REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2004

COMMERCIAL

GOVERNMENT OF KARNATAKA

http://cagindia.org/states/karnataka/2005

TABLE OF CONTENTS

PREFACE

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

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

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

3. Audit of accounts of Government companies is conducted by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956.

4. In respect of Karnataka State Road Transport Corporation, Bangalore Metropolitan Transport Corporation, North Western Karnataka Road Transport Corporation and North Eastern Karnataka Road Transport Corporation, which are Statutory corporations, the Comptroller and Auditor General of India is the sole Auditor. As per State Financial Corporations (Amendment) Act, 2000, CAG has the right to conduct the audit of accounts of Karnataka State Financial Corporation in addition to the audit conducted by the Chartered Accountants, appointed by the Corporation out of the panels of auditors approved by the Reserve Bank of India. In respect of Karnataka State Warehousing Corporation, CAG has the right to conduct the audit of their accounts in addition to the audit conducted by the Chartered Accountants, appointed by the State Government in consultation with CAG. In respect of Karnataka Electricity Regulatory Commission, CAG is the sole auditor. The Audit Reports on the annual accounts of all these corporations are forwarded separately to the State Government.

5. The cases mentioned in this Report are those, which came to notice in the course of audit during 2003-04 as well as those which came to notice in earlier years, but were not dealt with in the previous Reports. Matters relating to the period subsequent to 2003-04 have also been included, wherever necessary.

PREFACE

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OVERVIEW

1. Overview of Government companies and Statutory corporations

As on 31 March 2004, the State had 82 Public Sector Undertakings (PSUs) comprising 76 Government companies (including 17 non-working companies) and six Statutory corporations as against 80 Public Sector Undertakings comprising 74 Government companies and six Statutory corporations as on 31 March 2003. In addition, there were four deemed Government companies under Section 619 B of the Companies Act, 1956 as on 31 March 2004.

(Paragraphs 1.1 and 1.28)

The total investment in working PSUs increased from Rs. 26,545.13 crore as on 31 March 2003 to Rs. 33,697.10 crore as on 31 March 2004. The total investment in non-working PSUs increased from Rs. 417.10 crore to Rs.536.93 crore during the same period.

(Paragraphs 1.2 and 1.16)

The budgetary support in the form of capital, loans, grants and subsidy disbursed to the working PSUs decreased from Rs.4,052.90 crore in 2002-03 to Rs.3,663.61 crore in 2003-04. The State Government also provided Rs.55.69 crore in the form of loans to three non-working companies during 2003-04. The State Government guaranteed loans aggregating Rs.1,501.47 crore during 2003-04. Guarantees amounting to Rs.6,673.22 crore against 24 working Government companies and five working Statutory corporations were outstanding as on 31 March 2004.

(Paragraphs 1.5 and 1.17)

Thirty four working Government companies and three Statutory corporations finalised their accounts for the year 2003-04. The accounts of the remaining Government companies and Statutory corporations were in arrears for periods ranging from one to three years as on 30 September 2004. The accounts of nine non-working Government companies were in arrears for periods ranging from one to two years as on 30 September 2004.

(Paragraphs 1.6 and 1.19)

According to latest finalised accounts, 39 working PSUs (34 Government companies and five Statutory corporations) earned aggregate profit of Rs.628.41 crore. Out of 34 working Government companies, which finalised their accounts for 2003-04 by September 2004, only six companies declared dividend aggregating Rs.14.82 crore. Seventeen working PSUs (16 Government companies and one Statutory corporation) incurred aggregate loss of Rs.259.38 crore as per their latest finalised accounts. Of the loss incurring PSUs, nine companies and one Statutory corporation had accumulated losses aggregating Rs.616.43 crore and Rs.137.86 crore respectively, which exceeded their aggregate paid up capital of Rs.358.41 crore and Rs.83.50 crore respectively.

(Paragraphs 1.7,1.8, 1.9, 1.10 and 1.11)

2. Reviews relating to Government companies

2.1 Working of the Mysore Minerals Limited

The Company was incorporated in May 1966 and is engaged mainly in exploration, exploitation and marketing of minerals and precious stones in the State, in the areas leased/reserved for operation by the State Government.

The Company was established with main objectives of exploring, exploitation and marketing of mineral wealth from the leased area in the State. The Company could not achieve the targeted production in any of the years. The Company sustained losses due to high cost of production compared with the realisation. There has been surplus manpower with the Company. Some of the important points noticed in audit are given below:

- Failure to close down non-operational mines resulted in payment of Rs.4.94 crore on salaries and wages of personnel attached to these mines.

(Paragraph 2.1.10)

- The Company incurred losses of Rs.9.19 crore due to high cost of production.

(Paragraph 2.1.14)

- Non revision of rates in terms of agreement for sale of iron ore resulted in revenue loss of Rs.3.27 crore.

(Paragraph 2.1.24)

- The Company incurred losses of Rs.6.17 crore due to acceptance of development cost at lower price, payment of hardship allowance, non-claiming of minimum premium, etc. in the execution of Memorandum of Understanding entered with Jindal Vijayanagar Steel Limited.

(Paragraphs 2.1.28 to 2.1.34)

- Failure to implement Voluntary Retirement Scheme in respect of surplus staff resulted in expenditure of Rs.6.70 crore towards salaries and wages.

(Paragraph 2.1.35)

2.2 Sectoral review on Fuel Management in Power Sector companies.

Karnataka Power Corporation Limited (KPCL) and Visveswaraya Vidyuth Nigam Limited (VVNL) are two power generation companies in the State.

As on 31 March 2004, the installed capacity of Karnataka Power Corporation Limited was 4,365.50 Mega Watt (MW) comprising of 1,470 MW coal based thermal power station at Raichur, 2,891 MW hydel (17 stations) and 4.50 MW wind energy (one station). The installed capacity of Visveswaraya Vidyuth Nigam Limited was 354.32 MW, comprising of 127.92 MW Diesel / Low

Sulphur Heavy Stock (LSHS) power station at Bangalore and 226.40 MW hydel (four stations).

Though the Karnataka Power Corporation Limited has a separate 'Fuel Management' wing for efficient handling of the supply and utilisation of coal for its thermal stations, the Company made excess payments towards supply of low grade coal. There were losses due to excessive combustibles in ash and utilisation of excess heat for generation.

The Diesel Generating Plant of Visveswaraya Vidyuth Nigam Limited was operating below the anticipated Plant Load Factor of 68.5 per cent. There was excess consumption of lube oil and payment of additional sales tax.

Some of the important points noticed in Audit are given below.

- Receipt of low grade coal against the billed grade from Singareni Collieries Company Limited resulted in extra cost of Rs.151.83 crore to KPCL.

(Paragraph 2.2.5)

- Poor quality of coal resulted in loss of generation of 757.118 million units in KPCL.

(Paragraph 2.2.6)

- Excess quantum of combustibles in ash over and above the norms resulted in consumption of excess coal at an additional cost of Rs.13.44 crore in KPCL.

(Paragraph 2.2.8)

- There has been excess consumption of lube oil valuing Rs.8.36 crore in VVNL against the norms.

(Paragraph 2.2.14)

2.3 Sectoral review on the Internal control and Internal Audit System in Financial Sector Undertakings.

The Budgets have not been used as a tool of internal control as they were neither finalised in time nor variations analysed. Internal control in respect of appraisal and sanction, disbursement and monitoring, demand and recovery of term loans were defective resulting in accumulation of dues. Some of the important observations noticed in respect of Karnataka State Industrial Investment Development Corporation Limited (KSIIDC) and Karnataka State Financial Corporation (KSFC) are given below:

- Business Plan and Resource Forecasting was not finalised before commencement of the year and the reasons for variations were not analysed.

(Paragraphs 2.3.6 to 2.3.8)

- Internal control system in respect of appraisal, sanction, disbursement, monitoring, demand and recovery of term loans was defective.

(Paragraphs 2.3.14 to 2.3.22)

- KSIIDC adjusted Rs.6.79 crore, being principal of outstanding loans under 'Release and adjustment', in violation of its own decision.

(Paragraph 2.3.25)

- Value of land accepted by KSIIDC for sanction of loan, was overvalued at the time of appraisal.

(Paragraph 2.3.29)

2.4 Sectoral Review on the performance of fair price shops and Minimum Support Price Operations

Karnataka Food and Civil Supplies Corporation Limited was incorporated in September 1973 as a wholly owned Government company, to function as an agent of the State Government to procure and distribute foodgrains and other essential commodities through the Public Distribution System (PDS) in the State. Some of the important points noticed in audit are given below:

- The Company has incurred a loss of Rs.3.30 crore due to opening of shops without conducting feasibility study.

(Paragraph 2.4.3)

- An amount of Rs.5.84 crore was pending recovery mainly due to non-submission of required details/documents, improper documentation and absence of a system for monitoring dues at periodical interval in the Company.

(Paragraphs 2.4.5 and 2.4.6)

- Failure to include the interest component in the cost sheet resulted in non-recovery of interest of Rs. 2.64 crore.

(Paragraph 2.4.12)

3. Transaction Audit Observations

Audit observations included in this Report highlight deficiencies in the management of PSUs, which resulted in serious financial implications. The irregularities pointed out are broadly of the following nature:

- Unproductive expenditure in two cases amounting to Rs.15.11 crore.

(Paragraphs 3.11 and 3.17)

- Extra/avoidable expenses, over payment and theft amounting to Rs.46.52 crore in eight cases.

(Paragraphs 3.1, 3.4, 3.5, 3.6, 3.9, 3.12, 3.13 and 3.15)

- Excess/irregular payment of Rs.5.87 crore in two cases made to staff on account of ex-gratia.

(Paragraphs 3.18.6 and 3.18.7)

- Violation of contractual conditions/undue favours to contractors resulting in loss of Rs.4.41 crore in four cases.

  (Paragraphs 3.3, 3.7, 3.8 and 3.10)

- Delay in commissioning of equipments valuing Rs.7.23 crore in one case.

  (Paragraph 3.2)

- Non-recovery of dues amounting to Rs.53.28 lakh in one case.

  (Paragraph 3.16)

- Miscellaneous/other cases amounting to Rs.29.77 lakh in respect of one case.

  (Paragraph 3.14)

Gist of the important observations are given below:

Failure to exercise the call option in bonds (Series IV and V) deprived **Krishna Bhagya Jala Nigam Limited,** of an opportunity to save Rs.41.07 crore.

(Paragraph 3.1)

Purchase of pump sets by **Krishna Bhagya Jala Nigam Limited** much ahead of commissioning of jackwells and erection of electricity transmission lines resulted in blocking up of funds of Rs.7.23 crore.

(Paragraph 3.2)

Defective estimation and awarding the contract without rationalisation of rates resulted in avoidable expenditure of Rs.1.88 crore to **Karnataka Neeravari Nigam Limited.**

(Paragraph 3.6)

Payment of extra item rates by **Karnataka Neeravari Nigam Limited** for controlled blasting even though it was the responsibility of the contractors resulted in excess payment of Rs.1.62 crore.

(Paragraph 3.7)

Karnataka Neeravari Nigam Limited extended undue benefit of Rs.1.14 crore to the contractors in violation of the contract conditions.

(Paragraph 3.8)

Karnataka Power Transmission Corporation Limited failed to achieve the objective of state wide computerisation project due to implementation of only one module, which was also faulty, even after spending Rs.14.44 crore.

(Paragraph 3.11)

CHAPTER I

Overview of Government companies and Statutory corporations

Introduction

1.1 As on 31 March 2004, there were 76 Government companies (59 working companies and 17 non-working companies*) and six Statutory corporations (working) under the control of the State Government as against 74 Government companies (58 working companies and 16 non-working companies) and six Statutory corporations (working) as on 31 March 2003. During the year, three new companies∀ were formed. One company# went under the control of the Central Government due to majority share holding by the Central Government. One working company• became non-working during the year. In addition, the State Government had formed Karnataka Electricity Regulatory Commission, whose audit is also being conducted by the Comptroller and Auditor General of India (CAG). The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the CAG as per provision of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

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

* Non-working companies/corporations are those, which are under the process of liquidation/closure/merger, etc.

∀ Karnataka Sheep and Wool Development Corporation Limited, Karnataka State Beverages Corporation Limited and Cauvery Neeravari Nigam Limited.

\# Karnataka Meat and Poultry Marketing Corporation Limited.

• Karnataka State Agro Industries Corporation Limited.

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

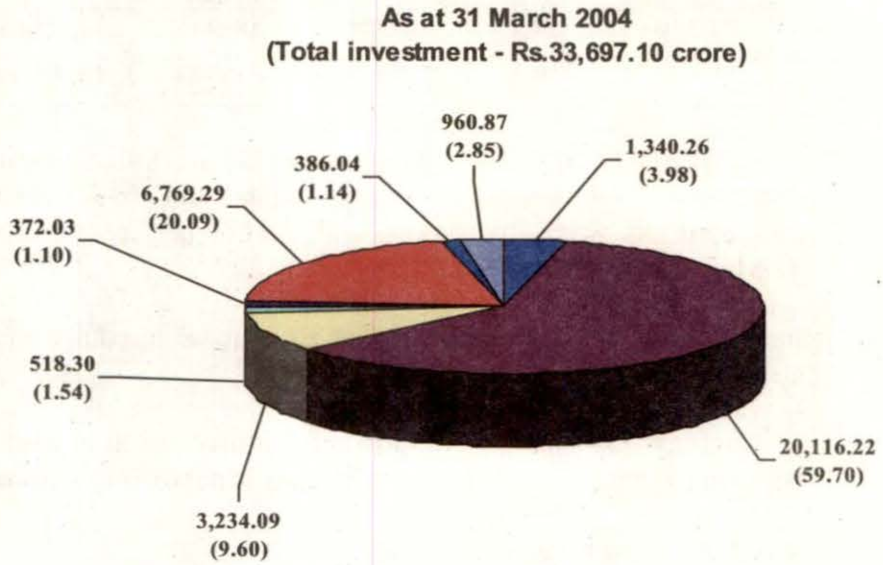
1.2 As on 31 March 2004, the total investment in 65 working PSUs (59 Government companies and six Statutory corporations) was Rs.33,697.10 crore[∇] (equity: Rs.8,417.69 crore; long-term loans[@]: Rs.21,105.38 crore and share application money Rs.4,174.03 crore) as against 64 working PSUs (58 Government companies and six Statutory corporations) with total investment of Rs.26,545.13 crore (equity: Rs.6,249.80 crore; long-term loans: Rs.16,407.48 crore and share application money Rs.3,887.85 crore) as on 31 March 2003. The analysis of investment in working PSUs is given in the following paragraphs.

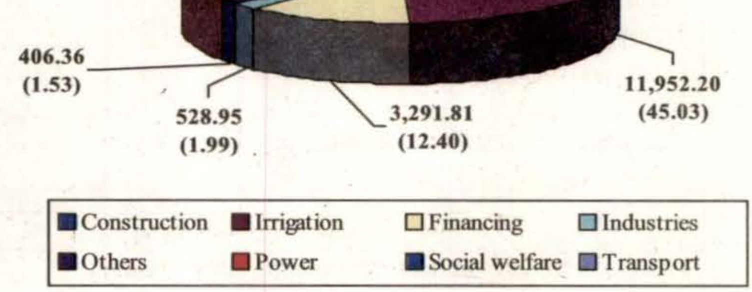
The investment (equity and long-term loans) in various sectors and percentage thereof at the end of 31 March 2004 and 31 March 2003 are indicated below in the pie charts:

[∇] State Government's investment in working PSU's was Rs.18,920.93 crore (others: Rs.14,776.17 crore). Figure as per Finance Accounts, 2003-04 is Rs.8,655.27 crore. The difference is under reconciliation.

[@] Long term loans mentioned in paragraphs 1.2, 1.3, 1.4 and 1.16 are excluding interest accrued and due on such loans.

Sector-wise investment in working Government companies and Statutory corporations
(Figures in bracket are percentage)





The debt equity ratio increased from 1.62 :1 in 2002-03 to1.68: 1 in 2003-04.

Working Government companies

1.3 Total investment in working Government companies at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Year	Number of companies	Equity	Share application money	Loans	Total
2002-03	58	5,694.50	3,849.15	14,115.68	23,659.33
2003-04	59	7,862.10	4,135.62	18,801.36	30,799.08

As on 31 March 2004, the total investment of working Government companies comprised 38.95 per cent of equity capital and 61.05 per cent of loans as compared to 40.34 per cent and 59.66 per cent respectively as on 31 March 2003.

Increase in total investment was due to increase in equity and loans in power and irrigation sectors.

The summarised statement of Government investment in working Government companies in the form of equity and loans is detailed in **Annexure 1**.

Working Statutory corporations

1.4 The total investment in six working Statutory corporations at the end of March 2003 and March 2004 was as follows:

(Rupees in crore)

Name of the Corporation	2002-03		2003-04	
	Capital	Loan	Capital	Loan
Karnataka State Road Transport Corporation (KSRTC)	208.39	179.74	208.39	177.25
Bangalore Metropolitan Transport Corporation (BMTC)	64.72	40.07	64.72	34.97
North Western Karnataka Road Transport Corporation (NWKRTC)	93.64	105.94	93.64	112.90
North Eastern Karnataka Road Transport Corporation (NEKRTC)	83.20 (0.30)	55.65	83.50	40.67
Karnataka State Financial Corporation (KSFC)	97.84 (36.01)	1,895.76	97.84 (36.01)	1,898.66
Karnataka State Warehousing Corporation (KSWC)	7.50 (2.40)	14.64	7.50 (2.40)	39.57
Total	**555.29 (38.71)**	**2,291.80**	**555.59 (38.41)**	**2304.02**

(Figures in bracket indicate share application money)

The summarised statement of Government investment in working Statutory corporations in the form of equity and loans is detailed in **Annexure 1**.

Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

1.5 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporations are given in **Annexures 1 and 3.**

The budgetary outgo (in the form of equity capital and loans) and grants/subsidies from the State Government to working Government companies and Statutory corporations for the three years up to March 2004 are summarised below:

(Amount: Rupees in crore)

	2001-02				2002-03				2003-04			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital outgo from budget	17	1,542.93	2	2.73	21	2,960.10	-	-	13	1,525.38	-	-
Loans given from budget	9	58.79	1	7.80	3	14.36	1	6.38	6	89.45	-	-
Grants	13	133.39	-	-	10	51.83	-	-	11	108.05	-	-
Subsidy towards (i)Projects/ Programme/ schemes	4	250.54	1	90.37	4	196.92	-	-	3	5.45	1	12.50
(ii)Other subsidy	4	2,235.75	4	107.46	8	737.86	4	85.45	9	1,893.67	4	29.11
Total subsidy	7	2,486.29	4	197.83	12	934.78	4	85.45	11	1,899.12	4	41.61
Total outgo*	**32**	**4,221.40**	**4**	**208.36**	**32**	**3,961.07**	**5**	**91.83**	**28**	**3,622.00**	**4**	**41.61**

During 2003-04, the Government had guaranteed the loans aggregating Rs.1,501.47 crore obtained by 14 working Government companies (Rs.1,465.50 crore) and three Statutory corporations (Rs.35.97 crore). At the end of the year, guarantees amounting to Rs.6,673.22 crore against 24 working Government companies (Rs.6,599.02 crore) and five working Statutory corporations (Rs.74.20 crore) were outstanding. The Government had foregone Rs.28.20 crore by way of interest waiver in one company during the year. The Government also converted loan of Rs.37.76 crore into equity capital in two companies during the year. The guarantee commission paid/payable to the Government, by Government companies and Statutory corporations, during 2003-04 was Rs.7.99 crore and Rs.146.55 crore, respectively. One working company and one Statutory corporation defaulted in repayment of guaranteed loan of Rs.5.32 crore and payment of interest of Rs.56.09 lakh.

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

Finalisation of accounts by working PSUs

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

Thirty four working companies out of 59 working Government companies and three of the six working Statutory corporations have finalised their accounts for the year 2003-04 within stipulated period (September 2004), as could be noticed from **Annexure 2.** During October 2003 to September 2004, twenty four working Government companies finalised 25 accounts for previous years. Similarly, during this period, six working Statutory corporations finalised six accounts for the previous years.

The accounts of 25 working Government companies and three Statutory corporations were in arrears for periods ranging from one to three years as on 30 September 2004 as detailed below:

Sl. No.	Number of companies / corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to serial number of Annexure 2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1	02	--	2001-02 to 2003-04	3	A5 and 7	-
2	23	3	2003-04	1	A1,3,4,10,11,22,23, 24,26,27,30,33,37, 39,44,45,46,47,48, 49, 50,54,55	B-3,4,6

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within prescribed period. The concerned administrative departments and officials of the Government were appraised quarterly by the audit regarding arrears in finalisation of accounts.

Financial position and working results of working PSUs

1.7 The summarised financial results of working PSUs (Government companies and Statutory corporations) as per latest finalised accounts are given in **Annexure-2**. Besides, statements showing financial position and working results of individual working Statutory corporations for the latest three years, for which accounts were finalised, are given in **Annexures 4 and 5** respectively.

According to latest finalised accounts of 56 working Government companies and six working Statutory corporations, 16 companies and one corporation had incurred an aggregate loss of Rs.244.40 crore and Rs.14.98 crore, respectively and 34 companies and five corporations earned an aggregate profit of Rs.500.13 crore and Rs.128.28 crore, respectively. Four companies had not commenced commercial activities and in case of two companies, excess of expenditure over income is capitalised and no profit and loss account is prepared. Three companies are yet to finalise their first accounts.

Working Government companies

Profit earning working companies and dividend

1.8 Out of 34 working Government companies, which finalised their accounts for 2003-04 by September 2004, 20 companies earned an aggregate profit of Rs.367.11 crore and only six companies (Serial No.A-2,25,42,43,58 and 59 of **Annexure 2**) declared dividend aggregating Rs.14.82 crore. The dividend as percentage of share capital in these six profit making companies worked out to 2.11 per cent. The total return to the Government by way of dividend of Rs.14.05 crore worked out to 0.18 per cent in 2003-04 on total equity investment of Rs.7,738.62 crore by the State Government in all Government companies as against 0.17 per cent in the previous year. The State Government had not formulated any dividend policy so far.

Similarly, out of 22 working Government companies, which finalised their accounts for previous years by September 2004, 12 companies earned an aggregate profit of Rs.122.43 crore and only eight companies earned profit for two or more successive years.

Loss incurring working Government companies

1.9 Of the 16 loss incurring working Government companies, nine companies[δ] had accumulated losses aggregating Rs.616.43 crore, which exceeded their aggregate paid up capital of Rs.358.41 crore.

Despite poor performance and complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support provided by the State Government by way of equity, loan, subsidy and, loan converted into equity during 2003-04 to four companies amounted to Rs.94.82 crore[φ].

Working Statutory corporations

Profit earning Statutory corporations and dividend

1.10 Three Statutory corporations which finalised their accounts for 2003-04 by September 2004 earned an aggregate profit of Rs.106.88 crore and none of the corporations declared dividend. Out of three Statutory corporations, which finalised their accounts for previous year by September 2004, two corporations earned aggregate profit of Rs.21.39 crore and one corporation (Karnataka State Warehousing Corporation) declared dividend of Rs.75 lakh. The dividend as a percentage of its share capital worked out to 10 per cent.

[δ] Serial numbers A-4, 7, 12, 16, 19, 39, 52, 56, 57 of Annexure-2

[φ] Details at Serial numbers A-16, [illegible], 39, 52 of Annexure -1 and, A-6,7 of Annexure-3

The total return to the Government by way of dividend of Rs.41 lakh worked out to 0.09 per cent in 2003-04 on total equity investment of Rs.473.62 crore by the State Government in all the Statutory corporations. Four corporations earned profit for two or more successive years.

Loss incurring Statutory corporations

1.11 Out of three Statutory corporations, which finalised their accounts for the year 2002-03, one Statutory corporation (North Eastern Karnataka Road Transport Corporation) incurred losses aggregating to Rs.14.98 crore and the accumulated losses of the corporation aggregated Rs.137.86 crore, which had far exceeded its aggregate paid up capital of Rs.83.50 crore.

Operational performance of working Statutory corporations

1.12 The operational performance of the Statutory corporations is given in **Annexure-6**. Percentage of overdues to the total loans outstanding in respect of Karnataka State Financial Corporation increased from 25.88 in 2002-03 to 45.57 in 2003-04.

Return on capital employed

1.13 As per the latest finalised accounts (up to September 2004), the capital employed* worked out to Rs.27,217.55 crore in 59 working companies and total return+ thereon amounted to Rs.1,143.71 crore, which was 4.20 per cent as compared to total return of Rs.1,271.88 crore (5.37 per cent) in the previous year (accounts finalised up to September 2003). Similarly, the capital employed and total return thereon in case of working Statutory corporations as per the latest finalised accounts (up to September 2004) worked out to Rs.2,670.39 crore and Rs.339.43 crore (12.71 per cent) respectively, as against Rs.2,734.72 crore and Rs.205.38 crore (7.51 per cent) in the previous year (accounts finalised up to September 2003). The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporations are given in **Annexure 2.**

Reforms in power sector

Status of implementation of MOU between the State Government and the Central Government

1.14 A Memorandum of Understanding (MOU) was signed in February 2000 between the Ministry of Power, Government of India and the Department of Energy, Government of Karnataka as a joint commitment for implementation of reforms programme in power sector with identified milestones.

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* Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free reserves, bonds, deposits and borrowings (including refinance).

\+ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Status of implementation of reform programme against each commitment made in the MOU is detailed below:

Sl. No.	Commitment as per MOU	Targeted completion schedule	Status (as on 31 March 2004)
Commitments made by the State Government			
1.	100 per cent electrification of all villages (27,066 villages).	By 2012	294 villages remain to be electrified (September 2004)
2.	Reduction in transmission and distribution (T & D) losses by 10 to 15 per cent.	Five per cent reduction in T & D losses every year.	T & D Losses reduced from 35.50 per cent during 2000-01 to 30.11 per cent during 2003-04. Thus the reduction in T & D Losses achieved over the last three years is only 5.39 per cent as against the target of 15 per cent.
3.	100 per cent metering of all distribution feeders.	September 2001	Completed by December 2002.
4.	100 per cent metering of all consumers.	Before 2003-04 (Revised to 2004-05)	Out of 29.01 lakh consumers in the un-metered category, only 12.46 lakh consumers (43 per cent) were installed with meters (September 2004). .
5	Energy audit at 11 KV sub-station level.	September 2001	Energy audit of 11 KV feeders has commenced from June 2003.
6	Securitised outstanding due of CPSUs.	---	The dues were securitised by issue of bonds in August 2003.
7	**State Electricity Regulatory Commission (SERC)**		
	i) Establishment of Karnataka Electricity Regulatory Commission.	The State Electricity Regulatory Commission was to be made functional within six months.	The Karnataka State Electricity Regulatory Commission was established in August 1999, and started functioning from November 1999.
	ii) Implementation of tariff orders issued by KERC during the year.	---	Implemented from time to time.
Commitment made by the Central Government			
8.	Supply of additional power.	The GOI agreed to supply additional 180 MW.	After completion of Talcher-Kolar line, additional power was being received. However, with the introduction of availability based tariff mechanism, the allocation from Central Generating stations is no longer valid as the excess or short drawal is left to the individual states considering the price prevailing at the time of drawal linked to the frequency.
9.	Any other help.	Reduction in interest rate on loans availed of from CPSUs i.e. PFC/REC.	Interest rate on loans from Power Finance Corporation has been reduced.
	General		
10.	Monitoring of MOU.	Monitoring was done at Secretary level in the Government on issue-to-issue basis.	

State Electricity Regulatory Commission

1.15 Karnataka Electricity Regulatory Commission (KERC) was constituted (28 August 1999) under the Karnataka Electricity Reforms Act, 1999 (Act) to provide for the restructuring of the electricity industry in the State; the corporatisation of the Karnataka Electricity Board and rationalisation of generation, transmission, distribution and supply of electricity in the State. The Commission is a body corporate, comprises of three members including a Chairman, who are appointed by the State Government. As per Section 8(4) of the Act, all expenditure of the Commission are to be charged to the Consolidated Fund of the State. Accounts of KERC have been finalised up to the year ending 31 March 2004.

Non-working PSUs

Investment in non-working PSUs

1.16 As on 31 March 2004, the total investment in 17 non-working Government companies was Rs.536.93 crore (equity: Rs.100.79 crore, long-term loans: Rs.387.18 crore and share application money: Rs.48.96 crore) as against total investment of Rs.417.10 crore (equity: Rs.93.30 crore, long-term loans: Rs.323.20 crore and share application money: Rs.0.60 crore) in 16 non-working Government companies as on 31 March 2003. The main reason for increase in investment during 2003-04 was that one company[§], which was under category of working companies during the previous years, became non-working during the year.

The classification of non-working PSU's was as follows:

(Rupees in crore)

Sl.No	Status of non-working PSU's	Number of companies	Investment	
			Equity*	Long-term loans
1	Closed[¢]	4	81.60	139.96
2	Defunct[¥]	5	15.93	1.61
3	Under liquidation[ø]	8	52.22	245.61
	Total	**17**	**149.75**	**387.18**

* includes share application money of Rs.48.96 crore

All these companies have been identified by the Government for closure, however decision of the Government is awaited in respect of one company[•]. Effective steps need to be taken for their expeditious liquidation.

§ Karnataka Agro industries Corporation Limited.

¢ Sl.No.C-1, 4, 5 and 17 of Annexure 1.

¥ Sl. No. C-3, 6, 10, 14 and 15 of Annexure 1

ø Sl. No. C- 2, 7, 8, 9, 11, 12, 13 and 16 of Annexure 1

• The Mysore Tobacco Company Limited.

Budgetary outgo, grant/subsidy, guarantees, waiver of dues and conversion of loans into equity

1.17 The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government to non-working PSUs are given in **Annexures 1 and 3**.

The State Government provided budgetary support of Rs.55.69 crore to three non-working companies in the form of loans during 2003-04. The guarantee commission payable to the Government by non-working Government companies during 2003-04 was Rs.4.71 crore. Two non-working Government companies defaulted in payment of principal of Rs.58.91 crore and interest of Rs.7.89 crore on Government loans.

Total establishment expenditure of non-working PSUs

1.18 The year wise details of total establishment expenditure of non-working Government companies and the sources of financing them during last three years up to 2003-04 are given below:

(Rupees in crore)

Year	Number of PSUs	Total establishment expenditure	Financed by		
			Loans from private parties	Loans from Government	Others[@]
2001-02	13	2.73	-	0.08	2.65
2002-03	16	146.27	0.62	116.17	29.48
2003-04	17	50.69	-	33.21	17.48

Finalisation of accounts by non-working PSUs

1.19 The accounts of nine non-working companies were in arrears for periods ranging from one to two years as on 30 September 2004, as could be noticed from **Annexure-2.**

Financial position and working results of non-working PSUs

1.20 The summarised financial results of non-working Government companies as per latest finalised accounts are given in **Annexure-2**.

The year wise details of paid-up capital, net worth, cash loss and accumulated loss/profit of non-working PSUs as per their latest finalised accounts are given

[@] This includes income from sales, building rent, interest, etc.

below:

(Rupees in crore)

Year of latest finalised accounts	No. of companies	Paid-up capital	Net worth	Cash loss	Accumulated loss (-) / accumulated profit (+)
1998-99	1	0.50	(-) 8.41	0.87	(-) 8.91
2001-02	1	1.71	5.77	0.07	4.05
2002-03	11	133.19	(-) 555.33	223.69	(-) 801.74
2003-04	4	14.35	(-) 3.87	0.01	(-) 18.21
Total	**17**	**149.75**	**(-) 561.84**	**224.64**	**(-) 824.81**

(Note: Net worth, cash loss and accumulated losses / profit are as per last certified accounts.)

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

1.21 The following table indicates the status of placement of various Separate Audit Reports (SARs) on the accounts of Statutory corporations issued by CAG in the Legislature by the Government:

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Years for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reason for delay in placement in Legislature
1	KSFC	2001-02	2002-03	13 October 2003	Not available
			2003-04	30 September 2004	
2	KSWC	2001-02	2002-03	27 April 2004	Not available
3	KSRTC	2002-03	2003-04	30 September 2004	
4	BMTC	2002-03	2003-04	30 September 2004	

Disinvestment, privatisation and restructuring* of Public Sector Undertakings

1.22 The Government of Karnataka has approved and adopted (February 2001) a comprehensive policy on Public Sector Reforms and privatisation of Public Sector Undertakings (PSUs) in the State. Accordingly, the Government identified 29 PSUs for closure / privatisation. The position of action taken by the Government in respect of the 29 companies identified for closure/privatisation is as follows:

* restructuring includes merger and closure of PSUs.

	No. of companies	Government order issued	Government order not yet issued
Non-working Government companies decided for closure	17	16[϶]	1[§]
Working Government companies decided for closure	4	2[¢]	2[@]
Working Government companies decided for privatisation	8	5[♥]	3[♣]

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

1.23 During October 2003 to September 2004, the audit of 68 accounts of 60 Government companies (48 working and 12 non-working) and nine accounts of six Statutory corporations (all working) were selected for review. As a result of the observations made by the CAG, 26 companies and one corporation revised their accounts. In addition, the net impact of the important audit observations as a result of review of the accounts of PSUs was as follows:

- Karnataka State Road Transport Corporation (2002-03) – Profit of Rs.32.74 crore was overstated by Rs.31.27 crore.
- Karnataka State Road Transport Corporation (2003-04) – Profit of Rs.25.87 crore was overstated by Rs.5.70 crore
- Bangalore Metropolitan Transport Corporation (2003-04) – Profit of Rs.80.14 crore was overstated by Rs.2.71 crore.
- North Western Karnataka Road Transport Corporation (2002-03) – Profit of Rs.12.28 crore was overstated by Rs.19.65 crore turning it into loss of Rs.7.37 crore.
- Karnataka State Financial Corporation (2003-04) - Loss of Rs.1.01 crore is understated by Rs.11.73 crore.

϶ Karnataka State Textiles Limited, Karnataka Agro Proteins Limited, Chamundi Machine Tools Limited, Karnataka Small Industries Marketing Corporation Limited, Vijayanagar Steel Limited, Karnataka Telecom Limited, Karnataka Tungsten Moly Limited, The Mysore Acetate and Chemicals Company Limited, The Mysore Cosmetics Limited, The Mysore Chrome Tanning Company Limited, The Mysore Lamp Works Limited, The Mysore Match Company Limited, NGEF Limited, Karnataka Agro Industries Corporation Limited, The Karnatak State Veeners Limited, Karnataka Pulpwood Limited.

§ Mysore Tobacco Company Limited

¢ Karnataka State Construction Corporation Limited, Karnataka Film Industry Development Corporation Limited.

@ The Karnataka Fisheries Development Corporation Limited. Karnataka Electronics Development Corporation Limited.

