REPORT OF THE

COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED

31 MARCH 1999

No. 2
(COMMERCIAL)

GOVERNMENT OF KARNATAKA

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PREFACE

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

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

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

3. Audit of accounts of Government Companies is conducted by Comptroller and Auditor General of India (CAG) under the provisions of Section 619 of the Companies Act, 1956. There are, however, certain companies which, in spite of Government investment, are not subject to audit by the Comptroller and Auditor General of India as Government hold less than 51 *per cent* of their share capital. A list of such companies in which Government investment by way of share capital was more than Rs. 10 lakh as on 31 March 1999 is given in Annexure 1.

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

5. The cases mentioned in this Report are those which came to notice in the course of audit during the year 1998-99 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 1998-99 have also been included, wherever necessary.

OVERVIEW

OVERVIEW

1.1 *There were 66 Government Companies (including 13 subsidiares) and six Statutory corporations as on 31 March 1999 in the State. Of the 66 Government Companies, 54 were working, and 12 were non-working, out of which 7 were under process of liquidation/closure/merger.*

(Paragraphs 1.1,1.2.1 and Annexure 2)

1.2 *The total investment by State Government in 72 Public Sector Undertakings was Rs.15081.03 crore (equity Rs.3492.96 crore; long term loans Rs.10908.70 crore and share application money Rs.679.37 crore). During the year 1998-99, the State Government provided budgetary support amounting to Rs.1348.05 crore in the form of equity, loans and subsidy.*

(Paragraphs 1.2, 1.3 and Annexure 2 & 4)

1.3 *The State Government had guaranteed the repayment of loans amounting to Rs.1680.63 crore raised by12 companies (Rs.993.07 crore) and two corporations (Rs.687.56 crore) during the year 1998-99. The guarantees amounting to Rs.4209.39 crore against 16 companies (Rs.1875.47 crore) and three Statutory corporations (Rs.2333.92 crore) were outstanding as at the end of 1998-99.*

(Paragraph 1.3 and Annexure 4)

1.4 *Sixteen out of 37 companies, which finalised their accounts for 1998-99, earned an aggregate profit of Rs.187.10 crore and only four companies declared dividend amounting to Rs.1.08 crore. 22 out of 35 loss incurring companies had accumulated losses of Rs.423.09 crore, which had far exceeded their paid up capital of Rs.164.56 crore.*

(Paragraphs 1.5.1.1 and 1.5.1.2)

1.5 The accumulated loss in respect of two loss incurring Statutory corporations aggregating Rs.554.51 crore had far exceeded their aggregate paid up capital of Rs.488.36 crore.

(Paragraph 1.5.2.2)

2. Reviews relating to Government Companies

2.1 Karnataka State Industrial Investment and Development Corporation Limited

- *The Company (KSIIDC) was incorporated in June 1964 to promote industrial growth and development of industries in the State by providing financial assistance.*

(Paragraph 2A.1)

- *Due to waiver of collateral security and not verifying the antecedents of the promoter of a loanee firm and machinery supplier, the Company has to write off Rs.2.09 crore. Further release of a loan to a private firm without mortgage of land rendered Rs.5.29 crore doubtful of recovery*

(Paragraph 2A.9.2(i) and 2A.9.2(ii))

- *By advancing loan to a firm which had been indulging in transfer of funds to other Companies of the same group, the Company suffered losses to the tune of Rs.8.18 crore.*

(Paragraph 2A.9.2(iii))

- *Non-disposal of shares of Murudeshwar Ceramics by taking advantage of prevailing market price in March 1996 resulted in non-realisation of funds to the extent of Rs.12.08 crore.*

(Paragraph 2A.11)

- *Out of 56 miscellaneous petitions filed involving dues of Rs.73.12 crore the Company could obtain decree in respect of 11 cases for an amount of Rs.7.44 crore up to December 1998, but the decrees could not be executed for want of certain details.*

(Paragraph 2A.15)

3. Reviews relating to Statutory Corporations

3.1 Karnataka Electricity Board and Karnataka Power Corporation Limited

3.1.1 Physical and Financial performance in the power sector during VII Five Year Plan.

- *The Planning Commission targeted to increase the installed capacity of generation from 2219.80 MW to 2813.05 MW during VII Plan period by completing four ongoing projects of 581 MW and two projects of 12.25 MW.*

(Paragraph 3A.1)

- *Against the target of addition in installed capacity of 593.25 MW there was addition of 439.80 MW during the plan period. Out of four ongoing projects to be completed during the plan only two projects could be completed, one was partially completed whereas one project was not taken up during VII Plan. Further out of two new projects only one was partially completed and one project was not taken up at all.*

(Paragraph 3A.4.1)

- *Five projects which were completed during VII and VIII plan period there was time overrun in the range of 24 to 92 months and consequently the project cost had increased from Rs.457.57 crore to Rs.1084.65 crore.*

(Paragraph 3A.6)

- *In the construction of 4 sub-stations test checked in audit there was time overrun of 13 to 48 months which resulted in cost overrun of Rs.2.66 crore.*

(Paragraph 3A 8.2)

3.1.2 Outstanding dues against Karnataka Electricity Board

- *As on 31 March 1999, the total outstandings against the Board stood at Rs.4611.03 crore which included capital liabilities (Rs.1624.14 crore) and current liabilities (Rs.2986.89 crore).*

(Paragraph 3B.1)

- *Sale of energy at unremunerative tariff resulted in loss of potential revenue of Rs.1534.37 crore during the period from 1994-95 to 1998-99. Further T & D loss beyond the norms also resulted in loss of potential revenue of Rs.944.42 crore.*

(Paragraph 3B 7.3 and 3B 7.4)

- *The Sundry Debtors for the sale of power increased from Rs.818.68 crore in 1994-95 to Rs.2074.19 crore as at the end of 1998-99, which adversely affected the financial position of the Board.*

(Paragraph 3B 7.5)

- *Locking up of funds due to idle inventory ranged from Rs.97.62 crore to Rs.158.09 crore during the five years ended 31.3.1999.*

(Paragraph 3B 8.1)

4 Miscellaneous topics of interest

- *Besides the reviews as mentioned above, a test check of records of the Government companies and Statutory corporations in general disclosed following points of interest as under:*

- *Failure of Mysore Sales International Limited to take timely action has resulted in bleak chances of recovery of claims to the extent of Rs.12.28 crore.*

(Paragraph 4A.1)

- *Krishna Bhagya Jala Nigam Limited did not recover the cost of rubble and stacking charges amounting to Rs.11.15 crore from the contractors despite directions of the Managing Director.*

(Paragraph 4A.2.1)

- *Karnataka State Construction Corporation Limited failed to obtain funds from the State Government and locked up its working capital amounting to Rs.3.77 crore in the construction of ring road.*

(Paragraph 4A.3.1)

- ***Karnataka State Financial Corporation (KSFC) could not recover Rs.4.38 crore due to release of loan without obtaining despatch documents and inspection of equipments.***

(Paragraph 4B.1.1)

- ***In another case KSFC could not realise Rs.4.17 crore as disbursement of lease finance and investment in debenture was made without independently ascertaining the cost of equipment and antecedents of the supplier.***

(Paragraph 4B.1.2)

CHAPTER I

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CHAPTER I

1. General view of Government companies and Statutory corporations

1.1 Introduction

As on 31 March 1999, there were 66 Government companies (including 13 subsidiaries) and 6 Statutory corporations as against 67 Government companies (including 13 subsidiaries) and 6 Statutory corporations as on 31 March 1998 under the control of the State Government. The accounts of Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors appointed by Government of India on the advice of the Comptroller and Auditor General of India (CAG) in accordance with the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by CAG under the provisions of Section 619 of the Companies Act, 1956. The audit of the Statutory corporations are conducted under the provisions of the respective Acts as detailed below:

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

During the year, two companies namely Karnataka Co-operative Milk Producers Federation Limited and Krishna Basin Lift Irrigation Corporation Limited were struck off in the Register of Registrar of Companies and one company namely Karnataka Neeravari Nigam Limited was incorporated.

1.2 Investment in Public Sector Undertakings (PSUs)

As on 31 March 1999, the total investment in 72 Public Sector Undertakings (66 Government companies including 13 subsidiaries and 6 Statutory corporations) was Rs.15081.03 crore (equity : Rs.3492.96 crore; long-term loans* : Rs.10908.70 crore; and share application money : Rs.679.37 crore) as against a total investment of Rs.13093.87 crore (equity : Rs.3420.31 crore; long term loans : Rs.9491.66 crore; and share application money: Rs.181.90 crore) in 73 PSUs (67 Government companies including 13 subsidiaries and 6 Statutory corporations) as on 31 March 1998. The analysis of investment in PSUs is given in the following paragraphs.

1.2.1 Government companies

Total investment in 66 companies (including 13 subsidiaries) as on 31 March 1999 was Rs.9743.54 crore (equity : Rs.2528.81 crore : long term loans Rs.6567.36 crore, share application money : Rs.647.37 crore) as against a total investment of Rs.8101.97 crore (equity : Rs.2461.75 crore, long term loans : Rs.5477.32 crore, share application money: Rs.162.90 crore) as on 31 March 1998 in 67 Government companies (including 13 subsidiaries).

The classification of the Government companies was as under:

Status of companies	Number of companies[$]	Investment (Rupees in crore)		Number of companies referred to BIFR
		Paid up capital	Long term loans	
(a) Working companies	54(54)	3142.76 (2589.65)	6545.42 (5451.86)	3[e]
(b)Non working Companies				
(i) under liquidation	2[a] (2)	6.38(5.96)	0.92(5.32)	-
(ii) under closure	4[b] (5)	11.30(13.30)	16.77(15.98)	1[f]
(iii) under merger	1[c] (1)	1.25(1.25)	2.66(2.66)	-
(iv) others	5[d] (5)	14.49(14.49)	1.53(1.50)	-
Total		**3176.18(2624.65)**	**6567.36(5477.32)**	

(figures in bracket are previous year figures)

As 12 companies were non-working or under process of liquidation/closure under section 560 of the Companies Act/merger, for 3 to 13 years and substantial investment of Rs. 55.30 crore is involved in these companies, effective steps need to be taken for their expeditious liquidation or revival.

The summarised financial results of Government companies are detailed in Annexure 3. The debt equity ratio of Government companies as a whole remained same at 2:1:1 during 1997-98 and 1998-99.

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

$ Reference to Sl.No. in Annexure 2.

