1,569**	**4,292**	**7,234**	**77.22**
	HESCOM						
1	Alnavar AC Section	470	0	58	380	438	93.19
2	ChillurBadni	56	0	0	54	54	96.43
3	Dharwad RSD	3,096	2	455	2,247	2,704	87.34
4	Bammigatti	95	0	2	93	95	100
5	Benchikeri	3	0	1	2	3	100
6	Hulkoppa	70	0	3	65	68	97.14
7	Kalaghatagi	2,238	0	117	2,006	2,123	94.86
	Total	**6,028**	**2**	**636**	**4,847**	**5,485**	**90.99**
	MESCOM						
1	Udupi	2,758	412	659	635	1,706	61.86
2	Kadur	83	0	0	15	15	18.07
3	Bantwal	4,893	50	86	1,297	1,433	29.29
4	Shivamoga	1,728	1,064[199]			1,064	61.57
	Total	**9,462**				**4,218**	**44.58**

[199] Details of breakup for column (d), (e), (f) are not available.

Appendix - 11

Details of common issues observed in physical verification of DTCs

(Paragraph No. 3.1.7.3)

Sl. No.	Observations made on Field	Number of DTCs	Name of the division
	BESCOM		
	Findings of physical verification		
1	Meter burnt	4	Hosakote, Madhugiri
2	Meter not found on site	4	Hosakote, Magadi
3	Cable burnt	4	Harihara, Magadi
4	Meter Issue (Exact problem not identified)	3	Harihara, Hosakote
5	Recording Issue with meter	3	Harihara, Hosakote
6	Meter working fine	4	Magadi, Madhugiri
	Data verified with energy audit and DCB reports		
7	Actual consumption less than that of recorded in Energy Audit Report	1	Hosakote
8	Tagging Issue	8	Harihara, Hosakote, Magadi
	Total	**31**	
	HESCOM		
	Findings of physical verification		
1	Display of meter Not Working	45	Belgavi, Sirsi, Haveri, Raibagh, Bagalkot
2	Cable burnt	2	Sirsi, Haveri
3	Battery Drained	2	Sirsi, Raibag
4	Meter not communicating due to lack of AMR Compliance	1	Belagavi
5	Meter burnt	11	Sirsi , Haveri , Raibag
6	Transformer Centre idle	1	Haveri
7	Two meters installed together	1	Raibag
8	Meter not in working condition	4	Belgavi, Sirsi,
	Data verified with energy audit and DCB reports		
9	Mismatch in location of meter as compared to the Energy Audit Report	14	Belagavi ,Sirsi
10	Meter Serial Number did not match with the Energy Audit Data	7	Haveri, Raibag, Bagalkot
11	Meter existed in the field but was not featured in the Energy Audit Data	5	Raibag, Bagalkot
12	Tagging Issue	4	Belagavi, Bagalkot
13	Duplication of Serial Number of Meter	1	Bagalkot
	Total	**98**	
	MESCOM		
	Findings of physical verification		
1	Meter Display not working	7	Shivamoga, Kadur
2	Meter not found on site	3	Shivamoga, Kadur
3	Meter Burnt	2	Kadur
4	Display of current in the meter is not in the specified range	2	Shivamoga
5	Meter Serial Number Mismatch	4	Shivamoga, Kadur
6	Discrepancies in readings of potential and load	5	Shivamoga, Kadur
	Data verified with energy audit and DCB reports		
7	Difference in Number of Installation as per Energy Audit Report and Transformer Register	5	Shivamoga
8	Consumers not properly mapped	4	Kadur, Shivamoga
	Total	**32**	

Appendix - 12

Differences between Energy Audit (EA) and DCB Reports
(Paragraph No. 3.1.7.3)

Division	Subdivision	DTC location and meter No	No of installations		Difference
			As per EA	As per DCB	
HESCOM					
Belagavi Rural	Belagavi RSD 1	HES28254	127	95	-32
		HES27561	39	98	59
		HES28331	26	179	153
		HES30418	272	1	-271
		HES34616	276	0	-276
		HES27723	0	175	175
		HES27926	316	10	-306
		HES28087	299	136	-163
	Belagavi RSD 2	HES29241	407	325	-82
		HES29641	120	118	-2
		HES30023	152	154	2
		HES29829	526	523	-3
		3102531	7	4	-3
	Khanapur	3043476	29	16	-13
		233354	209	196	-13
		3043770	395	350	-45
		3040429	180	147	-33
		3043704	21	20	-1
		3041730	369	327	-42
		3043415	293	87	-206
		28130092	184	166	-18
		3101976	89	85	-4
MESCOM					
Shivamogga	RSD Shivamogga	MES 97675	256	64	-192
		MES94722	204	191	-13
		MES94692	171	63	-108
	Thirthalli	MES94722	248	157	-91
Udupi	Manipal	15199	94	76	-18
		15166	8	9	1
		15174	26	38	12
		15175	42	46	4
		15192	1	3	2
	Brahmavara	MEZ10734	3	2	-1
		MEZ10719	32	31	-1
	Kaup	MES77993	19	48	29
		MES77027	13	11	-2
		MES77591	79	93	14
	Karkala	MEZ12986	20	100	80
		MEZ10702	71	105	34
		MEZ10730	18	1	-17
		MEZ12951	9	335	326

Appendix - 13

Directives and observations of KERC on Metering of DTCs and Energy Audit

(Paragraph No. 3.1.8)