♥ Karnataka Silk Industries Corporation Limited, Karnataka Soaps and Detergents Limited, The Mysore Electrical Industries Limited, Karnataka Vidyuth Karkhane Limited, Mysore Minerals Limited.

♣ The Mysore Sugar Company Limited, The Mysore Paper Mills Limited, Sree Kanteerava Studios Limited.

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the corporations are mentioned below:

1.24 Errors and omissions noticed in case of Statutory corporations

Karnataka State Road Transport Corporation (2002-03)

- Non-provision of Rs.26.19 crore for entry tax and penalty thereon.
- Correctness of Rs.2.85 crore receivables from other corporations in the State towards window collection tickets issued and remained un-adjusted since 1998-99, was doubtful.

Karnataka State Road Transport Corporation (2003-04)

- Non-accountal of claim from Bangalore Metropolitan Transport Corporation of Rs.85 lakh, resulted in overstatement of profit to that extent.
- The Corporation had not provided for minimum compensation payable for 2003-04, under Motor Vehicles Act, 1988, resulting in overstatement of profit by Rs.2.67 crore.

Bangalore Metropolitan Transport Corporation (2003-04)

- Non-charging of ex-gratia, paid for the year 2001-02, pending Government approval resulted in understatement of profit by Rs.2.60 crore.

North Western Karnataka Road Transport Corporation (2002-03)

- Non-provision of Rs.14.91 crore for entry tax and penalty thereon.
- Non-provision of minimum compensation of Rs.4.33 crore, payable under Motor Vehicles Act, 1988.

Karnataka State Financial Corporation (2002-03)

- Non-provision of Rs.5.64 crore towards guarantee commission payable to the Government of Karnataka.

Karnataka State Financial Corporation (2003-04)

- Non-provision for leave encashment in contravention of Accounting Standard 15 resulted in understatement of loss by Rs.5.10 crore.
- Non-provision of guarantee commission resulted in understatement of loss of Rs.5.45 crore.

Recoveries at the instance of audit

1.25 Test check of records of power sector and irrigation sector companies conducted during 2003-04 disclosed wrong interpretation of contract terms and other observations aggregating Rs.11.01 crore in 52 cases. The companies accepted all the observations and a sum of Rs.7.90 crore relating to 23 audit observations was recovered at the instance of Audit.

Internal audit / Internal control

1.26 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control / internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under 619 (3)(a) of the Companies Act, 1956 and to identify areas which need improvement. Direction / sub-directions under the Act, ibid, were issued to the Statutory Auditors in respect of 59 Government companies involving 60 accounts between October 2003 and September 2004. In pursuance of directions so issued, reports of the Statutory Auditors involving 59 accounts of 50 Government companies were received (September 2004).

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvements in the internal control system/ internal audit in respect of State Government companies are indicated in the table below:

Nature of recommendation/comments made by the Statutory Auditors	Number of companies where recommendations/ comments were made	Reference to serial number of Annexure 2
Lack of internal audit	1	A-53
Inadequate internal audit according to size and nature of business	10	A - 4, 8, 9, 10, 15, 22, 30, 36, 38, 40
Lack of proper system of internal audit	6	A-16,19,34,39,40, 46
Surprise checks are required to be made of production and inventory records	2	A- 9, 19
Non-formation of Audit Committee	2	A-36, 40

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

1.27 The table below indicates the position of reviews/paragraphs appeared in the Audit Reports and pending for discussion as on 30 September 2004:

Period of Audit Report	No. of reviews/paragraphs appeared in the Audit Report		No. of reviews/paragraphs pending for discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1997-98	8	27	2	3
2000-01	3	29	1	17
2001-02	3	29	2	17
2002-03	3	25	3	25
Total	**17**	**110**	**8**	**62**

619 B Companies

1.28 There were four companies coming under Section 619B of the Companies Act, 1956. **Annexure 7** indicates the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of these companies based on their latest available accounts.

CHAPTER II

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

2.1 MYSORE MINERALS LIMITED

Highlights

Mysore Minerals Limited was incorporated in May 1966 under the Companies Act, 1956 for taking over the business carried on by the "Board of Mineral Development" of the State Government. The Company is engaged mainly in exploration, exploitation and marketing of minerals and precious stones in the areas leased / reserved for operation by the State Government.

(Paragraph 2.1.1)

The accumulated losses of Rs.36.98 crore as on March 2004 eroded the paid up capital.

(Paragraph 2.1.5)

Failure to close down non-operational mines resulted in payment of Rs.4.94 crore on salaries and wages of personnel attached to these mines.

(Paragraph 2.1.10)

The Company incurred losses of Rs.9.19 crore due to high cost of production.

(Paragraph 2.1.14)

Non revision of rates in terms of agreement for sale of iron ore resulted in revenue loss of Rs.3.27 crore.

(Paragraph 2.1.24)

The Company incurred losses of Rs.6.17 crore due to acceptance of development cost at lower price, payment of hardship allowance, non-claiming of minimum premium, etc. in the execution of Memorandum of Understanding entered with Jindal Vijayanagar Steel Limited.

(Paragraphs 2.1.28 to 2.1.34)

Failure to implement Voluntary Retirement Scheme in respect of surplus staff resulted in expenditure of Rs.6.70 crore towards salaries and wages.

(Paragraph 2.1.35)

Introduction

2.1.1 Mysore Minerals Limited was incorporated in May 1966 under the Companies Act, 1956 for taking over the business carried on by the "Board of Mineral Development" of the State Government. The Company is engaged mainly in exploration, exploitation and marketing of minerals and precious stones in the areas leased/reserved for operation by the State Government. The Public Sector Reform Commission after considering the losses incurred by the Company, recommended (August 2002) for privatisation or closure of the Company. The Consultant,[∞] who was appointed to make a basic study on the affairs of the Company, recommended in his report for privatisation of the Company, after considering the decline in turnover, incurring of continuous losses, existence of surplus staff and negative net worth. Based on the report of the Consultant and recommendations of the High Power Committee, the Government approved (September 2003) the privatisation of the Company. The Government is yet to decide about the extent of privatisation (August 2004).

Objectives

2.1.2 The main objectives as set out in the Memorandum of Association, inter-alia, are:

- to search for minerals and precious stones and to acquire mining and other rights, work mines / quarries, minerals and precious stones;
- to acquire minerals for sale;
- to act as an agent of the State Government in the exploitation of the mining areas reserved for operation by the State;
- to carry on trading in minerals for sale or export; and
- to promote, improve, establish and develop, manage and run mineral, metallurgical, chemical or other allied industries, etc.

The Company has not promoted/established any mineral, chemical, metallurgical or other allied industries other than the Granite Cutting and Polishing Unit (GCP) at Hassan, which was closed down (1998) and the Stone Ware Pipe Factory at Bageshpura, where no significant activities were being carried out.

Organisational set-up

2.1.3 The management of the Company vests with the Board of Directors (Board) consisting of not less than three and not more than 12 Directors including a Chairman and a Managing Director appointed by the State Government. The Managing Director is the Chief Executive of the Company. As on 31 March 2004, the Board consisted of 12 Directors.

[∞] K.G.Acharya and Company

During April 1999 to March 2004, 13 incumbents held the post of Managing Director for periods ranging from 14 days to 10 months. Frequent changes at the decision making denied the Company the expertise and benefit accruing from continuity.

Scope of Audit

2.1.4 The working of the Company was earlier reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1982-83. Subsequently, certain aspects relating to iron ore raising contracts were reviewed and included in the Report of the Comptroller and Auditor General of India (Commercial) for the year 1989-90. The Committee on Public Undertakings (COPU) also examined (September 1986, January 1987 and April 1991), *suo moto,* the transactions of the Company covering the period up to 1985-86 and in particular the working of the Granite Cutting and Polishing (GCP) Unit at Hassan and Stone Ware Pipe Factory at Bageshpura. The recommendations of COPU in its 26^{th}, 27^{th} and 47^{th} Reports were presented to State Legislature during November 1986, March 1987, and April 1991 respectively.

The present review covers the performance of the Company during the five years up to 2003-04. Apart from the records maintained at Head Office, initial records kept at 10 units♣ (out of 56 units) were test checked and reviewed by Audit.

Audit findings, as a result of test check were reported to the Government/Company in March 2004 with a specific request for attending the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE), so that view point of the Government / Management was taken into account before finalising the review. The meeting of ARCPSE held on 21 April 2004, was attended by the Managing Director of the Company. No representative from the Government side attended the meeting but the replies of the management were endorsed by the Government. The views expressed by the members have been taken into consideration during finalisation of the review.

Financial position and working results

2.1.5 The authorised and paid up share capital of the Company as at 31 March 2004 was Rupees seven crore and Rupees three crore, respectively; of which Rs.2.97 crore were contributed by the State Government and balance by a State Government company viz., Karnataka State Industrial Investment and Development Corporation Limited. The financial position of the Company for the last five years up to 2003-04 is given in **Annexure 8.**

The accumulated losses of Rs.36.98 crore eroded the paid up capital of Rupees three crore.

The accumulated losses of Rs.36.98 crore as at 31 March 2004 eroded the paid up capital of Rupees three crore. The trade dues and other liabilities (including provisions) increased from Rs.26.52 crore in 1999-2000 to Rs.100.96 crore in 2003-04, mainly on account of interest accrued on borrowing.

♣ Jambunathanahally, Subbarayanahalli, Byrapura, Karya, Kaladgi, Thirthahally mines, Chamarajanagar, Doddaladahally, Hosadurga quarries and GCP unit at Hassan.

Borrowings

2.1.6 Based on the request (November 1998) of the Company, the Government converted (March 1999/March 2000) royalty of Rs.8.88 crore payable for the years 1998-2000, as interest free loan. Audit observed that the Company had accounted for loan of Rs.5.35 crore only. The Government stated (April 2004) that action was being taken to reconcile and account the difference in the accounts.

The Government had also sanctioned loans of Rs.10.64 crore from time to time to the Company for meeting expenditure for clearance of provident fund dues and settlement of voluntary retirement benefits. The terms and conditions in respect of loan of Rs.5.30 crore were to be notified separately. The Government is yet to notify the terms and conditions (August 2004). Audit observed that the Company had treated Rs.5.30 crore, as interest free loan.

Working results

2.1.7 The working results of the Company for the last five years up to 2003-04 are given in **Annexure 9.**

The Company incurred losses continuously during 1999-2003. The Company attributed the losses to the ban on non-forest activities in forest areas and also to the recessive and depressive market conditions year after year. The Company earned a profit of Rs.3.02 crore (provisional) during 2003-04. This was mainly on account of increase in sale of iron ore, which had an unprecedented demand during the year.

Activities

2.1.8 The minerals produced by the Company during the last five years up to 2003-04 were mainly chromite, iron ore, lime stone and magnesite. The total turnover of these minerals ranged between 61 to 79 per cent of total turnover. As on 31 March 2004, the Company had 45 mining and 37 quarry lease, out of which exploitation of mineral was carried out in 28 mining lease and 16 quarry lease. The extent of achievement of the objectives of the Company has been discussed in the succeeding paragraphs.

Exploration and prospecting for minerals

2.1.9 The Company formed an exploration wing at Kumsi in 1976, to carry out investigation and exploration of the existing mining areas and prospecting of new mineral occurrence areas by drilling and surveying to obtain prospecting license and to acquire mining leases. It was also responsible for preparation of mining plans, quality control, preparation of forest checklist, chemical lab works, etc.

Audit observed that the Company had not done any exploration work (drilling) during 1999-2004. The heavy backlog in drilling affected the prospecting of mineral deposits and working of mineable areas. The Government stated

(April 2004) that backlog in drilling was due to financial constraints and it had not affected the working of mineable areas since the earlier exploration would last till the end of 2005. The reply is not acceptable as it was not prudent to wait for further exploration till the proven reserves were exhausted.

The position of reserves as on 31 March 2004 as per the mining plan of the Company is given below:

(in lakh tonne)

Minerals	Ore Reserves as on 1 April 1999 (proved/probable)	Quantity produced during the period 1999-2004	Ore Reserves as at 31 March 2004 (proved/probable)
Manganese	29.75	-	29.75
Chromite	10.48	0.80	9.68
Iron Ore	847.27	42.98	804.29
Magnesite	3.37	0.77	2.60
Others	4,019.16	19.81	3,999.35
TOTAL	**4,910.03**	**64.36**	**4,845.67**

It could be seen from the above that as against mineral reserve of 4,910.03 lakh tonne as at 1 April 1999, the Company extracted 64.36 lakh tonne (representing 1.31 per cent of the available reserve) only over a period of five years ended March 2004.

Mining Lease

2.1.10 The Company had 45 mining lease covering 7,611 hectare as at the end of 31 March 2004. The Company was operating 24 lease covering 4,344 hectare departmentally. Four lease covering 787 hectare were operated on ore-raising / joint-venture basis. The balance 17 lease covering 2,480 hectare were not being operated on account of uneconomic production, poor demand, ban on mining in forest area and dispute regarding land.

Failure to close down non-operational mines resulted in payment of Rs.4.94 crore on salaries and wages of personnel attached to these mines.

The Company had 37 quarry lease covering 827 acre as on 31 March 2004, of which five lease were being operated departmentally; 11 lease were being operated on raising contracts and the balance 21 lease were not under operation due to high cost and prohibitory orders clamped by the Government.

The Company has not taken any action to close down / surrender the non-operational mines so far (August 2004). This resulted in payment of Rs.4.94 crore on salaries and wages of the personnel attached to these mines during the last five years without any return.

The Government stated (April 2004) that only economically viable mining/quarry leases were being operated by the Company either departmentally or otherwise based on the market demand for the product from time to time. The Government also stated that the economic viability of the mines were being examined and action would be taken to surrender such uneconomical leases.

Payment of dead rent

The Company paid dead rent of Rupees two crore due to non-operation / surrender of the leases.

2.1.11. Audit observed that 30 lease (in addition to those stated above) obtained between 1971-1998 were neither operated nor surrendered by the Company. As a result, it was forced to pay dead rent of Rupees two crore during 1998-2004. The Government stated (April 2004) that based on the demand and supplies in market some of the mining and quarry lease were operated to meet the requirement of the market and the balance area kept in reserve for further exploitation. The reply is not tenable as these lease were with the Company from six to 33 years without being operated, indicating that they were in excess of the requirement of the Company.

Absorption of royalty

2.1.12 The Company requested (April 2000) the Government for deferment of the royalty for 2000-02 in view of its critical financial position. Pending approval of the Government, the Company retained the royalty collected from the buyers. The Government, however, rejected (January 2002) the request and demanded the advance payment of royalty for all future supplies. The Company worked out (December 2003) the royalty including dead rent, surface rent and cess of Rs.8.57 crore payable for 2000-02. The Company had, however, collected (as per the books of the Company) Rs.5.93 crore only from the buyers. The difference of Rs.1.79 crore (considering the dead rent of Rs.0.85 crore, which the Company had to bear) was not collected from the buyers and the reasons for the same were not on record. The Company had charged this amount as expenditure during 2002-03. The Government stated (April 2004) that there was no royalty pending from the buyers and action has been taken to pay the balance amount depending upon the financial position of the Company. The reply is not tenable as the Company has charged this amount of Rs.1.79 crore as expenditure in 2002-03 as stated above.

The Government had also claimed interest of Rs.3.14 crore (15 per cent for granite and 24 per cent for minerals) on royalty and dead rent payable for the period up to 31 March 2003. The Company approached (December 2003) the Government for waiver and the decision of the Government is still awaited (April 2004).

Production performance

Targets and achievements

2.1.13 The main minerals produced by the Company are chromite, manganese, iron ore, limestone and magnesite. The Company stopped (1996) mining of manganese ore due to the Supreme Court judgement prohibiting mining activities in forest areas. Iron ore mining was being operated by a joint-venture company (Jindal Vijayanagar Steel Limited) from 2000-01. The details of budget and the actual achievement thereof for the last five years ending 31 March 2004 are indicated below:

Mineral	1999-2000		2000-01		2001-02		2002-03		2003-04 (Provisional)	
	Budget	Actual	Budget	Actual	Budget[#]	Actual	Budget#	Actual	Budget#	Actual
	(in lakh tonne)									
Chromite	0.22	0.13 (59.09)	0.53	0.15 (28.30)	-	0.19	-	0.19	-	0.12
Iron ore	1.68	0.19 (11.31)	-	-	-	-	-	-	-	-
Magnesite	0.31	0.25 (80.65)	0.26	0.15 (57.69)	-	0.10	-	0.16	-	0.16
Limestone	3.12	2.30 (73.72)	3.33	2.78 (83.48)	-	3.69	-	3.03	-	2.58
Rough Granite blocks (in cubic metre)	8,920	7,230 (81.05)	10145	6,324 (62.34)	-	8,160	-	9,000	-	Not available

(Figures in bracket indicates percentage achievement)

From the table it could be observed that the production ranged from 11 to 83 per cent of target during 1999-2001. The Company had not fixed any target for 2003-04 for reasons not on record. There was also no system of analysing the reasons for the shortfall in achieving the target in order to take corrective action.

Departmental production

Uneconomic working of Mines

The Company incurred losses of Rs.9.19 crore due to high cost of production.

2.1.14 The Company had 19 mines covered by 24 mining lease and five quarries working departmentally as on 31 March 2004. As a result of high cost of production four to ten units incurred losses of Rs.9.19 crore during the last five years as detailed below:

Year	No. of units	Amount of loss (Rs. in crore)
1999-2000	4	1.44
2000-2001	8	1.26
2001-2002	9	2.14
2002-2003	10	2.38
2003-2004	4	1.97
Total		**9.19**

Audit observed that four[•] units have been incurring losses continuously over a period of three years ending March 2004 (total loss of Rs.5.73 crore up to

[#] The Company has not fixed the budgetted quantity.

[•] Chamarajanagar, Karya, Taridalu and Rajansiriyur.

March 2004), but no efforts were made by the Company either to reduce the cost of operation to make them viable or to award the same on raise-cum-sale contract. The Government stated (April 2004) that action was being taken to enlist some of the quarries /mining leases on raise-cum-sale basis.

Mineral-wise profitability

2.1.15 The mineral-wise profitability based on the cost records of the Company for the last five years ending 2003-04 is indicated in **Annexure 10.**

It could be seen from the Annexure that the Company incurred loss of Rs.4.21 crore in producing chromite, magnesite and iron ore during the last five years ending 31 March 2004. In respect of iron ore, the Company had been incurring losses till 1999-2000, when work was being carried out departmentally. The main reasons for incurring losses were:

- under-utilisation of machinery (referred to in paragraph 2.1.17);
- excess consumption of power (referred to in paragraph 2.1.18);
- excess deployment of man-power (referred to in paragraph 2.1.35);

The Company has been earning profit from 2000-01 onwards as the work of mining has been awarded to ore-raising contractor from then onwards.

Cost analysis

2.1.16 The Company has a system of compiling mine-wise cost of production under historical cost system. The total monthly cost of production of each mine/unit is ascertained considering the total expenditure incurred by the respective mines/units. But in the absence of pre-determined/standard cost fixed for each of the mine, the Management could not analyse cost variance to take immediate steps to contain expenditure, wherever possible.

Hiring of excavators

2.1.17 The Company deployed two excavators purchased in 1997 in Ilkal Granite Quarry for raising of granite. In addition to above, the Company has also been hiring excavators. The rate of hire charges paid by the Company for the excavators used in the work was Rs.2,300 per hour up to December 2002 and Rs.2,500 thereafter as against cost of operation of departmental excavators ranging from Rs.1,014 to Rs.1,086 per hour.

Audit observed that one of its own excavators went out of operation in March 2001. The Company did not initiate any action to get it repaired on the ground of financial constraint even though the cost of repair was Rs.0.94 lakh only and the saving ranged from Rs.474 to Rs.1,286 per hour (as compared to hired excavator).

Audit also observed that there was under utilisation of own excavators to the extent of 50 per cent of effective working hours even after allowing 25 per cent of the available working hours for repairs and maintenance. Considering the difference in rate of hire charges paid and cost of operation of own excavators, the loss due to under utilisation of the excavators in Ilkal during 1999-2004 amounted to Rs.92.94 lakh. The Government stated (April 2004) that the matter of under utilisation of machinery leading to losses was being looked into.

Consumption of Power

2.1.18 The Byrapur Chromite Mine is an underground mine. The ore is extracted by using power. The Company availed of high tension power supply with a contract demand of 250 KVA from Karnataka Power Transmission Corporation Limited (KPTCL) {erstwhile Karnataka Electricity Board (KEB)}. Besides this, the Company was having a DG set, which was used as a back up. The cost per unit of own generation ranged from Rs.4.62 to Rs.28.74 during the period April 1998 to September 2003 as against the rate per unit ranging from Rs.4.02 to Rs.8.88 of KEB / KPTCL. The power supply availed of from KEB / KPTCL was disconnected in December 1996 for non-payment of energy charges. Consequently, the captive generation became the only source of power for extracting the ore. This resulted in avoidable expenditure of Rs.33.81 lakh due to higher cost of generation. The Government stated (April 2004) that the supply of power from KEB was not regular and in view of safety of underground workers and production, the generator was used continuously. The reply is not tenable since the power supply was disconnected due to non-payment of energy charges. Moreover, use of own generation from generator during the period of non-supply of power only, would have reduced the cost.

Raising contracts

2.1.19 The Company awards raising contracts, after inviting tenders, based on the premium quoted by the parties. The agreement entered into with the contractor provides for levy of penalty for the shortfall in monthly minimum production and claiming of reimbursement of salaries/wages of the staff of the Company.

Non-claming of dues

2.1.20 On a review of the granite raising-cum-sale contracts, following irregularities were observed:

- **Mallainapura and Yadapura quarries** - The Company entered (February 2002) into agreement with Metro Granite, Bangalore for removal of granite blocks from the above quarries. In terms of agreement, the raising contractor was to commence the production by June 2002. The contractor, however, did not commence the operation till May 2003. The Company without claiming the penalty of Rs.60.18 lakh for the shortfall in production, cancelled the agreement in May 2003 and entered into fresh agreement in October 2003 with the same party on the same terms and conditions.

- **Bettadapura quarry** - The Company entered (August 1999) into an agreement with Oriental Granite and Marble Tiles Private Limited, Bangalore for raising granite blocks. The Company did not claim premium of Rs.16.68 lakh for the shortfall in the production in terms of the agreement. The contract was cancelled on expiry in August 2002.

The reasons for non-claiming the amount as per the contracts were not on record. The Government stated (April 2004) that action to forfeit the security deposit and to initiate legal process to recover the premium would be taken up. No action has been taken so far (August 2004).

Sales performance

Marketing strategy

2.1.21 The Committee on Public Undertaking in its 47^{th} Report (April 1991) observed that there was no regular system of evaluating the performance of Marketing Division in terms of turnover by fixing realistic targets and monitoring achievement. Audit also noticed that the Company was not having a defined sales policy and definite arrangements for marketing its products.

2.1.22 The following table indicates the details of export and domestic sales for the last five years up to 2003-04.

Year	Sales (Rupees in lakh)		
	Export	Domestic	Total
1999-2000	198.71	1,488.16	1,686.87
2000-01	117.07	1,878.31	1,995.38
2001-02	503.15	2,650.07	3,153.22
2002-03	88.70	3,158.85	3,247.55
2003-04	358.13	4,069.29	4,427.42

It could be seen from the above, that though there was overall increase in the value of sales year after year, there was decline in export sales during the year 2002-03 and 2003-04, compared with that of 2001-02. The increase in sales from 2001-02 and onwards was mainly on account of awarding ore raising contract for iron ore with selling arrangement and also on account of unprecedented demand for the iron ore fines.

Audit observed that the Company was not able to export Manganese ore during the last five years even though it had a stock of 27,238 tonne of ore valuing Rs.1.45 crore.

The Government stated (April 2004) that due to losses and non-availability of sufficient funds, there were decline in exports and no export orders for granite was taken up.

Advance commitment for supply of iron ore fines

2.1.23 The iron ore fines generated in the mining of iron ore were being disposed off to Minerals and Metal Trading Corporation of India Limited (MMTC) at the negotiated prices and to other buyers on the list price of the Company, revised from time to time. Audit observed that:

- in respect of 29 cases (during December 2003 to March 2004), the Company adopted pre-revised rates even though the letter of intents were issued on / after the date of revision of list prices. This resulted in undue benefit of Rs.7.31 crore to the buyers;
- in respect of 19 cases (during December 2003 to March 2004) the Company agreed to supply the fines at the rates indicated in letter of intents even though the advances were received after due date indicated in the letter of intents and the list price has been revised thereafter. This resulted in undue benefit of Rs.5.71 crore to the buyers.

Non-revision of selling prices

2.1.24 The Company entered into separate agreements (October 1999) with Kalyani Ferrous Industries Limited (KFIL) for raising of iron ore at Jambunathanahalli and Subbarayanahalli iron ore mines and with Mukunda Steels Limited (MSL), Mumbai for marketing the same. The selling price was fixed at Rs.253 per tonne for calibrated iron ore. As per Clause 6 of the agreement, the rates fixed for the sale of ore shall be firm for two years after the moratorium period of one year and thereafter the prices were required to be reviewed and re-fixed on 1 April of each year taking into consideration the revision in prices, if any, by Minerals and Metal Trading Corporation of India Limited (MMTC). The rates were due for revision in April 2003.

The Company, based on the request by KFIL and MSL, revised (January 2002/May 2003) the agreements by interchanging their roles (KFIL was now given contract for marketing of ore and MSL was given contract for raising the ore), with the same terms and conditions. Audit observed that the Company, however, failed to incorporate revised prices as per the earlier agreement in the new agreements, with the result the rates are now due for revision only in April 2005 and April 2006, respectively.

Non revision of rates in terms of agreement for sale of iron ore resulted in revenue loss of Rs.3.27 crore.

Non revision of rates, based on the revision done by MMTC, resulted in loss of revenue of Rs.3.27 crore on the supply of 5.03 lakh tonne of ore during 2003-04. The Government stated (April 2004) that the revised agreements were entered due to inter-change in the roles of these parties. The reply is not tenable, as while entering into revised contract, on one side the Company did not refix the selling price based on the then prevailing rate of MMTC and on the other side the period of review of selling price was changed.

Inventories

2.1.25 The Company had not fixed any norms to hold an inventory at any point of time. The following table indicates the comparative position of inventory, consumable stores and spares and their distribution at the end of five years up to 2003-04:

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04 (Provisional)
Stock in trade (finished goods)	15.95	12.55	12.14	22.40	17.32
Stock of stores and spares	1.27	1.41	1.49	1.33	1.41
Stock in trade in terms of months sales	11.4	7.6	4.6	8.3	3.80
Stock of stores and spares in terms of months of consumption	5.0	6.9	5.7	4.7	6.20

It could be seen from the table that there was heavy accumulation of finished goods. In terms of months' sale it varied from 4.6 months' to 11.4 months' sale.

2.1.26 The granite blocks measuring 11,598.706 cubic metre produced during 1981-2000 remained unsold as at 31 March 2004. Due to lack of demand and defects in the blocks produced, the Company was not able to dispose off the blocks. The estimated realisable price of these blocks was Rs.1.16 crore (as on 31 March 2004) as against the cost of Rs.5.22 crore incurred on the production. These blocks were proposed for disposal in December 2001 through tender after determining the price of blocks grade-wise by using the service of expert in the granite field. The blocks were, however, still lying in the quarries (August 2004). Thus, delay in liquidating of these stock not only resulted in blocking of working capital in the form of inventory but also lead to decline in the value year after year due to deterioration in the quality of granite. The Government stated (April 2004) that the Board was seized of this matter.

GCP Hassan

2.1.27 Granite Cutting and Polishing unit (GCP), which was setup (January 1986) at Hassan at a cost of Rs.2.52 crore, as a 100 per cent 'Export Oriented Unit' (EOU), with an installed capacity of 40,000 square metre of processed granite per annum, failed to achieve full capacity due to lack of export orders. The unit become unviable as being an EOU, it was not allowed to sell its products in the local market in absence of export orders.

COPU in its 47th report (24 April 1991) attributed the heavy losses by GCP Hassan to the following main reasons:

- fixation of low production targets;
- non-fixation of sale target with reference to production targets and order requirements;

- production of granite not in accordance with the requirement of customer orders leading to heavy rejection by the customers; and
- failure of unit and the Company to monitor compatibility of production with sales, etc.

Due to lack of export orders, the Company has to either pay a duty of Rs.4.34 crore for debonding and marketing the granite stock of Rs.1.65 crore or destroy it alongwith consumables.

The Company did not analyse these reasons further to take adequate action and continued with the production of granite. This resulted in accumulation of stock. The Company discontinued the production in February 1998 after accumulating stock of 16,525.29 square metre; the market value as on 31 March 2004 of this stock was Rs.1.65 crore.

As the Company could not fulfill its export obligation as envisaged, the Customs Department imposed (1998) penalty of Rs.1.25 lakh as per the Export-Import Policy. In addition to the above, the Development Commissioner, Ministry of Industries and Commerce, Government of India, advised (July 2002) the Company to approach the Central Excise Authorities for debonding with a proposal to destroy its unsuitable stock and finished goods and consumable.

The Superintendent of Central Excise, Hassan range, however, demanded (November 2002) the Customs Duty of Rs.4.34 crore forgone on capital goods and consumables already utilised in the production of the goods without achieving the stipulated export obligations and Rs.33.82 lakh for not achieving the value addition.

In view of lack of export orders to execute and restrictions to sell the products in local market on account of considering the unit as 100 per cent EOU, the option now available with the Company, is either to pay Duty of Rs.4.34 crore for debonding and marketing the stock of Rs.1.65 crore available in domestic market or to destroy it alongwith consumables worth Rs.81.72 lakh and dispose off the property after scrapping the machinery and closing the unit.

The Government stated (April 2004) that the issue would be taken up with the Excise and Customs Authorities to dispose off the stock in the domestic market.

Joint Venture with Jindal Vijayanagar Steel Limited

The Company incurred losses of Rs.6.17 crore due to acceptance of development cost at lower price, payment of hardship allowance, non-claiming of minimum premium etc., in the execution of Memorandum of Understanding.

2.1.28 The Government of Karnataka set up a joint venture between Jindal Vijayanagar Steel Limited (JVSL) and the Company, to provide adequate supply of iron ore to the steel plant of JVSL at Torangallu. A Memorandum of Understanding (MOU) was signed between the Company and JVSL in January 1997 and a joint venture company was registered under the Companies Act as "Vijayanagar Minerals Private Limited" (VMPL). According to the MOU, the Company was to make available the existing Thimmappanagudi iron ore mines for exploitation by VMPL, while JVSL was to make available A, D and E blocks of Kumaraswamy iron ore mines for exploitation and to develop a mine of the capacity of around eight million tonne per annum, primarily to meet the requirement of JVSL and commitments of the Company. JVSL was to purchase 3.5 million tonne of fines, while the Company was to purchase 1.5 million tonne of lumps at transfer price (lower than market value), to be decided later by the joint venture partners. VMPL was free to sell the balance quantity of lumps and fines with the first option of refusal by the Company. VMPL started production from February 2001.

Audit observed the following :

Acceptance of development cost at a lower price

2.1.29 As per MOU, the Company was to hold equity of 30 per cent in VMPL, while the balance 70 per cent equity was to be held by JVSL. The cost of the developmental work done by the Company in Thimmappanagudi was to be evaluated and treated as contribution of the Company towards equity capital. The Thimmappanagudi iron ore area was handed over to VMPL on 1 August 1998 for development and production.

The cost of developmental work carried out by the Company in this area was got evaluated at Rs.3.72 crore and VMPL was requested (December 1998) to treat this as contribution towards share capital. The other partner, however, did not agree for this evaluation and it was decided (January 1999) to refer this to an independent mine valuer and the valuation done by him would be final.

The cost of development work was evaluated at Rs.2.43 crore by the mine valuer. This was also not agreed to by the partner and the Company was asked to consider the development cost of Rs.1.33 crore. The Company initially did not agree to the offer but finally agreed (September 2000) for Rs.1.74 crore. The basis of Rs.1.74 crore as against Rs.2.43 crore given by the independent valuer was not available on record. Acceptance of lower value for cost of development work resulted in loss of Rs.69 lakh.

The Government stated (April 2004) that the cost of development of mine assessed by the Assayers was not agreed by VMPL on the plea that the ore available in the section had already been exploited by the Company. Further, by disposing of the stock available at the mine, the Company had realised Rs.2.50 crore as against the loss of Rs.69 lakh. The reply is not tenable as the Company had only handed over the mine with infrastructure to VMPL for exploiting the ore and not the stock lying in the mine, which belonged to the Company. As such realisation of Rs.2.50 crore by sale of these ore was in no way connected with the development cost.

The shareholders agreement was yet to be finalised and the same was stated to be pending with the Government (August 2004). Pending finalisation of share holders agreement, shares for Rs.1.74 crore have not been allotted to the Company even after lapse of over five years of handing over of the mine to VMPL. This deprived the Company of any return on investment.

Payment of Hardship Allowances

2.1.30 According to the MOU, VMPL would be responsible to either absorb the services of, or provide a Voluntary Retirement Scheme (VRS) for all the workers and employees of the Company in its Iron Ore Division at Thimmappanagudi. As per the service agreement (February 1999), VMPL was to pay (January to April 1999) Rs.3.50 crore in four installments to the Company, as one time settlement, to meet the funds required for VRS. The Company received Rs.1.50 crore only between January and July 1999. The balance payment of Rupees two crore was yet to be paid by VMPL (August 2004).

The Company introduced the VRS in October 1998 and allowed 1,300 employees to retire. As the Company was not able to settle the dues of the employees, it paid hardship allowance at the rate of 50 per cent of salary up to May 1999 and increased the same to 75 per cent on the demand of the employees from June 1999 till the settlement was made in August 2000 from its own fund. The Company paid hardship allowances of Rs.76.09 lakh to its employees. In the absence of any clause for reimbursement of such expenditure in the service agreement and specific clause regarding payment of interest for the delayed/non payment of installment, the Company was forced to bear this additional expenditure. The Government stated (April 2004) that the Company was making efforts to recover the balance amount.

Non claiming of minimum assured premium

2.1.31 According to the draft shareholder agreement, the minimum premium of Rs.66 lakh, Rs.1.06 crore and Rs.1.32 crore was payable for first, second and third financial year respectively.

Audit observed that the Company did not claim the assured minimum premium payable as per the terms of draft agreement. This resulted in short recovery of Rs.89.24 lakh in the minimum annual premium payable during 2001-04.

The Government stated (April 2004) that the claim for shortfall in minimum premium had been sent to VMPL.

2.1.32 JVSL and the Company agreed (June 1999) for the premium of Rs.30 per tonne for lump and Rupees six per tonne for fines payable by VMPL to the Company. These rates were arrived at on the basis of the then existing purchase price of MMTC and on the assumption of generation of ore and fines in the ratio of 30:70. The premium was to be revised and re-fixed from 1 April 2003, based on the prevailing market price.