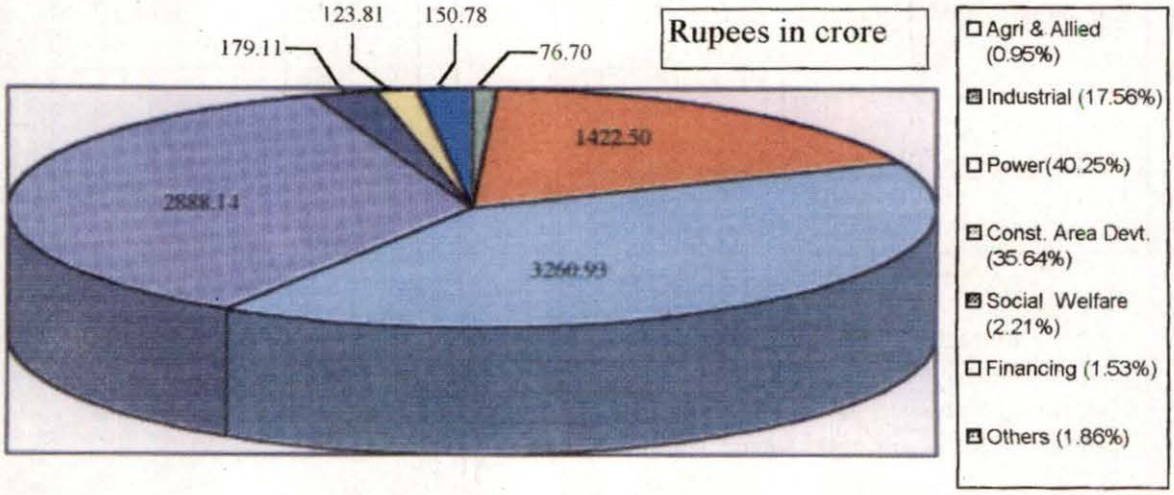
a – 3,23 b – 5,7,18,32 c – 38, d – 10,17,19,20,39 e – 13,25,29 f -32

Sector wise investment in Government companies

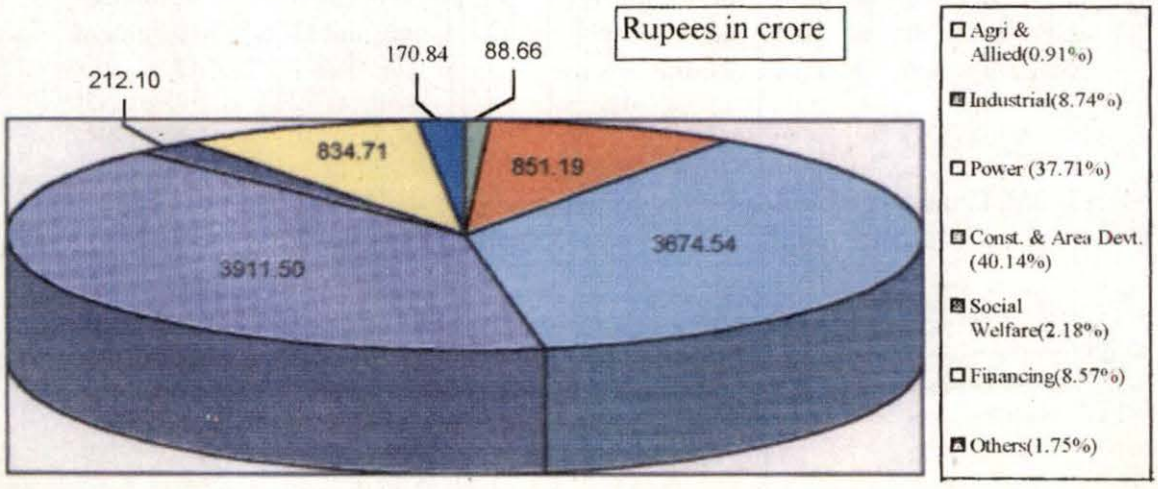
As on 31 March 1999, of total investment in Government companies, 32.60 per cent comprised equity capital and 67.40 per cent comprised loans compared to 32.40 per cent and 67.60 per cent respectively as on 31 March 1998.

The sector wise investment (equity including share application money and long term loans) in Government Companies as at the end of 1997-98 and 1998-99 is given below in two pie diagrams.

Investment as on 31 March 1998
(figures in bracket indicate the percentage of investment)



Investment as on 31 March 1999
(figures in bracket indicate the percentage of investment)



1.2.2 Statutory Corporations

The total investment in 6 Statutory Corporations at the end of March 1999 and March 1998 was as follows :

(Rupees in crore)

Name of the Corporation	1997-98		1998-99	
	Capital	Loan	Capital	Loan
Karnataka Electricity Board (KEB)	436.01	1852.24	436.01	2018.50
Karnataka State Road Transport Corporation (KSRTC)	382.41+	235.17	289.07	163.05
Bangalore Metropolitan Transport Corporation (BMTC)	64.44	22.89	64.53	17.03
North West Karnataka Road Transport Corporation (NWKRTC)	@	@	93.64	66.78
Karnataka State Financial Corporation (KSFC)	69.10 (19.00)	1992.23	73.95 (32.00)	2074.17
Karnataka State Warehousing Corporation (KSWC)	6.60	1.81	6.95	1.81
Total	**958.56 (19.00)**	**4014.34**	**964.15 (32.00)**	**4341.34**

(Figures in bracket indicate share application money)

The summarised financial results of all the Statutory Corporations as per the latest finalised accounts are given in Annexure 3 and the financial position and working results of individual Statutory Corporations for the three years upto 1998-99 are given in Annexures 5 and 6 respectively.

1.3 Budgetary outgo, subsidies, Guarantees and Waiver of dues

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

The budgetory outgo from the State Government to Government companies and Statutory corporations for the 3 years upto 1998-99 in the form of equity capital, loans, grants and subsidy is given below :

+ **Includes loan capital**

@ **Though the Corporation was formed w.e.f 01.11.1997, the first accounts were prepared w.e.f. 01.04 1998.**

(Amount Rs.in crore)

	1996-97				1997-98				1998-99			
	Companies		Corporations		Companies		Corporations		Companies		Corporations	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Equity capital	13	87.00	1	0.20	13	153.47	1	0.20	13	336.51	5	5.59
Loans	7	92.03	1	81.60	6	40.77	--	--	7	43.96	1	1.05
Grants	9	22.76	--	--	8	19.51	--	--	8	32.02	--	--
Subsidy towards (i) Projects/ Programme/ Schemes	2	0.40	--	-	4	5.56	--	--	5	6.72	--	--
(ii) Other subsidy	2	15.12	2	752.12	3	17.45	3	432.15	2	11.59	4	910.61
Total subsidy	4	15.52	2	752.12	7	23.01	3	432.15	7	18.31	4	910.61
Total outgo+	27	217.31	4	833.92	26	236.76	5	432.35	26	430.80	6	917.25

During the year 1998-99 the Government had guaranteed loans aggregating Rs.1680.63 crore obtained by 12 Government companies (Rs.993.07 crore) and two Statutory corporations (Rs.687.56 crore). At the end of the year guarantees amounting to Rs.4209.39 crore against 16 Government companies (Rs.1875.47 crore) and three Statutory corporations (Rs.2333.92 crore) were outstanding. There were no cases of default in repayment of guaranteed loans during the year. Government has foregone Rs.8.20 crore by way of loans written off or interest waived in two companies during 1998-99. The Government also converted its loans amounting to Rs.98.38 crore into equity capital in 6 companies during the year. In addition guarantee commission payable to the Government by one Company aggregating Rs.2.97 crore was also converted into equity. The guarantee commission paid to Government by Government companies and Statutory corporations during 1998-99 was Rs.2.83 crore, and Rs. 6.18 crore, respectively.

1.4 Finalisation of accounts by PSUs

1.4.1 The accounts of the companies for every financial year ought 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 Comptroller and Auditor General 's (Duties, Powers and Conditions of Service Act, 1971). They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory Corporations their accounts are to be finalised, audited and presented to the legislature as per the provisions of the respective Acts.

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

However, as could be noticed from Annexure 3, out of 66 Government Companies only 37 companies and out of six Statutory Corporations only one Corporation have finalised their accounts for the year within the stipulated period. During the period from October 1998 to September 1999, 64 Government companies finalised 75 accounts for the year 1998-99 or previous years (38 accounts for previous years by 27 companies and 37 accounts for 1998-99 by 37 companies). Similarly during this period, four Statutory corporations finalised four accounts for 1998-99 or previous years (three accounts for previous years by three corporations).

The accounts of the other 29 Government companies and 5* Statutory corporations are in arrears for periods ranging from one year to two years as on 30 September1999, as detailed below.

Sl. No.	Year from which accounts are in arrears	Number of years for which accounts are in arrears	No. of companies/corporations		Reference to serial no. of Annexure 3	
			Government companies	Statutory Corpora-tions	Government companies	Statutory Corporat-ions
1.	1997-98	2	5	1	A: 5,11,19,40,51	B:3
2.	1998-99	1	24	4	A: 1,3,4,15, 21,26,35,38, 41,42,43,44, 46,47,48,49, 50,52,53,54, 55, 56, 61, 66	B: 1,2,4, 6

Of the above 29 Government companies whose accounts were in arrears, 5 companies were non working companies (Sl. Nos. A: 3,5,19,38 and 40 of Annexure 3).

1.4.2 Status of placement of Separate Audit Reports of Statutory Corporations in Legislature

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

* 3 Statutory corporations submitted their provisional accounts before 30 September 1999 and the audit is in progress.

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 Govt	Reason for delay in placement in Legislature
1.	KEB	1996-97	1997-98	19.4.99	Not furnished
2.	KSRTC	1996-97	&	--	
3.	KSFC	1997-98	&	--	
4.	KSWC	1997-98	&		
5.	BMTC	First year A/c (1997-98) have not been submitted for audit			
6.	NWKRTC	First year A/c (1998-99) have not been submitted for audit			

1.5 Working results of Public Sector Undertakings

According to latest finalised accounts of 65* Government companies and four Statutory corporations, 35 companies and two corporations had incurred an aggregate loss of Rs 111.92 crore and Rs. 114.25 crore respectively, and 24 companies and two Statutory corporations earned an aggregate profit of Rs.202.96 crore and Rs. 61.54 crore, respectively. Out of the remaining six companies, four companies did not prepare profit and loss account as there were no activities since incorporation and two companies capitalised the excess of expenditure over income.

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

1.5.1 Government companies

1.5.1.1 Profit earning companies and dividend

Out of 37 companies (including 9 subsidiaries) which finalised their accounts for 1998-99 by September 1999, 16 companies earned an aggregate profit of Rs.187.10 crore and only four companies (Sl.No. 12, 57, 64 and 65 of Annexure 3) declared dividend aggregating Rs.1.08 crore. The dividend as percentage of share capital in the above 4 profit making companies worked out to 20.9. The remaining 12 profit making companies did not declare any dividend. The total return by way of dividend of Rs.1.08 crore, worked out to 0.03 per cent in 1998-99 on total equity investment of Rs.2445.74 crore by the State Government, in all Government companies as against 0.04 per cent in the previous year.