Tariff Order	Directives/observations of KERC
2008	• ESCOMs were to prepare a metering plan for Energy Audit to measure the energy received in each of the responsibility centers and to account for the energy sales. • ESCOMs were directed to undertake energy audit studies at distribution circle level and to file a trajectory of loss levels in respect of technical and commercial losses for each of the years of the control period, backed up by relevant studies to justify the loss levels indicated. ESCOMs should furnish voltage wise loss levels along with monthly reports to the Commission. The Commission also directed that segregation of technical and commercial losses shall be achieved and suitably benchmarked well before annual review of performance.
2009	• ESCOMs should install meters to all DTCs which were predominantly feeding to IP sets and put in place a mechanism to obtain periodical meter readings of such meters and assess the IP set consumption. ESCOMs were allowed a period of one year from the date of this order to implement this directive.
2010	• The installation of meters at the DTC level should be completed by all ESCOMs by 31 December 2010 and furnish to the Commission the information in this regard by 30 April 2010 and thereafter report on a monthly basis on the progress achieved in respect of number of DTCs existing in the Company, number of DTCs already metered, number of DTCs yet to be metered and a time bound monthly programme for completion of work by 31 December 2010. ESCOMs should submit an action plan for reduction of losses and increase in metered sales within three months from the date of this order.
2011	• ESCOMs should furnish a plan of action for obtaining meter readings and to conduct energy audit.
2012	• The overall progress achieved by the ESCOMs was not satisfactory. ESCOMs should furnish the plan of action for fixing meters to the remaining DTCs and obtaining meter readings for conducting energy audit within a specified time limit. ESCOMs were also directed to take up Energy Audit of all the completed DTCs and submit compliance
2014	• During the ESCOMs Review meeting held on 19 October 2013 by the Commission, BESCOM and MESCOM have agreed to complete 100 *per cent* DTC Metering along with consumer indexing in at least one division by the end of December, 2013 and furnish the analysis of the same to the Commission. But, both ESCOMs did not comply with the directive. • BESCOM and MESCOM should expedite metering of DTCs by drawing up an action plan and complete it in a reasonable period of time so as to take up DTC wise energy audit and initiate remedial measures aimed at reducing the losses wherever the losses were abnormally high. HESCOM had not shown any seriousness in complying with the directives of the Commission
2015	• The progress of DTC metering was just around 56 *per cent* in BESCOM, 31 *per cent* in HESCOM which was not satisfactory. BESCOM had not taken up energy audit of even such DTCs for which metering was completed negating the very purpose of metering them at a substantial cost. BESCOM was directed to take up energy audit of DTCs for which meters have already been installed and submit the DTC wise details of energy audit conducted with analysis within three months from the date of this order.

Appendix – 13 (contd.)

Tariff Order	Directives/observations of KERC
	• BESCOM was directed to complete the energy audit of Davanagere Circle which was reportedly selected for 100 *per cent* completion of DTC metering along with consumer indexing and submit the results / analysis of the energy audit to the Commission within in one month from the date of this order. The Commission directed that metering of all the DTCs in BESCOM should be completed within three months from the date of the order. The compliance of the above should be reported regularly to the Commission once in a quarter.
2016	• ESCOMs were not submitting regularly the monthly analysis of energy audit conducted in cities/towns. ESCOMs had not taken up comprehensive DTC wise energy audit, reportedly due to non-completion of tagging of consumer installations with the concerned feeders/DTCs. There has been an inordinate delay in tagging of consumer details with the feeders/DTCs. In fact, ESCOMs during the Review meetings held in the Commission, had committed to complete this exercise before August 2014, but the progress achieved was not satisfactory. • ESCOMs were directed to take up energy audit of DTCs for which meters have already been installed and to initiate corrective measures for reducing distribution losses wherever they are above the targeted level. The compliance in respect of DTC wise energy audit conducted with analysis and the remedial action initiated to reduce loss levels should be submitted every month regularly to the Commission.
2017	• Despite completing significant percentage of metering of the DTCs, ESCOMs have failed to take up DTC-wise energy audit, citing non-completion of tagging of consumer installations with the concerned feeders/DTCs and also software integration issues. ESCOMs were directed to take up energy audit of DTCs where meters have already been installed and to initiate remedial measures for reducing energy losses in the distribution system. • The Commission views with displeasure, the delay in completing the tagging work and taking up the energy audit, and directed to take up energy audit of DTCs where meters have already been installed and to initiate remedial measures for reducing energy losses in the distribution system.
2018	• Despite completion of metering of substantial number of DTCs, ESCOMs failed to take up DTC-wise energy audit, citing incomplete tagging of consumer installations with the concerned feeders/DTCs and also unresolved software integration issues. The reply currently submitted by the ESCOMs was the same as that of the previous year.
2019	• The Commission directed ESCOMs to conduct workshops at the Division Office level, for educating the officers of all cadre on the importance of conducting the energy audit, feeder-wise, DTC-wise, *etc* and motivating them to take action to reduce the losses in their areas, address issues relating to consumer tagging, recognise the importance of energy metering and maintaining them in good condition, strictly servicing all the installations by providing appropriate energy meters, providing and maintaining energy meters to the DTC's, Metering of Street light installations, Replacement of electromechanical meters, *etc*. An action plan on conducting such workshops shall be submitted by BESCOM within 60 days from the date of this order. • The Commission did not find the reasons submitted by ESCOMs for not conducting the energy audit in respect of 11 kV lines, DTCs and LT lines as justifiable and directed ESCOMs to submit the consolidated energy audit report for the Financial Year 2019 before 31 May 2019.

Appendix-14

Failed transformers yet to be repaired as of December 2019

(Referred to in Paragraph no.3.2.3)

Sl. No	Division	Substation	WDV (₹ in lakh)	Date of failure	Delay from date of failure (days)	Delay after stipulated 360 days (days)	Delay after 360 days (years)
PTs held with repairers							
1	Bangalore	HSR Lay out	2.42	22-08-2011	3,053	2,693	7.5
2	Bagalkote	H – Hidkal	24.26	08-10-2011	3,006	2,646	7.4
3	Bangalore	Somanahalli	459.40	17-12-2011	2,936	2,576	7.2
4	Bangalore	Shantinikethan	140.90	14-02-2012	2,877	2,517	7.0
5	Bagalkote	Yaragatti	22.14	15-02-2012	2,876	2,516	7.0
6	Bagalkote	Ganeshgudi	8.35	21-06-2012	2,749	2,389	6.6
7	Bangalore	Kadugody	115.84	31-10-2012	2,617	2,257	6.3
8	Bagalkote	Tadasinkoppa	25.97	30-12-2012	2,557	2,197	6.1
9	Bangalore	Yerandanahalli	106.95	01-02-2013	2,524	2,164	6.0
10	Bagalkot	Athani	87.03	12-03-2013	2,485	2,125	5.9
11	Mysore	Tubinkere	101.80	25-07-2013	2,350	1,990	5.5
12	Bangalore	NRS, DB Pura	167.23	13-09-2013	2,300	1,940	5.4
13	Bagalkote	Gajendragad	90.98	18-09-2013	2,295	1,935	5.4
14	Mysore	Bilikere	54.00	11-04-2014	2,090	1,730	4.8
15	Mysore	Santhebachally	54.00	30-05-2014	2,041	1,681	4.7
16	Bangalore	Hoodi	104.48	04-06-2014	2,036	1,676	4.7
17	Bagalkote	220 kV Belgaum	13.54	21-08-2014	1,958	1,598	4.4
18	Bagalkote	Ankalagi	174.00	21-12-2014	1,836	1,476	4.1
19	Mysore	Nanjangudu	83.00	13-01-2015	1,813	1,453	4.0
20	Bangalore	BMTC	4.48	20-03-2015	1,747	1,387	3.9
21	Bangalore	Malur	4.56	15-08-2015	1,599	1,239	3.4
22	Bagalkote	Katakol	13.16	06-05-2016	1,334	974	2.7
23	Bangalore	Bidadi	100.29	16-05-2016	1,324	964	2.7
24	Mysore	Belagola	68.47	17-12-2016	1,109	749	2.1
25	Bangalore	Naganathapura	3.68	06-02-2017	1,058	698	1.9
26	Bangalore	Channapatna	58.14	20-04-2017	985	625	1.7
27	Bagalkote	Kanbargi	80.43	05-05-2017	970	610	1.7
28	Bangalore	Bommasandra	155.55	10-06-2017	934	574	1.6
29	Bangalore	Kolar	3.49	12-08-2017	871	511	1.4
30	Bangalore	Chandrappa Circle	6.03	07-11-2017	784	424	1.2
31	Mysore	Nanjangudu	222.06	15-11-2017	776	416	1.2
32	Bagalkote	Ramdurga	180.27	14-03-2018	657	297	0.8
33	Bangalore	Electronic City Phase-2 Sec 2	63.55	24-03-2018	647	287	0.8
	Total		**2,800.00**				