Audit observed that the actual production of ore and fines were in the ratio of 7:93, thereby generating 5.05 lakh metric tonne of excess quantity of fines as compared to the norms decided earlier. This resulted in loss of Rs.1.21 crore to the Company due to lower payment of premium.

The Government stated (April 2004) that this issue has been taken up with VMPL and the matter will be further pursued.

Non revision of Premium

2.1.33 Audit also observed that the Company did not revise the rate of premium and continued to raise invoices at the existing rate for the supplies effected after 1 April 2003. Reasons for non-revising the rate, considering the market rate for the supplies effected after 1 April 2003, were not available on record. The failure to fix premium on the basis of market price prevalent on 1 April 2003, resulted in short collection of premium of Rs.1.04 crore. The Government stated (April 2004) that the matter would be pursued further with VMPL.

Non-exercising of option to purchase the iron ore lumps

2.1.34 The MOU provided that out of the production of eight million tonne per annum, the Company was entitled to buy 1.5 million tonne at the transfer price. The transfer price for lumpy ore was fixed (January 1999) at Rs.164 per tonne. The total production of the joint venture during April 2001-04 was 25.47 lakh tonne including 2.57 lakh tonne of lumpy ore. As this production of lumpy ore was much lower than that provided for in MOU, the Company had the option to buy all the quantity on transfer price. The Company, however, did not insist upon VMPL to supply lumpy ore to it at transfer price.

Failure of the Company to insist upon the joint venture to supply lumpy ore at transfer price resulted in loss of revenue of Rs.1.58 crore (worked out on the basis of the minimum market rate of Rs.225.63 per tonne and transfer price of Rs.164 per tonne).

The Government stated (April 2004) that by considering the premium payable and further crushing charges, the cost per tonne of ore worked out to Rs.254 as against the minimum market rate of Rs.225.63. The reply is not tenable since the transfer price fixed for lump and fines was after crushing only. The premium payable by VMPL had no relation to the transfer price as it had to pay the premium to the Company on the ores mined.

Manpower

2.1.35 In order to reduce the surplus manpower, and to improve productivity, the Company introduced (October 1998) VRS under which 1,300 employees were allowed to retire (October 1998) as discussed in paragraph 2.1.30. After relief of these employees, the Company had 2,454 employees.

The production activities of the Company came down after 1997-98 due to closure of some of its mines and also awarding of ore raising contract to outsiders in respect of some of its mines and quarries, which rendered the staff surplus.

The Company assessed its manpower requirement and identified (September 2002), 604 persons as excess in different categories. The average salary per month of this excess staff worked out to Rs.33.51 lakh. Though the Company identified these staff as excess in September 2002, no action has been taken so far (August 2004) either to implement VRS for these excess

Failure to implement VRS in respect of surplus staff resulted in expenditure of Rs.6.70 crore towards salaries and wages.

employees or to request other Government companies, through the State Government, to take this excess staff on deputation. This has resulted in increase in the cost of production. Considering the monthly expenditure of Rs.33.51 lakh incurred on this surplus staff, the total expenditure on salaries and wages for these employees from September 2002 to April 2004 worked out to Rs.6.70 crore. The Company stated (April 2004) that excess employees had been identified and details were called for from all the units about the employees, who were willing to go on voluntary retirement, to avoid expenditure towards salaries and wages.

Internal Control and Internal Audit

2.1.36 The Internal Audit of the Company has been entrusted to a firm of Chartered Accountants on a monthly remuneration basis. Audit observed that:

- Internal Auditors Reports were mainly pointing out the deficiencies in internal control in the areas of cash / bank transaction recorded, invoicing of sales, payment of advances, purchase of stores, repairing of vehicles and machinery, etc.

- no periodical reports on physical target vis-a-vis achievements, performance of individual units under profit centre and on effectiveness of internal control system in key functional areas were, however, submitted to the management by the Internal Auditors as envisaged in the scope of audit.

- the Internal Auditors Reports and the compliance thereon have not been reviewed periodically and brought to the notice of the Board.

The important tools such as budget, internal audit and audit Sub-Committee helps the management to exercise effective internal control system in the day to day affairs of the Company. Though the Company prepares the budget annually, the achievement thereof was not being monitored from time to time to have better control of affairs and to take preventive/corrective action. Further, reasons for non-achievement was also not being analysed. Similarly, though firms of Chartered Accountants were being appointed as Internal Auditors, the reports of the Internal Auditors were not being placed before the Board for taking corrective action as stated earlier. The Audit sub-committee, one of the main tool for exercising the internal control, was formed only in March 2003. This sub-committee has not held any meeting subsequent to its formation.

The Statutory Auditors in their Report to the shareholders on the accounts of the Company for the years 1999-2000 to 2002-03 have also opined about need of strengthening the internal control/internal audit system existing in the Company.

The Government stated (April 2004) that steps were being taken to strengthen the internal control in the Company and to place the reports of the Internal Auditors before the Board.

Conclusion

The Company was established with the main objective of exploring, exploitation and marketing of mineral wealth from the leased area in the State. The Company could not achieve the targeted production in any of the years. Due to non-operation of certain leases, the Company had to pay heavy dead rent. Non-closure of the mines, where production operation was suspended, also forced the Company to incur extra expenditure towards salaries and wages. The Company sustained losses due to high cost of production compared with the realisation. The Company had incurred extra expenditure towards hardship allowance, sustained revenue loss on account of accepting the development cost at a lower rate, non claiming of minimum assured premium, etc., in the execution of the Memorandum of Understanding with Jindal Vijayanagar Steel Limited. Closure of some of its mines and quarries and also awarding of ore-raising contract to outsiders has rendered the staff surplus.

The Company needs to improve the productivity of its mines and quarries to earn profit regularly. Action needs to be taken to surrender non-operational, unproductive mines and quarries to avoid payment of dead rent. The Company needs to recover the dues as provided in the Memorandum of Understanding with Jindal Vijayanagar Steel Limited. The Company needs to reduce its surplus manpower.

2.2 KARNATAKA POWER CORPORATION LIMITED AND VISVESWARAYA VIDYUT NIGAM LIMITED

SECTORAL REVIEW ON FUEL MANAGEMENT IN POWER SECTOR COMPANIES

Highlights

The generation of power is done by Karnataka Power Corporation Limited (KPCL) and Visveswaraya Vidyut Nigam Limited (VVNL). The installed capacity of KPCL was 4,365.50 Mega Watt (MW) comprising of 1,470 MW coal based thermal power station at Raichur, 2,891 MW hydel (17 stations) and 4.50 MW wind energy (one station). The installed capacity of VVNL was 354.32 MW, comprising of 127.92 MW Diesel/Low Sulphur Heavy Stock power station at Bangalore and 226.40 MW hydel (four stations).

(Paragraph 2.2.1)

Receipt of low grade coal against the billed grade from Singareni Collieries Company Limited resulted in extra cost of Rs.151.83 crore to KPCL.

(Paragraph 2.2.5)

Poor quality of coal resulted in loss of generation of 757.118 million units in KPCL.

(Paragraph 2.2.6)

Excess quantum of combustibles in ash over and above the norms resulted in consumption of excess coal at an additional cost of Rs.13.44 crore in KPCL.

(Paragraph 2.2.8)

Failure to pursue the matter with the Government for concessional sales tax resulted in payment of additional sales tax of Rs.33.35 crore by VVNL.

(Paragraph 2.2.12)

There has been excess consumption of lube oil valuing Rs.8.36 crore in VVNL against the norms.

(Paragraph 2.2.14)

Introduction

2.2.1 Karnataka Power Corporation Limited (KPCL) and Visveswaraya Vidyuth Nigam Limited (VVNL) are two power generation companies owned by Government of Karnataka.

As on 31 March 2004, the installed capacity of KPCL was 4,365.50 Mega Watt (MW) comprising of 1,470 MW coal based thermal power station at Raichur, 2,891 MW hydel (17 stations) and 4.50 MW wind energy (one station). The installed capacity of VVNL was 354.32 MW, comprising of 127.92 MW Diesel / Low Sulphur Heavy Stock (LSHS) power station at Bangalore and 226.40 MW hydel (four stations).

KPCL procures coal mainly from Singareni Collieries Company Limited (SCCL), Andhra Pradesh, Western Coalfields Limited (WCL), Maharashtra, Mahanadi Coalfields Limited (MCL), Orissa and South Eastern Coalfields Limited (SECL) whereas VVNL procures Diesel/LSHS oil from Indian Oil Corporation Limited (IOCL).

The transmission of power generated by these two companies is done by Karnataka Power Transmission Corporation Limited and distribution is done by four electricity supply companies owned by Government of Karnataka.

Scope of Audit

2.2.2 Fuel Management is an integrated management approach of planning, procurement, transportation, storage and utilisation of fuel, including secondary fuel, with a view to controlling cost, ensuring a uniform flow of fuel of requisite quality and quantity at the appropriate time and at the right price.

The present review conducted during November 2003 to January 2004 covers the activities relating to procurement, transportation, storage and consumption of fuel for five years from 1999-2000 to 2003-04.

The audit findings as a result of test check of records for the period from 1999-2000 to 2003-04 are discussed in two parts in the succeeding paragraphs. The first part focuses on fuel management at Raichur Thermal Power Station of KPCL while the second part focuses on Diesel Generation plant (D.G. Plant) of Vishweswaraya Vidyut Nigam Limited.

Audit findings as a result of test check were reported to the Government/Companies in April 2004 with a specific request for attending the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) so that view point of the Government / Management was taken into account before finalising the review. The meeting of ARCPSE held on 6 May 2004, was attended by the Principal Secretary to the Government of Karnataka, Energy Department and Managing Directors of both the Companies. The views expressed by the members have been taken into consideration during finalisation of the review.

Fuel Management at Raichur Thermal Power Station of KPCL

2.2.3 Raichur Thermal Power Station is a super thermal power station with an installed capacity of 1,260 MW (six units of 210 MW each). During 2003-04 the seventh unit of 210 MW was commissioned increasing the total installed capacity to 1,470 MW as on 31 March 2004. Coal is the main fuel, which constitutes more than 60 per cent of the cost of generation. Heavy furnace oil and light diesel oil are used as secondary fuel for start-up operations.

The Fuel Management Wing is headed by the Chief Engineer (Fuel Management) who is assisted by three Superintending Engineers, each in-charge of Fuel Management, Operation of Coal Handling Plant and for overall monitoring of coal activities.

Procurement

2.2.4 Based on the targeted generation, the Company plans the requirement of coal based on specific consumption of coal per kilo watt hour (KWH), plant load factor (PLF), etc. Further, based on this targeted generation and quantity of coal required, the source of supply is decided by the Standing Coal Linkage Committee (Standing Committee) constituted by the Government of India, considering the quality of coal required and constraints in transportation. The year-wise budget, actuals, linkage and materialisation of supply for the five years ended 31 March 2004 is given below:

Year	Installed capacity (Mega Watt)	Budgeted		Actuals		
		Gener-ation (MU)	Coal Qty	Linkage allotted	Receipts	Per cent of receipts to linkage
			in lakh tonne			
1999-2000	1,260	8,650	64.40	70.50	53.81	76.3
2000-01	1,260	9,000	65.70	65.95	61.18	92.8
2001-02	1,260	9,000	59.40	62.85	57.85	92.1
2002-03	1,260	9,200	59.80	63.50	62.47	98.4
2003-04	1,470	10,330	59.92	88.80	75.93	85.5

(MU- million units)

From the above, it was observed that the linkages provided was in excess of budget in all the years. The Company stated (May 2004) that projection was done on a higher side to the linkage committee, so as to ensure sufficient coal was supplied to meet the budgeted generation.

2.2.5 The Company entered into 'Fuel Supply Agreements' with WCL from April 2000 and with SCCL from September 2000. Prior to this, there was no agreement with WCL and SCCL. The Company has not entered into any agreement with MCL and SECL so far (August 2004).

Audit observed that while the agreement with WCL provided for joint sampling and analysis at both loading and unloading ends, the Company agreed, at the insistence of SCCL, for joint sampling (September 2000) at loading end only, as an interim measure. The Company has also been

Receipt of low grade coal against the billed grade from Singareni Collieries Company Limited resulted in extra cost of Rs.151.83

analysing the coal received at unloading end on regular basis since December 2001. Audit observed that the Company, however, continued with the procedure of joint sampling at loading end only even in subsequent renewal of agreement inspite of noticing grade slippages on analysis done at unloading end. In the absence of any provision for joint sampling at unloading end, the Company had to pay the cost of coal as per the analysis done at loading end. This resulted in extra payment of Rs.151.83 crore up to March 2004.

The Company stated (May 2004) that it was aware of the shortcomings in the system and the matter was being pursued with SCCL.

Quality of coal

2.2.6 The table below gives details of unit wise reduction in generation due to supply of poor quality coal as assessed by management for the last four[∝] years:

Unit	Reduction in Generation (million units)				
	2000-01	2001-02	2002-03	2003-04	Total
I	100.265	26.429	35.987	23.291	185.972
II	78.570	23.390	20.867	11.686	134.513
III	97.247	1.479	-	3.124	101.850
IV	55.587	9.212	2.610	0.718	68.127
V	66.812	32.185	21.195	2.713	122.905
VI	106.880	28.063	-	6.027	140.970
VII*	NA	NA	NA	2.781	2.781
Total	**505.361**	**120.758**	**80.659**	**50.340**	**757.118**

* commissioned in 2003-04; NA- Not applicable.

Poor quality of coal resulted in loss of generation of 757.118 million units.

The above table confirms the fact that there was reduced generation of 757.118 million units due to poor quality of coal during the period. The Company has confirmed (May 2004) the facts.

Consumption of fuel

2.2.7 A review of performance of the units revealed that the units were utilising heat for generation of one unit of power in excess of the heat required as per manufacturer's specification, even after considering the aging factor of the units as determined by the management, as per details given below:

(in Kilo calories)

Units	I	II	III	IV	V	VI	VII
As per manufacturer's specification	**2,395**	**2,395**	**2,425**	**2,374**	**2,344**	**2,337**	**2,281**
Year	**Actual Heat rate**						
2000-01	2,503	2,512	2,537	2,510	2,511	2,518	-
2001-02	2,499	2,484	2,486	2,486	2,486	2,502	-
2002-03	2,500	2,501	2,498	2,507	2,500	2,486	-
2003-04	2,482	2,490	2,494	2,499	2,502	2,507	2,507

∝ figures for 1999-2000 not available.

The resultant excess consumption of coal computed on average 'Gross Calorific Value' (GCV) of coal and average rate per tonne of the respective years worked out to Rs.204.98 crore.

2.2.8 The Company has fixed a norm of five per cent and one per cent combustibles in bottom and fly ash respectively. As per the ash analysis, the annual average combustibles in bottom and fly ash, however, ranged from 5.3 per cent to 10.3 per cent and 1.3 per cent to 1.4 per cent, respectively, for the last five years as per details given below:

(in percentage)

Year	Bottom Ash	Fly Ash
1999-2000	6.8	1.3
2000-01	7.9	1.3
2001-02	10.3	1.4
2002-03	7.9	1.3
2003-04	5.3	1.3

Excess quantum of combustibles in ash over and above the norms resulted in consumption of excess coal at an additional cost of Rs.13.44 crore.

The combustibles in ash to the extent of 82,411.96 MT, over and above the norm fixed by the Company, had become a waste and the Company had to consume equivalent quantity of coal at an additional cost of Rs.13.44 crore. The reasons for poor performance over the years were not analysed.

The Company stated (May 2004) that no norms had been fixed by the manufacturers and the above norms fixed were benchmarks set by the Company itself. The fact remains that the Company could not achieve the norms set by it.

Internal Control

2.2.9 Audit observed that the Company did not have a manual for Internal Control procedures. The Company assured (May 2004) to prepare the same within six months.

Fuel Management in Visveswaraya Vidyuth Nigam Limited

2.2.10 The erstwhile Karnataka Electricity Board (Board) established (1993-94) Diesel Generation Plant (D.G.Plant) of 127.92 MW capacity consisting of six units of 21.32 MW each to be run as base load station using Low Sulphur Heavy Stock (LSHS) as main fuel with High Speed Diesel (HSD) as secondary fuel for start up operations. With the incorporation (July 1999) of Visveswaraya Vidyuth Nigam Limited (VVNL), D.G.Plant of the Board was transferred to VVNL.

Procurement

2.2.11 The erstwhile Board entered into an agreement (June 1989) with Indian Oil Corporation Limited (IOCL) for supply of entire requirement of fuel oils and lubricants during the complete life span of the plant. IOCL has erected required storage facility on the land adjacent to the plant, leased by the Board, at their cost.

The Company constructed its own storage tanks for LSHS and HSD having a capacity of 1,434 Kilolitre (KL) and 365 KL, respectively. The plant draws LSHS through pipeline from IOCL main storage tank to its storage tank whenever required. The HSD and lubricants are being supplied by IOCL through tankers and stored directly in storage tank of the plant.

A test check of records revealed the following:

Concessional sales tax for LSHS

2.2.12 The Government reduced (March 1997) the Sales Tax on sale of LSHS to an industrial unit located in the State for use by such units as consumables, from eight per cent to four per cent for a period of three years, with effect from April 1997, against declaration in Form 37.

The erstwhile Board was not able to get the benefit of reduced Sales Tax since Form 37 prescribed a declaration that goods purchased were used as inputs in the manufacture of other taxable goods inside the State for sale. The electricity produced by using LSHS was not a taxable commodity under Karnataka Sales Tax Act.

Audit observed that the Board did not take up the matter with Commercial Tax Department (Department) till June 1999. The Department clarified (August 1999) that the notification was not applicable to the Board, as the concession was extended to petroleum products used in captive generation of electricity. The Department, however, did not clarify the issue regarding use of LSHS as consumables by the Board for which concession was extended in the notification. The Board did not pursue the matter either with the Department or the Government for further clarification and continued to pay tax at the normal rate.

Failure to pursue the matter with the Government for concessional Sales Tax resulted in payment of additional Sales Tax of Rs.33.35 crore.

Audit also observed that the Company (VVNL) after its formation (July 1999) and registration (September 2000) under Karnataka Sales Tax Act, started availing concessional rate of tax from January 2001 by furnishing Form 'D' instead of Form 37.

Failure to pursue the matter with the Commercial Tax Department for further clarification regarding LSHS as consumable resulted in payment of additional Sales Tax (including cess) of Rs.33.35 crore during April 1997 to December 2000.

Performance of D.G.Plant

2.2.13 The performance of D.G.Plant for the five years up to 2003-04 was as follows:

Year	Installed capacity (MW)	Budgeted Generation (MU)	Energy generated (MU)	Auxiliary consumption (MU)	Plant Load Factor (per cent)
1999-2000	127.92	720.000	707.489	21.332	63.13
2000-01	127.92	767.000	658.402	19.515	58.70
2001-02	127.92	770.000	768.725	22.748	68.60
2002-03	127.92	730.000	706.817	21.815	63.10
2003-04	127.92	740.000	397.910	13.900	42.00

Although it was envisaged in the project report to run the plant at plant load factor (PLF) of 68.5 per cent, the plant was operated below the expected PLF except in 2001-02, as per the instructions of load dispatch centre of KPTCL.

Consumption

Excess consumption of lube oil

2.2.14 The manufacturer of the equipment has specified the consumption of lube oil, after completion of operation of the plant for 500 hours, for operation at various load levels, subject to tolerance of five per cent, as under:

Load factor (in per cent)	Consumption (kgs/hour)
100	22.730
90	21.400
75	17.820
50	14.850

There has been excess consumption of lube oil valuing Rs.8.36 crore in VVNL against the norms

During the five years ending 2003-04, the Plant was operated at plant load factor ranging between 42 per cent and 68.6 per cent. Audit observed that the lube oil consumption by the six operational units ranged from 24.357 kg/hour to 32.699 kg/hour, which was more than even the norm prescribed for 100 per cent load level. Considering the lube oil required at 75 per cent PLF, with due allowance of five per cent tolerance, the excess lube oil consumed during the five years worked out to 1,512.80 metric tonne equivalent to 1,662.15 kilo litre valuing Rs.8.36 crore.

The Company stated (May 2004) that the lube oil consumption was higher than the norms as per guaranteed parameters and the issue had been taken up with the manufacturers.

Wasteful expenditure on fuel for generation of unaccounted energy

2.2.15 The energy generated from the diesel generating stations is stepped up to 66 KV and transmitted to various sub-stations of KPTCL through six 66 KV lines. Energy meters have been fixed to record the energy sent out in all the six lines.

A review of the daily statement of the energy generated, auxiliary consumption and the energy sent out revealed that the entire net generation after auxiliary and colony consumption has not been transmitted to KPTCL lines. The energy not fed to the lines ranged from three to 10 per cent of the daily generation. The energy loss for the three months (January 2001, January 2002 and January 2003) test checked in audit amounted to 3.954 MU, 4.714 MU and 2.212 MU respectively, totalling to 10.880 MU.

The Company stated (May 2004) that the difference was due to transformation loss and error in meter recording, for which corrective action was being taken by installing required equipment.

Internal Control

2.2.16 The Company is following the accounts and audit procedures as followed by the erstwhile Karnataka Electricity Board. The supply bills of the sole supplier is being scrutinised and passed for payment after due verification with reference to relevant documents. The quality of the fuel is being ensured by analysis through an external agency.

However, the changes in the statutory levies were not given effect to immediately. There was also delay in reconciliation of accounts with the sole supplier.

Conclusion

Karnataka Power Corporation Limited has a separate Fuel Management wing for efficient handling of the supply and utilisation of coal for its thermal stations. The Company, however, made excess payments towards supply of lower grade coal and there were also losses due to excessive combustibles in ash and utilisation of excess heat for generation. As regards, Visveswaraya Vidyut Nigam Limited, the Diesel Generating Plant was operating below the Plant Load Factor fixed in the project report; there was also excess consumption of lube oil and payment of additional sales tax. Steps need to be taken to exercise control in respect of combustibles in ash and excess consumption of lube oil over the norms.

2.3 KARNATAKA STATE INDUSTRIAL INVESTMENT AND DEVELOPMENT CORPORATION LIMITED AND KARNATAKA STATE FINANCIAL CORPORATION

SECTORAL REVIEW OF INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT IN STATE FINANCIAL SECTOR UNDERTAKINGS

Highlights

Business Plan and Resource Forecasting was not finalised before commencement of the year and the reasons for variations were not analysed by Karnataka State Industrial Investment Development Corporation Limited (KSIIDC) and Karnataka State Financial Corporation (KSFC).

(Paragraphs 2.3.6 to 2.3.8)

No internal audit plan was prepared to conduct internal audit and there was no proper system to monitor the audit reports.

(Paragraphs 2.3.11 and 2.3.12)

Internal control system in respect of appraisal, sanction, disbursement, monitoring, demand and recovery of term loans was defective.

(Paragraphs 2.3.14 to 2.3.22)

KSIIDC adjusted Rs.6.79 crore, being principal of outstanding loans under 'Release and adjustment', in violation of its own decision.

(Paragraph 2.3.25)

Value of land accepted by KSIIDC for sanction of loan, was overvalued at the time of appraisal.

(Paragraph 2.3.29)

KSIIDC failed to disinvest 52.67 lakh shares, which were cleared by Disinvestment Committee during January 2001 to February 2002.

(Paragraph 2.3.33)

Introduction

2.3.1 Internal control is an integral part of the process designed and effected by the management of an organisation to achieve its specified objects ethically, economically and efficiently. It helps in creating reliable financial and management information system besides effective decision making. Internal Control System is most effective when it is built into the entity's infrastructure and is an integral part of the essence of the organisation.

Internal control in the Government financial institutions assumes more significance in view of the fact that these companies had to properly appraise all applications submitted critically so that the risk of default by the borrowers is reduced to the minimum.

Scope and coverage of Audit

2.3.2 The main objective of the review was to see whether the internal control systems, particularly regarding the term-lending activities, of the Government financial institutions were functioning. There are two Government companies* and a Statutory corporation (Karnataka State Financial Corporation - KSFC) under the Financial Sector.

One of the two Government companies (KSIIDC) and the Statutory corporation (KSFC) have been selected for review.

2.3.3 KSFC and KSIIDC were established in March 1959 and June 1964 respectively, with the main objectives of promoting and developing industrial growth in Karnataka by providing financial assistance in the form of term loans, equity participation, equipment leasing, deferred payment guarantee and merchant banking. In the recent years, the activities of these undertakings have been mainly confined to term lending.

KSIIDC identifies industrial opportunities, provides guidance to entrepreneurs of the medium and large-scale industries, whereas KSFC caters to the small and medium scale industries.

2.3.4 The comprehensive review on the working of the KSIIDC was included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 1999. The review was discussed by COPU in March 2002. The present review examines the mechanism of internal control systems prevalent during 1998-03. The activities / transactions of Head Office and one Branch Office were covered during October 2003 to February 2004. Sixty• cases, out of total 68 cases selected have, however, been covered.

The comprehensive review on the workings of the KSFC was included in the Report of the Comptroller and Auditor General of India (Commercial), for the

* Karnataka State Industrial Investment and Development Corporation Limited (KSIIDC) and Karnataka Urban Infrastructure Development and Finance Corporation Limited

• The records were not produced by the Company in respect of eight cases.

year ended 31 March 2001, which was yet to be discussed by COPU (September 2004). The present review examines the mechanism of the Internal Control during 2000-03. The audit coverage in respect of KSFC was 10 per cent of the sanctions of head office for each year (i.e. 25 cases).

2.3.5 Audit findings as a result of test check, were reported to the Government/Company/Corporation in May 2004 with a specific request for attending the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE) so that view point of the Government / Management was taken into account before finalising the review. The meeting of ARCPSE, held on 7 July 2004, was attended by the Principal Secretary to the Government of Karnataka, Commerce and Industries Department and Managing Directors of KSIIDC and KSFC. The views expressed by the members have been taken into consideration while finalising the review.

Tools of Internal Control and their role

Budget

2.3.6 Budget is a quantitative, financial expression of a program of measure planned for a given period. The Budget is drawn up with a view to plan future operations and to make ex-post-facto checks on the results obtained. Timely preparation of Budget and analysis of the variations noticed in the actual execution serves the purpose of internal control. Audit observed the following deficiencies in the preparation and analysis of the Budget:

KSIIDC

BPRF was not finalised before commencement of the years and the reasons for variations were not analysed.

2.3.7 The Company prepared Business Plan and Resource Forecasting (BPRF) annually, based on which the funds were borrowed from financial institutions, banks and through inter-corporate deposits, depending on the requirement. Audit observed that:

- the Company did not prepare BPRF well before the commencement of the year. BPRF for the relevant years were finalised after two to five months of the commencement of the year. The Company admitted the fact and stated (July 2004) that steps would be taken to prepare BPRF before the commencement of the financial year.

- the Company did not analyse the reasons for variances noticed between actual and budgeted figures to take corrective action as huge variances continued year after year. This indicated that the projections in the BPRF were not realistic. The Company stated (July 2004) that there were no major variations as compared to the revised budget. The reply is not tenable since the revised BPRF was prepared at the fag end of the year after considering the actual at that time.

KSFC

2.3.8 The Corporation prepared Business Plan and Resource Forecasting (BPRF) for submission to Small Industries Development Bank of India (SIDBI). The Corporation, based on BPRF, borrowed funds from financial institutions, banks and also through private placement of public bonds/subsidy bonds depending on the requirement.

Audit observed that:

- the Corporation did not finalise/approve the BPRF well before the commencement of the financial year. The BPRF for the years 1999-01 were approved by the Board in December 2000 and November 2001 respectively. The BPRF for the year 2002-03 was not approved by the Board of Directors of the Corporation. The Corporation stated (June 2004) that the BPRF was prepared after completion of Annual Accounts and its finalisation was dependent on SIDBI's approval. The Corporation also stated (June 2004) that apart from BPRF, Internal Budgets were prepared every year at the beginning of the financial year for monitoring the internal performance.

- the Corporation did not analyse the reason of variations to take corrective action.

Non-finalisation of BPRF in time and non-analysis of huge variations in projections indicated that both KSIIDC and KSFC were not properly using the budget as a tool of Internal Control.

Functional Manuals

2.3.9 Functional manuals provide guidance to the personnel in-charge of appraisal, disbursement and recovery and also to proceed for legal action as per terms and conditions. Audit observed that KSIIDC did not prepare any functional manual indicating that the Company has not formulated any internal control systems for the above activities even after four decades of existence.

The Company stated (July 2004) that steps would be taken to put in place the functional manuals which would provide guidelines to the personnel to discharge their duties more effectively within three months.

Audit Committee

2.3.10 As per Section 292-A of the Companies Act, the Audit Committee should have discussions with the Auditors periodically about internal control systems, the scope of audit including the observations of the auditors and review the half yearly and annual financial statements before submission to the Board and also ensure compliance of internal control systems.

Audit observed that:

- in KSIIDC, the Audit Committee held five meetings during January 2002 to August 2003. In none of the meetings, internal controls prevailing in the Company, its adequacy or compliance were discussed. The Statutory Auditors attended only two of the five meetings. The Company stated (July 2004) that suitable steps would be taken to improve the functioning of the Audit Committee.

- in KSFC, the Audit Committee did not meet after October 1998. Thereafter, the Board of Directors constituted an Audit Review Screening Committee (ARSC) during September 2001, which was directed (October 2002) to review the audit reports and to take action immediately. The ARSC held only two meetings on 24 February 2003 and 2 May 2003, wherein a few sanctions of less than Rs.25 lakh, approved at branch level were discussed. The Corporation stated (June 2004) that periodical meetings of ARSC would be ensured in future.

Internal Audit

2.3.11 Internal Audit is an appraisal activity established within an entity as a service to the entity. Its functions include, amongst others, examining, evaluating and monitoring the adequacy and effectiveness of the accounting and internal control systems.

A review of Internal Audit systems revealed the following:

KSIIDC

No internal audit plan was prepared to conduct internal audit and there was no proper system to monitor the audit reports.

- The Company has no Internal Audit department. Internal Audit/Concurrent audit was being conducted by a firm of Chartered Accountants, who submitted half yearly reports up to 30 September 2000 and thereafter, quarterly reports to the Managing Director. As there is no Internal Audit Manual, the scope and coverage were intimated to the Internal Auditor at the time of appointment.

- No elaborate plans for internal audit were made on the plea that it was a year long continuous activity.

- The observations contained in the reports were too general and even the cases involving serious lapses were not highlighted properly.

- The Internal Audit did not carry out audit of the policies of the Company or comment on the performance of the Schemes.

- Out of the 15 Internal Audit reports finalised during the period covered in the review, only four reports were discussed. The Company has also not evaluated the performance of the Internal Auditors. Further, Statutory Auditors in their reports opined that the scope and coverage of Internal Audit system needs to be enhanced.

The Company stated (July 2004) that adequate steps would be taken to improve Internal Audit.

KSFC

2.3.12 The Corporation had compiled (1992) guidelines for the purpose of Internal Audit in the form of a manual and the same were being updated from time to time. The Internal Audit (IA) in the Corporation is conducted departmentally with a General Manager (IA) at Head Office and Internal Audit Cells at Hubli, Bijapur, Mysore and Raichur headed by AGMs (IA). The Internal Audit Department conducts two types of audit i.e., routine audit and concurrent audit, which was introduced in 2000-01.

Audit observed that:

- no Audit plan for 2000-03 was prepared. The plans prepared for 2003-05 revealed that these were not comprehensive and audit of only 50 per cent of the units has been planned.

- although the Internal Audit Manual prescribes selective and detail checks in strong and weak areas respectively, the areas, quantum, sampling techniques were not spelt out. The Company stated (June 2004) that it has started defining sampling techniques since October 2003.

- the transactions of Head Office were not audited during 1998-2003, even though high value sanctions (above Rs.25 lakh) were done at Head Office. The total sanctions at Head Office during 1998-2003 was Rs.771.19 crore equivalent to 46.16 percent of the total sanctions. The Corporation stated (June 2004) that sanctions, recovery and legal documentation areas pertaining to Head office were subjected to Internal Audit selectively. It was further stated that Internal Audit Department was being strengthened with a view to broaden the coverage of audit more intensively and take up auditing of Head Office extensively.

- the concurrent audit was introduced (2000-01) in the area of sanctions, disbursements, review of recovery achieved and follow up of default cases. Concurrent audit is an operation, which goes continuously and is done throughout the year to check the activities, operations and financial transactions. This, however, was neither done along with the operations nor at an envisaged interval of three months. The period covered ranged from one to 12 months, thereby defeating very purpose of concurrent audit. The areas covered under concurrent audit were of routine nature resulting in the duplication of work.

- no system exists to monitor the Internal Audit reports.

- the Statutory Auditors have also stated that the scope, depth of coverage and other operations of Internal Audit system were inadequate.

Internal Audit was, thus, not being used as an effective tool of internal control in the interest of organisation.

Internal Control in major activities

2.3.13 The lending function involves three major activities viz,

- Appraisal and sanction.
- Disbursement (obtaining security and documentation) and monitoring.
- Demand and recovery.

Internal controls in respect of these functions are discussed in the following paragraphs.

Term loans

Appraisal and sanction

Internal control system in respect of appraisal and sanction of loans was defective as assumptions used by promoters were not examined independently. SWOT analysis was not done properly.

2.3.14 Appraisal is the critical examination of technical, financial and commercial feasibility of a project and judging the managerial competence of promoters to implement and run the project successfully. Appraisal of projects is necessary to determine whether it would be worthwhile to make investment in those projects. The quality of appraisal depends on the degree of accuracy of estimates on which the project is based. Preparation of appraisal report becomes easier if the project report is prepared after considering all the relevant information /data, giving due importance to the different factors concerned with the project.

KSIIDC

In the Report of the Comptroller and Auditor General of India (Commercial) on the working of the Company for the year ended 31 March 1999, it was commented that the Company had relied mainly on the feasibility reports submitted by the promoters while making appraisal of the investment proposals. Audit observed that there was no change in the system of appraisal even now.

2.3.15 A scrutiny of the appraisal system revealed the following shortcomings/deficiencies:

- Credit risk analysis ensures objective appraisal of the project risks and minimises the level of subjectivity and individual bias involved in lending decisions. The Company, however, did not analyse credit risk for appraisal of projects.

- The assumptions of the entrepreneurs, viz. projections of market demand, cost of production, cash flow, etc. based on which the financial assistance was sanctioned, were not subjected to critical evaluation with reference to reliable external data.

The Statutory Auditors in their supplementary reports had also commented upon these aspects.

The following further deficiencies were also noticed in appraisal system during the period covered in review.