Similarly, out of 27 companies which finalised their accounts for previous years by September 1999, 11 companies earned an aggregate profit of Rs.11 crore and only one company earned profit for two or more successive years.

& SARs for subsequent periods are under various stages of finalisation.

* One company (Karnataka Neeravari Nigam Limited) incorporated in November 1998 has not prepared its first accounts.

1.5.1.2 Loss incurring companies

Of the 35 loss incurring companies, 22 companies had accumulated losses aggregating Rs. 423.49 crore which had far exceeded their aggregate paid up capital of Rs.164.56 crore.

Inspite of poor performance leading to complete erosion of paid up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loans into equity, subsidy, etc. According to available information, the total financial support so provided by the State Government by way of equity, loans, grants and conversion of loans into equity during 1998-99 to 5 companies out of these 22 companies amounted to Rs. 88.37 crore.

1.5.2 Statutory Corporations

1.5.2.1 Profit earning Statutory Corporations and dividend

Out of 3 Statutory corporations which finalised their accounts for previous year by September 1999, two corporations earned aggregate profit of Rs.61.54 crore and one of the two such corporation declared dividend of Rs.0.31 crore. The dividend as a percentage of share capital of the Statutory Corporation worked out to 4.7. The other Statutory Corporations did not declare any dividend. The total return by way of dividend of Rs.0.31 crore worked out to 0.03 per cent in 1998-99 on total equity investment of Rs.881.95 crore by the State Government in all the 6 Statutory Corporations.

1.5.2.2 Loss incurring Statutory Corporations

Out of two loss incurring Statutory Corporations one finalised accounts for 1998-99 and another for 1997-98 and had accumulated losses aggregating Rs.554.51 crore which had far exceeded their aggregate paid up capital of Rs.488.36 crore.

1.5.2.3 Operational performance of Statutory Corporations

The operational performance of the Statutory corporations is given in Annexure 7. There was substantial increase in the transmission and distribution losses in Karnataka Electricity Board during 1998-99 which stood at 29.9 per cent compared to 18.5 per cent during 1996-97 and 1997-98.

1.6 Return on Capital Employed

During 1998-99 the capital employed* worked out to Rs.9282.05 crore in 59[@] companies and total return[Ω] thereon amounted to Rs.528.43 crore which is 5.7 per cent as compared to total return of Rs.511.21 crore (8.7 per cent) in

* 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 aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance).

[@] 6 Companies are not preparing profit and loss account and one company incorporated during the year has not prepared its first accounts.

[Ω] 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.

1997-98. Similarly during 1998-99, the capital employed and total return thereon in case of Statutory corporations amounted to Rs.4970.09 crore and Rs.366.61 crore (7.4 per cent) respectively against the total return of Rs.599.10 crore (9.6 per cent) for 1997-98. The details of capital employed* and total return on capital employed in case of Government companies and Statutory corporations are given in Annexure 3.

1.7 Results of audit by Comptroller and Auditor General of India

During the period from October 1998 to September 1999, the accounts of 44 companies and 6 corporations were selected for review. As a result of the observations made by CAG, 16 companies and two corporations revised their accounts as detailed below.

(Rupees in lakh)

Sl. No.	Name of the Company/Corporation	Year of Accounts	Impact of Audit observation on revision of accounts
(1)	(2)	(3)	(4)
A.	**Government Companies**		
1.	Karnataka Leather Industries Development Corporation Limited	1996-97	2.41*
2.	Karnataka Land Army Development Corporation Limited	1997-98	8.96*
3.	Karnataka Agro Industries Corporation Limited	1997-98	30.03@
4.	Mysore Electrical Industries Limited	1997-98	22.64@
5.	Jungle Lodges and Resorts Limited	1997-98	0.89*
6.	Krishna Bhagya Jala Nigam Limited	1997-98	
7.	Mysore Minerals Limited	1997-98	9.40@
8.	Karnataka State Womens Development Corporation Limited	1997-98	62.11*
9.	Karnataka State Industrial Investment and Development Corporation Limited	1998-99	200.00@
10.	Karnataka State Electronics Development Corporation Limited	1998-99	2.84#
11.	Karnataka State Powerloom Development Corporation Limited	1998-99	6.20#
12.	Karnataka State Agro Corn Products Limited	1998-99	82.31@
13.	Karnataka Vidyut Karkhane Limited	1998-99	5.00&
14.	Karnataka Power Corporation Limited	1998-99	122.00#
15.	The Karnataka Fisheries Development Corporation Limited	1998-99	7.23@

* - Decrease in profit ; @ - Increase in loss ; # - Increase in profit ; & - Decrease in loss

(1)	(2)	(3)	(4)
B.	**Statutory Corporations**		
1.	Karnataka Electricity Board	1997-98	974.00**
2.	Bangalore Metropolitan Transport Corporation	1997-98	781.17@

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

Details	No. of accounts		Rupees in crore	
	Government companies	Statutory corporat-ions	Government companies	Statutory corporations
(i) Decrease in profit	--	1	--	89.07
(ii) Decrease in losses	--	1	--	24.11

A few important comments on the accounts of Statutory corporations noticed during the course of audit conducted during the period October 1998 to September 1999 are detailed below :

Karnataka Electricity Board (1997-98)

(a) Income was overstated by Rs.1.70 crore due to double accounting of interest income earned on fixed deposits.

(b) Income was understated by Rs. 3.09 crore due to short provision for unbilled revenue (Rs.2.07 crore) and non-accounting of negative price variation claims amounting to Rs.1.02 crore.

(c) Expenditure was understated by Rs. 55.21 crore due to short provision of interest on belated payments of power purchase bills of Karnataka Power Corporation Limited.

Karnataka State Road Transport Corporation (1997-98)

The revenue income was overstated by Rs. 0.44 crore due to accounting of treading value of scrap materials, auctioned but not lifted by the bidders, as miscellaneous receipts.

** Decrease in loss before subsidy.
@ Increase in loss.

Audit assessment of the working results of Karnataka Electricity Board

Based on the audit assessment of the working results of the KEB for three years upto 1997-98 and taking into consideration the major irregularities and omissions pointed out in the Separate Audit Reports on the annual account of the SEB and not taking into account the subsidy/subventions receivable from the State Government, the net surplus/deficit and the percentage of return on capital employed and capital invested of the SEB will be as given below:

(Rupees in crore)

Sl. No.	Particulars	1995-96	1996-97	1997-98
(1)	(2)	(3)	(4)	(5)
1.	Net surplus as per books of accounts	51.20	54.07	58.47
2.	Subsidy from the State Government	553.48	705.92	380.24
3.	Net deficit before subsidy from the State Government (1 – 2)	(-)502.28	(-)651.85	(-)321.77
4.	Net increase/decrease in net surplus/(-) deficit on accounts of audit comments on the annual accounts of the SEB	(-) 0.97	(-) 33.15	(-)89.07
5.	Net surplus/(-) deficit after taking into account the impact of audit comments but before subsidy from the State Government (3 – 4)	(-)503.25	(-)685.00	(-)410.84
6.	Total return *on capital employed	(-)278.45	(-)441.59	(-)124.94
7.	Percentage of total return on capital employed	--	--	--

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

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

C.1 Government companies : Nil

C.2 Statutory corporation :

Karnataka Electricity Board

i) Transfer Advice of material in respect of Inter Unit accounts including those sent even prior to 1993 were neither responded nor accepted for matching and accounting under appropriate heads of

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

accounts. This has resulted in accumulation of balance under Inter Unit accounts to the extent of Rs.99.92 crore (Account Heads 31,32, 36, 37 and 39).

ii) The net debit balance of Rs.3.95 crore as on 1.4.1989 in the Inter Unit account (Account Heads 33 and 34) were not paired off due to non maintenance of cash book at head office to account for the bank transactions during the years 1985-86 to 1998-99.

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

The table below indicates the position of reviews/paragraphs appeared in the Audit Reports and pending for discussion as on 30 September 1999:

Period of Audit Report	Total number of reviews and paragraphs appeared in Audit Report		Number of reviews and paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
1991-92	4	20	02	06
1992-93	5	16	02	04
1993-94	4	17	01	---
1994-95	4	15	01	04
1995-96	4	19	01	05
1996-97	4	27	02	12
1997-98	4	27	04	27
Total Pending	**29**	**141**	**13**	**58**

1.9 619-B Companies

There were 4 companies covered under Section 619-B of the Companies Act, 1956. The table given below indicates the details of paid-up capital and working results of these companies based on the latest available accounts.

(Rupees in crore)

Name of company	Year of accounts	Paid-up capital	Investment by			Profit (+)/ loss(-)	Accumulated loss
			State Government.	Government companies	Others		
1. Karnataka State Seeds Corporation Limited	1997-98	2.62	1.05	0.62	0.95	(+)0.95	(+)2.15
2. The Mysore Lamp Works Limited	1997-98	1.37	0.31	--	1.06	(-)1.05	(-)11.25
3. Karnataka Trustee Company Private Limited	@	N.A*					
4. Karnataka Asset Management Company Private Limited	@	N.A*					

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

The State Government as well as Government owned/ controlled companies and corporations have invested Rs.0.81 crore in 4 companies which are not subject to audit by the CAG as the aggregate amount of investment made by the State Government and Government owned/controlled companies and corporations was less than 51 per cent of the equity capital of respective companies. The particulars of such companies in which the investment of State Government was more than Rs.10 lakh in each case as on 31 March 1999 are given in Annexure 1.

1.11 Readiness of PSUs for facing Y2K problem

All the PSUs where computer system is in operation have conducted investigation and taken action to overcome the Y2K problem.

@ First year accounts not prepared.
* Not available.

CHAPTER II

Reviews relating to Government Companies

	Section
Karnataka State Industrial Investment and Development Corporation Limited	**2A**

CHAPTER II

SECTION 2A

KARNATAKA STATE INDUSTRIAL INVESTMENT AND DEVELOPMENT CORPORATION LIMITED

Chapter II

Karnataka State Industrial Investment and Development Corporation Limited

HIGHLIGHTS

The Karnataka State Industrial Investment and Development Corporation Limited (KSIIDC) was incorporated in June 1964 to promote industrial growth and development of industries in the State by providing financial assistance.

(Paragraph 2A.1)

The KSIIDC waived collateral security and did not verify the antecedents of the promoter of a loanee firm and machinery supplier which resulted in writing off Rs.209 lakh including interest. Further, release of loan to a private firm without mortgage of land rendered principal and interest amounting to Rs.528.78 lakh doubtful of recovery.

(Paragraph 2A.9.2.1(i) and 2A.9.2.2(ii))

By advancing loan to a firm which had been indulging in transfer of funds to other Companies of the same group, the KSIIDC suffered losses to the tune of Rs.817.80 lakh.