Appendix-14 (contd.)

Sl. No	Division	Substation	WDV (₹ in lakh)	Date of failure	Delay from date of failure (days)	Delay after stipulated 360 days (days)	Delay after 360 days (years)
PTs held at substations							
1	Bagalkote	Devarhiparagi	14.56	21-06-2013	2,384	2,024	5.6
2	Bangalore	Somanahalli	448.05	29-03-2015	1,738	1,378	3.8
3	Bangalore	Gokula	82.46	02-11-2015	1,520	1,160	3.2
4	Mysore	Devanur	4.90	06-11-2015	1,516	1,156	3.2
5	Bagalkote	Mantur	1.04	15-04-2016	1,355	995	2.8
6	Bagalkote	Haliyal	10.02	22-05-2016	1,318	958	2.7
7	Bagalkotee	Lokapur	2.29	28-05-2016	1,312	952	2.6
8	Bagalkote	Rattihalli	4.15	04-06-2016	1,305	945	2.6
9	Bagalkote	Lokapur	2.29	07-06-2016	1,302	942	2.6
10	Mysore	Sindhuvallypura MUSS Station.	7.63	17-02-2017	1,047	687	1.9
11	Bagalkote	M.K.Hubli	149.05	09-04-2017	996	636	1.8
12	Mysore	Megalapura	6.78	14-04-2017	991	631	1.8
13	Bangalore	BIAL Begur	45.56	10-05-2017	965	605	1.7
14	Mysore	Santhebachally	83.00	19-05-2017	956	596	1.7
15	Bagalkote	Mattihal	49.02	07-06-2017	937	577	1.6
16	Mysore	Vajamangala	111.23	13-10-2017	809	449	1.2
17	Bangalore	Chintamani	67.08	08-06-2018	571	211	0.6
18	Bangalore	Cesna Park	67.08	08-06-2018	571	211	0.6
19	Bangalore	Kudur	27.99	18-07-2018	531	171	0.5
20	Bangalore	Ramapura	6.69	23-08-2018	495	135	0.4
21	Bangalore	Puttenahalli	135.35	23-11-2018	403	43	0.1
22	Bagalkote	Gulledagudda	29.16	20-02-2019	314	-	-
	Total		**1,355.82**				
	Grand Total		**4,155.82**				

Appendix – 15

Repaired PTs – Delay in tendering and issue of LoA

(Referred to in Paragraph no.3.2.4)

Sl.No.	Division/ Substation	Date of failure	Date of tendering	Delay in tendering after allowing 15 days for testing and estimate (months)	Date of LoA	Delay in issue of LoA after allowing 60 days (months)	Date of DWA	Delay in issuing DWA after considering 30 days for lifting and joint inspection (months)	Date of Final Inspection (delay w.r.t contract)	Delay in months from date of failure (after allowing 360 days)
1	Mysore/ Nanjangudu	24-10-2012	20-11-2015	37	26-07-2016	6	15-06-2018	22	25-10-2018 (nil)	61
2	Bagalkote/ PH Compound	24-03-2014	22-09-2014	6	27-11-2014	-	02-01-2017	25	12-05-2017 (nil)	26
3	Bangalore/ Dommasandra	08-05-2014	11-02-2015	9	07-09-2015	5	27-03-2018	30	10-09-2018 (2 months)	41
4	Bangalore/ Yerandahalli R/S	30-12-2014	12-06-2015	5	10-02-2016	6	13-04-2017	13	11-11-2017 (3 months)	23
5	Bangalore/ Attibele	05-04-2014	11-02-2015	10	31-12-2015	9	02-03-2017	13	28-08-2018 (14 months)	42
6	Bangalore/ Sugatur	13-08-2014	21-11-2014	3	07-09-2015	8	15-04-2017	19	28-08-2017 (1 month)	25
7	Bangalore/ Byrakur	12-09-2014	12-02-2015	5	21-11-2015	7	04-05-2016	5	17-08-2016 (nil)	12
8	Bangalore/ Kadugodi	13-05-2014	11-02-2015	9	03-09-2015	5	02-03-2017	17	25-08-2017 (2 months)	28
9	Bangalore / Hoodi	31-03-2015	01-02-2017	22	31-12-2017	9	25-09-2018	8	06-02-2019 (ni)	35
10	Bangalore/ Somanahalli	22-06-2009	10-06-2015	72	22-09-2016	14	01-10-2018	24	05-01-2019 (nil)	104
11	Bangalore/ Chandra	13-04-2014	11-02-2015	10	14-09-2015	5	03-02-2017	16	28-08-2017 (3 months)	29

Note: The above represent 11 PTs which were repaired and received with delay from the repairers. The balance 7 PTs were repaired under warranty/in repair bay which were not considered for the purpose of audit comment.