Sl. No.	Deficiency	No. of cases of deficiency/total checked	Percentage to cases checked
1	Credit worthiness of applicant was not ascertained from banks/financial institutions	14/47	30
2	Projections in the applications were accepted without critical scrutiny	20/47	41
3	Missing critical/vital information in appraisal format (i.e. suppression of facts like loanee track record, servicing previous loans, working capital tie-up, etc.)	25/42	52
4	Promoters background/track record not evaluated properly	16/41	29
5	Improper technical appraisal	13/60	22
6	Improper Commercial/marketing appraisal	17/58	29
7	Improper managerial appraisal	11/58	19
8	Appraisal containing plain statements without adequate supporting documents	22/58	38
9	Incorrect default ratio	35/57	61
10	Strength, Weakness, Opportunities and Threats (SWOT) analysis not done properly	29/59	49
11	Audited accounts of existing units not verified	23/52	44
12	Statutory clearances not obtained at the time of appraisal	14/58	24

From the above table it would be observed that the project appraisal system in the Company is not effective and needs improvement.

The Company stated (July 2004) that the deficiencies pointed out by audit were available for verification. The reply is not tenable as the records shown to audit did not clarify the deficiencies pointed out by the Audit.

KSFC

2.3.16 Based on the standard procedures being adopted by IDBI and SIDBI, the Corporation brought out (1981) a manual for project appraisal with a view to provide directions for the appraising officers to proceed on generally accepted norms. Appraisal Manual prescribed that thorough examination of background of the borrower and technical, financial and market appraisal should be conducted. Several instances of failure in appraisal, follow up of recovery and lapses in Internal Control were pointed out in Reports of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2001 and 31 March 2003, for which action was yet to be taken by the Company (August 2004).

Audit also observed that the Corporation had not been analysing the credit risk of the project on the basis of its 'Strength, Weakness, Opportunities and Threats' (SWOT) to ensure more objective appraisal of the project risks and to minimise level of subjectivity and individual bias involved in lending decisions. The Corporation agreed (July 2004) to adopt the said analysis in future.

During the period covered in the present review, the following deficiencies (out of 25 cases test checked) were noticed in appraisal system :

Sl. No.	Nature of deficiency	No. of cases of deficiency
1	Credit worthiness of the applicant was not ascertained from banks/financial institutions.	03
2	There was no evidence in support of the projections in the applications.	09
3	Missing critical information in appraisal format (i.e. suppression of facts like loanee track record, servicing previous loans, working capital tie-up etc.)	05
4	Promoters background/track record not evaluated properly.	05
5	Improper technical/commercial appraisal	11
6	Audited accounts of existing units not verified.	03
7	Statutory clearances not obtained at the time of appraisal.	02

The Corporation stated (June 2004) that being a developmental financial institution, a calculated risk was taken and certain relaxations were extended.

Disbursement and Monitoring of Term Loans

KSIIDC and KSFC

2.3.17 A scrutiny of the system of monitoring and disbursement revealed the following deficiencies:

Non preparation of project completion reports

2.3.18 The Company has a monitoring system requiring preparation of Project Completion Report after the final disbursement. It contains vital information on whether the assets created are as stipulated at the time of sanction and serves as an important evidence for creation of assets. In respect of KSIIDC in 25 out of 45 cases reviewed, this report was not prepared.

Improper inspection reports

2.3.19 The inspection reports on the progress of the project did not contain information on whether the project was being implemented as per the schedule. Vital details about actual progress of each stage such as land acquisition and development, building plan, progress of construction, procurement of machinery and commissioning, in certificate form were missing.

Proper inspection register for inspection of the assisted units was not maintained. Even a checklist has not been designed for the use of inspecting officers visiting the assisted units.

Non-obtaining of audited accounts

2.3.20 The details of production, sales and audited accounts were not obtained at periodical intervals to ascertain the health of the assisted unit and also to take action against defaulters.

Both KSIIDC and KSFC agreed (July 2004) with the above observations made by audit.

Non appointment of nominee directors

2.3.21 As per the terms of sanction of loan, the KSIIDC is empowered to nominate Directors in the assisted units. This is one of the important ways to ascertain the status and to have control over the affairs of the assisted unit. Nominee Directors were appointed in 93 cases out of 426 cases as on 31 March 2003.

The Company stated (July 2004) that immediate steps would be taken to appoint nominee Directors wherever required, to enable proper monitoring and follow up of loans sanctioned.

In respect of KSFC, the loan sanction letter contains the condition regarding powers of the Corporation to appoint nominee Directors in the assisted units. Nominee Directors were, however, appointed on selective basis and, as at March 2004, nominee Directors were appointed only in respect of four companies. The Corporation stated (June 2004) that the assisted units were not responding properly with nominee Directors and the impact was very little.

The reply is not acceptable as the Corporation did not insist on the pre-condition of sanctions of loans, which resulted in loss of control over the affairs of the management of assisted units.

In respect of KSIIDC, the following further deficiencies were noticed in the monitoring and disbursement.

Sl. No.	Deficiency	No. of cases of deficiency / total checked	Percentage to cases checked
1	Non fulfillment of terms of sanction before first disbursement	23/51	45
2	Relaxation of terms of sanction in respect of creation of security	19/50	38
3	Non-fulfillment of first investment clause	8/48	17
4	Deviation from approved plan without prior sanction	11/44	25
5	Non-insurance of assets	21/48	44
6	Non-preparation of Project Completion Report	25/45	56
7	Non-verification of audited accounts during implementation and moratorium period	20/44	45

It was stated (July 2004) that the deviations have been considered at the time of disbursement and the decisions have been taken in the interest of the Company and in the interest of the project.

Demand and Recovery

KSIIDC

2.3.22 As per generally accepted procedures, recovery of loans and advances is one of the important operations as the Company has to plough back the funds and recycle it for development of industrial activity. The position of demand and recovery during the last five years up to 2003-04 were as follows:

(Rupees in crore)

Year	Demand			Recovery			Percent of recovery		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1999-2000	219.69	275.36	495.05	91.70	77.23	168.93	42	28	34
2000-2001	159.60	286.69	446.29	91.57	79.87	171.44	57	28	38
2001-2002	221.92	387.32	609.24	79.00	59.82	138.82	36	15	23
2002-2003	203.03	508.18	711.21	95.10	55.17	150.27	47	11	21
2003-2004	215.95	710.21	926.16	114.21	31.29	145.50	53	4	16

Recovery which was 34 per cent in 1999-2000, reduced to 16 per cent in 2003-04.

It was seen that the percentage of recovery, which was 34 in 1999-2000, dropped to 16 in 2003-04.

The COPU in its 94th Report observed (March 2002) inefficiency on the part of the Company in the recovery of the outstandings. No remedial measures, however, were taken to arrest the trend as the outstandings increased from 66 per cent in 1999-2000 to 84 per cent in 2003-04.

The Company while admitting (July 2004) poor recovery agreed to improve the position in future.

Management of Non-Performing Assets

KSIIDC

2.3.23 Non Performing Assets (NPA), as per Reserve Bank of India norms, during the last five years were as follows:

(Rupees in crore)

	1999-2000	2000-01	2001-02	2002-03	2003-04
Total assets /loan value	870.74	925.85	1,035.26	1,038.58	942.69
Standard assets	405.13	464.12	430.72	367.11	191.25
Non performing assets	465.61	461.73	604.54	671.47	751.44
Percentage of NPA to loan balance	53.46	49.87	58.39	64.65	79.71

Percentage of NPA increased from 53.46 in 1999-2000 to 79.71 in 2003-04.

It was observed from the above that even though the total assets increased from Rs.870.74 crore in 1999-2000 to Rs.942.69 crore in 2003-04, the standard assets decreased from Rs.405.13 crore in 1999-2000 to Rs.191.25 crore in 2003-04 and the percentage of NPA which was 53.46 in 1999-2000 increased to 79.71 in 2003-04. The Company stated (July 2004) that increase in NPA was due to recessionary conditions in the industrial sector and on account of liberalization of economy.

The Statutory Auditors in their supplementary report for the year 2002-03 stated that the Company was identifying NPA only at the end of the year; the high percentage of NPA was due to reasons like inadequate appraisal, non-review and non-monitoring of assets. In view of the above, the Internal Control system for management of NPA requires to be strengthened.

Due to poor documentation audit could not conclude as to whether demands were sent to all parties. Internal Auditors in their report stated that notices were not sent to the parties at regular periodicity and added that in selective cases the reminder/notices were sent to customers as a formality. It was suggested by the Auditors that a standard procedure be initiated whereby reminders are promptly sent to all defaulting loanees within specific time frame.

The following further deficiencies were noticed in demand and recovery procedures.

Sl. No.	Deficiency	No. of cases of deficiency/total checked	percentage to cases checked
1	Reasons for default not recorded and not analysed	27	-
2	Delay in initiating action against persistent defaulter to ensure the safety of assets	17/54	31
3	Chronic default cases not referred to Default Review Committee	20	-
4	No periodical inspection of assisted units to verify security and health of the unit	27/55	49

Sl. No.	Deficiency	No. of cases of deficiency/total checked	percentage to cases checked
5	Not comparing mahazar[∞] with Project Completion Report to ensure no assets are missing	6/6	100
6	No action against promoters for missing assets	7/7	100
7	Not invoking collateral/personal guarantee	7/9	78
8	Not preferring insurance claims	6/6	100

The Company stated (July 2004) that statement of clarification on the above deficiencies were available for verification. Audit on review of these statements found that the clarifications given were not sufficient. Thus, deficient appraisal, inadequate monitoring system and lack of prompt demand in the Company resulted in huge accumulation of dues year after year. The Statutory Auditors have also observed that the high percentage of NPA was mainly due to reasons like inadequate appraisal, timely review and monitoring of these assets.

KSFC

2.3.24 As per the procedure laid down in the Audit Manual of the Corporation, the recovery of loans advanced is one of the important operations as the Corporation has to plough back the funds and recycle it again for development of industrial activity. Further, it specified that recovery department should keep continuous watch over the defaults and shall take appropriate timely action for the recovery of dues. Any laxity in these two crucial functions would result in poor recovery. The deficiency of the procedure in vogue in respect of demand and recovery, in respect of 25 cases test checked, were as follows:

Sl. No.	Nature of Deficiency	No. of cases of deficiency
1.	Reasons for default not recorded and not analysed.	12
2.	Delay in initiating action against persistent defaulter to ensure the safety of assets.	09
3.	No periodical inspection of assisted units to verify security and health of the unit.	07
4.	Not comparing mahazar[∞] with Project Completion Report to ensure no assets are missing.	02
5.	No action against promoters for missing assets.	04
6.	Not invoking collateral/ personal guarantee.	05

The Corporation stated (June 2004) that it was a developmental financial institution and to have a flexible approach extended some concessions so that temporary problems of the industries could be averted. The reply is not

[∞] Statement prepared by the Company officials at the time of take over.

tenable as it did not give the specific explanation to the deficiencies pointed out in Audit.

Release and adjustment

KSIIDC

2.3.25 Audit observed that the Company has been sanctioning additional loans to clear existing overdue loans. Release and adjustment not only results in regularizing default cases but also makes them eligible for further fresh sanctions. As per the guidelines of RBI/IDBI, asset classification is to be made on the basis of period of default. In respect of released and adjusted cases, however, the asset becomes standard asset thereby becoming eligible for recognition of interest income. "Release and adjustment", thus, not only violates the guidelines for asset classification but also results in overstatement of interest income and incorrect picture of default/recovery ratio. As per the audited accounts, 19 to 57 per cent of the release and adjustment was done in the month of March every year.

The details of loans released and adjusted during the last four years up to 2003-04 were as follows:

(Rupees in crore)

Year	No of cases	Principal	Interest	Total	Adjustment in March	Percentage
2000-01	136	5.63	11.66	17.29	8.21	47
2001-02	114	6.92	8.81	15.73	8.94	57
2002-03	64	6.03	8.09	14.12	6.22	44
2003-04	30	0.76	3.97	4.73	0.89	19

Principal component of Rs.6.79 crore in outstanding loans was adjusted under 'Release and adjustment' in violation of its own decision.

The Company decided (April 2002) that the release and adjustment should only be for the interest portion. Audit, however, observed that principal component of Rs.6.03 crore and Rs.0.76 crore were adjusted during 2002-03 and 2003-04, respectively, in violation of its own decision.

2.3.26 In respect of four test checked cases, it was seen that this practice was resorted to repeatedly for three to nine times involving Rs.35.40 lakh to Rs.1.27 crore. Additional sanctions were also made to these parties, who were otherwise ineligible for sanction owing to persistent default. Audit observed that inspite of extending these facilities, the units were not prompt in repayment and were classified as sub-standard asset as on 31 March 2004.

Details of release and adjustment and overdue position in respect of the above cases is indicated in the following table.

(Rupees in lakh)

Sl No	Name of the Unit	Release and Adjustment		Fresh Sanctions		Overdues as on August 2004
		No. of times	Amount	No of times	Amount	
1	Torgal Distillaries	9	106.99	2 - 23.03.01 & 30.06.01	175.00	414.28
2	Safalya Industries	5	50.36	3 - 06.11.00, 30.08.01 & 01.04.02	170.00	336.49
3	Hotel Sandesh	4	35.40	3 - 06.11.00, 28.02.01 & 26.02.02	276.00	244.35
4	Deldot Systems	4	227.26	2 - 31.03.01 & 11.06.01	560.00	517.96

The Company stated (July 2004) that in every term lending institution this was the normal practice. The reply is not tenable as the release and adjustments amount to window dressing of accounts without any actual outflow of funds.

Management of assets taken over

KSIIDC

2.3.27 Section 29 of the State Financial Corporation Act, 1951 (SFC Act) empowers the Company to acquire possession of the loanee unit and dispose off the same to recover its dues in case the unit fails to repay the dues. As on 31 March 2003, the assets taken over in respect of 114 loan accounts were valued at Rs.50.24 crore as against the outstanding loan of Rs.103.39 crore representing margin of security of 48.6 per cent. The Company did not maintain a consolidated register/list of the assets acquired under section 29 of the SFC Act.

2.3.28 It was observed in the following cases that the security available was less than six per cent/ nil of the loan balance:

Name of the unit	Principal	Security value	Percentage of security
	(Rupees in lakh)		
Herbertson Plast, Bangalore	70	3.9	6.0
Saroja texport, Bangalore	75	0	0.0
European software, Bangalore	200	1.65	0.8
Scintell software, Bangalore	200	2.28	1.1
Indiana Dairy, Bangalore	291	0.00	0.0

Nil or negligible security value indicates that the Company had not properly valued the security offered. It was observed that Company was not periodically updating the data regarding the units taken over and available for sale.

Value of land accepted for sanction of loan, was overvalued at the time of appraisal.

2.3.29 One of the reasons for insufficient security was over valuation of assets especially land at the time of project appraisal. The value of the land accepted for sanction of loan, etc. was found to be too low after take over by the Company and valuation by the Company's valuers. In respect of the cases reviewed in Audit, the post take-over valuation was available only in four cases and in all the cases the post take-over value of the land was substantially less than at the time of project appraisal, as detailed below.

Name of the assisted Unit	Area and Survey No	Value at the time of appraisal	Value as per post valuation
		(Rupees in lakh)	
Rustamji Granites	8,633 sq.ft. with old building at No.23 Alfred street Richmond town Bangalore (collateral security)	227	66*
Kelachandra Fashions	No.30,31 and 32, Dasanahalli, Hesaragatta Hobli, Bangalore North measuring 16.4 acres	80	16**
Madhura Coffee Curing Works	3.6 acres and 1.9 acre, No 95/10 and 95/4 Arecad village, Siddapur, Coorg	72 and 51.75	7.2 and 3.8
Explore tech	Plot .No.35, Halagevoderahalli, Kengeri	15	4.05

* currently tenanted and not saleable with vacant pocession.
** valuation at the time of OTS proposal.

KSFC

2.3.30 Section 29 of the SFC Act empowers the Corporation to takeover the management or possession of assets or both of the defaulted units and to realise the property pledged or mortgaged. As at 31 December 2003, assets of 1,844 units had been taken over for recovery of dues amounting to Rs.907.57 crore; of these 1,314 cases (dues Rs.782.94 crore) were more than one year old and account for 71 per cent of the cases under section 29 of SFC Act. Delay in disposal of assets would result in deterioration of their value and consequently lower realisation. The Corporation has not fixed any maximum period within which the acquired asset should be disposed.

There is no prescribed system to safeguard the acquired asset against abuse. The Corporation, out of the 1,844 cases of acquired assets, has taken insurance only in 99 cases. Reasons for not insuring the balance 1,745 cases were not on record. The acquired assets were being entrusted to private security agencies to guard the same till their disposal or handing over to loanees after payment of dues. Assets valuing Rs.1.79 crore were stolen while under the custody of these agencies as on 31 March 2001.

Others

Consortium advances

KSIIDC

2.3.31 In respect of consortium advances, where the assets were taken over under section 29 of the SFC Act, the Company as on 31 March 2003 has realised Rs.10.84 crore on disposal of these assets. This is shown as 'Current Liability' in the books of the Company, pending final appropriation with other financial institutions. However, no proper records were maintained indicating the date of sale, share of different financial institutions and reasons for non-allocation.

KSIIDC did not receive its share from KSFC out of sale proceeds of taken over assets.

Similarly, the Company has to receive its share of sale consideration from other financial institutions. The Statutory Auditors in their supplementary report for the year 2001-02 stated that Company's share in respect of 14 cases has not been received from KSFC. Total dues from these parties was Rs.13.01 crore towards principal (Rs.3.98 crore) and interest (Rs.9.03 crore). The Company, however, had written off (1993-99) dues of Rs.1.54 crore towards principal and waived interest of Rs.2.33 crore in five cases. The Company's control in respect of recovery of these dues requires streamlining and improvement.

The Company stated (July 2004) that write off of the dues in the internal books of the Company did not hinder the normal recovery and all efforts were being continued by the recovery department.

In these cases, the recovery was, however, from KSFC as the assets had been sold by them. The Company has neither received its share nor ascertained the reasons/status from KSFC.

KSFC

2.3.32 Based on the informal understanding reached with KSIIDC, the Corporation has to receive its share of sale consideration from KSIIDC and vice-versa in respect of consortium advances. In the absence of consolidated data regarding number of cases, amount of principal, interest and other dues, date of disposal of the asset and pro-rata amounts receivable, the quantum of consortium advances receivable from KSIIDC / Official Liquidator (in respect of the loans where the assets were disposed by Official Liquidator) or payable by KSFC could not be ascertained in Audit. Further, it was also observed that no such amounts of consortium advances were reflected/ accounted for in the accounts of the Corporation, which is indicative of lack of control over this issue.

Equity participation

KSIIDC

2.3.33 The COPU in its 94th Report recommended (2002) that the Company should try to get back the amount invested through equity immediately after the firm stabilizes or after a reasonable period of three years. Despite the recommendations, the Company did not get back its initial investment in equity even after a lapse of three years.

In pursuance of the above practice, the Company invested in share capital of various undertakings. The investments in equity for the last five years up to 2003-04 were as follows:

(Rupees in crore)

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
Quoted investment					
No of companies	67	67	66	65	65
Cost of investment	79.68	79.67	79.20	78.92	81.17
Market value of the investment	50.74	46.46	22.93	36.49	71.78
Percentage of erosion of cost	36	42	71	54	12
Unquoted investment					
No of companies	72	73	73	73	70
Cost of investment	13.54	24.98	24.95	25.48	19.16

From the table it would be observed that the market value of the quoted investment was deteriorating year after year up to 2001-02 and the value erosion ranged from 36 percent in 1999-2000 to 71 per cent in 2001-02. As on 31 March 2004, the market value was more than cost only in respect of 11 out of 65 cases.

KSIIDC failed to disinvest 52.67 lakh shares which were cleared by Disinvestment Committee during January 2001 to February 2002.

During January 2001 to February 2002, the Disinvestment Committee of the Company cleared for disinvestment / buyback of 52.67 lakh shares in 14 Companies. No action, was, however, taken to dispose off these shares so far (January 2004).

The Company replied (July 2004) that in five companies disinvestment has been made in March 2004 and in other cases action is being taken.

Erosion of cost of investments in 54 out of 65 cases of quoted investment, non-disposal of shares cleared for disinvestment at appropriate time, non identification of the cases for disinvestment, is an indication that the Company should evolve a definite policy in this regard.

Equity participation out of Government funds

KSIIDC invested Rs.16.50 crore in equity of five companies out of fund received from the Government.

2.3.34 As per the directions of the Government, the Company invested Rs.16.50 crore in the equity shares of the following companies, out of the financial assistance received from the Government as equity as on 31 March 2004:

Name of the Company	Equity investment (Rupees in crore)
Renuka Sugars Limited	2.00
Bellary Steels & Alloys Limited	5.00
Prabhulingeshwara Sugars	2.50
Kalyani Steels Limited	4.50
SCM Sugars Limited	2.50
Total	**16.50**

Such investments in equity by the State Government through KSIIDC would result in lack of direct control of the Government over the Company in which such investment has been made.

The Company replied (July 2004) that out of Rs.16.50 crore the disinvestment has taken place to the extent of Rs.60 lakh against Renuka Sugars Limited and Rs.2.25 crore against Kalyani Steels Limited and realised Rs.3.82 crore.

Conclusion

The Budgets have not been used as a tool of internal control as they were neither finalised in time nor variations analysed. Internal Audit reports have not been used as a tool of internal control due to lack of effective monitoring. The role of Audit Committee was not effective. Internal Audit wing of Karnataka State Financial Corporation did not audit the transactions of its Head office even though involving high value sanctions. Internal control in respect of appraisal and sanction, disbursement and monitoring, demand and recovery of term loans were defective resulting in accumulation of dues.

The internal control system of the organisations is required to be strengthened to make it more effective. Effective monitoring of Internal Audit Reports is required to be done to make it a more effective tool of internal control.

2.4 KARNATAKA FOOD AND CIVIL SUPPLIES CORPORATION LIMITED

SECTORAL REVIEW ON THE PERFORMANCE OF FAIR PRICE SHOPS AND MINIMUM SUPPORT PRICE OPERATIONS

HIGHLIGHTS

The Company has incurred a loss of Rs.3.30 crore due to opening of shops without conducting viability study.

(Paragraph 2.4.3)

An amount of Rs.5.84 crore was pending recovery mainly due to non-submission of required details/documents, improper documentation and absence of a system for monitoring dues at periodical interval in the Company.

(Paragraphs 2.4.5 and 2.4.6)

The Company incurred a loss of Rs.52.71 lakh due to excess driage.

(Paragraph 2.4.11)

Failure to include the interest component in the cost sheet resulted in non-recovery of interest of Rs.2.64 crore.

(Paragraph 2.4.12)

Introduction

2.4.1 Karnataka Food and Civil Supplies Corporation Limited was incorporated in September 1973 as a wholly owned Government company, to function as an agent of the State Government to procure and distribute foodgrains and other essential commodities through the Public Distribution System (PDS) in the State.

The operations of the Company are presently confined to:

- distribution of essential commodities under PDS through a net work of wholesale and retail outlets.
- procurement under 'Minimum Support Price Operation' as sub-agent of Food Corporation of India (FCI).
- distribution of liquefied petroleum gas and the sale of petrol and diesel at certain places and sale of non controlled commodities like maida, suji, salt, toor dal, etc.

- acting as one of the implementing agencies for various schemes of Government like Sampoorna Grameena Rojgar Yojana, Food for work programme, Mid-day meal scheme, etc.

The Company had 183 wholesale points and 255 retail points (covering 19 out of 27 districts) controlled through 29 District offices as at the end of March 2004 as against the total number of 306 wholesale points and 20,613 retail points in the State. The Company covered 0.81 lakh and 2.26 lakh numbers of Below Poverty Line (BPL) and Above Poverty Line (APL) card holders respectively, out of 75.64 lakh and 45.43 lakh numbers of BPL and APL card holders in the State.

Scope of Audit

2.4.2 The present review, conducted during October 2003 to February 2004, covers performance of fair price shops being operated under Public Distribution System (PDS) and Minimum Support Price Operations (MSPO) of the Company during the five years ending March 2004. Records at Head Office of the Company, located at Bangalore and nine District offices* (out of 29 District offices) covering 196 retail points (out of 255 retail points) were test checked.

Audit findings, as a result of test check were reported to the Government/Company on 23 April 2004 with a specific request for attending the meeting of Audit Review Committee on Public Sector Enterprises (ARCPSE), so that view point of the Government / Management was taken into account before finalising the review. The meeting of ARCPSE, held on 17 May 2004, was attended by the Managing Director of the Company and by the Principal Secretary, Food and Civil Supplies Department of the Government. The views expressed by the members have been taken into consideration during finalisation of the review.

Performance of fair price shops

The deficiencies / shortcomings noticed in audit are discussed in succeeding paragraphs:

2.4.3 The Company is opening fair price shops as per the directions of Food and Civil Supplies Department (Department). Since the definite number of cards attached to the fair price shops was not known, no viability study was done by the Company before opening of fair price shops. The Company did not have management information system to know the viability of each fair price shop and also to ascertain the annual profit/loss of each fair price shop. The Company had 184 fair price shops in four districts• as against total 255 fair price shops being operated by it in the State as on 31 March 2004. More number of fair price shops in these districts were opened as per the directions of the Department, due to closure of private fair price shops during 1983.

* Bangalore East, Bangalore West, Bangalore North, Bangalore South, Tumkur, Davanagere, Dharwad, Mysore and Hassan

• Bangalore East, Bangalore West, Bangalore North and Bangalore South.

The Company has incurred a loss of Rs.3.30 crore due to opening of shops without conducting viability study.

Audit observed that out of 184 fair price shops, 162 fair price shops were incurring losses continuously for the last three years and the total loss amounted to Rs.3.30 crore due to opening of fair price shops without conducting viability study.

The Company stated (May 2004) that in order to make the retail points economically viable, the Department was requested to attach more number of BPL cards to the Company's retail points and the matter was under consideration of the Department and action would be taken to merge the retail points to the other retail points nearby.

2.4.4 Based on the instructions (November 1998) of the Government, the Company directed the district offices to submit the claims in respect of transport cost bills to the Deputy Commissioner on or before the due date (10^{th} of every month) to avoid any possible financial constraints.

Audit observed that there was delay in submitting bills for reimbursement of differential and transportation cost by six to seven months. This resulted in lapse of grant provided to the Department, which in turn delayed reimbursement. A further scrutiny of the bills revealed that at any point of time, two to three months bills for amounts ranging from Rs.3.24 crore to Rs.7.55 crore were pending with the Department resulting in blocking up of funds. The Company stated (May 2004) that delay in submission of bills was mainly due to delay in certification by the Department. The reply is not tenable as the delay in certification by the Department was due to non-furnishing of required details / documents to them by the Company.

An amount of Rs.2.78 crore was pending recovery mainly due non-submission of required details/documents by the Company

2.4.5 Claims of Rs.2.78 crore towards commission, differential cost and administration charges on sugar in respect of PDS items supplied to the Police Department and revision of issue price of rice and wheat pertaining to 1998-2003 were outstanding as on June 2004. This was stated to be due to non-submission of bills in time and non-furnishing of clarification sought for by the Police Department. The Company stated (May 2004) that delay in submission of bills in time was due to delay in certification of bills by the Department. The reply is not tenable as the delay in certification by the Department was due to non-furnishing of required details / documents to them by the Company.

An amount of Rs.3.06 crore was outstanding for more than three years mainly due to poor documentation and absence of a system for monitoring dues at periodical interval in the Company.

2.4.6 Due to various discrepancies viz., book entries without documentation, lack of follow-up action for recovery, non availability of records, non-confirmation of the balances, etc., the Company has written off (August 2003) dues of Rs.1.24 crore under Advances and Rs.98.64 lakh under Sundry Debtors, outstanding up to 1991-92. Audit observed that there was no effective follow up action for timely recovery of the dues even in respect of outstanding balances of Sundry Debtors after March 1992.

An amount of Rs.3.06 crore was outstanding under Sundry Debtors for the year ending 31 March 2003 pending recovery for more than three years.

The main reasons for this was poor documentation, absence of a system in the Company for monitoring the recoveries at periodical intervals and improper follow up action. This also consequently resulted in blocking up of funds.

The Government stated (May 2004) that instructions had been issued to all the District Managers to take immediate action to recover the balance from the parties and also to take confirmation from the parties for the amount due from them.

Minimum Support Price Operation (MSPO)

2.4.7 The food procurement policy of Government of India envisages support price operations for coarse grains, pulses and paddy procured directly from farmers to avoid distress sale by them on account of excess production. Food Corporation of India (FCI) is the nodal agency for the support price operations and the Company is the sub-agent. Whenever the market prices fall below the minimum support price fixed by the Government of India, the sub-agents have to procure the foodgrains at the minimum support price. The expenditure incurred by the sub agents was to be reimbursed by the FCI at the rates approved by the Government of India. The scheme was introduced in October 2000. The deficiencies / shortcomings noticed in audit are discussed in the succeeding paragraphs :

2.4.8 The Company claimed reimbursement of expenditure on the procurement of 1,50,284 tonne of coarse grains during July 2001 to January 2003 against which FCI admitted claims for 1,37,283 tonne only. The difference of 13,001 tonne valuing Rs.5.79 crore (13,001 tonne X Rs.14,450 per tonne) has not been reconciled so far (August 2004).

2.4.9 As per the cost sheet approved by Government of India, reimbursement of cost of gunny bags (100 kg capacity), used to store the grains, was to be made at the rate of Rs.22 per bag. The Company used 40.11 lakh gunny bags to store the grain.

Audit observed that while releasing the cost of gunny bags, FCI restricted the cost of gunny bag to Rs.14 per gunny bag (amount actually paid by FCI for its own use) as against Rs.15 and Rs.18 per gunny bag paid by the Company. This resulted in loss of Rs.64.23 lakh (being the difference between the actual cost of procurement and the reimbursement made by FCI).

2.4.10 The Company stored the grains in various godowns belonging to the Karnataka State Warehousing Corporation (KSWC)/Central Warehousing Corporation (CWC) without entering into an agreement and without finalisation of storage and fumigation tariff. While making adhoc payment to KSWC/CWC towards storage and fumigation charges, the Company erroneously considered a quantity of 3.43 lakh tonne as against of actual quantity of 2.22 lakh tonne stored in their godowns. This resulted in excess payment of Rs.96.45 lakh towards warehousing charges. The Government stated (July 2004) that this amount would be adjusted at the time of final payment.

The Company incurred a loss of Rs.52.71 lakh due to excess driage over the norms prescribed.

2.4.11 The economic cost for procurement of coarse grain for 2000-02 provided for reimbursement of one per cent driage on the basic cost. As against the quantity of 1,57,128 tonne of maize procured under this scheme, FCI admitted a quantity 1,54,794 tonne only resulting in disallowance of 763 tonne of maize, which was in excess of one per cent provided in the cost sheet. This resulted in loss of Rs.52.71 lakh. The Government stated (July 2004) that excess driage above one per cent would be recovered during final settlement of storage bills of the KSWC. The final settlement of storage bills was yet to be done (August 2004).

Failure to include the interest component in the cost sheet resulted in non-recovery of interest of Rs.2.64 crore.

2.4.12 The cost sheet approved by Government of India for 2000-01 provided for interest, calculated at 11.55 per cent per annum, on the basic cost of coarse grains plus market cess for a period of six months. The Company, while forwarding (October 2001) the proposal to Government of India for fixation of tentative cost of Rs.571.55 per quintal for 2001-02, did not include the interest component. Non-inclusion of the interest component in the cost sheet resulted in non-recovery of interest of Rs.2.64 crore, worked out at the rate of 11.30 per cent per annum (as provided in the contract for 2002-03) for a period of six months.

The Company stated (May 2004) that the claims based on actual expenditure would be submitted to FCI/Government of India for reimbursement.

Conclusion

The Company has been incurring losses due to opening of fair price shops without conducting viability studies. Huge amount is pending recovery mainly due to improper documentation. In respect of activities under the Minimum Support Price Operation, the Company incurred a heavy loss due to non-acceptance of claims by FCI.

Steps need to be taken to ensure that:

- **proper viability studies are undertaken before opening of fair price shops,**
- **proper documentation is done for speedy recovery of dues, and**
- **claims with FCI are closely monitored.**

CHAPTER III

3. TRANSACTION AUDIT OBSERVATIONS RELATING TO GOVERNMENT COMPANIES AND STATUTORY CORPORATIONS

Important audit findings noticed as a result of test check of transactions made by the State Government companies/corporations, are included in this Chapter. These paragraphs have been discussed with the respective Administrative Department and the Management of the companies/corporations. Their views have been taken into consideration while finalising the paragraphs.

GOVERNMENT COMPANIES

Krishna Bhagya Jala Nigam Limited

3.1 Bonds

Failure to exercise the call option in bonds (series IV and V) deprived the Company of an opportunity to save Rs.41.07 crore.

The Company has been raising funds for the Upper Krishna Project by issuing Regular Return Bonds and Deep Discount Bonds. The Regular Return bondholders were paid periodical interest (half yearly) and the bond amount was paid on maturity, while the Deep Discount bondholders were paid the cumulative amount on maturity. These bonds were raised under various series viz., Series I (1994-1995) to the latest Series XI (2003-04). The terms and conditions for issue of bonds, *interalia*, contained an option called the "call/put option". This option enabled the Company/bondholders to redeem the bond prematurely at such dates as was prescribed in the offer document. The 'call' option is very helpful for companies in a regime of falling interest as they could swap high cost borrowing with low cost debt, whereas the 'put' option is helpful for bondholder in a rising interest regime as they could withdraw the money and invest it elsewhere.

The Company raised Rs.588.31 crore under series IV and Vas detailed below :

Bond series	Month & year of issue	Amount raised (Rs.in crore)	Coupon rate (per cent)	Interest payable	Normal redemption	Call option to be exercised in
IV	January 1997	184.33	17.5	Half yearly	50 per cent at the end of 6th year and balance at the end of 7th year from issue.	January 2002
V	July 1997	403.98	15.75	Half yearly		July 2002

Audit observed that, though the interest rate had fallen and the Company raised bonds at 11.75 per cent in January 2002, it failed to exercise the 'call option' for early redemption. The loss to the Company due to not exercising this option worked out to Rs.41.07 crore, since it paid higher rate of interest until the normal redemption period (January / July 2004).

The Government stated (July 2004) that the Board of the Company had discussed the precarious financial position of the Company in the meeting held during November 2001 and therefore it was decided not to exercise the call option. The reply is not acceptable as the Board in this meeting had only discussed the financial position regarding treasury account and regular interest payments and no discussion on the issue of exercising the call option was held.

3.2 Non-synchronisation of purchase of pumps

Purchase of pumpsets much ahead of commissioning of jackwells and erection of electricity transmission lines resulted in blocking up of funds of Rs.7.23 crore.