(Paragraph 2A.9.2(iii)

Decision to render financial assistance to a firm by way of subscription in Non Convertible Debentures on the security of equity shares of the same firm without obtaining a charge on the assets resulted in non realisation of Rs.665.15 lakh.

(Paragraph 2A.10.1)

Non-disposal of shares of Murudeshwar Ceramics by taking advantage of prevailing market price in March 1996 resulted in non-realisation of funds to the extent of Rs.1207.50 lakh.

(Paragraph 2A.11.1)

Percentage of recovery of loan had declined from 58 percent during 1994-95 to 47 percent during 1998-99.

(Paragraph 2A.13)

Out of 56 miscellaneous petitions filed involving dues of Rs.7311.64 lakh the Company could obtain decrees in respect of 11 cases for an amount of Rs.743.84 lakh upto December 1998, but the decrees could not be executed for want of certain details.

(Paragraph 2A.15)

2A.1 Introduction

The Karnataka State Industrial Investment and Development Corporation Limited (KSIIDC) was incorporated in June 1964 as a wholly owned Government Company to assist in the expeditious establishment, growth and development of industries in Karnataka.

2A.2 Objectives

The main objectives of the Company are to promote industrial growth in the State through equity participation, disbursement of term loan, underwriting of shares and formation of joint venture undertakings.

The present activities of the Company are mainly confined to financial assistance to industrial untis by way of loans and equity participation, merchant banking and bill discounting.

2A.3 Scope of Audit

The activities of the Company during the last five years upto 1998-99 were reviewed on the basis of a test check of records produced to audit. The findings thereof are set out in the succeeding paragraphs.

2A.4 Organisational set-up

The Management of the Company is vested in a Board of Directors comprising nine members including the Chairman and Managing Director (CMD). Eight members of the Board of Directors are nominated by the State Government and one is nominated by Industrial Development Bank of India (IDBI).

2A.5 Share Capital and Borrowings

2A.5.1 Share capital

Against the authorised share capital of Rs.100 crore, the paid up capital of the Company as on 31 March 1999 was Rs.72.50 crore, held by the Government of Karnataka. Further as per Annual Accounts for the year ended 31 March 1999 a sum of Rs.39.94 crore was lying under head "Share Application

Money" and the Company mentioned that the authorised Share Capital had been enhanced to Rs.160 crore approval of which was awaited from the Department of Company affairs (September 1999).

2A.5.2 Borrowings

The Company obtained loans from time to time, the outstanding amount of which was Rs.768.62 crore as on 31 March 1999. The borrowings include loan from banks (Rs.184.03 crore), IDBI/SIDBI (Rs.479.32 crore), Government of India/Karnataka (Rs.17.32 crore), Bonds (Rs.70.90 crore) and Others (Rs.17.05 crore).

2A.6 Sources of finance and utilisation thereof

Different sources of finance and their utilisation for the last five years upto 1998-99 are given in Annexure 8. It would be seen that during the five years upto 1998-99 the Company disbursed loans (Term loans, Bridge loans, Corporate loans and NCD) amounting to Rs.888.01 crore, whereas recoveries during this period amounted to Rs.450.06 crore. The borrowings from external sources (State/Central Government, Banks, NDI, HUDCO Bonds/BMP), which was Rs.36.40 crore during 1994-95, steadily increased to Rs.203.60 crore during 1996-97, decreased to Rs.49.30 crore during 1997-98 and again increased to Rs.134.05 crore during 1998-99.

2A.7 Financial Position and Working Results

The table summarising the financial position and working results of the Company for the five years upto 1998-99 are given in Annexure 9 and 10 respectively.

From the working results given in Annexure it would be observed that profit (after tax) of the Company has been fluctuating from Rs.5.98 crore (1994-95) to Rs.7.58 crore (1996-97) which came down to Rs.6.79 crore in 1997-98. But during the year 1998-99 the Company incurred loss of Rs.1.79 crore. The main reasons for conversion of profit into loss during 1998-99 were:

- writing off the bad debts amounting to Rs.10.36 crore relating to 14 cases indicating deficiencies in appraisal of projects and monitoring of recovery.
- the incidence of non-performing assets increased from Rs.69.81 crore (1994-95) to Rs.372.24 crore (1998-99) which represented 22.91 percent and 44.62 percent of the total assets respectively as discussed in para 2A.13.

- the financial cost which includes payment of interest on borrowing increased from Rs.34.48 crore (1994-95) to Rs.100.26 crore (1998-99) i.e., 190.78 per cent increase whereas the operating income increased only by 138.78 per cent during the same period from Rs.51.47 crore in 1994-95 to Rs.122.90 crore in 1998-99.

2A.8 Assistance to industries

As mentioned in paragraph 2A.2 the Company is providing financial assistance to industrial units mainly by way of loans which include term loan, corporate loan, . bridge loan etc., and participation in the share capital of the assisted units. The following table summarises the number of units assisted and the Company's investment in the form of equity participation and loans etc. along with the status of the assisted units as on 31 March 1999:

(Amount Rs. in Crore)

	Financial Assistance								Others			
Status of assisted units	Term loan		Corporate loan		Bridge loan		Contribution to share capital		Non Convertible Debentures		Bills Discounting	
	No of Units	Amo-unt	No of Units	Amo-unt	No of Units	Amo-unt	No of Units	Amo-unt	No of Units	Amo-unt	No of Unit	Amo-unt
No of units presently assisted	583	581.36	93	99.50	97	12.34	135	90.66	13	38.35	4	6.90
i)Units under Comm-ercial product-ion	369	339.39	76	74.49	77	9.63	122	89.71	9	29.15	1	1.49
ii)Units under imple-menta-tion	96	126.93	--	--	02	0.36	--	--	--	--	--	--
iii)Units became sick/ closed	118	115.04	17	25.01	18	2.35	13	0.95	4	9.20	3	5.41
Total	**583**	**581.36**	**93**	**99.50**	**97**	**12.34**	**135**	**90.66**	**13**	**38.35**	**4**	**6.90**

18.7 percent of units presently assisted have become sick/closed.

From the above it would be evident that out of 925 units, being presently financed 654 units (70.70 percent) were in commercial production 98.units (10.60 percent) under implementation and 173 units (18.70 percent) were closed/became sick.

2A.9 Term loan assistance

2A.9.1 District-wise distribution of assistance

The details of number of units promoted/assisted by the Company by way of term loans during the five years ending 31 March 1999, are given in Annexure.11.

46 percent of total units finances were situated in Bangalore District alone.

It may be observed from the table that out of the total 770 units assisted (Rs.917.66 crore) during the last five years ending 31 March 1999, 352 units (Rs.466.98 crore) are located in Bangalore District which constitutes 46 per cent of the total units financed. The Company promoted only one unit each at Gadag and Bagalkot Districts, two units each at Chamarajanagar District and Hassan District and 3 units each at Udupi and Chickamagalur Districts. The financial assistance to these six Districts out of 25 Districts in the State was to the extent of Rs.1643 lakh constituting only 1.8 percent of the total amounts disbursed during the last five years ending 1998-99. In this connection, it is pertinent to mention that the COPU in its sixty seventh report (March 1996) recommended that concerted efforts should be made by the Government and the Corporation to review the scope for development of the areas where infrastructure facilities for establishment of industries were lacking.

2A.9.2 Sanction/disbursement of Term Loans

Providing financial assistance by way of term loan is the main activity of the Company. As on 31 March 1999, the Company provided term loan of Rs.1045.89 crore to 1444 units (since inception) which constitutes 75.88 percent of total loan (Rs.1378.42 crore) assistance. It provides medium and long term loans for setting up new projects as well as for expansion, modernisation or diversification upto Rs.250 lakh for a single project/scheme. However, assistance exceeding this limit can be sanctioned by the Board of Directors.

There was decrease in receipt of applications during last two years when compared to previous two years

During the last four years ending 1998-99, the Company out of 713 applications received for an assistance of Rs.1576.36 crore (including 24 applications pending at the beginning of 1995-96 for an assistance of Rs.34.71 crore) sanctioned 602 applications for Rs.737.24 crore (102 application amounting to Rs.813.13 crore rejected/withdrawn) leaving a balance of 9 applications for Rs.25.99 crore; and disbursed a loan amount of Rs.507.18 crore. Details of application received, sanctioned, disbursement etc., are given below:

(Amount Rupees in crore)

	1995-96		1996-97		1997-98		1998-99		Grand total	
	No. of applications	Amount	No. of applications	Amount	No. of applications	Amount	No. of applications	Amount	No. of applications	Amount
a)Applications pending at the beginning of the year	24	34.71	10	8.99	9	22.52	4	4.06	24	34.71
b)Applications received	214	262.49	237	325.16	117	157.25	121	796.75	689	1541.65
c) Total	238	297.20	247	334.15	126	179.77	125	800.81	713	1576.36
d)Applications rejected/lapsed/ withdrawn	25	50.51	44	55.01	18	47.51	15	660.10	102	813.13
e)Applications sanctioned	203	237.70	194	256.62	104	128.20	101	114.72	602	737.24
f)Applications pending at the end of the year	10	8.99	9	22.52	4	4.06	9	25.99	9	25.99
g)Amount disbursed		108.58		160.31		120.73		117.56		507.18

It would be seen that there has been declining trend in the receipt of application which have come down to 125 during 1998-99 from 247 during 1996-97. Similarly the loan disbursement has declined from Rs.16031 lakh to Rs.11756 lakh during this period.

The Management attributed the declining trend in receipt of applications to the economic slow down and competitive environment and entry of Banks to term loan lending.

2A.9.2.1 Deficiencies in the appraisal before sanction/disbursement of loan

According to the procedure laid down financial assistance is given after satisfying about the technical and economic viability of the project and credit worthiness of the promoters. Disbursement is made after entering into an agreement, ensuring clear title of primary security mortgaged and watching the progress of the project.

It was observed that even though the Company has a full fledged Appraisal Department, it relied mainly on the feasibility reports submitted by the promoters while making appraisal of the projects.

A few cases involving deficiencies in sanction/disbursement of loan as well as lack of monitoring of recovery test checked in audit are discussed below:

i) Precise Poly containers (P) Limited

Waiver of collateral security and non-verification of antecedents of promoter before sanction, led to loss of Rs.209 lakh.

The Manager (Appraisal) while conducting appraisal of the proposal of Precise Poly Containers (P) Limited expressed (10 November 1992) his apprehensions about the credibility of the promoter (Shri.Bharath Bhushan Jagadish Chandra Arora) as well as plant and machinery supplier. The discrepancy in the name of Chief Promoter was also noticed. Even then the Chairman and Managing Director advised to finalise appraisal on the recommendations of the promoter without due importance being given to the verification of the antedecent of suppliers of the plant and machinery. However, in order to safeguard the interest of the Company it was proposed to obtain collateral security in the form of fixed assets from the promoters. The Board of Directors approved (16 November 1992) the term loan of Rs 150 lakh for setting up a project for manufacture of HM DDPE plastic barrels on the security of the assets to be purchased and personal security of promoter.