Appendix-16

PTs held with repairers and delay at various stages

(referred to in *Paragraph No.3.2.5*)

Sl. No	Zone/Division	Substation	Date of failure	Date of tendering	Delay in tendering after considering 15 days for testing and estimate (months)	Date of LoA	Delay in issue of LoA after considering 60 days for finalising tender (months)	Date of DWA	Delay in issuing DWA after considering 30 days for lifting and joint inspection (months)	Contract price as per the revised estimate	Schedule date of completion for repair	Delay in repair as of December 2019 from the scheduled date (months)
1	Mysore	Santhebachally	30-05-2014	29-07-2015	14	28-07-2016	10	NA	-	27.37	NA	NA
2	Mysore	Tubinkere	25-07-2013	19-07-2014	11	15-02-2016	17	NA	-	149.93	NA	NA
3	Mysore	Bilikere	11-04-2014	Under warranty	-	-		-	-	-	-	-
4	Bagalkot	Tadasinakoppa	30-12-2012	01-07-2014	18	20-12-2014	4	09-09-2015	8	23.99	07-01-2016	48
5	Bagalkot	Ganeshgudi	21-06-2012	01-07-2014	24	27-11-2014	3	09-09-2015	9	20.29	07-01-2016	48
6	Bagalkot	Athani	12-03-2013	12-11-2013	8	24-12-2014	12	02-03-2019	50	79.82	30-06-2019	6
7	Bagalkot	Gajendragad	18-09-2013	22-09-2014	12	27-11-2014	0	08-04-2019	52	59.78	06-08-2019	5
8	Bagalkot	Yaragatti	15-02-2012	03-03-2014	24	27-09-2014	5	09-09-2015	11	48.85	07-01-2016	48
9	Bagalkot	H - Hidkal	08-10-2011	03-03-2014	29	30-08-2014	4	09-05-2019	56	63.08	06-09-2019	4
10	Bangalore	Yerandahalli	01-02-2013	21-3-2015	35	31-12-2015	8	30-3-2016 (joint insp)	2	NA	31-7-2017	29
11	Bangalore	HSR Lay out	22-08-2011	15-11-2011	2	22-05-2012	4	23-06-2014	24	57.03	21-10-2014	63
12	Bangalore	NRS, DB Pura	13-09-2013	9-12-2013	2	27-8-2014	7	NA	-	-	-	-
13	Bangalore	Kadugody	31-10-2012	05-03-2013	4	14-08-2013	3	17-03-2015	18	40.91	15-07-2015	54
14	Bangalore	Shantiniketan	14-02-2012	Under warranty	-	-	-	-	-	-	-	-
15	Bangalore	Hoodi	04-06-2014	09-12-2014	6	02-06-2015	4	NA	-	63.65	-	-
16	Bangalore	Somanahalli	17-12-2011	11-05-2012	4	20-05-2013	10	09-11-2018	66	163.52	09-03-2019	10

Appendix-16 (contd.)

Sl.No	Zone/Division	Substation	Date of failure	Date of tendering	Delay in tendering after considering 15 days for testing and estimate (months)	Date of LoA	Delay in issue of LoA after considering 60 days for finalising tender (months)	Date of DWA	Delay in issuing DWA after considering 30 days for lifting and joint inspection (months)	Contract price as per the revised estimate	Schedule date of completion for repair	Delay in repair as of December 2019 from the scheduled date (months)
17	Bangalore	Bidadi	16-05-2016	27-10-2016	5	22-09-2017	9	29-11-2018	13	90.71	29-03-2019	9
18	Mysore	Nanjangudu	15-11-2017	25-05-2018	6	08-03-2019	8	NA	-	-	-	-
19	Mysore	Nanjangudu	13-01-2015	02-12-2015	10	01-03-2017	13	NA	-	56.58	-	-
20	Mysore	Belagola	17-12-2016	25-05-2018	17	27-07-2018	0	08-03-2019	6	41.69	08-07-2019	6
21	Bagalkot	220 kV Belgaum	21-08-2014	28-06-2018	46	02-03-2019	6	NA	-	144.86	-	-
22	Bagalkot	Ankalagi	21-12-2014	28-06-2018	42	02-03-2019	6	NA	-	56.38	-	-
23	Bagalkot	Kanbargi	05-05-2017	25-06-2018	13	02-03-2019	6	NA	-	52.53	-	-
24	Bagalkot	Katakol	06-05-2016	26-06-2018	26	02-03-2019	6	NA	-	64.26	-	-
25	Bagalkot	Ramdurga	14-03-2018	28-06-2018	3	08-03-2019	6	NA	-	21.49	-	-
26	Bangalore	Bommasandra	10-06-2017	Within warranty	-	-	-	-	-	10	-	-
27	Bangalore	Chandrappa Circle	07-11-2017	06-06-2018	7	17-10-2018	2	08-03-2019	4	24.58	08-07-2019	6
28	Bangalore	Channapatna	20-04-2017	06-06-2018	13	17-10-2018	2	18-02-2019	3	44.17	18-06-2019	7
29	Bangalore	Malur	15-08-2015	25-05-2018	33	17-10-2018	3	12-02-2019	3	40.92	12-06-2019	7
30	Bangalore	BMTC	20-03-2015	30-09-2015	-	17-10-2018	35	08-03-2019	4	47.52	08-07-2019	6
31	Bangalore	Electronic City Phase-2 Sec 2	24-03-2018	13-06-2018	2	17-10-2018	2	19-02-2019	3	47.97	19-06-2019	7
32	Bangalore	Naganathapura	06-02-2017	25-05-2018	15	17-10-2018	3	19-02-2019	3	48.51	19-06-2019	7
33	Bangalore	Kolar	12-08-2017	08-06-2018	10	17-10-2018	2	08-03-2019	4	51.42	08-07-2019	6

Appendix-17

PTs held with repairers and LD leviable for delay at various stages

(Referred to in Paragraph No.3.2.5)