The Mulwad Lift Irrigation scheme involved construction of two jackwells, one at Baluti village and another at Hanumapur village, with a lead off canal of 5.5 Km. between them. Irrigation benefits could be realised only on commissioning of both the jackwells. Audit observed that in respect of Baluti village jackwell, the Company entered (February 2001) into an agreement with Kirloskar Brothers for supply of five vertical turbine pump sets with required accessories, including erection, testing, commissioning, operation and maintenance at a price of Rs.9.09 crore. The equipment was delivered during December 2001 and an amount of Rs. 7.23 crore was paid towards the same. Since then, the pumps could not be subjected to performance test for want of power supply. The work of construction of a 220 KV transmission line and terminal bay for arranging power supply was expected to be completed by December 2004 only.

Purchase order for pumpsets required for the second jackwell at Hanumapur was issued only in September 2003 and the same is scheduled for completion by December 2004. It is thus evident that the purchase of pump sets made during 2001 was not synchronised with the date of completion of balance works. This resulted in blocking up of Rs.7.23 crore, which could have been avoided. The Government admitted (July 2004) the audit observation.

3.3 Non-regulation of payment as per contract

Adoption of old rates for making payment for excavation in soft rock with or without blasting resulted in additional expenditure of Rs.1.39 crore.

As per standard Clause 13(b) of the agreements executed by the Company, additional quantities executed in excess of 125 per cent of the tendered quantity should be paid at the rates derived from Schedule of Rates of the year of execution of the work after adjustment of premium or discount quoted at the time of tendering. A composite rate of Rs.78 per cubic metre was introduced in the Schedule of Rates with effect from February 1997 for excavation in soft rock with or without blasting, replacing the rates of Rs.49 and Rs.120 per cubic metre for excavation in soft rock without blasting and with blasting respectively.

Audit scrutiny of the work in Almatti Right Bank canal (reach at Km. 17 to 38 and Km. 48 to 58) and Indi Lift canal (Km. 40 to 48) revealed that the Company paid (2001-03) for quantities exceeding 125 per cent of the tendered quantity at old rates which existed prior to February 1997 viz., Rs.49 and Rs.120 per cubic metre for excavation in soft rock without blasting and with blasting respectively. This resulted in extra expenditure of Rs.1.39 crore.

The Company stated (August 2004) that the corrigendum issued in February 1997 was superseded by a decision taken by the Technical sub-committee (TSC) in its meeting held on 30 August 1997.

The reply is not tenable as the Audit observed that the Company was making payments at the rate of Rs.78 per cubic metre in respect of other contracts* being executed during the same period.

3.4 Excess payment

Payment of market rates for cement and steel, instead of rates as per Schedule of rates as indicated in the contract, resulted in excess payment of Rs.78.27 lakh.

The Company entrusted construction of canals/distributories to various agencies on tender/direct entrustment basis. The works were completed during the period 1998 to 2001. The work included earthwork and cross drainage works. The earthwork was entrusted below schedule of rates ranging from 6 to 25 per cent and the cross drainage work at schedule of rates.

Audit observed that while making the payment to contractors, the Company adopted market rates for cement and steel instead of rates as per the schedule of rates as indicated in the contracts. This resulted in excess payment of Rs.78.27 lakh (during March 1999 to September 2001) in respect of three works.

The Government stated (July 2004) that the quoted rates were against the sanctioned estimate and not as per schedule of rates. The reply is not tenable as the Company has mentioned in the respective proceedings/orders that the rates were as per schedule of rates while entrusting the work. Besides, the Company has already recovered Rs.4.94 lakh and has proposed to recover Rs.5.85 lakh out of Rs.78.27 lakh pointed out.

* Almatti right bank canal from Km. 14 to 17; Distributory No.7 and 8 of ARBC, Indi lift canal from Km. 66 to 71; Indi Lift canal from Km. 48 to 55; Cross regulator cum canal escape at chainage 15.678 of Indi lift canal; Mulwad lift irrigation from Km. 10 to 20.

3.5 Wrong estimation

Preparation of estimates without conducting stability studies resulted in extra-expenditure of Rs.42.37 lakh due to payment of higher rates.

The construction of Distributory canal No.18 from Km. 20 to 40 of Narayanpur Right Bank Canal was entrusted (February 2001) to a contractor at his quoted price of Rs.10.20 crore, which was 42.36 per cent below the estimated cost. It was observed that the contract was finalised based on line estimates♥ with nominal side slope of 1.5:1 for embankment works.

The side slope, based on stability studies conducted (August 2001), was changed to 2:1 during execution of the works. Further, berms of two metre width were also made, wherever the embankment height was more than six metres. These changes resulted in increase in quantities of work to be executed by Rs.2.63 crore at the contract rates. The increase was 38 per cent of the quoted price for earthwork portion of the contract indicating that the estimates were not prepared after conducting proper studies at the initial stage.

The increase in quantities resulted in extra expenditure of Rs.42.37 lakh due to payment of higher rates for quantities in excess of 125 per cent of the estimated quantities.

The Government stated (May 2004) that it may not be appropriate to presume that if all the quantities have been estimated and provided in the tender itself, the contractors would have quoted the same rates. The reply is not tenable as in a highly competitive tender, where the Company obtained discount of as high as 42 per cent on the estimated cost, it was all the more likely that the Company would have obtained better rates with higher accuracy in estimated quantities and therefore, could have avoided the extra expenditure.

Karnataka Neeravari Nigam Limited

3.6 Non-rationalisation of rates

Defective estimation and awarding the contract without rationalisation of rates resulted in avoidable expenditure of Rs.1.88 crore.

As per paragraph 182 of Karnataka Public Works Department Code, negotiations with the contractors, who had quoted erratic rates, should be undertaken for the purpose of rationalization and moderation subject to ensuring that the overall percentage after rationalization of rates should not exceed the original percentage quoted by the tenderer.

The Company awarded the work for the construction of canal works in Upper Tunga Project packages Km. 91-92, Km. 94-95, Km. 98-99, Km. 103, Km 105-106 to the contractors, who had quoted lowest rates with discount ranging between 3.15 per cent and 59.64 per cent of the estimated/tendered cost during December 2001 and December 2002. The contracts included canal

♥ A rough estimate based on the length of the canal and typical cross section.

excavation in (i) all kinds of soil, (ii) soft rock with or without blasting, (iii) hard rock and (iv) hard rock with controlled blasting. A scrutiny of the tender evaluation reports of these works revealed that the selected contractors had quoted abnormally low rates for hard rock excavation (Rs.10 / Rs. 30 per cubic metre), which was even less than the estimated rate for excavation in all kinds of soil (Rs.30 per cubic metre) and quoted relatively higher rates for soft rock excavation ranging from Rs.65 to Rs.156 per cubic metre as against the estimated cost ranging from Rs.77.51 to Rs.97.52 per cubic metre. The Company, however, did not negotiate with the contractors to rationalise the rates as provided in the Code *ibid.*

Audit observed that during excavation, the quantities of the soft rock, for which the contractors had quoted higher rates, increased from 3.67 lakh cubic metre to 6.66 lakh cubic metre and the quantities of hard rock, for which low rates were quoted, decreased from 2.42 lakh cubic metre to 0.64 lakh cubic metre in these reaches.

Had the Company negotiated with the contractors and rationalised the rates as provided in the Code, it could have avoided extra expenditure of Rs.1.88 crore (as compared to the second /other lowest tenderers).

The Government stated (August 2004) that it was a mere coincidence that the soft rock quantities increased and the hard rock quantities decreased during excavation. The Government further stated (September 2004) that even the rationalization procedures were not foolproof. The reply is not tenable as the erratic rates and the variation of quantities in all the five contracts defies the coincidence theory. The fact remains that the Company failed to protect its financial interest by rationalising the erratic rates.

3.7 Excavation of canal in hard rock

Payment of extra item rates for controlled blasting even though it was the responsibility of the contractors resulted in excess payment of Rs.1.62 crore.

The work of construction of main canal of Upper Tunga Project from Km. 45 to Km. 53 was awarded (November 2000 and February 2001) to four contractors. As per tender conditions, the contractors were required to inspect the site and satisfy themselves the nature of work involved, before quoting. The work included excavation in hard rock of all toughness and under all conditions. For this item of work, the four contractors had quoted the rates ranging from Rs.87.50 to Rs.110 per cubic metre, which was 30.1 per cent to 48.02 per cent below the estimated cost of Rs.191.53 to Rs.203.44 per cubic metre.

During execution of the work, the contractors claimed a separate rate for 'controlled blasting' on the plea that High tension/Low tension lines of Karnataka Power Transmission Corporation Limited were crossing/running parallel, in many reaches of the canal alignment. The Company treated this item of work as an extra item not contemplated in the contract and paid

(July 2002 to Jan 2003) Rs.200 to Rs.300 per cubic metre extra for 'controlled blasting'.

Audit observed that the contracts were for excavation in hard rock under all conditions and blasting was normal mode of excavation in hard rock. It was, therefore, the responsibility of the contractors to carry out the blasting operations in such a way that the life and property of others along the canal alignment was not harmed/damaged. Payment of extra item rate for 'controlled blasting' resulted in excess payment of Rs.1.62 crore for excavating 92,764.69 cubic metre hard rock.

The Government stated (September 2004) that this item was not in the schedule-B of the contract and hence was treated as extra item. The reply is not tenable as the tender conditions stipulated that the contractors were to inspect the work and satisfy themselves of the nature of work involved before quoting the rates. The contractors had agreed to excavate for canal in hard rock under all conditions, at the rates specified in schedule-B of the contract and since excavation in hard rock required blasting under controlled conditions, the contractors were required to carry out the same at no extra cost.

3.8 Payment of dewatering charges

The Company extended undue benefit of Rs.1.14 crore to the contractors in violation of the contract conditions.

The work of construction of Mallaprabha Left Bank Canal at Km. 136 and Km. 137 was entrusted (November 1996) to two contractors at their quoted rates of Rs.2.28 crore and Rs.2.43 crore, respectively. As per clause 1.03.2 of the Contract, all items in schedule-B were inclusive of dewatering or pumping out water at all stages of work till final completion of the work and included cost of shoring, bunds, dam, channels or other devices necessary for directing the water away. Rates quoted were to include dewatering charges and all damages caused during construction to any part of the work including natural calamities, floods, etc.

During execution of the works, both the contractors claimed (March 1997) additional dewatering charges and the Company approved (December 2003) dewatering charges at 20 per cent of the rate quoted for excavation in hard rock in contravention of the contract conditions. The Company paid (January 2004) Rs.1.14 crore towards dewatering charges to the contractors.

The Government stated (September 2004) that the additional dewatering charges were paid due to specific site conditions, which could not be anticipated at the time of estimation/tendering; the contract conditions referred to by Audit were of general nature and apply only to excavation under normal conditions, and that the quantum of water seeping through was unreasonably high and therefore, the payment was made as special case taking a pragmatic view.

The reply is not tenable as the specific site conditions detailed in the reply were those, which should have been anticipated considering the geology/topography of the area. The fact remains that the Company extended undue benefit of Rs.1.14 crore in contravention of the contract conditions.

3.9 Execution of tunnel works

Failure to adopt suitable rates in the Schedule of Rates of the Division carrying out the tunnel works resulted in extra expenditure of Rs.92.56 lakh.

The construction of tunnel and related works from Km. 168.500 to Km.174.000 of Upper Tunga Project (UTP) main canal was awarded (October 2001) to R.S.Shetty & Company, Hubli at their quoted rate of Rs.16.28 crore, which was 29.06 per cent below the estimated cost. The work is yet to be completed (August 2004).

As per clause 13(b) of the Contract, additional quantity in excess of 125 per cent of the tendered quantity had to be paid at the rates entered into or derived from the schedule of rates of the Division, prevalent at the time of execution of additions, plus or minus overall percentage of the original tendered rates over the current schedule of rates of the year in which the tender was accepted.

During execution, quantities involved in the work to be executed were revised due to various reasons and sanction for extra financial implications of Rupees seven crore was accorded (June 2003). Audit observed that in respect of four items[§] of work, involving extra financial implications of Rs.2.33 crore, schedule of rates of another circle (Mallaprabha Left Bank Canal circle) of the Company was used for preparing the estimates at the time of tendering. But, these rates were not suitably incorporated in the schedule of rates of UTP circle, which was executing the work. Since these rates were not incorporated in UTP circle, the Company decided to apply the tendered rates even for quantities beyond 125 per cent of the estimated quantities. This resulted in extra payment of Rs.92.56 lakh to the contractor.

The Government stated (September 2004) that it is not the usual practice to revise the Schedule of Rates very often in the middle of the year. The reply is not tenable since at the time of finalising the estimates, schedule of rates of another circle was used and it would have been appropriate if these rates were also included in the schedule of rates of the Division executing the work.

3.10 Inadmissible payment of premium

Payment of premium on construction of feeder channel and tail channel, not contemplated in the contract resulted in extra expenditure of Rs.25.56 lakh.

The construction of dam and allied works of Harinala Irrigation Project, estimated to cost Rs.26.95 crore, was entrusted to Karnataka State Construction Corporation Limited (KSCC) as per Government order dated

[§] Removal of over fallen muck, providing permanent support, steel for support and providing and fixing rock belts.

1 September 1998. An expenditure of Rs. 32.86 crore was incurred on the Project up to June 2003. As per Government order and the agreement, the work was to be carried out at a premium of 12 per cent for concrete work and masonry work and five per cent for earthen dam work over the current schedule of rates. No premium was payable for the various other items of work, including construction of feeder and tail channels, as per Government order. Audit observed (January 2004) that five per cent premium was also paid on works related to construction of feeder and tail channels, for which no premium was specified in the Government order or in the agreement. This resulted in excess payment of Rs.25.56 lakh.

The Government stated (August/September 2004) that the feeder and tail channel were considered most essential part of the dam, construction of earthen dam and construction of feeder channel and tail channel both involves earthwork and therefore premium was paid for feeder and tail channel also. The reply is not tenable as the Government order specified premium only for earthen dam and not for all earth work items of the project, as there were other items like construction of canals and branches involving earthwork for which no premium was specified/payable.

Karnataka Power Transmission Corporation Limited

3.11 Implementation of state-wide computerisation project

The Company failed to achieve the objective of state wide computerisation project due to implementation of only one module, which was also faulty, even after spending Rs.14.44 crore.

The Company approved (April 1997) a "State wide computerization" project based on a strategic study conducted (July 1996) by Tata Consultancy Services (TCS). As TCS had already done the strategic study, the software development was also awarded (January 1998) to them for Rs.70 lakh without calling for tenders. The software development covered computerization of five modules of the business activities of 'Finance and accounts', 'Personnel and payroll', 'Project management', 'Maintenance' and 'Billing and Collection' of revenue. The entire project was to be executed by February 1999.

Audit observed that only the 'Billing and Collection' (BNC) module was test run in August 1999 and that too failed to deliver functionalities like generation of statement of Demand, Collection and Balance, disconnection and re-connection memos, partial billing, etc. On the assurance of TCS to modify the module, the implementation across 239 sub-divisions was undertaken (July to December 2000). The Company procured (August/September 2000) hardware valuing Rs.13.75 crore for the second phase implementation.

Meanwhile, as a part of power reforms, the Company was split up and it retained only the transmission activity. The function of distribution was divested (June 2002) to four[♦] electricity supply companies; of these only one Company, Bangalore Electricity Supply Company Limited (BESCOM), continued to use the BNC module in parallel with manual ledger system. The contract with TCS was rescinded (January 2003) after payment of Rs.26.10 lakh (against Rs.70 lakh) and BESCOM awarded (June 2003) the work of re-designing, customizing, tuning and maintenance in 52 sub-divisions to Zygox Software Private Limited (Zygox) for Rs.43.20 lakh and hired the consultancy of Can Bank Computer Services Limited at Rs.0.70 lakh for two months. As Zygox also could not rectify the errors in the statement of 'Demand, Collection and Balance' (DCB), the work of development of software for preparation, consolidation and analysis of DCB was awarded (August 2003) to MN Dastur and Company for Rs.12.73 lakh.

Audit of the Billing and Collection software was conducted (November 2003 to January 2004) at one of the pilot sites (E6 sub-division, Bangalore), revealed that:

- there was no check to ensure that bills were raised on all consumers; bills with zero amounts were generated even when there was consumption; bills generated had errors and required manual correction; bills and receipts were raised without master details making it impossible to reconcile with accounts;
- there were unexplained gaps in system generated receipt, duplicate receipt numbers and posting of receipts to ledger was not traceable to its master details;
- manual bills continued to be used for certain categories of tariff; interest was not calculated properly; arrears were carried forward in-spite of its clearance; bills with negative amounts were generated; specific rebate omission; double levy of taxation;
- the statement of 'Demand, Collection and Balance' generated by the module was erroneous and the same was not used for accounting purpose; and
- access control regarding security of operation and changing of data were inadequate to the size and nature of business.

The objectives of computerisation was, thus, not achieved even after spending Rs.14.44 crore on the project.

The Government stated (June 2004) that the package was used in BESCOM with little modifications. The reply is not tenable as the test check in BESCOM has revealed the above major shortcomingş. Further, the reply is silent about the implementation of only one module and the discontinuance of the computerization in other three electricity distribution companies after spending Rs.14.44 crore.

[♦] Bangalore Electricity Supply Company Limited (BESCOM), Mangalore Electricity Supply Company Limited (MESCOM), Gulbarga Electricity Supply Company Limited (GESCOM) and Hubli Electricity Supply Company Limited (HESCOM).

3.12 Procurement of PCC poles

Procurement of PCC poles of higher working load resulted in extra expenditure of Rs.63.92 lakh.

The Company had been purchasing reinforced cement concrete (RCC) poles of eight metre length with 115 Kg. working load required for distribution networks. The Company decided (November 2000) to procure 75 per cent for its requirement of poles in RCC poles and 25 per cent in pre-stressed cement concrete (PCC) poles. A comparative evaluation of the poles by Torsteel Foundation of India showed that the PCC poles of eight metre height with same design load, could support a working load of 140 Kg as against the working load of 115 Kg. of the eight metre height of RCC poles and would be suitable for overhead 11 KV and LT power lines (both tangent and dead end locations) and double pole structures for 11/4.0 KV sub-stations. Since the PCC poles were procured to replace RCC poles of 115 Kg working load, there was no necessity to procure PCC poles of 200 Kg working load. The Company, however, purchased (July 2001 to November 2001) 32,950 number of eight metre PCC poles of working load of 200 Kg at a cost of Rs.890 per pole as against Rs.696 per pole for eight metre PCC poles of working load of 140 Kg. This resulted in extra expenditure of Rs.63.92 lakh.

The Government stated (June 2004) that PCC poles of 200 kg working load were procured based on the recommendations made by the Civil wing of the Company after conducting a study in Kerala. It was also stated that the PCC poles of higher working load was used for the dead ends/anchor points, transformer centers in addition to wind load on conductor poles. The reply is not tenable in view of the fact that the study conducted by Torsteel Foundation of India clearly mentioned that the eight metre PCC pole with 140 Kg. working load could be used for dead end locations also. Audit also observed that the Company did not purchase PCC poles of eight metre length with 200 Kg working load after November 2001.

3.13 Theft of transmission line materials

Failure to make proper security arrangements for incomplete transmission lines resulted in recurring theft of conductors and other transmission line materials valuing Rs. 62.02 lakh.

The work on 220 KV double circuit line from Somanahalli to Malur commenced in 1999, at an estimated cost of Rs.9.81 crore. The work was to be completed by July 2000. Due to delay in obtaining forest clearance and leave of way, the work could not be completed. The erection of towers and stringing of lines was, however, undertaken at various locations and the lines were left uncharged, as the transmission line was not fully ready. Audit observed that thefts of conductors and other line materials were being reported from February 2002 onwards at various locations where the stringing works were undertaken. The Company, however, did not take any action to arrange security for the work done to avoid further thefts. This led to further thefts and

24 thefts of material valuing Rs. 62.02 lakh were reported up to February 2004.

The Government stated (June 2004) that patrolling the area was commenced from March 2004. The fact remains that the Company failed to take necessary steps for securing the transmission line immediately after reporting of initial thefts.

3.14 Under-insurance of transformer

Under-insurance of a transformer in transit, has resulted in loss of Rs.29.77 lakh in insurance claim.

The erstwhile Karnataka Electricity Board (now KPTCL) approved (April 1999) the transporting of a repaired 100 MVA transformer from NGEF, Bangalore to Tubinekere 220 KV station. The Chief Engineer, Electricity, Major works, Bangalore instructed the Major works Division, Mysore to insure the transformer at a value of Rs.1.92 crore. The transformer was, however, insured (November 1999) for Rs.50 lakh only. The reasons for taking out the insurance at a lower value than indicated by the Chief Engineer could not be ascertained in Audit.

During transit, the transformer toppled and was damaged (November 1999). The transformer was subsequently got repaired at NGEF, Bangalore at a total cost of Rs.62.59 lakh. Audit observed that the insurance company restricted the claim and paid (June 2003) only Rs.10.61 lakh, being the pro-rata value of claim, as the transformer was under-insured.

Thus, under-insurance of the transformer inspite of instruction issued by the Chief Engineer, Bangalore to insure the transformer at Rs.1.92 crore resulted in a loss of Rs.29.77 lakh of insurance claim.

The Government confirming the facts stated (June 2004) that it has filed a case against the insurance company, which is pending (September 2004).

The Mysore Paper Mills Limited

3.15 Purchase of power

The Company failed to avail of the full benefit of power purchase agreement it had entered into in order to obtain cheaper energy from an independent power producer resulting in extra expenditure of Rs.18.24 lakh.

The requirement of 100 to 200 lakh units per month of electrical energy of the Company was being met from captive generation and supply from the erstwhile Karnataka Electricity Board. In order to obtain cheaper electrical energy, the Company entered into (July 1999) an agreement with Kirloskar Power Supply Company Limited, an Independent Power Producer (IPP), for purchase of 30 lakh units of electrical energy per month at the rate of

Rs.3.10 per unit, for a period of one year. According to the agreement, if the supplier fails to supply the contracted quantity of 30 lakh units, the supplier shall reimburse differential cost of purchase of energy from other Independent Power Producers/Karnataka Electricity Board (now Karnataka Power Transmission Corporation Limited).

Audit observed that the Company did not draw the full quantity of energy, as provided in the agreement, from the IPP from November 1999 to March 2000. The Company, therefore, had to purchase 30.21 lakh units of energy from Karnataka Electricity Board and other Independent Power Producers at higher cost, resulting in extra expenditure of Rs.18.24 lakh.

The Government stated (July 2004) that it had to commit the units to be drawn from the IPP by 15th of every month. It further stated that it had to pay for the committed units irrespective of actual drawal and that the actual power requirements was subject to changes in production programme. The reply is not tenable as the requirement of 30 lakh units per month was based on its own assessment and the total purchase of energy was always more than the agreed quantity.

Karnataka State Coir Development Corporation Limited

3.16 Non-reimbursement of central share of rebate

Lapse on the part of the State Government deprived the Company of Central share of rebate of Rs.53.28 lakh.

The State Government allowed the Company to sell the coir products at a rebate of 20 per cent on 90 days in a year. The rebate was to be reimbursed to the Company by the Central and State Governments in equal proportions. As per the scheme, the State Government, after releasing their share of rebate, was to forward the claim for the Central share alongwith proof of release of States' share to the Central Government. Audit observed that the Company claimed rebate of Rs.1.25 crore during 1998-2000. The Company, however, received Rs.62.42 lakh being the share of the State Government and Rs.9.14 lakh from the Central Government, leaving a balance of Rs.53.28 lakh. The main reasons for non-receipt of the amount was stated to be due to belated release of its share by the State Government and consequently the claims for Central share, which were forwarded late, lapsed. The lapse of the State Government to forward claims in time deprived the Company of the Central share of Rs.53.28 lakh.

The Government stated (September 2004) that Government of India did not pay its share of rebate for 1998-2000 in view of the introduction of Marketing Development Assistance Scheme. The fact, however, remains that the Government of Karnataka did not receive the Central share of Rs.53.28 lakh due to its failure to submit claims to Central Government in time.

STATUTORY CORPORATIONS

Karnataka State Road Transport Corporation

3.17 Implementation of Oracle Financials Software

Purchase and implementation of software without ensuring its suitability resulted in infructuous expenditure of Rs.67.29 lakh

The Corporation placed (July 1999) orders on NIIT Limited (NIIT) for supply of Oracle Financials Software (Rs.12.40 lakh), customization and implementation of the package at seven locations in Bangalore (Rs.15.36 lakh) and technical support (Rs.2.48 lakh per annum). The software envisaged centralized database for all the units of the Corporation and the package was purchased with 25 user licenses initially with the option to purchase additional user licenses in order to roll over the application to various other units. The software was delivered in August 1999. The Corporation placed further orders (March to July 2000) on NIIT for customization and implementation of the software and for personnel training at a cost of Rs.21 lakh and professional fees for hand holding support at Rs.8.5 lakh. The Corporation incurred expenditure of Rs.67.29 lakh on the software, customization and implementation, personnel training and hand holding support.

Audit observed that:

- even though the Computer Implementation Committee had suggested (February 1998) to evaluate the benefits of continuing the in-house development of software or to buy a ready made software like Tally, EX, etc., or to get the software developed by an external agency, no such evaluation was made;
- no feasibility study both technical and financial was made before deciding to purchase the package and
- no analysis matching the needs of the Corporation for computerisation and features available in the package was made.

The Corporation, therefore, was not able to derive the desired benefits on the implementation of computer software since:

- package could be implemented only in four locations instead of nine envisaged. Now the package is being actually used in Corporate office only to a limited extent;
- Bangalore Central Division noticed large scale errors in data in cash accounting and consequently the system was withdrawn in April 2000;
- even though the software was to be implemented with centralized database requiring network connectivity between various units and Corporate Office, the cost and feasibility of the same was not considered while deciding to purchase the software. As the cost of establishing network connectivity was found to be very high, the

proposal was deferred (March 2001). The Corporation, therefore, could not roll over the software to other units. The proposal of network connectivity has not been taken up so far (August 2004).

The Government stated (August 2004) that the software was a sophisticated one and hence all the benefits could not be derived, and that the possibilities of deriving more benefits out of the system with minimum changes/ customization was being explored. The reply is not tenable as the software was purchased without carrying of feasibility study as stated above and as such full benefit of the software could not be derived even after five years of purchase.

General

3.18 Implementation of Voluntary Retirement Scheme in Public Sector Undertakings in Karnataka

Introduction

3.18.1 As on 31 March 2004, there were 82 Public Sector Undertakings (76 Government companies and six statutory corporations) in the State of which 17 were non-working. In order to improve the performance of these Public Sector Undertakings viz., to optimise manpower, improve productivity, etc., the Karnataka State Bureau of Public Enterprises (KSBPE), now the Department of Disinvestment and Public Sector Enterprises Reforms (DDPER), formulated (November 1997 and August 2001) a Voluntary Retirement Scheme (VRS).

3.18.2 The salient features of the Scheme formulated in August 2001 are:

- all employees on regular pay scales and identified as surplus can opt for VRS;
- before introducing VRS, excess staff should be identified, otherwise VRS cannot be implemented;
- the employees opting for VRS are entitled to ex-gratia of maximum Rupees five lakh in addition to provident fund, gratuity and other terminal benefits;
- once the option for VRS is accepted, the related posts vacated be simultaneously abolished and not even held in abeyance; and
- the VRS amount is to be settled within 90 days from the date of notification by the Company, on the basis of one time settlement after collecting all the dues outstanding to the Company.

3.18.3 As per the details received (September 2004) from 32 companies, out of the 82 PSUs, 17 companies have not implemented VRS. The study conducted, between February and March 2004 covers the examination of implementation of VRS during the period 1999-04 in 13 companies out of 15 companies. In addition to these companies, a paragraph relating to this subject in respect of Mysore Minerals Limited has been included at paragraphs 2.1.30 and 2.1.35 of this Report.

In case of Karnataka Handloom Development Corporation Limited, a paragraph No.2.1.27 on the subject has been included in the Report of the Comptroller and Auditor General of India (Commercial) for the year ended 31 March 2003.

3.18.4 The details of the companies in respect of which test check was conducted have been placed at **Annexure 11**. From the annexure it could be observed that out of 6,594 employees identified as surplus by 12 companies, 5,726 employees opted for VRS and only 5,019≠ employees were relieved. The total amount paid / payable to these officials worked out to Rs.175.18 crore including loan/subsidy of Rs.95.06 crore from the Government to three companies. The amount needed to retrench the balance surplus staff in six companies worked out to Rs.31.06 crore.

A review of the records of these companies revealed the following:

Operation of surplus staff

3.18.5 The management of 12 companies identified 6,594 number of employees as surplus; of which only 5,019 employees were relieved leaving a balance of 1,575 number employees. In seven♦ companies, the scheme was implemented partially, resulting in recurring expenditure ranging from Rs.6.90 lakh to Rs.15.05 lakh per month on salaries of surplus employees. In respect of the other two♣ companies the scheme was not implemented, resulting in recurring expenditure ranging from Rs.20 lakh to Rs.27.33 lakh per month on salaries of surplus employees.

The Government stated (July 2004) that:

(a) **Mysore Sales International Limited:** Due to formation of Karnataka State Beverages Corporation Limited there was no excess staff, hence there was no extra expenditure. The reply is not tenable as the scheme was approved and implemented (January 2004) after formation (June 2003) of Karnataka State Beverages Corporation Limited

(b) **Karnataka State Electronics Development Corporation Limited:** The surplus staff identified would be reduced in phased manner. It further stated that extension of VRS to surplus staff again depended upon availability of funds. The reply is not tenable as the Company was aware of its liability and had decided to meet liability out of its own funds at the time of approval of the scheme.

≠ including three employees superannuated.

♦ Mysore Lamp Works Limited, Karnataka State Construction Corporation Limited, Karnataka Silk Industries Corporation Limited, Karnataka Soaps and Detergents Limited, Karnataka Vidyut Karkhane Limited, Mysore Sales International Limited, Karnataka State Electronics Development Corporation Limited.

♣ Karnataka Pulpwood Limited, Karnataka Forest Development Corporation Limited.

(c) **Karnataka State Construction Corporation Limited:** All the employees have not opted for VRS. Further, action would be taken after approval by an application under section 25(O) of Industrial Disputes Act, by the Labour Department.

(d) **Karnataka Soaps and Detergents Limited:** The Company has not identified surplus staff. The reply was not acceptable as the Company had identified (June 2003) surplus staff and notified (February 2004) the scheme.

(e) **Karnataka Forest Development Corporation Limited:** The identification of surplus staff was under process. The reply is not correct as the Company has already identified (September 2003) 302 employees as surplus but not implemented the scheme even after Government's rejection of its modified scheme.

Non-fixing of ex-gratia limit

3.18.6 Karnataka Agro Industries Corporation Limited has not adhered to the limit of Rupees five lakh in the payment of ex-gratia and made an excess payment of Rs.41.81 lakh in respect of 38 employees. Further, a sum of Rs.12.54 lakh (at 30 per cent) being the tax on income, on amount paid above Rupees five lakh, as per section 10(C) of Income Tax Act, has not been recovered. The Government stated (July 2004) that the ceiling limit of Rupees five lakh as per Government order dated 10 August 2001 did not apply to this special scheme. In the meeting held on 26 July 2004, the Government promised to furnish a copy of the special scheme. It further stated that income tax liability has been deducted on the one time settlement (OTS) amount in one case. The Government did not furnish the copy of the special scheme even after repeated requests. Regarding Income Tax, the amount was to be recovered on the ex-gratia amount only and not on the one time settlement scheme.

Implementation of VRS by a defunct company

3.18.7 Karnataka Telecom Limited paid Rs.5.45 crore towards the settlement of VRS dues during 2002-03. Audit observed that the Company has not been working since July 1996 and no employee was on pay roll as on April 2002. The Company failed to produce any document in support of the payment. This fact was also commented by the Statutory Auditors of the Company in their Report on the accounts for the year 2002-03. In the meeting (26 July 2004) the Government assured to examine the issue.

Follow-up action on Audit Reports

3.19 Outstanding Action Taken Notes

The Comptroller and Auditor General of India's Audit Reports represent culmination of the process of scrutiny starting with initial inspection of accounts and records maintained in the various offices and departments of Government. It is, therefore, necessary that they elicit appropriate and timely response from the executive. Finance Department, Government of Karnataka issued instructions (January 1974) to all Administrative Departments to submit explanatory notes indicating a corrective/remedial action taken or proposed to be taken on paragraphs and reviews included in the Audit Reports within three months of their presentation to the Legislature, without waiting for any notice or call from the Committee on Public Undertakings (COPU).

Though the Audit Reports for the years 2000-01, 2001-02 and 2002-03 were presented to the State Legislature in March 2002, March 2003 and June 2004 respectively, eight out of 11 departments, which were commented upon, did not submit explanatory notes on 30 out of 92 paragraphs/reviews as on September 2004, as indicated below:

Year of the Audit Report (Commercial)	Total paragraphs and reviews in Audit Report	No. of paragraphs and reviews for which explanatory notes were not received
2000-01	32	1
2001-02	32	1
2002-03	28	28
Total	**92**	**30**

Department wise analysis is given below.

Name of the department	2000-01	2001-02	2002-03
Agriculture	-	-	1
Commerce & Industries	-	-	4
Energy	-	-	8
Water Resources	-	-	9
Transport	-	1	3
Finance	-	-	2
Public works	-	-	1
General	1	-	-
Total	**1**	**1**	**28**

Departments largely responsible for non-submission of explanatory notes were Commerce and Industries, Energy and Water Resources Departments.

Outstanding compliance to reports of Committee on Public Undertakings (COPU)

The replies to paragraphs were required to be furnished within six months from the presentation of the Reports. Replies to 126 paragraphs pertaining to 15 Reports of the COPU, presented to the State Legislature between April 1998 and February 2004, had not been received as on September 2004, as indicated below:

Year of the COPU Report	Total number of Reports involved	No. of paragraphs where replies not received.
1997-1998	3	56
1998-1999	1	6
1999-2000	3	23
2000-2001	1	15
2001-2002	3	10
2002-2003	2	13
2003-2004	2	3
Total	**15**	**126**

Action taken on persistent irregularities

With a view to assist and facilitate discussion of the paragraphs of persistent nature by the State COPU, an exercise was carried out to verify the extent of corrective action taken by the concerned auditee organisation and results thereof are indicated in **Annexure 12**.

Government Companies

The following table gives an overview of the nature of the persistent irregularities observed in Audit and included in the Report of Comptroller and Auditor General of India for the years 1992-93 to 2002-03 (Commercial) – Government of Karnataka.