Subsequently, at the request of the Chief Promoter collateral security was also waived off by the Board of Directors on 18 February 1993. The Company released Rs 101.92 lakh in stages between March 1993 and November 1993. The project implementation was stopped in December 1993 and the Company cancelled the balance loan (April 1994). While taking over the assets (August 1994) under Section 29 of the SFC Act it was observed that scrap machinery valued at Rs.0.42 lakh was only supplied by the supplier against the stated value of Rs.1.50 lakh. The Company further noticed that the same promoter

had cheated the other financial institutions viz., UPSFC, Rajasthan Industrial Development Corporation and Gujarat State Financial Corporation.

The Company realised Rs.26 lakh (November 1997) on the sale of land and building of the factory taken over under Section 29 of SFC Act. Personal guarantee of the Chief Promoter could not be enforced as his whereabouts were not known. The Board desired (January 1995) the CMD to look into the case and take suitable corrective action and suggested that the lapse on the part of the concerned officers be identified and responsibility, if any, fixed. The matter was investigated and it was observed that waiver of collateral security and non-verification of antecedents of the promoter and machinery supplier contributed to the misutilisation of funds by the promoter, however, no responsibility for the lapse was fixed.

The Company wrote off (March 1997) the balance loan amounting toRs.209 lakh including interest. Thus, the failure of the Company to verify the antecedents of the machinery supplier and promoter at pre- disbursement stage led to loss of Rs.209 lakh.

ii) Varlak Agro Tech (P) Limited :

Release of loan without mortgage of land rendered the dues of Rs.528.78 lakh doubtful of recovery.

Varlak Agro Tech (P) Limited was sanctioned (June 1995) a term loan of Rs.300 lakh by the Board for setting up a 100 percent Export Oriented Unit (EOU) for production of 37.78 lakh rose cut flowers per annum. The terms of sanction inter-alia stipulated that the promoters should obtain conversion of land from agricultural to non-agricultural purpose, and produce proof of clear title to the property offered as security before seeking disbursement of loan.

The Managing Director authorised disbursement of loan in two instalments of Rs.250 lakh and Rs.50 lakh in December 1995 and June 1996, respectively after obtaining the collateral security of two properties instead of land originally envisaged as security and after relaxing some of the important preconditions of sanction e.g. conversion of land for non agricultural purpose, clearance from Inspectorate of factories and boilers,import licences from Ministry of Agriculture, Government of India, turnkey agreement with M/s.Sayag Nurseries, Israel for supply of raw material, registration with Agricultural Produce Export Development Authority (APEDA) etc.

The overdue amount towards repayment of loan and interest mounted to Rs.144.47 lakh (20 July 1998) when the Company decided to invoke Section 29 of the SFC Act, 1951.

However, the company could not invoke these provisions since mortgage of land was not insisted upon. Thus, the release of loan without mortgage of the land rendered principal and interest amounting to Rs.528.78 lakh (September 1999) doubtful of recovery.

The Company stated (September 1999) that relaxation of preconditions were of routine nature. However, the Company did not indicate the reasons for not insisting upon the clear title of the property offered as security.

iii) Loans to C.R.B.Coporation

Sanction of financial assistance to a Company which was indulging in transfer of funds to group companies has led to doubtful recovery of Rs.817.80 lakh.

C.R.B. Corporation promoted by Shri.C.R.Bansali, one of the group companies of CRB Capitals, established a Granite Factory at Hoskote Industrial Area, Bangalore District. This Company had indulged in transferring its internally accrued and borrowed funds to C.R.B.Group of Companies. During 1994-95, this Company invested in group companies viz., C.R.B.Capital (Flag ship Company of the Group) and C.R.B.Share Custodian Services, Shri.Bikshy Foundation and CRB Daewoo Securities and Bill Finance Corporation Limited upto Rs.278.53 lakh and Rs.1300 lakh in Arihant MangalMutual funds. In 1995-96, the subject Company (C.R.B. Corporation) invested Rs.1320 lakh in the shares of C.R.B.Capital Markets Limited and Rs.300 lakh in unquoted shares of C.R.B. Assets Management Company. Despite the information regarding transfer of funds in the group companies being available in the C.R.B. Corporation's Annual Accounts, for 1994-95 (May 1995) and 1995-96 (June 1998) KSIIDC sanctioned term loan of Rs.139 lakh (August 1994), subscription to Non-convertible Debentures (NCD) of Rs.300 lakh (October 1995) and Bill Discounting limit of Rs.200 lakh (December 1996) for working capital requirement of the Granite Factory. A further proposal to subscribe to NCD amounting to Rs.300 lakh was cancelled in May 1997 as the CRB scam came to light.

A total sum of Rs.817.80 lakh was due towards principal only (March 31 1999) for recovery which appears to be doubtful as the securities obtained against the loans viz., collateral security of C.R.Bansali and family and shares of other group companies have become bad. Section 29 of SFC Act was invoked against the assets of the factory situated at Hosakote which was held in pari-pasu with IDBI against term loan balance only.

The RBI initiated winding up process of the firm (C.R.B) belonging to the group. Delhi High Court appointed an official liquidator to take over the assets of the CRB Corporation Limited. The flat in Mumbai offered as collateral security is stated to be under attachment by Mumbai High Court. KSIIDC filed a petition in the Court (March 1997) invoking personal guarantee of promoters/directors for the recovery of dues. KSIIDC does not have the details of personal properties of guarantors.

Thus, by advancing loans to the Company which had been indulging in transfer of funds to other group companies, KSIIDC suffered financial loss to the extent of Rs.817.80 lakh.

2A.9.3 Corporate loans and Bridge loans

Corporate loans and Bridge loans are granted to assisted units against the subsidy sanctioned by Government/sanction of a line of credit by the Company, pending fulfilment of the conditions of such sanctions.

The Company disbursed short term loans amounting to Rs.24731.95 lakh to 221 units and Bridge loan amounting to Rs.2178.68 lakh to 127 units durin

the period from 1994-95 to 1998-99. Though short term loans were recoverable within one to one and half years, as on 31 March 1999, short term loans of Rs.6284.02 lakh from 110 units, and bridge loans of Rs.266.50 lakh towards principal from 97 units were overdue for recovery out of which a sum of Rs.229.18 lakh was outstanding for more than one year. The amounts of outstanding interest on short term loans and bridge loans as on 31March 1999 was Rs.3412.29 lakh and Rs.203.68 lakh respectively.

A few cases of irregular disbursement of short term loans noticed in Audit is discussed below :

(i) Kingsley Exports

Corporate loan was sanctioned inspite of default in payment of Rs.14.20 lakh relating to the earlier loans.

Kingsley Exports, a partnership firm manufacturing export garments, was sanctioned (March 1996) a Corporate loan of Rs.100 lakh towards working capital despite knowing that the firm had defaulted in payment of Rs.14.20 lakh in respect of two term loans availed earlier (Rs.107 lakh in February 1994 and Rs.25 lakh in September 1995). The firm assured the Company (February 1996) of clearing the said dues in a day or two. The firm had also defaulted in the Coporate loan of Rs.70 lakh availed from KSFC and they were refused further loan as intimated (February 1996) by KSFC. At the time of availing working capital loan the firm had revalued the assets (February 1996) from Rs.183.45 lakh to Rs.441.52 lakh and this was accepted by the Company during appraisal. The loan was released (March 1996) on the undertaking given by the firm that the land would be mortgaged after obtaining sale deed from Karnataka Industrial Area Development Board (KIADB).

The firm defaulted in payment of interest as well as principal from December 1996. The proposed legal action was deferred by the Company (December 1997) on the assurance of the firm's Bankers to enhance the working capital limits from Rs.136 lakh to Rs.628 lakh. However, the Banker did not do so and filed a suit against the firm (October 1998) in Debt Recovery Tribunal to recover their dues.

The Company, as against the outstanding dues of Rs.299.72 lakh as at 31 December 1998, issued notice (December 1998) for recovery of only Rs.120.58 lakh.

The Company stated (September 1999) that it was in possession of original sale deed of land allotted by KIADB to the firm. The reply is not tenable since the land had not been mortgaged so far.

Thus, finance to a unit which was already defaulter and that too without mortgaging the property resulted in doubtful recovery of Rs.299.72 lakh.

(ii) *Indiana Dairy Specialities*

Sanction of loan based on security of shares of the firm held by the promoters deprived legal remedy under SFC Act, incase of default.

The Company sanctioned (March 1996) a Corporate loan of Rs.150 lakh even though an amount of Rs.50 lakh was outstanding against the firm towards another Corporate loan sanctioned earlier (March 1995). The loan was secured by pledge of 8,70,000 shares of the firm of Rs.10 each valued at Rs.28.50 per share and held by the promoters, and the personal guarantee of its Chairman. The firm defaulted the repayments and the dues mounted to Rs.255.12 lakh as at January 1999. The firm was closed down due to demise of the promoter of the firm, Shri.T.R.Varadarajan (March 1997) and there were no takers for the shares of the firm. IDBI was seriously pursuing (February 1999) the winding up of the firm.

The Company by accepting the shares of the firm held by the Promoters as security, had been deprived of legal remedy available under Section29 of SFC Act and thus chances of recovery of loan balance of Rs.255.12 lakh (January 1999) became remote. As a prudent policy the Company should not have released loan on the security of loanee shares.

The Company replied (September 1999) that efforts were on to find a buyer for the shares pledged by the firm and had requested IDBI to consult the Company before effecting a change in management.

(iii) *European Software Alliance Limited, Scintilla Software Technology Limited, Cauvery Software Engineering Systems Limited*

Sanction of loan on the security of loanees shares and waiving the personal guarantee of the Directors resulted in non-recovery of dues amonting to Rs.11.58 crore.

In February, April and August 1996, three companies namely, European Software Alliance Limited, Scintilla Software Technology Limited and Cauvery Software Engineering Systems Limited were sanctioned Corporate loans aggregating Rs.575 lakh on the security of their own shares held by one or more of the group companies and by waiving the personal guarantee of the Directors. The Companies defaulted in payment of interest and repayment of principal on due dates. The Company proposed (November 1998) to sell the shares held as security but could not dispose off.

The market value of the shares pledged were at the rate of Rs.10.60, Rs.19.40 and Rs.7.10 against the quoted price of Rs.530, Rs.340 and Rs.16 respectively at the time of sanction of loan in respect of above referred companies.

Thus due to waiving of personal guarantee of the loanee and security of the loanees shares led to non-recovery of overdues amounting to Rs.1158 lakh (Septermber 1999).