Sl. No	Zone/Division	Substation	Date of failure	Date of tendering	Date of LoA	Date of DWA	Contract price as per the revised estimate (₹ in lakh)	LD leviable for delays at various stages (₹ in lakh)	Audit remarks
1	Mysore	Santhebachally	30-05-2014	29-07-2015	28-07-2016	NA	27.37	2.74	• The company took one year to finalise the tender. • Lifting of PT and joint inspection was delayed by more than one month. • Bidder did not respond to issue revised estimate (October 2016).
2	Mysore	Tubinkere	25-07-2013	19-07-2014	15-02-2016	NA	149.93	14.99	• LoA was issued in February 2016 after delay of one and half-year of tender invitation (December 2014). • Bidder delayed in furnishing BG (70 days), lifting PT (28 days) and inviting for joint inspection (31 days). • Bidder (M/s Tarapur Transformers) did not respond to clarification sought by Company on replacement of certain spares.
3	Mysore	Bilikere	11-04-2014	Under warranty	-	-	-	-	• Bidder (M/s Standard transformers) sought (February 2016) additional six months for completing the repair. • Legal notice was served (November 2016) to return the PT. Bidder firm was stated to have been closed due to financial crisis.
4	Bagalkot	Tadasinkoppa	30-12-2012	01-07-2014	20-12-2014	09-09-2015	23.99	2.40	• LoA was issued with delay of more than four months. • Bidder lifted PT with delay of 64 days. Reminders were issued (November/December 2015 and February 2016). • Delivery schedule was extended to June 2016.
5	Bagalkot	Ganeshgudi	21-06-2012	01-07-2014	27-11-2014	09-09-2015	20.29	2.03	• Issue of LoA was delayed by more than three months. • There was delay on the part of the bidder in lifting PT, furnishing BG by 64 days and offering joint inspection by 77 days.

Appendix-17 (contd.)

Sl. No	Zone/Division	Substation	Date of failure	Date of tendering	Date of LoA	Date of DWA	Contract price as per the revised estimate (₹ in lakh)	LD leviable for delays at various stages (₹ in lakh)	Audit remarks
6	Bagalkot	Athani	12-03-2013	12-11-2013	24-12-2014	02-03-2019	79.82	7.98	• Contractual obligations were completed by bidder after a delay of 127 days, P.T was lifted after a delay of 501 day, Joint inspection after a delay of 84 days.
7	Bagalkot	Gajendragad	18-09-2013	22-09-2014	27-11-2014	08-04-2019	59.78	5.98	• Contractual obligations were completed by bidder after a delay of 45 days, PT was lifted with delay of 53 days. • There was delay on the part of the Company in conducting joint inspection (59 days), estimation (117 days), amending LoA (171 days). • Legal notice was served (February 2016) on the bidder.
8	Bagalkot	Yaragatti	15-02-2012	03-03-2014	27-09-2014	09-9-2015/ 02-03-2019	48.85	4.88	• Joint inspection was delayed by the bidder by two months. • Issue of initial DWA was delayed by more than eight months and revised DWA incorporating change in windings was issued (March 2019) with delay of eight months.
9	Bagalkot	H - Hidkal	08-10-2011	03-03-2014	30-08-2014	09-05-2019	63.08	6.31	• Contractual obligations were completed by bidder after a delay of 47 days, joint inspection was done with delay of 64 days. • There was delay in estimation and issue of initial DWA and revised DWA by more than seven and nine months respectively.
10	Bangalore	Yerandahalli	01-02-2013	21-3-2015	31-12-2015	30-3-2016	36.39	3.63	• There was delay in issue of amendment to LoA by more than 18 months. • PT was lifted with delay of more than two months.
11	Bangalore	HSR Lay out	22-08-2011	15-11-2011	22-05-2012	23-06-2014	57.03	5.70	• Bidder delayed lifting PT (49 days) and joint inspection by 65 days. • DWA was issued after delay of one year from the date of revised estimate.

Appendix-17 (contd.)

Sl. No	Zone/Division	Substation	Date of failure	Date of tendering	Date of LoA	Date of DWA	Contract price as per the revised estimate (₹ in lakh)	LD leviable for delays at various stages (₹ in lakh)	Audit remarks
12	Bangalore	NRS, DB Pura	13-09-2013	9-12-2013	27-8-2014	NA	-	-	• There was delay in lifting PT by five months and conducting joint inspection by four months.
13	Bangalore	Kadugody	31-10-2012	05-03-2013	14-08-2013	17-03-2015	40.91	4.09	• Bidder delayed lifting PT by 57 days and the Company delayed joint inspection by more than a month. • The Company issued final notices in January 2017 and April 2017. The PT was not repaired and returned.
14	Bangalore	Shantiniketan	14-02-2012	Under warranty	-	-	-	-	• PT was issued to repairer in July 2012, since then there was no response from repairer and the Company found factory of the repairer locked out.
15	Bangalore	Hoodi	04-06-2014	09-12-2014	02-06-2015	NA	63.65	6.37	• There was delay in lifting PT by 56 days and conducting joint inspection by more than three months. • There were certain changes in scope of work and Company issued amended LoA. However, the bidder did not accept and furnish differential BG, pending which DWA was not issued.
16	Bangalore	Somanahalli	17-12-2011	11-05-2012	20-05-2013	09-11-2018	163.52	16.35	• Bidder lifted the PT with delay of more than three months, joint inspection was delayed by four months. • The Company delayed issue of DWA by more than four and half years.
17	Bangalore	Bidadi	16-05-2016	27-10-2016	22-09-2017	29-11-2018	90.71	9.07	• PT was lifted with delay of 55 days from LoA and joint inspection was conducted with delay of 70 days.
18	Mysore	Nanjangudu	15-11-2017	25-05-2018	08-03-2019	NA	-	-	• Delay in issue of LoA by 69 days from the date of approval by CPC • The request (April 2019) of bidder to relax conditions on BG and signing contract agreement was denied by the Company. • The PT was lying in the substation.

Appendix-17 (contd.)