Sl. No.	Nature of the persistent irregularity	No. of paras involved	Amount (Rs. in crore)
	Karnataka Power Transmission Corporation Limited (including erstwhile KEB)		
1	Idling of equipment due to failure	3	1.55
2	Idling of equipment due to injudicious purchases	4	1.83
3	Idling of equipment due to other reasons	9	68.86
4	Ignoring of L1 suppliers	5	11.87
5	Wrong inclusion of Entry tax in FORD prices	2	9.02
6	Extra expenditure in purchase of PCC poles	2	1.48
7	Non invoking of risk purchase clause	2	1.06
	Total	**27**	**95.67**
	Krishna Bhagya Jala Nigam Limited		
1	Incorrect payment of lead charges	3	1.54
2	Defective estimation	2	0.82
3	Payment of additional lift charges	1	0.20
4	Non regulation of payment as per contract	1	1.06
5	Loss due to non specification of norms	1	0.36
	Total	**8**	**3.98**
	Bangalore Mass Rapid Transit Limited		
1	Injudicious funds management	2	2.12

Action taken by the companies/State Government on the irregularities as scrutinised in Audit (June 2004) revealed that the actions were belated and inadequate/not taken as per details in **Annexure 12.**

The Government stated (July 2004) that the matter would be looked into and corrective action would be taken.

3.20 Response to inspection reports, draft paragraphs and reviews

Audit observations noticed during audit and not settled on the spot are communicated to the head of PSUs and concerned departments of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. Inspection reports issued up to March 2004 pertaining to 76 PSUs disclosed that 3,642 paragraphs relating to 781 inspection reports remained outstanding at the end of September 2004; of these, 16 inspection reports containing 90 paragraphs were pending due to non-receipt of even first replies. Department wise break-up of inspection reports and audit observations outstanding as on 30 September 2004 is given in **Annexure 13.**

Similarly, draft paragraphs and reviews on the working of Public Sector Undertakings are forwarded to the Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. All the reviews have been discussed in the Audit Review Committee on Public Sector Enterprises. The paragraphs have also been discussed with the respective Administrative Department and the Management of the companies / corporations. Their views have been taken into consideration while finalising the reviews/ paragraphs.

It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to inspection reports as per the prescribed time schedule, (b) action to recover loss / outstanding advances / overpayment is taken within prescribed time, and (c) the system of responding to the audit observations is revamped.

K. P. Lakshmana. Rao

BANGALORE
The

16 MAR 2005

(K.P.LAKSHMANA. RAO)
Principal Accountant General
(Civil and Commercial Audit)
Karnataka

COUNTERSIGNED

NEW DELHI
The

28 MAR 2005

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

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It is recommended that (a) the Government should ensure that procedure exists for action against the officials who failed to send replies to inspection reports as per the prescribed time schedule, (b) action to recover loss/outstanding advances / overpayment is taken within prescribed time, and (c) the system of responding to the audit observations is revamped.

BANGALORE
The

(K P LAKSHMANA RAO)
Principal Accountant General
(Civil and Commercial Audit)
Karnataka

COUNTERSIGNED

NEW DELHI
The

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India

ANNEXURES

ANNEXURE 1

Statement showing particulars of up-to-date paid-up capital, equity/loans received out of budget and loans outstanding as on 31 March 2004 in respect of Government companies and Statutory corporations.
(Referred to in Paragraphs 1.3,1.4,1.5 and 1.17)

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

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
A	**WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED SECTOR												
1	Karnataka State Agro Corn Products Limited	223.37	-	-	50.00	273.37	-	-	-	-	-	-	-
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited	50.00	-	-	-	50.00	-	-	-	-	-	-	-
3	Karnataka Togari Abhivridhi Mandali Limited	500.00	-	-	-	500.00	-	-	-	-	-	-	-
4	The Karnataka Fisheries Development Corporation Limited	453.64	-	-	-	453.64	-	-	-	75.00	-	75.00	0.17:1 (0.17:1)
5	Karnataka Sheep and Wool Development Corporation Limited	5.00	-	-	-	5.00	5.00	-	-	-	-	-	-
	SUBSIDIARIES												
6	Karnataka Compost Development Corporation Limited	-	-	26.00	24.00	50.00	-	-	-	-	331.95	331.95	6.64:1 (6.64:1)
	Sectorwise Total	**1232.01**	**-**	**26.00**	**74.00**	**1332.01**	**5.00**	**0.00**	**0.00**	**75.00**	**331.95**	**406.95**	
	INDUSTRY SECTOR												
7	Karnataka Leather Industries Development Corporation Limited	334.67	-	-	-	334.67	-	-	-	304.56	17.57	322.13	0.96:1 (0.96:1)

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
8	Karnataka Soaps and Detergents Limited	3182.21	-	-	-	3182.21	-	-	-	2740.77	-	2740.77	0.86:1 (1.01:1)
9	Karnataka State Coir Development Corporation Limited	301.15	-	-	-	301.15	23.75	-	-	41.25	-	41.25	0.14:1 (0.15:1)
10	Karnataka State Small Industries Development Corporation Limited	2466.36	-	-	-	2466.36	-	-	-	1501.76	25.08	1526.84	0.62:1 (0.62:1)
11	The Mysore Paper Mills Limited	7706.46 (155.75)	-	-	4178.02	11884.48 (155.75)	-	-	-	9100.01	7320.00	16420.01	1.36:1 (1.39:1)
	Sectorwise Total	**13990.85 (155.75)**	**0.00**	**0.00**	**4178.02**	**18168.87 (155.75)**	**23.75**	**0.00**	**0.00**	**13688.35**	**7362.65**	**21051.00**	
	ENGINEERING SECTOR												
12	Karnataka Vidyuth Karkhane Limited	561.92	-	-	-	561.92	-	-	-	183.13	-	183.13	0.33:1 (0.33:1)
13	The Mysore Electrical Industries Limited	766.51	-	-	175.96	942.47	-	102.54	-	2854.00	50.80	2904.80	3.08:1 (3.08:1)
	SUBSIDIARIES												
14	NGEF (Hubli) Limited	-	-	320.00	-	320.00	-	-	-	70.00	-	70.00	0.22:1 (0.85:1)
	Sectorwise Total	**1328.43**	**0.00**	**320.00**	**175.96**	**1824.39**	**0.00**	**102.54**	**0.00**	**3107.13**	**50.80**	**3157.93**	
	ELECTRONICS SECTOR												
15	Karnataka State Electronics Development Corporation Limited	787.20	-	-	-	787.20	-	-	-	685.00	6000.00	6685.00	8.49:1 (8.56:1)
	Sectorwise Total	**787.20**	**0.00**	**0.00**	**0.00**	**787.20**	**0.00**	**0.00**	**0.00**	**685.00**	**6000.00**	**6685.00**	
	TEXTILES SECTOR												
16	Karnataka Silk Industries Corporation Limited	3600.47	-	-	-	3600.47	-	1285.00	-	1285.20	-	1285.20	0.36:1

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
17	Karnataka Silk Marketing Board Limited	3145.00	-	-	-	3145.00	-	-	-	-	-	-	
18	Karnataka State Power loom Development Corporation Limited	151.00	-	-	-	151.00	-	-	-	-	-	-	-
	Sectorwise Total	**6896.47**	**0.00**	**0.00**	**0.00**	**6896.47**	**0.00**	**1285.00**	**0.00**	**1285.20**	**0.00**	**1285.20**	
	HANDLOOM AND HANDICRAFTS SECTOR												
19	The Karnataka Handloom Development Corporation Limited	1052.46 (2866.00)	519.75	-	-	1572.21 (2866.00)	-	-	-	19.02	461.62	480.64	0.11:1 (0.93:1)
20	Karnataka State Handicrafts Development Corporation Limited	283.81	121.50	-	-	405.31	-	-	-	68.12	95.91	164.03	0.40:1 (0.41:1)
	Sectorwise Total	**1336.27 (2866.00)**	**641.25**	**0.00**	**0.00**	**1977.52 (2866.00)**	**0.00**	**0.00**	**0.00**	**87.14**	**557.53**	**644.67**	
	FOREST SECTOR												
21	Karnataka Cashew Development Corporation Limited	415.03	44.00	-	-	459.03	-	-	-	-	152.67	152.67	0.33:1 (0.33:1)
22	Karnataka Forest Development Corporation Limited	931.41	-	-	-	931.41	-	-	-	-	978.76	978.76	1.05:1 (1.14:1)
23	The Karnatak State Forest Industries Corporation Limited	266.58	-	-	-	266.58	-	-	-	-	-	-	-
	Sectorwise Total	**1613.02**	**44.00**	**0.00**	**0.00**	**1657.02**	**0.00**	**0.00**	**0.00**	**0.00**	**1131.43**	**1131.43**	
	MINING SECTOR												
24	Mysore Minerals Limited	296.62	-	-	3.38	300.00	-	-	-	1598.77	80.00	1678.77	5.60:1 (6.44:1)
25	The Hutti Gold Mines Company Limited	220.19	-	-	76.01	296.20	-	-	-	610.51	2271.00	2881.51	9.73:1 (12.92:1)
	Sectorwise Total	**516.81**	**0.00**	**0.00**	**79.39**	**596.20**	**0.00**	**0.00**	**0.00**	**2209.28**	**2351.00**	**4560.28**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CONSTRUCTION SECTOR												
26	Karnataka State Construction Corporation Limited	205.00	-	-	-	205.00	-	-	-	553.11	-	553.11	2.70:1 (2.70:1)
27	Karnataka Land Army Corporation Limited	25.00 (1200.00)	-	-	-	25.00 (1200.00)	-	-	2000.00	-	15059.00	15059.00	12.29:1 (11.43:1)
28	Karnataka State Police Housing Corporation Limited	12.00	-	-	-	12.00	-	-	7377.00	-	24749.95	24749.95	2062.50:1 (1645.09:1)
29	Rajiv Gandhi Rural Housing Corporation Limited	300.00	-	-	-	300.00	-	-	20749.30	-	46654.10	46654.10	155.51:1 (131.54:1)
30	Karnataka Road Development Corporation Limited	1873.00 (4846.00)	-	-	-	1873.00 (4846.00)	-	-	12800.00	-	38549.33	38549.33	5.74:1 (4.20:1)
	Sectorwise Total	**2415.00 (6046.00)**	**0.00**	**0.00**	**0.00**	**2415.00 (6046.00)**	**0.00**	**0.00**	**42926.30**	**553.11**	**125012.38**	**125565.49**	
	AREA DEVELOPMENT SECTOR												
31	Krishna Bhagya Jala Nigam Limited	417169.93 (219874.13)	-	-	-	417169.93 (219874.13)	129103.15	-	42858.00	-	371004.90	371004.90	0.58:1 (0.85:1)
32	Karnataka Neeravari Nigam Limited	136951.72 (26626.85)	-	-	-	136951.72 (26626.85)	17781.85	-	20000.00	-	125956.00	125956.00	0.77:1 (0.74:1)
33	Cauvery Neeravari Nigam Limited	80005.00	-	-	-	80005.00♣	5.00	-	24955.00	609078.66♥	24955.00	634033.66	7.92:1
	Sectorwise Total	**634126.65 (246500.98)**	**0.00**	**0.00**	**0.00**	**634126.65 (246500.98)**	**146890.00**	**0.00**	**87813.00**	**609078.66**	**521915.90**	**1130994.56**	
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTION SECTOR												
34	The Karnataka Backward Classes Development Corporation Limited	6638.91 (500.00)	-	-	-	6638.91 (500.00)	500.00	-	1892.04	-	4157.10	4157.10	0.58:1 (0.43:1)

♣ - **Equity shares of Rs.80,000 lakh issued to Government in part consideration of assets transferred.**

♥ - **Loans of Rs.6,09,078.66 lakh accounted in part consideration of assets transferred.**

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
35	Karnataka State Women's Development Corporation	821.25 (32.50)	297.84	-	-	1119.09 (32.50)	73.75	-	-	-	-	-	-
36	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	6111.11 (560.00)	5415.58 (14.00)	-	-	11526.69 (574.00)	560.00	-	468.74	-	5636.81	5636.81	0.47:1 (0.55:1)
37	The Karnataka Minorities Development Corporation Limited	3938.45 (318.00)	-	-	-	3938.45 (318.00)	530.00	-	900.00	-	2326.43	2326.43	0.55:1 (0.49:1)
	Sectorwise Total	**17509.72 (1410.50)**	**5713.42 (14.00)**	**0.00**	**0.00**	**23223.14 (1424.50)**	**1663.75**	**0.00**	**3260.78**	**0.00**	**12120.34**	**12120.34**	
	PUBLIC DISTRIBUTION SECTOR												
38	Karnataka Food and Civil Supplies Corporation Limited	325.00	-	-	-	325.00	100.00	-	-	-	1510.79	1510.79	4.65:1 (4.40:1)
	Sectorwise Total	**325.00**	**0.00**	**0.00**	**0.00**	**325.00**	**100.00**	**0.00**	**0.00**	**0.00**	**1510.79**	**1510.79**	
	SUGAR SECTOR												
39	The Mysore Sugar Company Limited	580.75 (200.00)	-	-	92.68	673.43 (200.00)	200.00	-	-	-	1484.00	1484.00	1.70:1 (2.36:1)
	Sectorwise Total	**580.75 (200.00)**	**0.00**	**0.00**	**92.68**	**673.43 (200.00)**	**200.00**	**0.00**	**0.00**	**0.00**	**1484.00**	**1484.00**	
	TOURISM SECTOR												
40	The Karnataka State Tourism Development Corporation Limited	500.00 (141.36)	-	-	-	500.00 (141.36)	-	-	-	200.00	76.93	276.93	0.43:1 (0.24:1)
41	Jungle Lodges and Resorts Limited	49.69	-	-	42.06	91.75	-	-	167.70	4.00	168.60	172.60	1.88:1 (0.17:1)
	Sectorwise Total	**549.69 (141.36)**	**0.00**	**0.00**	**42.06**	**591.75 (141.36)**	**0.00**	**0.00**	**167.70**	**204.00**	**245.53**	**449.53**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	CHEMICALS SECTOR												
42	The Mysore Paints and Varnish Limited	94.73	-	-	8.92	103.65	-	-	-	-	-	-	-
	Sectorwise Total	**94.73**	**0.00**	**0.00**	**8.92**	**103.65**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
	POWER SECTOR												
43	Karnataka Power Corporation Limited	66298.15	-	-	-	66298.15	-	-	52661.13	-	235433.39	235433.39	3.55:1 (3.58:1)
44	Visveswaraya Vidyuth Nigam Limited	8028.75 (234.49)	-	0.07	-	8028.82 (234.49)	-	-	255.08	91.00	7550.06	7641.06	0.92:1 (1.23:1)
45	Karnataka Power Transmission Corporation Limited	100.07 (73192.35)	-	-	-	100.07 (73192.35)	-	2065.38	20941.72	3191.26	91960.08	95151.34#	1.30:1 (4.37:1)
46	Karnataka Renewable Energy Development Limited	50.00	-	-	-	50.00	-	-	-	-	11640.00	11640.00	232.80:1 (271.60:1)
47	Bangalore Electricity Supply Company Limited	5.00 (20098.70)	-	-	-	5.00 (20098.70)	-	-	15337.01	294.00	33860.49	34154.49	1.70:1 (1.34:1)
48	Hubli Electricity Supply Company Limited	5.00 (23344.14)	-	-	-	5.00 (23344.14)	-	2992.12	16076.01	2992.12	24226.90	27219.02	1.17:1 (0.66:1)
49	Mangalore Electricity Supply Company Limited	5.00 (12876.29)	-	-	-	5.00 (12876.29)	-	2200.00	17761.74	2200.00	30270.67	32470.67	2.52:1 (1.78:1)
50	Gulbarga Electicity Supply Company Limited	5.00 (13434.35)	-	-	-	5.00 (13434.35)	-	-	6647.31	-	13131.24	13131.24	0.98:1 (0.73:1)
	SUBSIDIARIES												
51	KPC Bidadi Power Corporation Private Limited	-	-	5.00	-	5.00	-	-	75.57	-	2405.54	2405.54	481.11:1 (465.93:1)
	Sectorwise Total	**74496.97 (143180.32)**	**0.00**	**5.07**	**0.00**	**74502.04 (143180.32)**	**0.00**	**7257.50**	**129755.57**	**8768.38**	**450478.37**	**459246.75**	

 # Net of loan shown in the Accounts of the Company as receivable from the Government and the Electricity Supply Companies (ESCOMS) as KPTCL has not reduced from its Balance Sheet the portion of loan taken over by the Government and the share of loan transferred to the ESCOMS, for want of detailed Government order specifying the institution-wise details of loan to be transferred.

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	FINANCING SECTOR												
52	Karnataka State Industrial Investment and Development Corporation Limited	15084.88 (10303.41)	-	-	-	15084.88 (10303.41)	3455.78	-	7130.38	106.50	93856.19	93962.69	3.70:1 (4.72:1)
53	Karnataka Urban Infrastructure Development and Finance Corporation Limited	600.00	-	-	206.48	806.48	-	-	-	-	-	-	-
	Sectorwise Total	**15684.88 (10303.41)**	**0.00**	**0.00**	**206.48**	**15891.36 (10303.41)**	**3455.78**	**0.00**	**7130.38**	**106.50**	**93856.19**	**93962.69**	
	MISCELLANEOUS SECTOR												
54	Karnataka State Beverages Corporation Limited	200.00	-	-	-	200.00	200.00	300.00	-	278.54	-	278.54	1.39:1
55	Bangalore Mass Rapid Transit Limited	5.00	-	-	-	5.00	-	-	-	14479.00	-	14479.00	2895.80:1 (2896.8:1)
56	Karnataka Film Industries Development Corporation Limited	90.00	-	-	12.38	102.38	-	-	-	52.00	-	52.00	0.51:1 (0.51:1)
57	Sree Kanteerava Studios Limited	82.08	-	-	5.90	87.98	-	-	-	31.51	-	31.51	0.36:1 (0.36:1)
	SUBSIDIARIES												
58	Marketing Consultants and Agencies Limited	-	-	357.25 (345.74)	-	357.25 (345.74)	-	-	-	-	-	-	-
59	Mysore Sales International Limited	-	-	366.23 (2397.76)	-	366.23 (2397.76)	-	-	-	500.00	538.45	1038.45	0.38:1 (0.73:1)
	Sectorwise Total	**377.08**	**0.00**	**723.48 (2743.50)**	**18.28**	**1118.84 (2743.50)**	**200.00**	**300.00**	**0.00**	**15341.05**	**538.45**	**15879.50**	
	TOTAL A (All sector wise Government companies)	**773861.53 (410804.32)**	**6398.67 (14.00)**	**1074.55 (2743.50)**	**4875.79**	**786210.54 (413561.82)**	**152538.28**	**8945.04**	**271053.73**	**655188.80**	**1224947.31**	**1880136.11**	**1.57:1 (1.48:1)**

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
B	**WORKING STATUTORY CORPORATIONS**												
	TRANSPORT SECTOR												
1	Karnataka State Road Transport Corporation	15928.94	4909.76	-	-	20838.70	-	-	6111.27	236.29	17488.82	17725.11	0.85:1 (0.86:1)
2.	Bangalore Metropolitan Transport Corporation	6471.73	-	-	-	6471.73	-	-	2680.00	-	3496.88	3496.88	0.54:1 (0.62:1)
3.	North Western Karnataka Road Transport Corporation	9363.67	-	-	-	9363.67	-	-	4000.00	104.66	11185.44	11290.10	1.21:1 (1.13:1)
4.	North Eastern Karnataka Road Transport Corporation	8350.05	-	-	-	8350.05	-	-	-	86.95	3979.75	4066.70	0.49:1 (0.67:1)
	Sectorwise Total	**40114.39**	**4909.76**	**0.00**	**0.00**	**45024.15**	**0.00**	**0.00**	**12791.27**	**427.90**	**36150.89**	**36578.79**	
	FINANCING SECTOR												
5.	Karnataka State Financial Corporation	6837.88 (2683.00)	-	-	2946.66 (917.69)	9784.54 (3600.69)	-	-	19824.00	245.00	189621.00	189866.00	14.18:1 (14.16:1)
	Sectorwise Total	**6837.88 (2683.00)**	**0.00**	**0.00**	**2946.66 (917.69)**	**9784.54 (3600.69)**	**0.00**	**0.00**	**19824.00**	**245.00**	**189621.00**	**189866.00**	
	AGRICULTURE AND ALLIED SECTOR												
6.	Karnataka State Warehousing Corporation	410.00 (240.00)	340.00	-	-	750.00 (240.00)	-	-	1039.02	1280.00	2677.43	3957.43	4.00:1 (1.48:1)
	Sectorwise Total	**410.00 (240.00)**	**340.00**	**0.00**	**0.00**	**750.00 (240.00)**	**0.00**	**0.00**	**1039.02**	**1280.00**	**2677.43**	**3957.43**	
	TOTAL B (all sector wise Statutory corporations)	**47362.27 (2923.00)**	**5249.76**	**0.00**	**2946.66 (917.69)**	**55558.69 (3840.69)**	**0.00**	**0.00**	**33654.29**	**1952.90**	**228449.32**	**230402.22**	**3.88:1 (3.86:1)**
	Grand total (A + B)	**821223.80^ (413727.32)**	**11648.43 (14.00)**	**1074.55 (2743.50)**	**7822.45 (917.69)**	**841769.23 (417402.51)**	**152538.28**	**8945.04**	**304708.02**	**657141.70^**	**1453396.63**	**2110538.33**	**1.68:1 (1.62:1)**

^ State Government's investment in working PSU's was Rs.18,920.93 crore (others: Rs.14,776.17 crore). Figure as per Finance Accounts, 2003-04 is Rs.8,655.27 crore. The difference is under reconciliation.

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
C	**NON WORKING GOVERNMENT COMPANIES**												
	AGRICULTURE AND ALLIED SECTOR												
1.	Karnataka Agro Industries Corporation Limited	754.09 (4836.32)	-	-	-	754.09 (4836.32)	-	1000.00	-	2958.74	-	2958.74	0.53:1 (0.38:1)
2	Karnataka Agro Proteins Limited	33.54	-	-	27.39	60.93	-	-	-	-	-	-	-
	SUBSIDIARIES												
3	The Mysore Tobacco Company Limited	2.00 (58.52)	-	11.05	5.81	18.86 (58.52)	-	-	-	-	-	-	-
	Sectorwise Total	**789.63 (4894.84)**	**0.00**	**11.05**	**33.20**	**833.88 (4894.84)**	**0.00**	**1000.00**	**0.00**	**2958.74**	**0.00**	**2958.74**	
	INDUSTRY SECTOR												
4	Karnataka Small Industries Marketing Corporation Limited	136.00	-	35.00	-	171.00	-	-	-	-	-	-	-
5	The Mysore Lamp Works Limited	1075.58	-	-	105.44	1181.02	-	1260.58	-	7737.58	1988.43	9726.01	8.24:1 (7.24:1)
6	Vijayanagar Steel Limited	1290.58	-	-	-	1290.58	-	-	-	58.35	3.00	61.35	0.05:1 (0.05:1)
	SUBSIDIARIES												
7	The Mysore Cosmetics Limited	- (1.14)	-	15.00	-	15.00 (1.14)	-	-	-	-	-	-	-
8	Karnataka Telecom Limited	78.00	-	222.00	-	300.00	-	-	-				- (2.72:1)
9	The Mysore Chrome Tanning Company Limited	-	-	72.09	3.65	75.74	-	-	-	12.03	38.56	50.59	0.67:1 (0.70:1)
10	Karnataka Tungsten Moly Limited	-	-	-	0.01	0.01	-	-	-	-	-	-	-
	Sectorwise Total	**2580.16 (1.14)**	**0.00**	**344.09**	**109.10**	**3033.35 (1.14)**	**0.00**	**1260.58**	**0.00**	**7807.96**	**2029.99**	**9837.95**	

Sl. No.	Sector and name of company/corporation	Paid-up capital as at the end of the current year (Figures in bracket indicate share application money)					Equity/loans received out of Budget during the year		Other loans received during the year	Loans * outstanding at the close of 2003-04			Debt equity ratio for 2003-04 (Previous year) 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Compan-ies	Others	Total	Equity	Loans		Govern-ment	Others	Total	
(1)	(2)	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	(5)
	ENGINEERING SECTOR												
11	NGEF Limited	4198.70	-	-	452.00	4650.70	-	3308.00	-	22724.00	-	22724.00	4.89:1 (4.17:1)
12	Chamundi Machine Tools Limited	63.50	-	-	-	63.50	-	-	-	248.53	44.32	292.85	4.61:1 (5.09:1)
	Sectorwise Total	**4262.20**	**0.00**	**0.00**	**452.00**	**4714.20**	**0.00**	**3308.00**	**0.00**	**22972.53**	**44.32**	**23016.85**	
	TEXTILES SECTOR												
13	Karnataka State Textiles Limited	50.00	-	-	-	50.00	-	-	-	1493.59	-	1493.59	29.87:1 (29.87:1)
	Sectorwise Total	**50.00**	**0.00**	**0.00**	**0.00**	**50.00**	**0.00**	**0.00**	**0.00**	**1493.59**	**0.00**	**1493.59**	
	FOREST SECTOR (SUBSIDIARIES)												
14	Karnataka Pulpwood Limited	-	-	125.00	-	125.00	-	-	-	-	-	-	-
15	The Karnatak State Veeners Limited	-	-	51.00	49.00	100.00	-	-	-	-	99.98	99.98	1.00:1 (2.90:1)
16	The Mysore Match Company Limited	0.50	-	2.95	1.55	5.00	-	-	-	-	-	-	-
	Sectorwise Total	**0.50**	**0.00**	**178.95**	**50.55**	**230.00**	**0.00**	**0.00**	**0.00**	**0.00**	**99.98**	**99.98**	
	CHEMICALS SECTOR												
17	The Mysore Acetate and Chemicals Company Limited	995.70	-	-	221.82	1217.52	-	-	-	1311.00	-	1311.00	1.08:1 (1.08:1)
	Sectorwise Total	**995.70**	**0.00**	**0.00**	**221.82**	**1217.52**	**0.00**	**0.00**	**0.00**	**1311.00**	**0.00**	**1311.00**	
	TOTAL C (All sectorwise Government companies)	**8678.19 (4895.98)**	**0.00**	**534.09**	**866.67**	**10078.95 (4895.98)**	**0.00**	**5568.58**	**0.00**	**36543.82**	**2174.29**	**38718.11**	**2.59:1 (3.44:1)**
	Grand Total (A + B + C)	**829901.99 (418623.30)**	**11648.43 (14.00)**	**1608.64 (2743.50)**	**8689.12 (917.69)**	**851848.18 (422298.49)**	**152538.28**	**14513.62**	**304708.02**	**693685.52**	**1455570.92**	**2149256.44**	**1.69:1 (1.64:1)**

Note: Except in respect of companies and corporations, which finalised their accounts for 2003-04 (Sl.No. A- 2, 6, 8, 9, 12 to 21,25,28,29,31,32, 34 to36,38,40 to 43,51 to 53,56 to 59, B-1,2,5, C-6,9,[illegible], 12,16,) figures are provisional and as given by the companies/corporations.

* **Loans outstanding at the close of 2003-04 represents long term loans only.**

ANNEXURE 2

Summarised financial results of Government companies and Statutory corporations for the latest year for which accounts were finalised
(Referred to in Paragraphs 1.6,1.7,1.8,1.13,1.19 and 1.20)

(Figures in column 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
A	**WORKING GOVERNMENT COMPANIES**														
I	**AGRICULTURE AND ALLIED SECTOR**														
1	Karnataka State Agro Corn Products Limited	Agriculture & Horticulture	Apr. 73	2002-03	2003-04	1001.21	-	273.37	1272.24	2452.41	831.72	33.91	1	6792.66	412
2	Karnataka State Agricultural Produce Processing and Export Corporation Limited	Agriculture & Horticulture	Apr. 96	2003-04	2004-05	27.04	-	50.00	467.03	544.18	18.58	3.41	-	608.89	9
3	Karnataka Togari Abhivridhi Mandali Limited	Agriculture & Horticulture	May 02	2002-03	2004-05	4.68	-	500.00	2.54	502.85	2.54	0.51	1	-	3
4	The Karnataka Fisheries Development Corporation Limited	Animal Husbandry and Fisheries	Oct .70	2002-03	2003-04	-121.55	-	453.64	-830.00	-27.93	-93.27	-	1	1312.97	226
5	Karnataka Sheep and Wool Development Corporation Limited	Animal Husbandry and Fisheries	Dec. 01	First accounts	-	-	-	5.00	-	-	-	-	3	-	-
	SUBSIDIARY														
6	Karnataka Compost Development Corporation Limited	Agriculture & Horticulture	Aug .75	2003-04	2004-05	6.85	-	50.00	-74.46	471.76	16.37	3.47	-	188.97	46
	Sectorwise Total					**918.23**		**1332.01**	**837.35**	**3943.27**	**775.94**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	INDUSTRY SECTOR														
7	Karnataka Leather Industries Development Corporation Limited	Commerce & Industries	Oct. 76	2000-01	2004-05	-212.61	-	334.67	-1011.51	-65.00	-189.18	-	3	595.39	285
8	Karnataka Soaps and Detergents Limited	Commerce & Industries	July 80	2003-04	2004-05	62.63	-	3182.21	17.10	6726.92	52.86	0.79	-	9274.50	1042
9	Karnataka State Coir Development Corporation Limited	Commerce & Industries	Feb. 85	2003-04	2004-05	-38.52	-	301.15	-158.94	392.62	-31.94	-	-	171.83	48
10	Karnataka State Small Industries Development Corporation Limited	Commerce & Industries	June 64	2002-03	2003-04	218.61	-	2466.36	640.35	5167.47	102.40	1.98	1	3193.20	487
11	The Mysore Paper Mills Limited	Commerce & Industries	May 36	2002-03	2003-04	-2081.82	-	12040.23	-2795.19	17704.12	-1322.60	-	1	34041.86	2907
	Sectorwise Total					**-2051.71**		**18324.62**	**-3308.19**	**29926.13**	**-1388.46**	-	-	-	-
	ENGINEERING SECTOR														
12	Karnataka Vidyuth Karkhane Limited	Commerce & Industries	Oct. 76	2003-04	2004-05	-1105.83	-	561.92	-1291.45	1701.44	-603.86	-	-	10595.60	321
13	The Mysore Electrical Industries Limited	Commerce & Industries	Feb.45	2003-04	2004-05	16.29	-	942.47	-2685.82	4941.18	634.52	12.84	-	4045.55	318
	SUBSIDIARY														
14	NGEF (Hubli) Limited	Commerce & Industries	Dec. 88	2003-04	2004-05	12.85	-	320.00	141.22	831.87	58.43	7.02	-	1061.32	161
	Sectorwise Total					**-1076.69**		**1824.39**	**-3836.05**	**7474.49**	**89.09**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	ELECTRONICS SECTOR														
15	Karnataka State Electronics Development Corporation Limited	Information Technology	Sep. 76	2003-04	2004-05	110.37	-	787.20	-1636.50	6040.07	131.60	2.18	-	1272.01	193
	Sectorwise Total					**110.37**		**787.20**	**-1636.50**	**6040.07**	**131.60**	-	-	-	-
	TEXTILES SECTOR														
16	Karnataka Silk Industries Corporation Limited	Commerce & Industries	Apr. 80	2003-04	2004-05	-1881.20	-	3600.47	-5092.58	555.37	-1774.43	-	-	2634.46	895
17	Karnataka Silk Marketing Board Limited	Commerce & Industries	Nov. 79	2003-04	2004-05	14.42	-	3145.00	-715.31	2521.36	11.65	0.46	-	2039.20	174
18	Karnataka State Power loom Development Corporation Limited	Commerce & Industries	Feb. 94	2003-04	2004-05	117.08	-	151.00	320.06	924.96	76.20	8.24	-	2587.90	10
	Sectorwise Total					**-1749.70**		**6896.47**	**-5487.83**	**4001.69**	**-1686.58**	-	-	-	-
	HANDLOOM AND HANDICRAFTS SECTOR														
19	Karnataka Handloom Development Corporation Limited	Commerce & Industries	Oct. 75	2003-04	2004-05	-628.86	-	4438.21	-4721.25	5020.60	101.19	2.02	-	8565.68	1243
20	Karnataka State Handicrafts Development Corporation Limited	Commerce & Industries	Mar .64	2003-04	2004-05	124.28	-	405.31	-32.73	677.27	108.47	16.02	-	2713.08	258
	Sectorwise Total					**-504.58**		**4843.52**	**-4753.98**	**5697.87**	**209.66**	-	-	-	-
	FOREST SECTOR														
21	Karnataka Cashew Development Corporation Limited	Forest ecology and Environment	Feb. 78	2003-04	2004-05	21.62	-	459.03	-129.29	476.75	-1.15	-		378.31	123

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
22	Karnataka Forest Development Corporation Limited	Forest ecology and Environment	Jan. 71	2002-03	2003-04	58.18	-	931.41	647.07	8102.18	189.87	2.34	1	2355.44	2788
23	The Karnatak State Forest Industries Corporation Limited	Forest ecology and Environment	Mar .73	2002-03	2003-04	87.94	-	266.58	-258.88	60.63	84.94	140.10	1	1389.38	325
	Sectorwise Total					**167.74**		**1657.02**	**258.90**	**8639.56**	**273.66**	-	-	-	-
	MINING SECTOR														
24	Mysore Minerals Limited	Commerce & Industries	May 66	2002-03	2003-04	231.81	-	300.00	-3766.46	-340.16	-286.91	-	1	3337.76	2435
25	The Hutti Gold Mines Company Limited	Commerce & Industries	July 47	2003-04	2004-05	4855.71	-	296.20	3453.43	5681.35	3386.77	59.61	-	16342.46	4195
	Sectorwise Total					**5087.52**		**596.20**	**-313.03**	**5341.19**	**3099.86**	-	-	-	-
	CONSTRUCTION SECTOR														
26	Karnataka State Construction Corporation Limited	Public works	Sep. 68	2002-03	2004-05	-227.32	-	205.00	1912.18	2905.51	-157.92	-	1	2138.96	229
27	Karnataka Land Army Corporation Limited	Rural development & Panchayat Raj	Aug. 74	2002-03	2004-05	776.26	-	1225.00	1405.96	17025.14	395.86	2.33	1	28128.75	1187
28	Karnataka State Police Housing Corporation Limited	Home	June 85	2003-04	2004-05	£	-	12.00	-	24762.62	-	-	-	#	232
29	Rajiv Gandhi Rural Housing Corporation Limited	Housing	April 2000	2003-04	2004-05	£	-	300.00	-	17709.27	-	-	-	#	26
30	Karnataka Road Development Corporation Limited.	Public works	July 99	2002-03	2003-04	-1501.21	-	6719.00	-1766.54	32737.89	-253.03	-	1	187.17	51
	Sectorwise Total					**-952.27**		**8461.00**	**1551.60**	**95140.43**	**-15.09**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AREA DEVELOPMENT SECTOR														
31	Krishna Bhagya Jala Nigam Limited	Irrigation	Aug. 94	2003-04	2004-05	$	-	637044.06	-	748945.08	-	-	-	-	4256
32	Karnataka Neeravari Nigam Limited	Irrigation	Nov. 98	2003-04	2004-05	$	-	163578.57	-	228245.16	-	-	-	-	17
33	Cauvery Neeravari Nigam Limited	Irrigation	June 03	First accounts	-	-	-	80005.00	-	-	-	-	1	-	2767
	Sectorwise Total					**-**		**880627.63**	**0.00**	**977190.24**	**0.00**	**-**	**-**	**-**	**-**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR														
34	The Karnataka Backward Classes Development Corporation Limited	Social welfare	Oct. 77	2003-04	2004-05	-398.77	-	7138.91	-1561.45	10390.85	-309.67	-	-	327.32	77
35	Karnataka State Women's Development Corporation	Women & Child Development	Sep. 87	2003-04	2004-05	64.49	-	1151.59	336.70	2930.61	64.49	2.20	-	191.86	55
36	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	Social welfare	Mar. 75	2003-04	2004-05	-94.99	-	12100.69	-8.33	18009.71	123.43	0.69	-	926.64	331
37	The Karnataka Minorities Development Corporation Limited	Social welfare	Feb. 86	2002-03	2003-04	-183.09	-	3726.45	-907.03	6025.77	-84.08	-	1	107.68	39
	Sectorwise Total					**-612.36**		**24117.64**	**-2140.11**	**37356.94**	**-205.83**	**-**	**-**	**-**	**-**