The Company stated (September 1999) that the scheme was introduced wher the share market was boyant, but has stopped financing against pledge o shares of borrower companies considering the depressed capital marke conditions; and efforts were being made to divest the share holdings afte seeking expert opinion.

2A.10 Subscription to Non-convertible debenture (NCD) of Namasthe Exports Limited Bangalore

Subscription to NCD without securing any charge on the assets of the Company rendered Rs.665.15 lakh doubtful of recovery.

In January 1996, the Company subscribed on private placement basis an amount of Rs.350 lakh to NCD, carrying an interest of 20 percent, of Namasthe Exports Limited, Bangalore, redeemable in eighteen months on the security of equity shares of the firm pledged by the promoter/directors of the same firm besides a collateral security valued at around Rs.100.00 lakh offered by M/s.Elite Leather International Private Limited. However, the Company did not secure any charge on the assets of the loanee.

The firm suffered continuous losses and failed to repay the loan. The outstanding loan as at 30 September 1999 including accrued interest of Rs.315.15 lakh was Rs.665.15 lakh.

Recovery of the above dues appear doubtful as the firm had incurred operating losses of Rs.36.90 crore eroding networth by 50 percent as at 31 March 1997.

As such, the Board's decision to sanction loan to the company by way of subscription to NCD by securing the same on the equity shares without obtaining a charge on the assets was not a prudent policy.

2A.11 Investments

The investment activities of the Company can be broadly classified into investments in equity under the assisted/joint sector units, investments made in equity/debentures under the firm allotment for Development Financial Institutions (DFIs) and investments made in equity under mega projects as a Governmental agency. While investment under DFI quota are being made with a target of return, investments in the assisted/joint sector units are made as per the stated priorities of the Government. The Company's investment stood at Rs.9023.93 lakh in shares of 135 assisted units (quoted/unquoted), as on 31 March 1999. This includes Rs.726.75 lakh invested in 23 units under DFI quota.

The Company normally considers disinvestment after three years from the date of investment depending upon the prevailing market condition and also performance of the each Company. The IDBI in its performance evaluation study report for the financial year 1990-91, had also suggested unloading the unquoted shares to the extent possible under the buyback agreements in order to enhance the return on investments..

The following table indicates the yearwise position of investments/disinvestments due, disinvested and disinvestment overude for the last five years to end of 31 March 1999.

(Amount Rupees in lakh)

Financial year	Total investment		Disinvestment due		Disinvestment made		Disinvestment overdue (Net)	
	Units	Amount	Units	Amount	Units	Amount	Units	Amount
1994-95	84	2871.29	85	2043.18	3	27.00	84	2016.18
1995-96	114	6087.09	85	2665.28	1	4.50	84	2660.78
1996-97	122	6181.30	78	2691.67	3	10.94	75	2680.90
1997-98	129	8660.88	84	2871.29	3	368.14	81	2503.15
1998-99	135	9023.93	114	6087.09	1	23.75	113	6063.34

The Management failed to disinvest the shareholdings even when the investee units had gone on stream and the prices were at its peak. A few cases where the Company failed to disinvest the share holdings (quoted) and thereby lost the opportunity to recover its investment for further deployment, are discussed below:

2A.11.1 Investment in Murudeshwar Ceramics Limited

The Company invested Rs.130 lakh in 11,50,000 shares at Rs.10 each and 10,000 debentures of Rs.150 each during 1988-89 in Murudeshwar Ceramics Limited (Firm) as co-promoter. The Company decided to disinvest their share holdings in July 1991. While the Company was trying to find buyers, the firm announced rights issue (February 1996) for setting up additional facilities at an estimated cost of Rs.6192 lakh. The Company further subscribed Rs.200 lakh consisting of 2,50,000 shares of Rs.10 each at a premium of Rs.70 per share (February 1996); which lacked justification as the Company had to pay interest on the amount of shares including premium while dividend was earned only on the face value. On the subscription under the rights issue, the Company received 30 per cent dividend amounting to Rs.15.00 lakh for the year 1996-97 and 1997-98 as against the interest burden of Rs.62.50 lakh at the average borrowing rate of 15 percent per annum on the amount of Rs.200 lakh invested (March 1998). This resulted in a loss of Rs.47.50 lakh.

The Company did not dispose off the shares when the market rate was attractive.

The KSIIDC had the prerogative to offer the shares to the co-promoters and upon their refusal to buy the shares at the prevailing market rate the same could be offered to public. When the offer was made to the co-promoter he had offered (March 1995) a price of Rs.70 per share in respect of 50,000 shares when the ruling market price was Rs.115 per share. The market value of the shares had established at around Rs.105 per share (March 1996). When another offer was made, in October 1997 the promoter offered a price of Rs.18 per share for 11,50,000 shares. No further action has been taken by the Company (January 1999).

Had the Company taken advantage of the prevailing price in March 1996 and disposed off the shares (initially subscribed) in the market, it could have realised funds to the extent of Rs.1207.50 lakh and invested elsewhere.

2A.11.2 Investment in K.G.GlucoBiols Limited (KGB)

The firm was established (April 1987) as a joint sector company with Glaxo India for setting up an integrated maize processing complex for production of glucose. KSIIDC invested Rs.291.62 lakh in 29,16,160 shares of Rs.10 each.

Failure to disinvest at the appropriate time led to loss of Rs.272.18 lakh consequent upon subsequent amalgamation of the unit.

The project was managed by Glaxo Company. In view of inadequacies in project planning, the project suffered cost and time overrun and became unviable and suspended its operations in August 1994. It was observed that firm at Ahmedabad had showed interest in taking over K.C.B. by paying shares of the Company at its face value in October 1992. This was considered good offer in view of accumulated losses incurred by the unit. However, the Company did not take any decision in this regard.

The firm was amalgamated (March 1996) with another public limited company called Riddhi-Siddhi Starch and Chemicals Limited as per rehabilitation package sanctioned by BIFR (December 1995). Accordingly KSIIDC, which held 29,16,160 shares in KGB was allotted 1,94,410 shares of Rs.10 each by the amalgamated Company. Thus the Company suffered a loss of Rs.272.18 lakh due to permanent dimunition in the equity holding in Riddhi Siddhi Starch and Chemicals.

2A.11.3 Investment in George Fischer Disa Limited

Non disposal of shares held by the Company at the appropriate time resulted in non-realisation of Rs.272.42 lakh.

KSIIDC invested (June 1985) a sum of Rs.11.00 lakh in 1,10,000 equity shares of Rs.10 each of BMD Industries Limited (changed to George Fischer Disa Limited with effect from June 1996) which established a foundry machinery and equipment manufacturing unit at Tumkur. KSIIDC was free to part with their shareholdings, after April 1993 with a restriction of 11000 shares per transaction. KSIIDC started its disinvestment by offering the share holdings to the promoters in 1993 itself. But the promoters evinced no interest in buying back the shares from time to time on one pretext or the other. One of the co-promoters disinvested its share in open market. However, KSIIDC did not attempt to dispose off the shares in the open market, when the market price was favourable at Rs.255 (March 1997). The investments are yet to be offloaded (September 1999). Had the shares been disposed off in open market at an appropriate time the Company would have received a sum of Rs.272.47 lakh evenafter deduction of brokerage commission of 2.5 per cent for financial assistance in other units.

2A.12 Bill Discounting Scheme

The Company introduced a scheme of Bill Discounting (December 1995) on the lines of similar scheme prevalent in IDBI and ICICI. The scheme covered the supply bills of capital goods as co-accepted/guaranteed by the Bankers of

the purchasers. The scheme was made applicable to all equipment manufacturers to enable them to sell their equipment on deferred payment terms and to their purchasers for their modernisation, expansion and diversification projects. As regards security, the Company made the scheme flexible and any of the seven securities specified could be accepted, single or any combination thereof. As such co-acceptance of bankers/financial institution was not ensured in every case.

Bill discounting facility was extended to 3 units without co-acceptance/guarantee by Bankers led to dishonour of bills amounting to Rs.540.91 lakh.

Out of 10 units (Rs.3048.31 lakh) to which this facility was extended, 3 units (Indiana Dairy Specialities, CRB Corporation Limited and HMP Cements Limited) dishonoured bills amounting to Rs..540.91 lakh. The chances of recovery of the above sum were remote as the instruments were not backed by co-acceptance/guarantee by Bankers. Had the bills been co-accepted by the bankers of the drawees the defaulted amount would have been recovered from the bankers.

The Company stated (September 1999) that the Bill Discounting was intended to meet the working capital requirements of the units and are not normally possible to be co-accepted by the banker as it would reduce the drawing power of the units by a corresponding amount, and with a view to increase the business some modifications were incorporated with regard to security clause.

The reply is not acceptable since co-acceptance of the bills by the bankers was one of the main securities as envisaged in the scheme.

2A.13 Recovery Performance

The position of arrears of loans due for repayment (term loan, bridge loan, corporate loan and NCDs) and recovery for the five year period from 1994-95 to 1998-99 are detailed in Annexure 12.

Percentage of recovery of loan decreased from 58 percent in 1994-95 to 47 percent in 1998-99.

It may be seen from the annexure that the recovery has declined from 58 percent during 1994-95 to 1996-97, to 51 percent during 1997-98, and further declined sharply to 47 percent during 1998-99. It may be seen that the Company did not achieve the targetted recovery even when the targets were far below the recoverables except during 1994-95. Further, the percentage of recovery in respect of arrears were far less than that of current demand.

2A.14 Possession of units

Recovery of dues by taking over the Assets under Section 29 of the SFC Act, 1951

Out of 69 units taken over under SFC Act, the Company could dispose off assets of 14 units only.

Section 29 of the SFC Act, 1951 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. Out of 355 units with a defaulted amount of Rs.349.25 crore, as at the end of March 1999, the Company took over the assets of 69 defaulting units (outstanding dues: Rs.137.01 crore) under Section 29 of the SFC Act, 1951 during the period from 1987-88 to 1998-99. Of these (69 units) the Company could dispose off assets of 14 units realising Rs.7.49 crore against outstanding of Rs.31.30 crore leaving a balance of Rs.23.81 crore. Out of this, miscellaneous petitions were filed against 5 units only for recovery of outstanding due of Rs.5.41 crore and obtained (March 1998) decree in one case only for Rs.1.18 crore which has not been executed so far (September 1999).

The Company could not sell the assets of 55 units (lying from March 1991 to March 1999) involving defaulted amount of Rs.105.71 crore for want of clear title to assets (2 units), heavy customs dues (2 units), non-receipt or receipt of low offers on advertisements (31 units), delay in advertisements resulting from delayed valuation of assets (6 units), execution of cases pending with BIFR (3 units), pending in court (1 unit), withdrawal of offers (4 units) and fresh cases (6 units).