Sl. No	Zone/Division	Substation	Date of failure	Date of tendering	Date of LoA	Date of DWA	Contract price as per the revised estimate (₹ in lakh)	LD leviable for delays at various stages (₹ in lakh)	Audit remarks
19	Mysore	Nanjangudu	13-01-2015	02-12-2015	01-03-2017	NA	56.58	2.63	• LoA was issued (March 2017) after lapse of seven months from the date of price negotiation (September 2016). • There was delay on the part of Bidder, viz. furnishing BG (25 days), lifting PT (58 days) and inviting joint inspection (70 days). • There was delay in joint inspection and submission of revised estimate by the Company by 30 days. • Approval for change in design proposed (July 2017) by the repairer was delayed by one year four months.
20	Mysore	Belagola	17-12-2016	25-05-2018	27-07-2018	08-03-2019	41.69	1.97	• Bidder lifted the PT with delay of 43 days. • Revised estimate was prepared by the Company after lapse of almost three months and DWA was issued after lapse of two months from the date of revised estimate.
21	Bagalkot	220 kV Belgaum	21-08-2014	28-06-2018	02-03-2019	NA	144.86	11.90	• Bidder lifted the PT with a delay of one month. • Submission of estimate was delayed by 29 days after joint inspection.
22	Bagalkot	Ankalagi	21-12-2014	28-06-2018	02-03-2019	NA	56.38	4.22	• Joint inspection was delayed by 65 days. • Submission of estimate was delayed by 39 days after joint inspection.
23	Bagalkot	Kanbargi	05-05-2017	25-06-2018	02-03-2019	NA	52.53	1.76	• Joint inspection was done with delay of 40 days. • Submission of estimate was delayed by 97 days after joint inspection.
24	Bagalkot	Katakol	06-05-2016	26-06-2018	02-03-2019	NA	64.26	0.92	• Invitation for joint inspection by the bidder was delayed by 40 days. • Joint inspection was done with delay of 58 days.
25	Bagalkot	Ramdurga	14-03-2018	28-06-2018	08-03-2019	NA	21.49	0.32	• Invitation for joint inspection by the bidder was delayed by 21 days. • Joint inspection was done with delay of 58 days.

Appendix-17 (contd.)

Sl. No	Zone/Division	Substation	Date of failure	Date of tendering	Date of LoA	Date of DWA	Contract price as per the revised estimate (₹ in lakh)	LD leviable for delays at various stages (₹ in lakh)	Audit remarks
26	Bangalore	Bommasandra	10-06-2017	Under warranty	-	-	10.00	1.35	• Joint inspection was done on 23.1.2019, but PT was not delivered.
27	Bangalore	Chandrappa Circle	07-11-2017	06-06-2018	17-10-2018	08-03-2019	24.58	1.00	• Bidder lifted the PT with delay of 17 days beyond the stipulated period and joint inspection was delayed by 40 days. • The Company delayed revised estimate by 21 days and issue of DWA by 34 days.
28	Bangalore	Channapatna	20-04-2017	06-06-2018	17-10-2018	18-02-2019	44.17	1.80	• Bidder lifted the PT with delay of 17 days beyond the stipulated period and joint inspection was delayed by 40 days. • The Company delayed revised estimate by 17 days and issue of DWA by 20 days.
29	Bangalore	Malur	15-08-2015	25-05-2018	17-10-2018	12-02-2019	40.92	1.20	• Joint inspection and preparation of revised estimate was delayed by 38 days.
30	Bangalore	BMTC	20-03-2015	30-09-2015	17-10-2018	08-03-2019	47.52	1.22	• There were delays at three stages, *viz.* Joint inspection (33 days), revised estimation (42 days) and issue of DWA (34 days).
31	Bangalore	Electronic City Phase-2 Sec 2	24-03-2018	13-06-2018	17-10-2018	19-02-2019	47.97	0.86	• Joint inspection was delayed by 15 days and revised estimation by 51 days.
32	Bangalore	Naganathapura	06-02-2017	25-05-2018	17-10-2018	19-02-2019	48.51	1.00	• Lifting of PT was delayed by 10 days, Joint inspection and revised estimate was delayed by 19 days and 42 days respectively
33	Bangalore	Kolar	12-08-2017	08-06-2018	17-10-2018	08-03-2019	51.42	1.47	• Joint inspection and revised estimate was done with delay of 40 days and DWA was further delayed by 31 days.
	Total LD leviable							**126.14**	

Appendix-18

Repeated orders placed on defaulting repairers

(Referred to in Paragraph no.3.2.5)

Sl. No	Zone	Substation	WDV (₹ in lakh)	Date of Letter of Award
M/s Tarapur Transformers Ltd				
1	Bangalore	HSR Layout	2.42	22-05-2012
2	Bangalore	Kadugodi	115.84	14-08-2013
3	Bagalkote	Ganeshgudi	8.35	27-11-2014
4	Bagalkote	Tadasinkoppa	25.97	20-12-2014
5	Bangalore	Yerandanahalli	106.95	31-12-2015
6	Mysore	Tubinkere	101.80	15-02-2016
7	Mysore	Santhebachally	54.00	28-07-2016
M/s Vidyuth Transformers Pvt Ltd				
1	Bangalore	Somanahalli	459.40	20-05-2013
2	Bangalore	NRS, DB Pura	167.23	27-08-2014
3	Bagalkote	H-Hidkal	24.26	30-08-2014
4	Bagalkote	Yaragatti	22.14	27-09-2014
5	Bagalkote	Gajendragad	90.98	27-11-2014
6	Bagalkote	Athani	87.03	24-12-2014
7	Bangalore	Hoodi	104.48	02-06-2015
8	Bangalore	Bidadi	100.29	22-09-2017

Appendix-19
Failed transformers held at substations
(Referred to in Paragraph no.3.2.6)

Sl. No.	Substation	Date of failure	WDV (₹ in lakh)	Period since PT was kept without repair from date of failure as of December 2019 (No. of years)	Audit remarks
	Mysore				
1	Devanur	06-11-2015	4.90	4.2	Tenders were invited (between November 2016 and February 2019) for all except one PT (Sl.No.4 not tendered). But, the tenders were cancelled due to non-receipt of qualified bidders.
2	Sindhuvallypura MUS Station.	17-02-2017	7.63	2.9	
3	Megalapura	14-04-2017	6.78	2.8	
4	Santhebachally	19-05-2017	83.00	2.7	
5	Vajamangala	13-10-2017	111.23	2.2	
	Bagalkote				
6	Devarhiparagi	21-06-2013	14.56	6.6	Tenders were invited (between October 2016 and July 2019). But they did not fructify due to non-receipt of response from bidders.
7	Mantur	15-04-2016	1.04	3.8	
8	Lokapur	28-05-2016	2.29	3.6	Tenders were invited in December 2018, one bidder was responsive. Bids were not finalised.
9	Haliyal	22-05-2016	10.02	3.7	4 tenders were invited (between June 2018 and January 2019). LoA was issued in July 2019 against fourth tender, but the bidder did not lift the PT.
10	Rattihalli	04-06-2016	4.15	3.6	LoA was issued on 17.07.2019, PT was not lifted by the bidder.
11	Lokapur	07-06-2016	2.29	3.6	Tenders were invited in December 2018, one bidder was responsive. Bids were not finalised.
12	M.K.Hubli	09-04-2017	149.05	2.8	The repairs were claimed under warranty, but PT was not sent for repairs as there was no consensus on bearing the transportation and related costs.
13	Mattihal	07-06-2017	49.02	2.6	Four tenders invited between June 2018 and May 2019 did not fructify due to single bids/no response. Fifth tender called in July 2019 was pending finalisation.
14	Gulledagudda	20-02-2019	29.16	0.9	Tenders were not invited
	Bangalore				
15	Somanahalli	29-03-2015	448.05	4.8	PT was under warranty. Not repaired yet.
16	Gokula	02-11-2015	82.46	4.2	Tender were invited in November 2018, issue of LoA was pending.
17	BIAL Begur	10-05-2017	45.56	2.7	Tender were invited in May 2018, issue of LoA was pending.
18	Chintamani	08-06-2018	67.08	1.6	Tenders were not invited.
19	Cesna Park	08-06-2018	67.08	1.6	
20	Kudur	18-07-2018	27.99	1.5	
21	Ramapura	23-08-2018	6.69	1.4	
22	Puttenahalli	23-11-2018	135.35	1.1	
	Total WDV		**1,355.37**		