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	PUBLIC DISTRIBUTION SECTOR														
38	Karnataka Food and Civil Supplies Corporation Limited	Food Civil Supplies & Consumer Affairs	Sep. 73	2003-04	2004-05	1851.45	-	325.00	5164.26	8742.12	2041.80	23.36	-	94414.02	1614
	Sectorwise Total					**1851.45**	**-**	**325.00**	**5164.26**	**8742.12**	**2041.80**	-	-	-	-
	SUGAR SECTOR														
39	The Mysore Sugar Company Limited	Commerce & Industries	Jan. 33	2002-03	2003-04	-2588.37	-	873.43	-2764.21	8047.57	-1640.66	-	1	19089.80	1189
	Sectorwise Total					**-2588.37**		**873.43**	**-2764.21**	**8047.57**	**-1640.66**	-	-	-	-
	TOURISM SECTOR														
40	The Karnataka State Tourism Development Corporation Limited	Information, Tourism & Youth Services	Feb. 71	2003-04	2004-05	122.45	-	641.36	-611.87	862.59	131.57	15.25	-	1463.54	394
41	Jungle Lodges and Resorts Limited	Information, Tourism & Youth Services	Mar .80	2003-04	2004-05	65.46	-	91.75	118.01	961.92	42.81	4.45	-	758.47	175
	Sectorwise Total					**187.91**		**733.11**	**-493.86**	**1824.51**	**174.38**	-	-	-	-
	CHEMICALS SECTOR														
42	The Mysore Paints and Varnish Limited	Commerce & Industries	Nov .47	2003-04	2004-05	133.67	-	103.65	714.70	949.51	93.80	9.88	-	881.50	76
	Sectorwise Total					**133.67**		**103.65**	**714.70**	**949.51**	**93.80**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumulated profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Number of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	POWER SECTOR														
43	Karnataka Power Corporation Limited	Energy	July 70	2003-04	2004-05	26920.18	-	66298.15	136738.80	550372.48	49671.06	9.02	-	243821.82	6919
44	Visveswaraya Vidyuth Nigam Limited	Energy	July 99	2002-03	2003-04	481.19	-	8262.56	1932.75	20102.91	799.24	3.98	1	25531.24	563
45	Karnataka Power Transmission Corporation Limited	Energy	July 99	2002-03	2004-05	5808.96	-	69032.25	3454.63	452138.10	47099.99	10.42	1	568033.65	5480
46	Karnataka Renewable Energy Development Limited	Energy	Mar.96	2002-03	2004-05	103.30	-	50.00	146.26	13853.03	48.97	0.35	1	171.06	23
47	Bangalore Electricity Supply Company Limited	Energy	Apr. 02	2002-03	2003-04	1972.43	-	20722.59	1792.43	131022.40	4976.15	3.80	1	235350.25	11114
48	Hubli Electicity Supply Company Limited	Energy	Apr. 02	2002-03	2003-04	1045.32	-	23349.14	962.99	68527.11	3264.03	4.76	1	70888.78	11397
49	Mangalore Electricity Supply Company Limited	Energy	Apr. 02	2002-03	2003-04	1126.69	-135.00	12881.29	1117.50	72288.99	3187.81	4.41	1	103382.78	8102
50	Gulbarga Electicity Supply Company Limited	Energy	Apr. 02	2002-03	2003-04	385.53	-	13439.35	808.90	40707.43	2170.50	5.33	1	49978.62	4300
	SUBSIDIARY														
51	KPC Bidadi Power Corporation Private Limited	Energy	Apr. 96	2003-04	2004-05	$	-	5.00	-	1718.65	-	-	-	-	Nil
	Sectorwise Total					**37843.60**		**214040.33**	**146954.26**	**1350731.10**	**111217.75**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	FINANCING SECTOR														
52	Karnataka State Industrial Investment and Development Corporation Limited	Commerce & Industries	July 64	2003-04	2004-05	-13365.53	-	25388.29	-45538.51	135553.98	-1214.32	-	-	4715.40	146
53	Karnataka Urban Infrastructure Development and Finance Corporation Limited	Urban Development	Nov. 93	2003-04	2004-05	129.52	-	806.48	2760.82	17796.87	109.10	0.61	-	237.37	112
	Sectorwise Total					**-13236.01**		**26194.77**	**-42777.69**	**153350.85**	**-1105.22**	-	-	-	-
	MISCELLANEOUS SECTORS														
54	Karnataka State Beverages Corporation Limited	Commerce and Industries	June 03	First accounts	-	-	-	200.00	-	-	-	-	1	-	153
55	Bangalore Mass Rapid Transit Limited	Urban Development	Sep. 94	2002-03	2003-04	$	-	5.00	-	4731.76	-	-	1	-	19
56	Karnataka Film Industries Development Corporation Limited	Information, Tourism & Youth Services	Feb. 68	2003-04	2004-05	-6.52	-	102.38	-279.80	41.37	1.04	2.51	-	96.27	34
57	Sree Kanteerava Studios Limited	Information, Tourism & Youth Services	Mar. 66	2003-04	2004-05	-4.13	-	87.98	-113.70	5.00	-4.23	-	-	29.60	29
	SUBSIDIARIES														
58	Marketing Consultants and Agencies Limited	Commerce & Industries	Sep. 72	2003-04	2004-05	106.67	-	702.99	403.99	1360.90	80.34	5.90	-	762.94	45

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
59	Mysore Sales International Limited	Commerce & Industries	Mar. 66	2003-04	2004-05	1948.24	-	2763.99	7656.69	11218.45	2227.94	19.86	-	132469.49	682
	Sectorwise Total					**2044.26**	-	**3862.34**	**7667.18**	**17357.48**	**2305.09**	-	-	-	-
	TOTAL A (All sector wise Government companies)					**25573.06**		**1195600.33**	**95636.80**	**2721755.02**	**114370.79**	**4.20**	-	-	-
B	**WORKING STATUTORY CORPORATIONS**														
	TRANSPORT SECTOR														
1	Karnataka State Road Transport Corporation	Transport	Aug.61	2003-04	2004-05	2587.00	-570.00	20838.70	-25331.00	14896.00	4344.00	29.16	-	79083.00	23626
2	Bangalore Metropolitan Transport Corporation	Transport	Aug.97	2003-04	2004-05	8014.15	-271.00	6471.73	9480.90	20316.00	8348.00	41.09	-	48622.00	15615
3	North Western Karnataka Road Transport Corporation	Transport	Nov.97	2002-03	2003-04	1228.14	-1965.00	9363.67	-10828.00	11470.00	2579.00	22.48	1	55650.00	21330
4	North Eastern Karnataka Road Transport Corporation	Transport	Augusy 2000	2002-03	2003-04	-1498.00	-	8350.05	-13786.00	2102.00	-747.00	-	1	28358.00	10943
	Sectorwise Total					**10331.29**		**45024.15**	**-40464.10**	**48784.00**	**14524.00**	-	-	-	-
	FINANCING SECTOR														
5	Karnataka State Financial Corporation	Finance	Mar.59	2003-04	2004-05	87.00	-1173.00	13385.23	-60590.00	210084.00	18776.00	8.94	-	23198.00	1332
	Sectorwise Total					**87.00**		**13385.23**	**-60590.00**	**210084.00**	**18776.00**	-	-	-	-

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	AGRICULTURE AND ALLIED SECTOR														
6	Karnataka State Warehousing Corporation	Co-operation	Nov.57	2002-03	2003-04	911.27	-	990.00	3523.36	8170.64	643.12	7.87	1	2489.71	473
	Sectorwise Total					**911.27**	**0.00**	**990.00**	**3523.36**	**8170.64**	**643.12**	-	-	-	-
	TOTAL B (all sectorwise Statutory Corporations)					**11329.56**		**59399.38**	**-97530.74**	**267038.64**	**33943.12**	**12.71**	-	-	-
	Grand total (A+B)					**36902.62**		**1254999.71**	**-1893.94**	**2988793.66**	**148313.91**	**4.96**	-	-	-
C	**NON WORKING GOVERNMENT COMPANIES**														
	AGRICULTURE AND ALLIED SECTOR														
1	Karnataka Agro Industries Corporation Limited	Agriculture & Horticulture	Sep. 67	2002-03	2003-04	-290.92	-	5590.41	-11803.85	-1619.22	-39.72	-	1	8982.39	Nil
2	Karnataka Agro Proteins Limited	Agriculture & Horticulture	Apr .75	2002-03	2003-04	233.92	-	60.93	-219.61	5.45	233.92	4292.11	1	-	NIL
3	The Mysore Tobacco Company Limited	Agriculture & Horticulture	Apr .37	2002-03	2003-04	-32.61	-	77.38	-1067.02	79.04	17.29	21.88	1	-	NIL
	Sectorwise total					**-89.61**		**5728.72**	**-13090.48**	**-1534.73**	**211.49**	-	-	-	-
	INDUSTRY SECTOR														
4	Karnataka Small Industries Marketing Corporation Limited	Commerce & Industries	Sep. 84	2001-02	2004-05	-14.74	-	171.00	405.61	576.60	28.44	4.93	2	161.27	49
5	The Mysore Lamp Works Limited	Commerce & Industries	Aug.36	2002-03	2004-05	-5734.42	-	1181.02	-15329.29	-4100.76	-4055.11	-	1	1537.12	NIL
6	Vijayanagar Steel Limited	Commerce & Industries	Dec. 82	2003-04	2004-05	1.75	-	1290.58	-5.84	1346.11	-	-	-	-	8
	SUBSIDIARIES														
7	The Mysore Cosmetics Limited	Commerce & Industries	Mar .66	2002-03	2003-04	-45.98	-	16.14	-215.94	-10.96	23.13	-	Under liquidation since September 2003		NIL

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
8	Karnataka Telecom Limited	Commerce & Industries	July 85	2002-03	2004-05	-699.89	-	300.00	-5234.79	-1529.60	-699.89	-	Under liquidation since April 2002		NIL
9	The Mysore Chrome Tanning Company Limited	Commerce & Industries	Mar .40	2003-04	2004-05	-1.19	-	75.74	-996.68	-516.63	-1.18	-	Under liquidation since December 2003		50
10	Karnataka Tungsten Moly Limited	Commerce & Industries	Dec .86	2002-03	2003-04	-	-	0.01	-	-	-	-	1	NIL	NIL
	Sectorwise Total					**-6494.47**		**3034.49**	**-21376.93**	**-4235.24**	**-4704.61**	-	-	-	
	ENGINEERING SECTOR														
11	NGEF Limited	Commerce & Industries	Apr. 65	2002-03	2003-04	-15747.89	-	4650.70	-40885.00	9820.81	-15769.57	-	Under liquidation since December 2002		50
12	Chamundi Machine Tools Limited	Commerce & Industries	Oct. 75	2003-04	2004-05	-1.57	-	63.50	-793.42	-145.36	2.01	-	Under liquidation since February 2001		NIL
	Sectorwise Total					**-15749.46**		**4714.20**	**-41678.42**	**9675.45**	**-15767.56**	**-**	**-**	**-**	
	TEXTILES SECTOR														
13	Karnataka State Textiles Limited	Commerce & Industries	Dec. 84	1998-99	1999-00	-87.78	-	50.00	-891.46	431.91	-47.09	-	Under liquidation since November. 1996		NIL
	Sectorwise Total					**-87.78**	**-**	**50.00**	**-891.46**	**431.91**	**-47.09**	**-**	**-**	**-**	
	FOREST SECTOR (SUBSIDIARIES)														
14	Karnataka Pulpwood Limited	Forest ecology and Environment	Feb. 85	2002-03	2003-04	-31.48	-	125.00	-2258.51	-368.82	-126.79	-	1	72.30	187
15	The Karnatak State Veeners Limited	Forest ecology and Environment	Aug. 74	2002-03	2003-04	-62.44	-	100.00	-627.52	-150.67	3.04	-	1	2.29	167
16	The Mysore Match Company Limited	Forest ecology and Environment	May 40	2003-04	2004-05	-0.22	-	5.00	-25.39	-18.81	-0.22	-	Under liquidation since August 2002		NIL
	Sectorwise Total					**-94.14**		**230.00**	**-2911.42**	**-538.30**	**-123.97**	**-**	-	-	

Sl. No.	Sector and name of company/ corporation	Name of department	Date of incorp-oration	Period of accounts	Year in which accounts were finalised	Net Profit (+) or Loss (-)	Net impact of Audit comment	Paid-up capital	Accumula-ted profit (+)/ loss (-)	Capital employed (a)	Total Return on capital employed	Percentage of total return on capital employed (12/11)	Arrears of accounts in terms of years	Turn-over	Num-ber of emp-loyees
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
	CHEMICAL SECTOR														
17	The Mysore Acetate and Chemicals Company Limited	Commerce & Industries	Dec .63	2002-03	2003-04	-45.90	-	1217.52	-2532.70	8.69	-85.94	-	1	44.31	78
	Sectorwise Total					**-45.90**	**-**	**1217.52**	**-2532.70**	**8.69**	**-85.94**	**-**	**-**	**-**	
	TOTAL C (Non working Government companies)					**-22561.36**		**14974.93**	**-82481.41**	**3807.78**	**-20517.68**	**-**	**-**	**-**	
	Grand Total (A+B+C)					**14341.26**		**1269974.64**	**-84375.35**	**2992601.44**	**127796.23**	**4.27**	**-**	**-**	

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

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

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

**No turnovers as the companies are engaged in development or social work.**

ANNEXURE – 3

Statement showing subsidy/grants received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 2004

(Referred to in paragraphs 1.5 and 1.17)

(Figures in columns 3 to 7 are Rupees in lakh)

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
A	**WORKING GOVERNMENT COMPANIES**															
	AGRICULTURE AND ALLIED SECTOR															
1	Karnataka Sheep and Wool Development Corporation Limited	-	214.27 (Grants)	-	214.27 (Grants)	-	-	-	-	-	-	-	-	-	-	-
	INDUSTRY SECTOR															
2	Karnataka Soaps and Detergents Limited	-	-	-	-	219.74 (219.74)	-	-	-	219.74 (219.74)	-	-	-	-	-	-
3	The Mysore Paper Mills Limited	-	11.00 (Subsidy)	-	11.00 (Subsidy)	-	-	-	-	-	-	2820.00	-	2820.00	-	-
	ENGINEERING SECTOR															
4	The Mysore Electrical Industries Limited	-	-	-	-	730.00 (603.22)	-	-	-	730.00 (603.22)	-	-	-	-	-	-
5	Karnataka State Electronics Development Corporation Limited	-	843.77 (Grants)	-	843.77 (Grants)	-	- (6000.00)	-	-	- (6000.00)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	TEXTILE SECTOR															
6	Karnataka Silk Industries Corporation Limited	-	292.00 (Subsidy)	-	292.00 (Subsidy)	-	-	-	-	-	-	-	-	-	-	910.00
	HANDLOOM AND HANDICRAFTS SECTOR															
7	The Karnataka Handloom Development Corporation Limited	-	136.80 (Project subsidy) 336.34 (Subsidy)	-	136.80 (Project subsidy) 336.34 (Subsidy)	3100.00 (3032.75)	237.34 (216.54)	-	-	3337.34 (3249.29)	-	-	-	-	-	2866.00
8	Karnataka State Handicraft Development Corporation Limited	-	38.00 (Grants)	-	38.00 (Grants)	-	- (95.91)	-	-	- (95.91)	-	-	-	-	-	-
	FOREST SECTOR															
9	Karnataka Cashew Development Corporation Limited	-	2.40 (Grants)	-	2.40 (Grants)	- (156.12)	-	-	-	- (156.12)	--	-	-		-	-
	MINING SECTOR															
10	The Hutti Gold Mines Company Limited	-	-	-	-	-	- (2271.00)	-	-	- (2271.00)	-	-	-	-	-	-
	CONSTRUCTION SECTOR															
11	Karnataka State Police Housing Corporation Limited	-	3640.00 (Grants)	-	3640.00 (Grants)	-	8000.00 (24749.80)	-	-	8000.00 (24749.80)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
12	Rajiv Gandhi Rural Housing Corporation Limited	-	25032.72 (Subsidy)	-	25032.72 (Subsidy)	-	11430.00 (48101.90)	-	-	11430.00 (48101.90)	-	-	-	-	-	-
13	Karnataka Land Army Corporation Limited	-	-	-	-	-	2000.00 (15059.00)	-	-	2000.00 (15059.00)	-	-	-	-	-	-
14	Karnataka Road Development Corporation Limited	-	-	-	-	-	15000.00 (38549.00)	-	-	15000.00 (38549.00)	-	-	-	-	-	-
	AREA DEVELOPMENT SECTOR															
15	Karnataka Neeravari Nigam Limited	-	-	-	-	-	20000.00 (72500.00)	-	-	20000.00 (72500.00)	-	-	-	-	-	-
16	Krishna Bhagya Jala Nigam Limited	-	-	-	-	52992.00 (71292.00)	- (13250.00)	-	-	52992.00 (84542.00)	-	-	-	-	-	-
17	Cauvery Neeravari Nigam Limited	-	-	-	-	-	24955.00 (24955.00)	-	-	24955.00 (24955.00)	-	-	-	-	-	-
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS SECTOR															
18	Karnataka Backward Classes Development Corporation Limited	-	347.00 (Grants) 234.00 (Project subsidy)	-	347.00 (Grants) 234.00 (Project subsidy)	- (4157.10)	-	-	-	- (4157.10)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Morotorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
19	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	-	2915.00 (Grants)	-	2915.00 (Grants)	-	1200.00 (5286.90)	-	-	1200.00 (5286.90)	-	-	-	-	-	-
20	Karnataka State Women's Development Corporation	-	70.00 (Grants)	-	70.00 (Grants)	-	-	-	-	-	-	-	-	-	-	-
21	The Karnataka Minorities Development Corporation	-	174.00 (Project subsidy)	-	174.00 (Project subsidy)	-	- (2326.43)	-	-	- (2326.43)	-	-	-	-	-	-
	PUBLIC DISTRIBUTION SECTOR															
22	Karnataka Food and Civil Supplies Corporation Limited	-	-	-	-	2915.00 (672.32)	-	-	-	2915.00 (672.32)	-	-	-	-	-	-
23	Mysore sugar Company Limited	-	-	-	-	-	- (5286.21)	-	-	- (5286.21)	-	-	-	-	-	-
	POWER SECTOR															
24	Karnataka Power Corporation Limited	-	-	-	-	3516.00 (10423.27)	- (99393.69)	-	-	3516.00 (109816.96)	-	-	-	-	-	-
25	Karnataka Power Transmission Corporation Limited	-	37.90 (Grants) 10797.35 (Subsidy)	-	37.90 (Grants) 10797.35 (Subsidy)	-	- (161814.93)	-	-	- (161814.93)	-	-	-	-	-	-
26	Visveswaraya Vidyut Nigam Limited	-	-	-	-	-	255.08 (7550.06)	-	-	255.08 (7550.06)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
27	Gulbarga Electricity Supply Company Limited	-	42176.12 (Subsidy)	-	42176.12 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
28	Mangalore Electricity Supply Company Limited	-	2627.00 (Grants) 23743.00 (Subsidy)	-	2627.00 (Grants) 23743.00 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
29	Bangalore Electricity Supply Company Limited	-	18850.77 (Subsidy)	-	18850.77 (Subsidy)	-	- (10657.12)	-	-	- (10657.12)	-	-	-	-	-	-
30	Hubli Electricity Supply Company Limited	-	68128.08 (Subsidy)	-	68128.08 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
31	Karnataka Renewable Energy Development Corporation limited	-	70.00 (Grants)	-	70.00 (Grants)	-	-	-	-	-	-	-	-	-	-	-
	FINANCING SECTOR															
32	Karnataka State Industrial Investment and Development Corporation Limited	-	-	-	-		- (31282.18)	-	-	- (31282.18)	-	-	-	-	-	-
	TOTAL A (All sectorwise Government companies)	**0.00**	**10805.34 (Grants) 544.80 (Project subsidy) 189367.38 (Subsidy)**	**0.00**	**10805.34 (Grants) 544.80 (Project subsidy) 189367.38 (Subsidy)**	**63472.74 (90556.52)**	**83077.42 (569345.67)**	**0.00**	**0.00**	**146550.16 (659902.19)**	**0.00**	**2820.00**	**0.00**	**2820.00**	**0.00**	**3776.00**

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
B.	**WORKING STATUTORY CORPORATIONS**															
	TRANSPORT SECTOR															
1.	Karnataka State Road Transport Corporation	-	1062.47 (Subsidy)	-	1062.47 (Subsidy)	-	- (3854.31)	-	-	- (3854.31)	-	-	-	-	-	-
2.	Bangalore Metropolitan Transport Corporation	-	697.00 (Subsidy)	-	697.00 (Subsidy)	-	-	-	-	-	-	-	-	-	-	-
3	North Western Karnataka Road Transport Corporation	-	1250.00 (Project subsidy) 262.57 (Subsidy)	-	1250.00 (Project subsidy) 262.57 (Subsidy)	316.80 (316.80)	-	-	-	316.80 (316.80)	-	-	-	-	-	-
4	North Eastern Karnataka Road Transport Corporation	-	888.78 (Subsidy)	-	888.78 (Subsidy)	-	- (142.03)	-	-	- (142.03)	-	-	-	-	-	-
	FINANCING SECTOR															
5	Karnataka State Financial Corporation	-	-	-	-	-	3241.00 (2911.00)	-	-	3241.00 (2911.00)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Govern-ment	State Govern-ment	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repay-ment written off	Inte-rest waived	Penal inte-rest waived	Total	Loans on which Morot-orium allowed	Loans convert-ed into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	AGRICULTURE AND ALLIED SECTOR															
6	Karnataka State Warehousing Corporation	-	-	-	-	-	39.02 (195.77)	-	-	39.02 (195.77)	-	-	-	-	-	-
	TOTAL B (all sector wise Statutory Corporations)	**0.00**	**1250.00 (Project subsidy) 2910.82 (Subsidy)**	**0.00**	**1250.00 (Project subsidy) 2910.82 (Subsidy)**	**316.80 (316.80)**	**3280.02 (7103.11)**	**0.00**	**0.00**	**3596.82 (7419.91)**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Grand Total (A + B)	**0.00**	**10805.34 (Grants) 1794.80 (Project subsidy) 192278.20 (Subsidy)**	**0.00**	**10805.34 (Grants) 1794.80 (Project subsidy) 192278.20 (Subsidy)**	**63789.54 (90873.22)**	**86357.44 (576358.78)**	**0.00**	**0.00**	**150146.98 (667322.10)**	**0.00**	**2820.00**	**0.00**	**2820.00**	**0.00**	**3776.00**
C.	**NON WORKING GOVERNMENT COMPANIES**															
	AGRICULTURE AND ALLIED SECTOR															
1	Karnataka Agro Industries Corporation Limited	-	-	-	-	-	- (90.89)	-	-	- (90.89)	-	-	-	-	-	-
	ENGINEERING SECTOR															
2	NGEF Limited	-	-	-	-	5800.00 (5800.00)	400.00 (37.77)	-	-	6200.00 (5837.77)	-	-	-	-	-	-

Sl. No.	Name of Public Sector undertakings	Subsidy /grant received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		Central Government	State Government	Others	Total	Cash credit from banks	Loans from other sources	Letters of credit opened by banks in respect of imports	Payment obligation under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total	Loans on which Moratorium allowed	Loans converted into equity during the year
1	2	3(a)	3(b)	3(c)	3(d)	4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
	INDUSTRY SECTOR															
3	The Mysore Lamp Works Limited	-	-	-	-	1400.00	- (1296.74)	-	-	1400.00 (1296.74)	-	14.00 ($)	-	14.00 ($)	-	-
	Grand Total (C)	**0.00**	**0.00**	**0.00**	**0.00**	**7200.00 (5800.00)**	**400.00 (1425.40)**	**0.00**	**0.00**	**7600.00 (7225.40)**	**0.00**	**14.00**	**0.00**	**14.00**	**0.00**	**0.00**
	Grand Total of (A+B+C)	**0.00**	**10805.34 (Grants) 1794.80 (Project subsidy) 192278.20 (Subsidy)**	**0.00**	**10805.34 (Grants) 1794.80 (Project subsidy) 192278.20 (Subsidy)**	**70989.54 (96673.22)**	**86757.44 (577784.18)**	**0.00**	**0.00**	**157746.98 (674547.50)**	**0.00**	**2834.00**	**0.00**	**2834.00**	**0.00**	**3776.00**

Note:

Except in respect of companies and corporations, which finalised their accounts for 2003-04 (Sl.no. A- 2, 4 to 12, 15, 16, 18, 19, 20, 22, 24, 32, B-1, 2, 5) figures are provisional and as given by the companies/corporations.

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

$ **Guarantee commission waived**

ANNEXURE 4
(Referred to in Paragraph 1.7)

Statement showing financial position of Statutory corporations

Working Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	208.57	208.39	208.39
	Borrowings (Government)	2.36	2.36	2.36
	(Others)	197.57	177.37	160.99
	Funds*	26.23	29.64	31.66
	Trade dues and other current liabilities (including provisions)	174.86	173.47	180.65
	Total	**609.59**	**591.23**	**584.05**
B.	**Assets**			
	Gross Block	474.07	498.20	531.01
	Less : Depreciation	275.66	293.42	309.99
	Net fixed assets	198.41	204.78	221.02
	Capital works-in-progress (including cost of chassis)	15.58	15.07	25.94
	Investments	0.15	0.10	0.12
	Current assets, loans and advances	82.58	91.09	82.65
	Deferred Cost	0.95	1.01	1.01
	Accumulated losses	311.92	279.18	253.31
	Total	**609.59**	**591.23**	**584.05**
C.	**Capital employed #**	**121.71**	**137.47**	**148.96**

* Excluding depreciation fund.

\# Capital employed represents net fixed assets (including capital works-in-progress) plus working capital.

2. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	64.53	64.72	64.72
	Borrowings (Government)	0.72	0.72	0.72
	(Others)	43.96	40.07	34.97
	Funds*	6.83	22.14	103.43
	Trade dues and other current liabilities (including provisions)	50.25	52.39	58.56
	Total	**166.29**	**180.04**	**262.40**
B.	**Assets**			
	Gross Block	206.17	229.90	279.71
	Less : Depreciation	96.94	110.46	124.00
	Net fixed assets	109.23	119.44	155.71
	Capital works-in-progress (including cost of chassis)	2.25	6.80	33.49
	Current assets, loans and advances	41.53	53.20	72.52
	Deferred Cost	0.30	0.60	0.68
	Accumulated losses	12.98	-	-
	Total	**166.29**	**180.04**	**262.40**
C.	**Capital employed #**	**102.76**	**127.05**	**203.16**

* Excluding depreciation fund.

\# Capital employed represents net fixed assets (including capital works- in- progress) plus working capital.

3. North Western Karnataka Road Transport Corporation, Hubli

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	93.92	93.64	93.64
	Borrowings (Government)	1.05	1.05	1.05
	(Others)	106.83	105.93	111.86
	Funds*	17.51	19.83	22.04
	Trade dues and other current liabilities (including provisions)	107.17	116.09	110.86
	Total	**326.48**	**336.54**	**339.45**
B.	**Assets**			
	Gross Block	317.13	345.99	358.21
	Less: Depreciation	192.77	215.37	221.76
	Net fixed assets (Goodwill)	124.36	130.62	136.45
	Capital works-in-progress (including cost of chassis)	5.82	8.32	11.84
	Current assets, loans and advances	78.15	91.85	75.72
	Deferred revenue expenditure	0.50	0.38	0.38
	Accumulated losses	117.65	105.37	115.06
	Total	**326.48**	**336.54**	**339.45**
C.	**Capital employed #**	**101.16**	**114.70**	**113.15**

* Excluding depreciation fund.

\# Capital employed represents net fixed assets (including capital works- in- progress) plus working capital.

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
A.	**Liabilities**			
	Capital (including capital loan and equity capital)	83.50	83.50	83.50
	Borrowings (Government)	0.87	0.87	0.87
	(Others)	53.52	60.48	44.47
	Funds*	12.46	14.43	17.63
	Trade dues and other current liabilities (including provisions)	58.97	79.26	93.41
	Total	**209.32**	**238.54**	**239.88**
B.	**Assets**			
	Gross Block	180.52	189.09	184.62
	Less: Depreciation	127.41	135.64	132.15
	Net fixed assets	53.11	53.45	52.47
	Capital works-in-progress (including cost of chassis)	7.18	7.23	6.02
	Investments	--	0.05	0.05
	Current assets, loans and advances	25.85	39.60	30.03
	Deferred revenue expenditure	0.30	0.35	0.55
	Accumulated losses	122.88	137.86	150.76
	Total	**209.32**	**238.54**	**239.88**
C.	**Capital employed #**	**27.17**	**21.02**	**(-) 4.89**

* Excluding depreciation fund.

\# Capital employed represents net fixed assets (including capital works- in- progress) plus working capital.