The Company stated (September 1999) that constraints in disposal of assets taken over include technical obsolescence of machinery, change in market conditions, legal hurdles, recession in industrial sector and frequency of advertisement is decided depending on the merits of each case.

2A.15 Recovery of dues through legal process

Decrees obtained in respect of 11 cases only out of 56 petitions filed.

The Company filed 56 miscellaneous petitions involving outstanding amount of Rs.7311.64 lakh in various courts during the period from August 1987 to November 1998 under Section 31 of SFC Act, 1951 for invoking the personal guarantees of the promoters for recovery of dues. Out of these the company could obtain decrees in respect of 11 cases for an amount of Rs.743.84 lakh between January 1994 and December 1998. However, these decrees could not be executed for want of details regarding location/identification of properties belonging to the guarantors (March 1999).

The Company stated (September 1999) that process of obtaining details of personal properties enabling execution of decrees was time consuming and the process of execution of decree was being expedited.

2A.16 Non-peforming assets

The percentage of Non-performing assets increased from 22.91 to 44.62 during the five years ending 1998-99.

As per RBI guidelines an asset becomes a non-performing asset (NPA) when it ceases to generate income for an institution. According to the guidelines a term loan will be treated as NPA if interest has remained past due for period exceeding two quarters. High level non-performing assets arise from poor credit appraisal and inadequate post credit monitoring.

The following table gives the details of non-performing assets as at the end of each year from 1994-95 to 1998-99. As could be seen from the table that there has been rapid growth of NPA from 22.91 percent to 44.62 per cent during the last five years ending 1998-99.

Type of Asset	1994-95	1995-96	1996-97	1997-98	1998-99
	.....(Rs. in crore.....)				
Total Assets/Loan balance	304.76	364.63	587.03	661.39	834.32
Less:Standard Assets	234.95	283.93	389.24	363.46	462.08
Non-performing Assets (NPA)	69.81	80.70	197.79	297.93	372.24
Percentage of NPAs to total/loan balance	22.91	22.13	33.69	45.05	44.62

The above matters were reported to Government (July 1999); their replies had not been received (October 1999).

CONCLUSION

The Company was formed in June 1964 with a view to ensuring industrial growth in the State. However, it could not achieve this objective as a large number of units set up and developed by it had become sick and unviable and went into liquidation mainly due to inadequate appraisal of project before rendering assistance. Further, failure of the management to monitor effectively the units, timely action for recovery of dues, lack of prudent decision in investment/disinvestment etc. had the cumulative effect of conversion of profit into loss during 1998-99. In view of this, KSIIDC needs to take urgent steps to effectively follow its own laid down procedure in sanction/disbursement of loan, improve the recovery performance and judicious decision in investment/disinvestment.

CHAPTER III

SECTION 3

REVIEWS RELATING TO STATUTORY CORPORATION

CHAPTER III

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REVIEWS RELATING TO STATUTORY CORPORATION
Karnataka Electricity Board and Karnataka Power Corporation Limited

The Physical And Financial Performance in the Power Sector

SECTION 3A

Karnataka Electricity Board and Karnataka Power Corporation Limited

The Physical And Financial Performance in The Power Sector during VII Five Year Plan

HIGHLIGHTS

The Planning Commission targetted to increase the installed capacity of generation from 2219.80 MW to 2813.05 MW during VII Plan period by completing four ongoing projects of 581 MW and two projects of 12.25 MW

(Paragraph 3A.1)

Against plan outlay of Rs 800 crore there was allocation of Rs 1196.55 crore. However , actual expenditure during plan period was Rs 1056.01 crore. The State Government provided funds to the extent of Rs 782.77 crore and remaining funds were arranged from external borrowings.

(Paragraph 3A.3)

Against the target of addition in installed capacity of 593.25 MW there was addition of 439.80 MW during the plan period. Out of four ongoing projects to be completed during the plan only two projects could be completed, one was partially completed whereas one project was not taken up during VII Plan. Further out of two new projects only one was partially completed and one project was not taken up at all.

(Paragraph 3A.4.1)

Out of eight projects taken up by the Govermment during VII plan, four projects were not taken up so far.

(Paragraph 3A.4.2)

Five projects which were completed during VII and VIII plan period there was time overrun in the range of 24 to 92 months and consequently the project cost had increased from Rs.457.57 crore to Rs.1084.65 crore.

(Paragraph 3A.6)

In the construction of 4 sub-stations test checked in audit there was time overrun of 13 to 48 months which resulted in cost overrun of Rs.2.65 crore.

(Paragraph 3A 8.2)

3A.1 Introduction

At the end of sixth plan (March 1985), the total generating capacity of power in the State of Karnataka was 2219.80 MW. In order to increase the installed capacity to 2813.05 MW by the end of seventh five year plan period (1985-86 to 1989-90), the Planning Commission had targetted an addition of 593.25 MW in the installed capacity. To achieve this target broad thrust was given to complete four on going projects[1] of 581 MW and 2 new projects[2] of 12.25 MW of power during the plan period. In addition, the State Government on its own envisaged 8 projects with a capacity of 1832 MW during the VII plan period which were scheduled to be completed during subsequent plan. The Planning Commission also envisaged completion of systems improvement schemes and strengthening of transmission and distribution network during the plan period.

In the State there are two agencies in power sector i.e., Karnataka Electricity Board (KEB) which generates, purchases and distributes power whereas Karnataka Power Corporation Limited (KPCL) generates power and sells to KEB for further distribution. Accordingly, the execution of works relating to generation during the VII plan were given to KPCL and remaining works of Transmission, Distribution and other allied works were entrusted to KEB.

3A.2 Scope of Audit

The present review covers the execution of works by the KPCL and KEB which were taken up by these agencies in order to achieve the targets of VII Five Year Plan. It also includes the ongoing projects of earlier Five Year Plans and projects taken up in the VII Plan but spillover to subsequent plans periods. Results of review are discussed in succeeding paragraphs.

3A.3 Plan outlay and actual expenditure

An outlay of Rs 800 crore on Power sector for the State of Karnataka was envisaged in the seventh plan. Based on this outlay, the KEB and KPCL in consultation with the Planning Department and based on their available resources, allocated funds in the annual plans for execution of works. The outlay for VII Five Year Plan, allocation of funds during five annual plans

[1] Kali stage 1 Supa(100 MW), RTP Unit I and II (2x210), Varahi(239 MW) and Ghataprabha (32 MW).
[2] Mini hydel schemes (10.75 MW) and Maddur hydel schemes (150 MW)

period vis-à-vis actual expenditure for the five years ended March 1990 are given below:

(Rs. in crore)

Sl. No.	Particulars	Outlay as per VII plan	Allocation of funds as per annual plans	Actual expenditure	Shortfall (-) /Excess (+) against allocation
1.	Power generation – KPC	449.76	632.33	481.27	(-)151.06
2.	Renovation and modernisation of thermal plants hydel stations - KPC	12.50	14.71	4.26	(-) 10.45
3.	Transmission and distribution – KEB	270.22	192.37	165.95	(-)26.42
4.	Rural electrification - KEB	52.73	204.23	203.61	(-) 0.62
5.	Survey and investigation				
	KPC	4.20	3.49	5.95	(+) 2.46
	KEB	0.80	0.20	0.28	(+)0.08
6.	Others				
	KEB	9.79	115.15	187.85	(+) 72.70
	KPC	--	34.07	6.84	(-) 27.23
Total	KEB	333.54	511.95	557.69	(+) 45.74
	KPC	466.46	684.60	498.32	(-) 186.28
	Total	800.00	1196.55	1056.01	(-) 140.54

From the above it would be observed that against the plan outlay of Rs.800 crore, there was allocation of Rs.1196.55 crore in the annual plans. Against this allocation, the actual expenditure was Rs.1056.01 crore during VII plan period, of which the State Government provided loan assistance to the extent of Rs.782.77 crore (KPC: Rs.259.29 crore and KEB: Rs.523.48 crore) and remaining funds were arranged from external borrowings. It was seen that there was shortfall of Rs.186.28 crore in meeting the actual expenditure over the planned allocation in respect of KPCL which was mainly due to inadequate bugetary support by the State Government as it could receive only Rs.259.29 crore as against total expenditure of Rs.498.32 crore from the State Government. As KPCL was the executing agency for the power generation, the inadequate budgetary support contributed to delayed completion of the projects as discussed in paragraph 3A.6. In case of KEB there was excess expenditure of Rs.45.74 crore as compared to allocated fund, which was mainly incurred on miscellaneous works e.g., communication systems, service connections, buildings etc., whereas the expenditure on Transmission and Distribution Systems, renovation and modernisation schemes and rural electrification was less than the allocation.

3A.4. Targets and Achievements

3A.4.1 The following table indicates the target fixed and achievement there against with regard to addition to installed capacity, transmission and distribution works, Rural Electrification and line losses and service connections during the VII Plan period.

Sl. No	Particulars	Units	Target @	Achieve-ment	Percent-age of achieve-ments
1.	Addition to installed capacity	MW	593.25	439.80*	74.10
2.	Transmission & Distribution system				
	(a)Construction/Renovation of Sub-Stations (i) New (102) (ii) Moderisation (76)	MVA	 2062 929	 1247.10 1452.50	 60.50 156.40
	(b)Transmission-lines	Circuit Kms	3626	2616.34	72.10
3.	Line losses (T&D losses)	Percen-tage	22.6 to 20.6	22.8 to 20.5	--
4.	Rural Electrification Scheme				
	(a) Electrification of villages/hamlets	No.	5745	5454	94.90
	(b)Pumpsets Elecrification	No.	16700	226038	1353.50
	(c)Bhagyajyothi Scheme	No.	225000	142186	63.20
5.	Service connections other than Irrigation Pump (IP) sets, street lights etc.	No.	1500000	1361619	90.77

@ Source: Targets of addition to installed capacity has been taken from the Planning Commission document whereas other targets are based on State Government (Planning Department) document. Achievement of targets have been taken from Annual Administrative Reports of KPCL/KEB.

From the above, it would be seen that none of the targets could be achieved during the VII Plan period except electrification of pumpsets and modernisation of substations. However, abnormal increase in the electrification of pumpsets did not fetch any substantial revenue to the Board because energy to these pumpsets was supplied free or with nominal charge. Against the target of addition to installed capacity of 593.25 MW there was addition of 425.40 MW which could be achieved by completing two ongoing projects (Kalinadi Stage I Supa and RTPS unit II) of 310 MW, whereas one project (Varahi) was partially completed and only 115 MW could be added. One project (Ghataprabha) started during VI Plan could not be completed even in VII Plan period (completed in VIII plan). Out of two new projects with a capacity of 12.25 MW to be completed during VII plan, only 0.40 MW

* Including addition of 14.40 MW from the projects taken by State in its own plan.

capacity could be added by partial completion of one project and the other project (Maddur) was not taken up at all (September 1999).