Appendix-20

Status of audit sampled projects

(Referred to in Paragraph No. 5.1.4, 5.1.10.1 & 5.1.14)

Sl. No.	Name of the project	Length of road (kms)	Date of Concession Agreement	VGF/lump sum payment (₹ crore)	Total Project cost [200] (₹ crore)	Annuity (₹ crore)	Date of PCOD/ COD	Concession period validity
Annuity projects – BOT model								
1	Improvement and widening of Hubballi-Lakshmeshwara Road.	43.00	September 2009	Not Applicable	103.50	265.39	COD-March 2011	March 2019 (10 years)
2	Widening of the Existing State Highway (SH 132) from Bellary City to AP border.	25.67	August 2010	Not Applicable	158.47	327.60	PCOD-March 2013	November 2026 (15 years)
VGF projects – BOT/DBFOT Toll model								
3	Widening & Improvements to Wagdhari-Ribbanapalli (SH-10) road.	141.20	June 2010	90.66	238.58	Not Applicable	COD–January 2013	December 2040 (30 years)
4	Widening & Improvements to Dharwad-Alnavar-Ramnagar (SH-34) road	61.75	June 2010	82.90	230.29	Not Applicable	PCOD - August 2013	December 2040 (30 years)
5	Development of road from NH-63 near Ginigere - Gangavathi-Sindhanur	83.00	August 2012	4.59	190.16	Not Applicable	COD – December 2015	January 2038 (24 years)
6	Improvements to Yelahanka - A.P Border road from km 13.80 to km 89.417 of SH-09	73.21	June 2015	152.34	380.85	Not Applicable	PCOD -September 2018	March 2039 (23 years)
7	Development of Road from Devanahalli to Kolar (SH-96) via Vijayapura and Vemagal from km 0.000 to km 49.000	49.00	October 2017	59.20	148.00	Not Applicable	Financial closure not achieved	-
World Bank (IBRD) Co-financed projects – Hybrid annuity model								
8	Development of Bagewadi - Bailahongal - Saundatti road (WCP-1)	63.29	December 2015	75.50	235.76	547.20	PCOD - October 2018	October 2026 (10 years)
9	Development of road from Bidar to Chincholi in Bidar & Kalburgi District (WCP-2);	60.04	October 2016	72.38	226.20	399.84	Work in progress	August 2027 (10 years)
10	Development of Hassan - Arakalagud - Ramanathapura - Piriyapatna road (WCP-3)	73.69	December 2015	88.77	276.93	420.48	PCOD -February 2018	September 2026 (10 years)
11	Development of Hirekerur - Ranebennur road (WCP-5)	55.69	December 2015	70.38	219.94	313.92	PCOD -February 2018	September 2026 (10 years)
12	Development of Mundaragi - Hadagali - Harapanahalli road (WCP-6)	51.21	December 2015	64.65	205.13	283.68	PCOD - February 2018	September 2026 (10 years)
13	Development of Hungund - Muddebihal -Talikote road(WCP-7)	56.99	December 2015	65.57	204.92	502.56	PCOD -January 2019	October 2026 (10 years)

[200] Project cost included construction cost plus administrative cost at the rate of 25 *per cent.*

Appendix No.21

Observations on Operation and maintenance

(Referred to in Paragraph No. 5.1.21)

Sl. No.	Name of the project	Audit observations
1	Improvement and widening of Hubballi-Lakshmeshwara Road	• Highway Patrolling not done since declaration of COD to ensure safety, uninterrupted and smooth flow of vehicles (Article 6.2 of CA). • Operation and Maintenance (O&M) manuals and Annual Maintenance Programme were not submitted since 2014-15, in spite of issuing reminders to the Concessionaire by the Company; • last BBD test was conducted in June 2015 and thereafter in August 2018, after a gap of three years two months; • Roughness Index[201] was conducted twice in November 2015 and August 2018. The Concessionaire took action (April 2017 to January 2019) for overlaying only for 25 kms out of 42.96 kms; • Only nine out of fourteen bus shelters damaged (October 2017) during maintenance period were repaired (April 2019) after continuous pursuance of the Company with the Concessionaire. The remaining five bus shelters are yet to the repaired (June 2019);
2	Widening of the Existing State Highway (SH 132) from Bellary City to AP border.	• O & M manual was submitted in March 2016, after a gap of three years from COD; • Renewal of wearing surface of the road pavement was done in December 2018 against due date of March 2017, after 22 months from the due date (5th year from COD).
3	Widening & Improvements to Wagdari-Ribbanapalli (SH-10) road	• Benkelman Beam Deflection (BBD) test, which was to be conducted twice in a year for ensuring quality of carriage way, was not conducted after May 2016; • Roughness Index of the road was more than 2,500 mm and required to rectify or repair the 25 kms stretch, the Concessionaire did not carry out the rectification; • The design life of upper bituminous layers was five years. No action has been taken for laying upper bituminous even after completion of five years from COD, in spite of deterioration of the condition of the road.
4	Widening & Improvements to Dharwad-Alnavar-Ramnagar (SH-34) road	• O&M manuals and Annual Maintenance Programme were not submitted since 2014-15. In the absence of manual, there was no control over the maintenance activity to be taken up by the concessionaire; • The design life of upper bituminous layers was five years. No action has been taken for laying upper bituminous even after completion of five years from COD, in spite of deterioration of the condition of the road. • Rectification of landslide location, depressed gravel shoulders at multiple locations, missing steel edge beam at location km 18+084, which were to be carried out as per the geotechnical expert/Independent Engineers (IE), was not carried out by the Concessionaire. No action has been taken despite reminders issued by IE highlighting inconvenience to the road users.
5	Development of road from NH-63 near Ginigere - Gangavathi to Sindhanoor	• O & M manual was submitted in February 2019, after a gap of more than five years. • The Concession Agreement does not include clause stipulating periodic and routine maintenance activities to be carried out by the Concessionaire which was not in line with IRC 82-1982 Code of practice for maintenance of bituminous surfaces of highways.