5. Karnataka State Financial Corporation

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
A.	**Liabilities**			
	Paid up capital	97.85	97.85	97.85
	Share application money	26.83	26.83	26.83
	Reserve fund and other reserves and surplus	4.25	4.25	4.25
	Borrowings			
	i) Bonds and Debentures	811.93	743.84	713.85
	ii) Fixed Deposits	16.55	14.51	14.61
	iii) Industrial Development Bank of India & Small Industries Development Bank of India	1067.02	1088.82	1084.46
	iv) Reserve Bank of India	--	30.05	29.11
	v) Loan towards Share Capital- Industrial Development Bank of India	9.18	9.18	9.18
	(vi) Others (including State Government)	252.02	159.77	56.63
	Other liabilities and Provisions	458.91	479.13	421.15
	Total	**2744.54**	**2654.23**	**2457.92**
B.	**Assets**			
	Cash and Bank balances	144.56	61.69	61.06
	Investments	88.16	83.98	77.70
	Loans and Advances	1952.68	1831.63	1635.26
	Net fixed Assets	12.65	11.18	9.63
	Other assets	71.21	51.24	60.64
	Miscellaneous expenditure	475.28	614.51	613.63
	Total	**2744.54**	**2654.23**	**2457.92**
C.	**Capital Employed***	**2297.74**	**2225.27**	**2100.84**

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

6. Karnataka State Warehousing Corporation

(Rupees in crore)

Sl. No.	Particulars	2000-01	2001-02	2002-03
A.	**Liabilities**			
	Paid-up capital	7.50	9.90	9.90
	Reserves and Surplus	22.88	31.70	37.37
	Borrowings (Government)	5.00	12.80	12.80
	(Others)	3.62	3.20	21.23
	Trade dues and Current liabilities (including provisions)	8.93	16.03	20.07
	Total	**47.93**	**73.63**	**101.37**
B.	**Assets**			
	Gross block	32.10	36.74	58.60
	Less: Depreciation	4.29	4.92	5.88
	Net fixed assets	27.81	31.82	52.72
	Capital work-in-progress	1.41	21.40	24.28
	Investment	0.12	0.12	0.12
	Current assets, loans and advances	18.59	20.16	24.25
	Miscellaneous	-	0.13	-
	Total	**47.93**	**73.63**	**101.37**
C.	**Capital employed** **	**38.88**	**57.35**	**81.18**

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

ANNEXURE 5

(Referred to in Paragraph 1.7)

Statement showing working results of Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	**Operating:**			
	a) Revenue	621.48	680.63	749.16
	b) Expenditure	614.81	651.92	716.58
	c) Surplus (+) / Deficit (-)	(+) 6.67	(+) 28.71	(+) 32.58
2	**Non-operating:**			
	a) Revenue	64.17	47.18	41.67
	b) Expenditure	47.25	45.92	40.80
	c) Surplus (+)/Deficit (-)	(+) 16.92	(+) 1.26	(+) 0.87
3	**Total**			
	a) Revenue	685.65	727.81	790.83
	b) Expenditure	662.06	697.84	757.38
	c) Net prior period Expenses/credits(-)	7.07	(-)2.77	7.58
	c) Net profit (+)/ Loss (-)	(+) 16.52	(+) 32.74	(+) 25.87
4	Interest on capital and loans	28.95	25.83	17.57
5	Total return on capital employed*	45.47	58.57	43.44
6	Percentage of return on capital employed	37.36	42.61	29.16

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

2. Bangalore Metropolitan Transport Corporation, Bangalore

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	**Operating:**			
	a) Revenue	301.20	341.97	441.16
	b) Expenditure	289.17	331.24	397.06
	c) Surplus (+)/Deficit (-)	(+)12.03	(+) 10.73	(+) 44.10
2	**Non-operating:**			
	a) Revenue	21.13	31.36	45.06
	b) Expenditure	6.46	14.44	9.02
	c) Surplus (+)/Deficit (-)	(+)14.67	(+) 16.92	(+) 36.04
3	**Total**			
	a) Revenue	322.33	373.33	486.22
	b) Expenditure	295.63	345.68	406.08
	c) Net prior period Expenditure	1.25	-	-
	d) Net profit (+)/loss (-)	(+)25.45	(+) 27.65	(+) 80.14
4	Interest on capital and loans	6.10	5.45	3.34
5	Total return on Capital employed*	31.55	33.10	83.48
6	Percentage of return on capital employed	30.70	26.05	41.09

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

3. North Western Karnataka Road Transport Corporation, Hubli

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	**Operating :**			
	a) Revenue	476.86	507.83	543.67
	b) Expenditure	499.83	517.43	567.11
	c) Surplus (+)/deficit (-)	(-) 22.97	(-) 9.60	(-) 23.44
2	**Non-operating :**			
	a) Revenue	60.49	48.67	41.21
	b) Expenditure	25.80	26.79	27.46
	c) Surplus (+)/deficit (-)	(+) 34.69	(+) 21.88	(+) 13.75
3	**Total**			
	a) Revenue	537.35	556.50	584.88
	b) Expenditure	525.63	544.22	594.57
	c) Net profit (+)/loss (-)	(+) 11.72	(+) 12.28	(-) 9.69
4	Interest on capital and loans	15.07	13.51	10.50
5	Total return on Capital employed*	26.79	25.79	0.81
6	Percentage of return on capital employed	26.48	22.48	0.72

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

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	**Operating :**			
	a) Revenue	233.37	264.33	307.49
	b) Expenditure	257.24	283.92	322.75
	c) Surplus (+)/deficit (-)	(-)23.87	(-)19.59	(-)15.26
2	**Non-operating :**			
	a) Revenue	25.05	19.25	16.91
	b) Expenditure	14.46	13.95	12.39
	c) Surplus (+)/deficit (-)	(+)10.59	(+)5.30	(+)4.52
3	**Total**			
	a) Revenue	258.42	283.58	324.40
	b) Expenditure	271.70	297.87	335.14
	c) Net prior period Expenditure	4.91	0.69	2.16
	c) Net profit (+)/loss (-)	(-)18.19	(-)14.98	(-)12.90
4	Interest on capital and loans	9.56	7.51	5.07
5	Total return on Capital employed*	(-)8.63	(-)7.47	(-)7.83
6	Percentage of return on capital employed	-	-	-

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

5. Karnataka State Financial Corporation

(Rupees in crore)

Sl. No.	Particulars	2001-02	2002-03	2003-04
1	**Income**			
	a) Interest on Loans	198.20	181.05	207.98
	b) Other Income	37.85	18.34	24.00
	Total (1)	**236.05**	**199.39**	**231.98**
2	**Expenses**			
	a) Interest on long term and short term loans	239.29	238.89	187.40
	b) Other Expenses	51.42	53.47	45.59
	c) Provision for non performing assets	84.77	44.77	(1.88)
	Total (2)	**375.68**	**337.13**	**231.11**
3	Profit (+)/Loss (-) before tax (1-2)	(-)139.43	(-)137.74	(+) 0.87
4	Provision for tax	--	-	-
5	Other appropriations	--	-	-
6	Amount available for dividend	--	-	-
7	Dividend	--	-	-
8	Total return on Capital Employed	99.86	101.15	188.27
9	Percentage of return on Capital employed	4.35	4.54	8.96

6. Karnataka State Warehousing Corporation

(Rupees in crore)

Sl. No.	Particulars	2000-01	2001-02	2002-03
1	**Income:**			
	a) Warehousing charges	16.03	21.42	22.54
	b) Other income	1.97	3.46	2.37
	Total (1)	**18.00**	**24.88**	**24.91**
2	**Expenses:**			
	a) Establishment charges	5.30	5.75	5.87
	b) Other expenses	5.60	9.72	9.95
	Total (2)	**10.90**	**15.47**	**15.82**
3	Profit before tax	7.10	9.41	9.09
4	Provision for tax	-	0.06	3.30
5	Amount available for dividend	7.10	9.35	5.79
6	Dividend for the year	0.44	0.45	0.75
7	Total return on Capital employed	7.35	10.87	9.73
8	Percentage of return on Capital employed	18.90	18.95	11.98

ANNEXURE 6

(Referred to in Paragraph No.1.12)

Statement showing operational performance of Statutory corporations

Working Statutory corporations

1. Karnataka State Road Transport Corporation, Bangalore

Particulars	2001-02	2002-03	2003-04
Average number of vehicles held	4191	4259	4396
Average number of vehicles on road	3963	4053	4189
Percentage of utilisation of vehicles	94.5	95.2	95.3
Number of employees	23158	23655	23626
Employees vehicle ratio	5.53	5.55	5.37
Number of routes operated at the end of the year	4558	4876	4501
Route kilometres	394224	362725	380964
Kilometres covered (in lakh) – Own buses only			
a) Gross	5377.23	5466.41	5428.04
b) Effective	5205.18	5366.23	5276.00
c) Dead	172.05	100.18	152.04
Percentage of dead kms. to gross kilometres	3.20	1.83	2.80
Average kilometres covered per bus per day	360	362	367
Average operating revenue per kilometre (in paise)	1317.30	1361.40	1406.80
Increase in operating revenue per kilometre over previous year's income (per cent)	130.82 (11.02)	44.10 (3.35)	45.40 (3.33)
Average expenditure per kilometre (paise)	1285.50	1300.40	1360.80
Increase in operating expenditure per kilometre over previous year's expenditure (per cent)	76.70 (6.35)	14.90 (1.16)	60.40 (4.64)
Profit/Loss per kilometre (paise)	31.80	61.00	46.00
Number of operating depots	46	48	49
Average number of breakdowns per lakh kilometres	1.2	0.9	0.5
Average number of accidents per lakh kilometres	0.17	0.17	0.16
Passenger kilometres operated (in crore)	2100.18	2089.75	2169.31
Occupancy ratio	73.10	68.44	69.7
Kilometres obtained per litre of :			
Diesel oil	4.88	5.02	5.08
Engine oil	2276	2626	4128

2. Bangalore Metropolitan Transport Corporation, Bangalore

Particulars	2001-02	2002-03	2003-04
Average number of vehicles held	2304	2372	2515
Average number of vehicles on road	2206	2253	2409
Percentage of utilisation of vehicles	95.7	95.0	95.8
Number of employees	13878	14367	15615
Employees vehicle ratio	6.02	6.06	6.21
Number of routes operated at the end of the year	1212	NA	1523
Route Kilometers	24000	26959	31821
Kilometers operated (in lakh) – Own buses only			
a) Gross	1890	1923	2075
b) Effective	1829	1867	2022
c) Dead	61	56	53
Percentage of dead kms. to gross Kilometers	3.2	2.9	2.6
Average Kilometers covered per bus per day	227	227	229
Average operating revenue per kilometre (in paise)	1469.40	1684.91	1869.67
Increase in operating revenue per kilometre over previous year's income (per cent)	-60.00 (-3.92)	215.51 (14.67)	184.76 (10.97)
Average expenditure per kilometre (paise)	1433.10	1560.13	1561.50
Increase in operating expenditure per kilometre over previous year's expenditure (per cent)	-17.80 (-1.2)	127.03 (8.86)	1.37 (0.09)
Profit/Loss per kilometre (paise)	36.30	124.78	308.17
Number of operating depots	19	20	24
Average number of breakdowns per lakh kilometres	1.90	1.50	1.20
Average number of accidents per lakh kilometres	0.22	0.22	0.23
Passenger kilometres operated (in crore)	812	785	893
Occupancy ratio	71.60	67.80	69.00
Kilometers obtained per liter of:			
Diesel oil	4.47	4.60	4.76
Engine oil	899.10	988.80	1099.00

NA: Not available.

3. North Western Karnataka Road Transport Corporation, Hubli

Particulars	2001-02	2002-03	2003-04
Average number of vehicles held	3520	3579	3590
Average number of vehicles on road	3371	3440	3415
Percentage of utilisation of vehicles	95.76	96.10	95.10
Number of employees	20999	20812	21330
Employees vehicle ratio	5.97	5.82	5.94
Number of routes operated at the end of the year	5446	5493	5523
Route kilometres	422065	429700	433228
Kilometres operated (in lakh) - Own buses only			
a) Gross	4344.83	4447.84	4433.56
b) Effective	4278.69	4381.68	4361.41
c) Dead	66.14	66.16	72.15
Percentage of dead kms. to gross kilometres	1.50	1.49	1.63
Average kilometres covered per bus per day	347.80	348.90	349.00
Average operating revenue per kilometre (in paise)	1111.10	1262.30	1269.20
Increase in operating revenue per kilometre over previous year's income (per cent)	-39.00 (- 3.4)	151.20 (13.61)	6.90 (0.55)
Average expenditure per kilometre (paise)	1177.60	1234.50	1290.20
Increase in operating expenditure per kilometre over previous year's expenditure (per cent)	135.00 (12.95)	56.90 (4.83)	55.70 (4.51)
Profit/Loss per kilometre	(-) 66.50	(+) 27.80	(-) 21.00
Number of operating depots	46	46	48
Average number of breakdowns per lakh kilometres	0.14	1.22	0.10
Average number of accidents per lakh kilometres	0.15	0.14	0.14
Passenger kilometres operated (in crore)	1833.85	1887.75	1948.31
Occupancy ratio	71.40	71.80	74.50
Kilometres obtained per litre of:			
Diesel oil	5.02	5.13	5.35
Engine oil	756.45	892.40	1024.20

4. North Eastern Karnataka Road Transport Corporation, Gulbarga

Particulars	2001-02	2002-03	2003-04
Average number of vehicles held	1901	2070	1934
Average number of vehicles on road	1749	1915	1818
Percentage of utilisation of vehicles	92.00	92.50	94.00
Number of employees	11177	11343	10943
Employees vehicle ratio	5.88	5.48	5.66
Number of routes operated at the end of the year	1936	2436	2532
Route Kilometres	308160	232000	226605
Kilometres operated (in lakh) – Own buses only			
a) Gross	2184	2201	2052
b) Effective	2140	2155	2007
c) Dead	44	46	45
Percentage of dead kms. to gross kilometres	2.01	2.09	2.19
Average kilometres covered per bus per day	320.00	309.00	321.00
Average operating revenue per kilometre (in paise) / Increase in operating revenue per kilometre over previous year's income (per cent)	1075.60 25.00 (2.38)	1134.60 59.00 (5.49)	1161.90 27.30 (2.41)
Average expenditure per kilometre (paise)	1222.80	1249.60	1274.60
Increase in operating expenditure per kilometre over previous year's expenditure (per cent)	40.80 (3.45)	26.80 (2.19)	25.00 (2.00)
Profit/Loss per kilometre	(-)147.20	(-)115.00	(-)112.70
Number of operating depots	27	27	28
Average number of breakdowns per lakh kilometres	3.10	3.30	2.20
Average number of accidents per lakh kilometres	0.14	0.13	0.12
Passenger kilometres operated (in crore)	711.21	719.77	946.03
Occupancy ratio	69.70	71.50	70.00
Kilometres obtained per litre of:			
Diesel oil	4.85	4.97	5.38
Engine oil	NA	870.00	3817

NA: Not available

5. Karnataka State Financial Corporation

(Rupees in crore)

Particulars	2001-02		2002-03		2003-04	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	90	41.39	80	27.11	47	15.89
Applications received	1728	430.06	1397	433.59	1382	392.55
Total	**1818**	**471.45**	**1477**	**460.70**	**1429**	**408.44**
Applications sanctioned	1621	302.56	1345	333.03	1307	299.69
Applications cancelled/ withdrawn/rejected/reduced	117	141.78	85	117.78	60	71.05
Applications pending at the close of the year	80	27.11	47	15.89	62	37.70
Loans disbursed	-	283.40	-	261.25	-	242.86
Loan outstanding at the close of the year	-	1711.85	-	2617.18	-	1576.75
Amount overdue for recovery at the close of the year :						
a) Principal	-	415.72	-	675.34	-	718.54
b) Interest	-	650.64	-	1664.15	-	1980.47
Total	-	**1066.36**	-	**2339.49**	-	**2699.01**
Amount involved in recovery certificate cases	-	626.97	-	1121.86	-	858.24
Percentage of overdue to the total loans outstanding	--	24.28	--	25.88	-	45.57

6. Karnataka State Warehousing Corporation

Particulars	2000-01	2001-02	2002-03
Number of stations covered	107	107	109
Storage capacity created up to the end of the year (tonne in lakh)			
a) Owned	3.24	3.29	3.46
b) Hired	5.53	3.73	3.07
Total :	**8.77**	**7.02**	**6.53**
Average capacity utilised during the year (tonne in lakh)	5.78	6.40	5.44
Percentage of utilisation	65.91	91.16	81.37
Average revenue per tonne per year (Rupees)	378.02	281.25	414.34
Average expenses per tonne per year (Rupees)	238.75	170.31	290.81

ANNEXURE 7

(Referred to in Paragraph 1.28)

Statement showing paid-up capital, investment and summarised working results of 619-B companies as per their latest finalised accounts

(Rupees in crore)

Sl. No	Name of the Company	Status (working/ non-working)	Year of accounts	Paid-up capital	Equity by			Loans by			Grants by			Total investment by way of equity, loans and grants			Profit (+)/ loss (-)	Accumulated profit (+)/accumulated loss (-)
					State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies	State Govt.	State Govt. companies	Central Govt. and their companies		
1	Karnataka State Seeds Corporation Limited	Working	2002-03	3.17	1.47 (46.37 per cent)	--	0.62 (19.56 per cent)	0.68	--	--	1.31	--	5.98	3.46	--	6.60	(-) 1.08	(+) 3.18
2	Karnataka Asset Management Company Private Limited	Working	2003-04	0.50	--	0.50 (100 per cent)	--	--	--	--	--	--	--	--	0.50	--	(+) 0.08	(+) 0.26
3	Karnataka Trustee Company Private Limited	Working	2003-04	0.01	--	0.01 (100 per cent)	--	--	--	--	--	--	--	--	0.01	--	(a)	(b)
4	Food Karnataka Limited	Working	First accounts	0.05	0.01 (20 per cent)	-	-	-	-	-	-	-	-	-	0.01	-	-	

(a) Profit for the year Rs.6,242

(b) Accumulated profit – Rs.9,419

ANNEXURE 8

(Referred to in Paragraph 2.1.5)

Statement showing the financial position of the Mysore Minerals Limited

Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04 (Provisional)
Liabilities	(Rupees in crore)				
Paid-up capital	3.00	3.00	3.00	3.00	3.00
Reserves and Surplus	0.35	0.35	0.33	0.33	0.33
Borrowings	26.02	27.23	29.14	30.84	20.09
Trade dues and other liabilities (including provisions and interest accrued on loans)	26.52	37.72	38.64	46.89	100.96
Deferred Tax Liability	0.00	0.00	0.00	0.14	0.46
Total	**55.89**	**68.30**	**71.11**	**81.20**	**125.74**
Assets					
Gross block	18.73	19.22	19.22	19.30	19.32
Less: Depreciation	12.88	14.50	15.63	16.37	16.88
Net fixed assets	5.85	4.72	3.59	2.93	2.44
Capital work-in-progress	0.49	0.00	0.00	0.00	0.00
Investments	0.31	0.31	0.30	0.31	0.31
Current assets, loans and advances	30.85	26.42	31.74	41.61	82.74
Deferred Revenue Expenditure	8.23	7.60	0.00	0.00	3.27
Accumulated loss	10.16	29.25	35.48	36.35	36.98
Total	**55.89**	**68.30**	**71.11**	**81.20**	**125.74**
Capital employed[1]	**10.67**	**-6.58**	**-3.31**	**-2.35**	**-15.78**
Net worth[2]	**-15.04**	**-33.50**	**-32.15**	**-33.02**	**-36.92**

[1] Capital employed represents net fixed assets (including capital work- in-progress) plus working capital

[2] Net worth represents paid-up capital plus reserves and surplus less intangible assets

ANNEXURE 9
(Referred to in Paragraph 2.1.7)
Statement showing the working results of the Mysore Minerals Limited

	1999-00	2000-01	2001-02	2002-03	2003-04 (provisional)
	(Rupees in lakh)				
Income					
Sales	1686.87	1995.38	3153.22	3247.55	5529.07
Accretion (+)/Decretion (-) to stock	(-) 18.39	(-) 339.83	(-) 40.94	(+)1025.30	(-) 507.54
Value of production	**1668.48**	**1655.55**	**3112.28**	**4272.85**	**5021.53**
Expenditure					
Production expenses	941.53	951.12	1317.18	1971.86	2419.69
Expenses on employees	1112.62	1554.51	1115.94	1426.21	1614.83
Other expenses	289.53	229.53	278.92	154.83	380.11
Interest	485.40	483.75	478.53	505.77	367.20
Depreciation	136.43	162.13	113.04	74.01	50.30
Total Expenditure	**2965.51**	**3381.04**	**3303.61**	**4132.68**	**4832.14**
Less: Other income	897.14	40.66	337.82	90.20	113.03
Total net expenditure	2068.37	3340.38	2965.79	4042.48	4719.11
Profit (+)/Loss(-) for the year	(-) 399.89	(-) 1684.83	(+) 146.49	(+) 230.37	(+) 302.41
Net prior period adjustments	(+) 360.62	(-) 224.62	(-) 768.78	(-) 303.72	(-)360.36
Profit (+)/Loss (-) before taxation	(-) 39.27	(-) 1909.45	(-) 622.29	(-) 73.35	(+) 57.94
Provision for taxation	-	-	-	14.27	(-)5.68
Loss after Tax	(-) 39.27	(-) 1909.45	(-) 622.29	(-) 59.08	(-)63.62

ANNEXURE 10

(Referred to in Paragraph 2.1.15)

Statement showing the mineral-wise profitability in the Mysore Minerals Limited

(Rupees in lakh)

Year	Production (in tonnes)	Cost of production per tonne	Average realisation per tonne	Profit/ loss per tonne	Total profit/ loss (column 2*5)
1	2	3	4	5	6
CHROMITE					
1999-2000	13471	1619.58	1303.15	-316.43	-42.63
2000-01	14820	2435.02	1198.71	-1236.31	-183.22
2001-02	18552	1328.10	1572.43	244.33	45.33
2002-03	19194	1279.32	1554.84	275.52	52.88
2003-04@	12425	1252.10	994.09	-258.01	-32.06
TOTAL	**78462**				**-159.70**
MANGANESE					
1999-2003	Nil				
IRON ORE					
1999-00	19239	539	241	-298	-57.33
2000-04@		On raising contract			
TOTAL	**19239**				**-57.33**
MAGNESITE					
1999-2000	24830	998.99	1171.63	172.64	42.87
2000-01	14516	2031.48	1051.85	-979.63	-142.20
2001-02	9892	1463.66	1032.28	-431.38	-42.67
2002-03	10874	1489.57	1017.35	-472.22	-51.35
2003-04@	15637	1120.00	1051.00	-69.00	-10.78
TOTAL	**75749**				**-204.13**
LIMESTONE					
1999-00	229670	116	80.43	-35.57	-81.69
2000-01	278281	116.71	98.97	-17.74	-49.37
2001-02	369403	73.48	115.46	41.98	155.08
2002-03	303842	113.76	125.65	11.89	36.13
2003-04@	258438	114.28	124.62	10.34	26.72
TOTAL	**1439634**				**86.87**
OTHER MINERALS					
1999-2000	120134	168.89	348.48	179.59	215.75
2000-01	79690	452.15	262.12	-190.03	-151.43
2001-02	100790	222.81	340.48	117.67	118.60
2002-03	124657	235.31	209.28	-26.03	-32.45
2003-04@	113542	225.00	210.00	-15.00	-17.03
TOTAL	**538813**				**133.44**

@ - Provisional

ANNEXURE 11 (Referred to in Paragraph 3.18.4)

Statement showing the details of surplus staff identified and Voluntary Retirement Scheme availed position

(Rupees in lakh)

Sl. No.	Name of the company	Working/ Non-working	Identified by Government for		No. of surplus employees identified by the company	No. of employees who opted for VRS	No. of employ-ees relieved on VRS	Total liability		Balance surplus	Amount needed to retrench surplus	Remarks
			Privatisation / closure	If order issued				Paid/ Payable	Contributed by Government			
1	Mysore Lamp Works Limited	Non-working	Closure	Issued	1569	1528	1528	5096	5096	41	242	Company closed in June 2003. 30 employees are on deputation and 11 employees have approached court.
2	Karnataka Pulpwood Limited	Non-working	Closure	Issued	190	190	3	598	-	187	598	Three employees superannuated.
3	Karnataka Agro Industries Corporation Limited	Working	Closure	Issued	656	656	656	3387	-	-	-	
4	Karnataka State Construction Corporation Limited	Working	Closure	Not issued	319	95	94	241.81	-	225	635.80	Includes 30 employees on deputation to other department and eight employees resigned/ superannuated.
5	Karnataka Silk Industries Corporation Limited	Working	Privatisation	Issued	1007	1013	928	2860	2860	79	-	Confirmation awaited for actual amount paid/ payable.
6	Karnataka Soaps and Detergents Limited	Working	Privatisation	Issued	388	188	188	512.88	-	200	530	
7	The Mysore Electrical Industries Limited	Working	Privatisation	Issued	202	334	202	1639.39	1550	-	-	
8	Karnataka Vidyuth Karkhane Limited	Working	Privatisation	Issued	371	40	40	132.19	-	331	-	
9	Mysore Sales International Limited	Working	Not identified	NA	229	124	124	1275	-	105	-	Confirmation awaited for actual amount payable
10	Karnataka State Electronics Development Corporation Limited	Working	Not identified	NA	127	22	22	83.99	-	105	275.31	
11	The Hutti Gold Mines Company Limited	Working	Not identified	NA	1234	1234	1234	1692.31	-	-	-	
12	Karnataka Forest Development Corporation Limited	Working	Not identified	NA	302	302	-	-	-	302	825	
	Total				**6594**	**5726**	**5019**	**17518.57**	**9506**	**1575**	**3106.11**	

NA – not applicable

ANNEXURE 12 (Referred to in Paragraph 3.19)

Statement showing persistent irregularities pertaining to Government Companies appeared in the Reports of the CAG of India (Commercial) – Government of Karnataka

Sl. No	Gist of persistent irregularities	Year of Audit Report/Para No.	Money Value (Rs. in crore)	Gist of Audit Observation	Actionable points / Action to be taken	Details of action taken
1.	**Karnataka Power Transmission Corporation Limited**					
(i)	Idling of Equipment due to failure	1993-94/ 4B.1.3	0.27	Non utilisation of one capacitor bank out of two due to repeated defects	COPU in its 70th Report dated 31.7.97 has recommended that the operational staff responsible for the lapse and for not taking precautionary measures & action in this regard to be intimated to COPU	The company replied that it had changed the settings as required by manufacturer and due to this the failure of capacitors had reduced.
		1996-97/ 4B.1.4	0.28	Non utilisation of Thermo vision equipment due to repeated defects	COPU in its 79th Report dated 30.3.99 has recommended that the equipment should be put to use immediately	Current position is yet to be intimated by the company.
	Review on the procurement, performance and repair of energy meters	2002-03/ 2.3.19	1.00	Failure of 10,664 meters within guarantee period and hence idling of the same at stores	Company should frame uniform policy to improve the system so that these meters can be repaired/ replaced on time	COPU is yet to take up the discussion of para.
		Total	**1.55**			
(ii)	Idling of equipment due to injudicious purchase	1993-94/ 4B.1.1	0.88	Purchase of aluminium alloy conductors which was not required resulted in the materials remaining idle	Action should be taken to transfer material to needy divisions / disposal of materials. Deemed to have been discussed at COPU.	No specific recommendations by COPU.
		1993-94/ 4B.1.4	0.19	Purchase of tower parts which was not required resulted in the towers being idle	Action should be taken to transfer material to needy divisions / disposal of materials. Deemed to have been discussed at COPU.	No specific recommendations by COPU.

Sl. No	Gist of persistent irregularities	Year of Audit Report/Para No.	Money Value (Rs. in crore)	Gist of Audit Observation	Actionable points / Action to be taken	Details of action taken
		1993-94/ 4B.1.6	0.12	Purchase of conductors and related hardware which was not required resulted in the materials not being put to use	Action should be taken to transfer material to needy divisions / disposal of materials. Treated as closed by COPU.	No specific recommendations by COPU.
		1999-2000/ 3B.1.6	0.64	Idle investment on inventory due to excess procurement	COPU in its 98th Report dated 28.3.02 has recommended that strict action should be taken against the officers concerned.	Company has accepted the recommendations of COPU on Inventory Management. However, no action has been taken on the recommendations.
		Total	**1.83**			
(iii)	Idling of equipment	1997-98/ 4B.1.3	3.53	Idling of station equipment due to non commissioning	COPU in its 98th Report dated 28.3.02 has recommended to have proper coordination between the purchase department and technical section in procuring equipments.	The Company has accepted recommendations of the COPU and have assured that delays in usage are being reduced.
		1997-98/ 4B.1.4	1.92	Idling of cubicles due to non commissioning	COPU in its 98th Report dated 28.3.02 has observed that the officers have shown interest in purchasing the HT cubicles for their personal benefit and due to their negligence the cubicles are lying idle.	The Company has accepted analysis and recommendations of COPU and have assured to prevent recurrence of such negligence.
		1998-99/ 4B.2.3	0.53	Delayed installation led to idling of power transformer and SF 6 breaker.	COPU in its 98th Report has recommended for action against officers responsible for the lapse.	The Company has assured to take preventive measures to avoid delays. Company pleads its inability to take action against the officers who have already retired.

Sl. No	Gist of persistent irregularities	Year of Audit Report/Para No.	Money Value (Rs. in crore)	Gist of Audit Observation	Actionable points / Action to be taken	Details of action taken
		2001-02/ 3A.1.8	0.34	Creation of facilities before receipt of the cost resulted in idle investment.	Cost to be recovered from Toyota Kirloskar Motor Co. Ltd.	Not yet discussed by COPU
	1992-93/ 3A.9 Review of Karnataka Electricity Board: Construction of Transmission Lines		1.34	Idling of tower parts due to purchase before obtaining of necessary clearance.	Disposal of materials or immediate commencement of work. The para was discussed in COPU during the 70th Report dated 21.4.97, but no specific recommendation.	No specific recommendations by COPU.
	1997-98/ 3A.5.1 Review: Inventory Management		2.96	Excess stock of store materials due to non-maintenance of tally cards and purchases based on estimation rather than on requisition.	Disposal/immediate use of materials. Discussed by COPU on 12.2.01 but no specific recommendation.	No specific recommendations by COPU.
		1997-98/ 3A.5.2	1.88	Idling of inventory due to issuance of stores to division without requisition and requirement.	Disposal/use of inventory in needy division. Discussed in COPU on 12.2.01 and no specific recommendation.	No specific recommendations by COPU.
		1997-98/ 3A.7	8.37	Materials procured far in advance of requirement and material lying idle.	Immediate use of materials or disposal. Discussed by COPU on 12.2.01 and no specific recommendations.	No specific recommendations by COPU.
		1997-98/ 3A.8.1	47.99	Station/Structural materials remained idle awaiting erection/commissioning.	Immediate erection / commissioning of the said material. Discussed by COPU on 12.2.01 and no specific recommendations.	No specific recommendations by COPU.
		Total	**68.86**			

Sl. No	Gist of persistent irregularities	Year of Audit Report/Para No.	Money Value (Rs. in crore)	Gist of Audit Observation	Actionable points / Action to be taken	Details of action taken
(iv)	Ignoring of L1 rates	1998-99/ 4B.2.1	0.87	In ignoring lowest tender the Board incurred extra expenditure.	COPU in its 98th Report has commented that ignoring the lowest rates of established manufacturers and effecting supplies from highest bidder is not valid and hence responsibilities to be fixed.	The Company has accepted the COPU recommendations.
		1998-99/ 4B.2.2	0.81	Ignoring lowest offer resulted in extra expenditure	COPU in its 98th Report has commented that ignoring the lowest rates of established manufacturers and effecting supplies from highest bidder is not valid and has recommended action against responsible officers.	The Company has reiterated its original reply reaffirming its action to purchase from higher bidders.
		2000-01/ 4A.2.1	8.17	Purchase of conductors with ICB instead of local suppliers resulted in extra expenditure.	Responsibility to be fixed and such recurrence in future to be avoided.	Not yet discussed by COPU.
		2001-02/ 3A.1.4	1.10	Extra expenditure due to consideration of 2nd lowest rate for the purpose of price preference.	Reason given by the Company is not valid. Responsibility to be fixed.	Not yet discussed by COPU.
		2001-02/ 3A.1.6	0.92	Non procurement of 5 MVA transformer at the lowest negotiated rates resulted in extra expenditure.	Reason given by the Company is not valid. Responsibility to be fixed.	Not yet discussed by COPU.
		Total	**11.87**			
(v)	Wrong inclusion of entry tax in FORD prices	1999-2000/ 3B.1.3	2.72	Inclusion of entry tax in purchase of ACSR conductors resulted in extra expenditure.	The company should have negotiated the issue of entry tax and placed orders on local firms. Discussed by COPU, no specific recommendations.	-

Sl. No	Gist of persistent irregularities	Year of Audit Report/Para No.	Money Value (Rs. in crore)	Gist of Audit Observation	Actionable points / Action to be taken	Details of action taken
		2000-01/ 4A.2.2	6.30	Inclusion of Karnataka entry tax not payable by the company resulted in extra expenditure.	As the company was not paying entry tax on materials purchased locally, the same should not have been included while calculating Free On Road Destination prices.	Not yet discussed by COPU
		Total	**9.02**			
(vi)	Extra expenditure on purchase of PCC Poles	2000-01/ 4A.2.9	0.44	Incorrect adoption of the base cost of PCC poles resulted in extra expenditure.	Responsibility is required to be fixed for incorrect computation of rates.	Not yet discussed by COPU
		2002-03/ 3.3	1.04	Non-revision of purchase price of poles consequent on revision of base price of steel.	Responsibility is required to be fixed for not reducing the purchase price consequent to incorporation of revised base price of steel..	Not yet discussed by COPU
		Total	**1.48**			
(vii)	Not invoking risk purchase clause	1998-99/ 4B.2.4	0.23	Failure to invoke risk purchase clause resulted in non recovery of extra expenditure.	Responsibility is required to be fixed. Discussed by COPU, no specific recommendation.	No specific recommendations by COPU.
		2000-01/ 4A.2.7	0.83	Not invoking of risk purchase clause resulted in non recovery of extra expenditure.	Responsibility is required to be fixed.	Not yet discussed by COPU
		Total	**1.06**			
		Grand Total	**95.67**			
2.	**Bangalore Mass Rapid Transportation Limited**					
(i)	Injudicious funds management	1997-98/ 4A.12	1.65	Withdrawal of deposited funds without valid reasons resulted in poor funds management.	COPU in its 97^{th} Report has recommended that the Government should take final decision quickly on the proposals made by the company & unfruitful expenditure on the project should be avoided.	Action Taken Report yet to be received.

Sl. No	Gist of persistent irregularities	Year of Audit Report/Para No.	Money Value (Rs. in crore)	Gist of Audit Observation	Actionable points / Action to be taken	Details of action taken
		1999-2000/ 3A.6.1	0.47	Failure to deposit surplus funds in bank resulted in loss of interest.	COPU in its 97th Report has recommended that the Government should take final decision quickly on the proposals made by the company & unfruitful expenditure on the project should be avoided.	Action Taken Report yet to be received
		Total	**2.12**			
3.	**Krishna Bhagya Jala Nigam Limited**					
(i)	Payment of lead Charges	1998-99/ 4A.2.2	0.70	Adoption of incorrect constant resulted in erroneous excess payment.	Responsibility to be fixed and excess amount paid to be recovered. Discussed by COPU, no specific recommendation.	No specific recommendations by COPU.
		2000-01/ 4.A.4.3	0.62	Failure to adopt the item rates of neighbouring projects resulted in excess payment of lead charges.	COPU has recommended that apart from recovering the excess payment from the contractor action should be taken against the officers responsible for excess payment & to report to the COPU periodically.	The company replied that Rs.6.95 lakh has been recovered and balance amount would be recovered in the final bill. Of the three officials identified one has expired and action has been initiated against the other two.
		2001-02/ 3A.2.7	0.22	Inadmissible payment of lead charges for transportation of cement.	Responsibility to be fixed and inadmissible amount to be recovered. Discussed by COPU, no specific recommendation.	Discussed on 5.12.03 and recommendations awaited.
		Total	**1.54**			
(ii)	Defective estimation	2001-02/ 3A.2.3	0.53	Defective estimation resulted in extra expenditure	Responsibility to be fixed and recovery to be effected. Discussed by COPU.	Recommendations awaited.

Sl. No	Gist of persistent irregularities	Year of Audit Report/Para No.	Money Value (Rs. in crore)	Gist of Audit Observation	Actionable points / Action to be taken	Details of action taken
		2002-03/ 3.13	0.29	Defective estimation resulted in extra expenditure.	Responsibility to be fixed & recovery ordered.	Not yet discussed by COPU
		Total	**0.82**			
(iii)	Payment of additional lift charges	2000-01/ 4A.4.6	0.20	Incorporation of defective rate in the schedule of rates resulted in payment of additional lift charges.	Responsibility to be fixed & recovery effected.	No specific recommendations by COPU.
		Total	**0.20**			
(iv)	Non regulation of payment as per contract	2001-02/ 3A.2.2	1.06	Defective estimation and incorrect regulation of rates resulted in additional liability.	Responsibility to be fixed & recovery effected.	Discussed on 21.11.03 recommendation is awaited.
		Total	**1.06**			
(v)	Loss due to non specification of norms	2001-02/ 3A.2.5	0.36	Failure to specify the period of time for taking up concrete lining on embankment, resulted in extra expenditure.	Responsibility to be fixed & recovery effected.	Discussed on 5.12.03. Recommendation is awaited
		Total	**0.36**			
		Grand Total	**3.98**			—

ANNEXURE - 13
(Referred to in Paragraph 3.20)

Statement showing the department-wise outstanding Inspection Reports (IRs).

Sl. No	Name of the Department	No. of PSUs	No. of outstanding I.Rs.	No. of outstanding paragraphs	Year from which outstanding
1	Agriculture and Horticulture Department	6	10	72	1995-96
2	Animal Husbandry, Fisheries and Forest Department	5	18	100	1991-92
3	Commerce and Industries Department	34	78	563	1989-90
4	Co-operation Department	1	4	38	1993-94
5	Energy and Labour Department	3	267	1353	1989-90
6	Finance Department	3	10	113	1998-99
7	Food and Civil Supplies, Institutional Finance and Statistical Department	1	4	16	1997-98
8	Home and Transport Department	6	56	254	1996-97
9	Department of Housing	1	1	18	2002-03
10	Urban Development Department	2	5	24	1998-99
11	Information, Tourism and Youth Services Department	4	10	17	1993-94
12	Irrigation Department	2	296	925	1982-83
13	Public Works Department	2	3	36	1999-2000
14	Rural Development and Panchayat Raj Department	1	3	29	1999-2000
15	Social Welfare Department	4	13	61	1995-96
16	Information Technology Department	1	3	23	1998-99
	TOTAL	**76**	**781**	**3,642**	