[201] As per IRC, roughness index is used to evaluate the condition of surface and establish for further maintenance to ensure vehicle speed, comfort and safety.

Appendix No. 22

Details of Estimated profit, Advance Tax Payments and Deficit

(Referred to in Paragraph No. 6.2)

(₹ in crore)

Company	Financial Year	Estimated Profit				Actual Profit	Total Tax Payable				TDS	Net Advance Tax Payable				Actual Advance Tax Paid				Deficit/ Excess
		June	Sept	Dec	March		June	Sept	Dec	March		June	Sept	Dec	March	June	Sept	Dec	March	
MEI	2013-14	NE*	NE	NE	NE	6.42	0.33	0.98	1.64	2.18	0.32	0.28	0.84	1.40	1.86	-	-	-	0.15	1.71
	2014-15	NE	NE	NE	NE	6.50	0.33	0.99	1.66	2.21	0.39	0.27	0.82	1.37	1.82	-	-	-	0.60	1.22
	2015-16	NE	NE	NE	NE	13.73	0.71	2.14	3.56	4.75	0.42	0.65	1.95	3.25	4.33	-	-	-	1.37	2.96
	2016-17	NE	NE	NE	NE	6.03	0.31	0.94	1.57	2.09	0.38	0.26	0.77	1.28	1.71	-	-	-	-	1.71
	2017-18	NE	NE	4.00	4.00	18.10	0.94	2.82	4.70	6.26	0.39	0.88	2.64	4.40	5.87	-	-	1.00	2.00	3.87
KAVIKA	2013-14	4.00	4.00	4.00	4.00	8.73	0.45	1.34	2.23	2.97	0.08	0.43	1.30	2.17	2.89	0.20	0.40	0.90	1.60	1.29
	2014-15	3.82	3.82	3.82	3.82	7.19	0.37	1.10	1.83	2.44	0.06	0.36	1.07	1.79	2.38	0.10	0.50	0.90	1.30	1.08
	2015-16	NE	NE	4.00	4.00	10.09	0.52	1.57	2.62	3.49	0.10	0.51	1.53	2.54	3.39	-	-	0.50	1.10	2.29
	2016-17	NE	NE	4.00	6.00	9.28	0.48	1.45	2.41	3.21	0.09	0.47	1.40	2.34	3.12	-	-	0.50	0.60	2.52
	2017-18	9.44	9.44	9.44	9.44	-4.90	-	-	-	-	0.08	-	-	-	-	-	-	0.60	1.60	-1.60
KSDL	2013-14	18.00	25.00	36.00	36.34	56.28	2.87	8.61	14.35	19.13	0.35	2.82	8.45	14.09	18.78	1.00	4.00	8.00	12.00	6.78
	2014-15	36.00	40.00	45.30	59.76	66.51	3.39	10.17	16.96	22.61	0.35	3.34	10.02	16.70	22.26	1.80	5.80	11.50	16.50	5.76
	2015-16	33.40	34.88	52.53	75.00	71.71	3.72	11.17	18.61	24.82	0.59	3.63	10.90	18.17	24.23	2.00	7.00	12.00	23.00	1.23
	2016-17	80.76	80.76	80.76	84.19	89.30	4.64	13.91	23.18	30.90	0.55	4.55	13.66	22.76	30.35	4.00	9.00	19.00	29.00	1.35
	2017-18	80.98	80.98	80.98	99.09	103.56	5.38	16.13	26.88	35.84	0.88	5.24	15.73	26.22	34.96	5.00	12.50	22.50	33.50	1.46
MCA	2013-14	20.69	15.73	15.24	17.11	14.49	0.74	2.22	3.69	4.93	1.71	0.48	1.45	2.42	3.22	0.20	1.70	2.70	4.30	-1.08
	2014-15	17.85	18.21	15.48	15.81	15.44	0.79	2.36	3.94	5.25	1.87	0.51	1.52	2.54	3.38	0.40	1.60	2.60	3.60	-0.22
	2015-16	19.93	15.92	17.07	17.81	17.62	0.91	2.74	4.57	6.10	2.24	0.58	1.74	2.90	3.86	0.40	1.70	2.90	4.10	-0.24
	2016-17	25.32	11.73	14.18	18.15	22.10	1.15	3.44	5.74	7.65	2.73	0.74	2.21	3.69	4.92	0.40	0.90	1.60	3.10	1.82
	2017-18	27.85	19.09	21.54	27.45	33.54	1.74	5.22	8.71	11.61	5.84	0.87	2.60	4.33	5.77	1.00	1.70	2.50	4.30	1.47
KSBCL	2013-14	48.70	47.55	47.55	51.53	51.13	2.61	7.82	13.03	17.38	2.37	2.25	6.75	11.26	15.01	2.00	6.15	10.25	15.00	0.01
	2014-15	45.38	51.94	51.94	51.32	49.62	2.53	7.59	12.65	16.87	1.99	2.23	6.70	11.16	14.88	2.00	6.95	11.60	15.42	-0.54
	2015-16	35.12	43.50	43.50	48.43	43.40	2.56	6.76	11.26	15.02	2.09	1.94	5.82	9.70	12.93	1.62	6.20	10.34	15.01	-2.08
	2016-17	35.95	31.52	31.52	50.72	46.11	2.39	7.18	11.97	15.96	1.70	2.14	6.42	10.70	14.26	1.65	4.34	7.24	16.30	-2.04
	2017-18	34.32	34.32	34.32	40.48	38.88	2.02	6.06	10.09	13.46	1.43	1.80	5.41	9.02	12.03	1.55	4.65	7.75	12.48	-0.45

*** Not Estimated**