3A.4.2 Additions as per State plan

As mentioned in paragraph above, the State Government also took up eight projects (Capacity 1832 MW) during VII Plan which were to be completed during subsequent plan period. Out of these eight projects, four projects (894 MW) were taken up during VII plan period from which 14.40 MW was added to the generating capacity during seventh plan period. 639.60 MW in respect of three projects were added during subsequent plan period and one project (Gerusoppa with 240 MW) has not been completed so far (September 1999). Of the remaining four projects (938 MW) one project (420 MW) was shelved reasons for which were not on record; one project (Alamatti 268 MW) was withdrawn midway (March 1992) after incurring an expenditure of Rs.7.05 crore and entrusted to a private party (Tapco) in March 1992 which has not been completed so far (September 1999). Two remaining projects (250 MW) could not be taken up due to local agitation. Details of all these projects are given in the Annexure 13.

3A.5 Physical performance during seventh plan

Physical performance of KEB and KPCL during the plan period is given in Annexure 14. It is observed that the installed capacity of generation increased to 2659.60 MW (including 14.40 MW of State plan) by the end of March 1990 as against 2219.80 MW at the beginning of VII plan. As there was no addition in the installed capacity of KEB it remained static at 220.60 MW during plan period whereas installed capacity of KPCL increased from 1999.20 MW (1985-86) to 2439 .MW. While the generation of KPCL showed an increase of 50 percent (from 6919 MUs to 10383 MUs) during the plan period, that of KEB showed an increase of only 5.8 per cent.

Auxilliary consumption exceeded the norm both in respect of Thermal and Hydel Schemes during the plan period.

Audit analysis also revealed that as against the norm of 9.5 percent for auxiliary consumption considered for tariff fixation in respect of Thermal Generation of KPCL, the auxiliary consumption exceeded the norm in the first three years of the plan period by 3.9, 3.5 and 1.8 percent respectively. In respect of Hydel Stations of both KEB and KPCL, it had exceeded the norm of (0.5 percent) in all the years and varied from 0.6 to 0.9 percent and 0.7 to 1.8 percent respectively. Transmission and distribution losses varied from 20.5 percent to 22.8 percent during the plan period (discussed in paragraph 3A.9).

3A.6 Execution of Projects

Time overrun of 24 to 92 months increased the project cost to Rs.1084.65 crore from Rs.457.57 crore.

As mentioned in paragraph 3A.4 supra, out of six projects to be completed during seventh plan period only two projects could be completed and three projects were completed in the subsequent plan period whereas one project has not been taken up. It would be seen from the Annexure 13 that in the completion of five projects there was time overrun in the range of 24 to 92 months and consequently the project cost has increased from Rs. 457.57 crore to Rs 1084.65 crore (93.5 to 180.0.percent increase). Further due to delay in completion of these projects, the State was deprived of additional generation of 10568.50 MUs (valued at Rs 709.07 crore) during this period.

As these five projects were completed during the period from 1985 to 1994, these have already been reviewed from time to time and included in the Audit Reports as mentioned in the Annexure. However, further audit analysis of these projects are summarised below.

3A.7. Completed Projects

3A.7.1 Projects for Completion during VII Plan period.

3A.7.1.1 Kali stage I Supa Projects (100 MW)

Of two units with 910 MW targetted for completion by March 1980, one unit (810MW) was commissioned during VI Plan period and balance of 100 MW was completed in August/November 1985 after a delay of 65 months. The project cost of these units increased by Rs 233.07 crore over estimated cost of Rs 126.63 crore representing an increase of 184 percent.

3A.7.1.2. Raichur Thermal Power Stations (RTPS) stage I - Units I and II (420MW)

Of two Units, of 210 MW each, Unit I was commissioned in March 1985, after a delay of 24 months and Unit II which was scheduled for commissioning by September 1983 was actually commissioned in March 1986 after a delay of 30 months. The cost overrun of both these two units was Rs 214.52 crore, i.e., 134.7 percent over the original cost of Rs 159.25 crore. A review of implementation of both the units was covered in the Report of the Comptroller and Auditor General of India for the year 1986-87(Commercial). The important findings included in the Audit Report were :- Cost overrun, time overrun, excess payment of consultants fee, etc.

3A.7.1.3 Varahi Project (239 MW)

The project consisting of four units (two units of 115 MW each and two units of 4.5 MW each) was planned for commissioning during 1982-83 itself. However, Unit I of 115 MW was commissioned in August 1989 and

remaining units (124 MW) by November 1990, resulting in time overrun of 65 and 73 months respectively. The project suffered huge cost overrun of Rs 143.83 crore (104.7 percent increase). A review of implementation of the project had been covered in the Report of the Comptroller and Auditor General of India for the year 1989-90 (Commercial). The important findings in the Audit Report inter-alia included cost and time overrun, delay in taking up remedial measure to set right the defects due to excessive seepage and not initiating any action for fixing responsibility, rebate forgone due to change in designs, short collection of hire charges on machinery and idle capacity of machinery etc.

3A.7.1.4 Ghataprabha Dam Power house(32 MW)

This project consisting of two units, started during VI plan period, was completed in October/December 1992, with a time overrun of 56 and 60 months respectively besides being subjected to cost overrun of Rs 17.61 crore (93.5 percent) .Some of the findings of the project relating to "Overpayment to contractor " has been included in the Report of the Comptroller and Auditor General of India for the year 1993-94(Commercial).

3A.7.2 New Projects

3A.7.2.1 Mini hydel schemes (10.75 MW)

The main objective for implementation of the Mini hydel Schemes (10.75 MW) comprising of Mallapur (9 MW), Sirwar (1 MW), Kalmala (0.40 MW) and Ganekal (0.35 MW) was to complete the schemes within a short period and at a lesser cost. However, against stipulated period of completion of 24 to 36 months these schemes were completed after 45 to 92 months and also suffered substantial cost overrun of Rs 18.05 crore. The implementation of these schemes was reviewed and included in Report of Comptroller and Auditor General of India for the year 1993-94 (Commercial).

3A.7.2.2 Maddur hydel Scheme (1.5 MW)

The scheme with a capacity of 1.50 MW was to be completed by March 1987. However, this has not been taken up so far (October 1999), reasons for which were not on record.

3A.8 Transmission and Distribution System

The completion of Transmission lines and Sub-stations simultaneously with the commissioning of generating capacity is of utmost importance for evacuation of power. Transmission and distribution System includes transmission lines and Sub Stations which are discussed below:

3A.8.1 Transmission lines

Against a target of 3626 Kms of different capacities (400/220/110/66/33 KV) of transmission lines, the KEB could construct 2616.34 Kms lines during VII Plan period. A review of construction of transmission and distribution lines during VII Plan period(including World Bank assisted projects) was conducted during the period from December 1992 to March 1993 and included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1993(Commercial).

Various irregularities in the execution of lines works eg., delay in finalisation of tender, awarding of work on limited tender basis, issue of excess material to the contractor, lack of co-ordination among various agencies in the execution of the work which resulted in considerable cost and time overrun etc., were pointed out in the report. Some of the irregularities were considered very seriously by the COPU and in its Report (21 April 1997), it strongly recommended to investigate/enquire the matter and fix responsibility in the relevant cases. However, final action taken on the Report is awaited (August 1999).

3A.8.2 Sub-stations

Time overrun of 13 to 48 months led to cost overrun of Rs.265.98 lakh.

During VII Plan period, 102 Sub-stations with a capacity of 2062 MVA were to be constructed and 76 Sub-stations (929 MVA) were to be modernised. Against this target, the Board constructed 102 new Sub-Stations, but, the increase in capacity was to the extent of 1247.10 MVA only (60.5 percent of targetted capacity of 2062 MVA). A test check of four cases revealed that works to be completed during VII plan were completed subsequently and there was time overrun of 13 to 48 months in the execution of the works. Consequently there was cost over run of Rs.265.98 lakh. The cases are discussed in the succeeding paragraphs.

i) 110 KV sub-station at Mandali :

The Sub-station which was scheduled to be completed and commissioned by February 1988 was commissioned in April 1991 with a time over run of about 38 months. The delay was mainly due to non-finalisation of site for Sub-station in time, delay in getting approval of estimates, issue of work order, procurement and supply of equipment/accessories etc. Consequently there was cost over run of Rs.38.68 lakh and loss of estimated revenue amounting to Rs.35.72 lakh (5.950 MUs).

ii) 110 / 11 KV sub-station at Manchenahalli :

The Sub-station scheduled for commissioning in March 1990 could be commissioned in March 1994 with a time over run of 48 months and cost over run of Rs.73.44 lakh. The delay was mainly due to non completion of the construction of the control room by the contractor and the failure on the part of contractor to take up the erection work of the transformer. Hence, the control room construction contract as well as the erection work contract were terminated in September 1992 and November 1992 respectively. Both the

contracts were cancelled and works awarded afresh and commissioned in March 1994. Due to delay in the completion of Sub-station the Board was deprived of potential revenue of Rs.49.80 lakh (6.232 MUs)

iii) 220 / 66 KV sub-station at Hiriyur :

The Sub-station with two 100 MVA transformers were scheduled to be commissioned by March 1990. However, the first transformer was commissioned in April 1991 and the second in November 1992. The main reason for the time over run of 13/19 months were due to delay in taking up the work by the Works Division, (Davangere) till March 1989 inspite of availability of the required materials and equipments at the work site, slow progress of work, belated supply of transformers by BHEL and delay in commissioning the second transformer due to defects noticed in the transformer and subsequent rectification of the same by the firm. The delay in the construction has resulted cost over run of Rs.59.82 lakh as well as loss of saving of energy of 65.266 MUs and loss of potential revenue amounting to Rs.522.13 lakh.

(iv) 110 / 11 KV sub station at Moodabidri :

The sub station which was scheduled for commissioning in December 1990, was actually commissioned in June 1993 mainly due to delay of 30 months (September 1990 and February 1993) in levelling the yard and formation of approach road to the work spot. This was due to not conducting proper survey of the site and also not estimating the quantum of work involved taking into consideration the ground profiles / levels of areas in the site where outdoor yard structures, control room etc., were planned. As a result, the erection of outdoor equipments, which were received by July 1991 itself and the construction of the control room were delayed. Further, the 10 MVA power transformer scheduled for supply in September 1991 by NGEF Ltd., was actually received in March 1993 and was commissioned in June 1993. Due to non-completion of the Sub-station in time there was cost over run amounting to Rs.94.04 lakh and loss of potential revenue of Rs.36.32 lakh (4.540 MUs).

3A.9. Transmission and Distribution Losses

Line loss shot up from 22.8 percent in 1985-86 to 29.9. percent in 1998-99.

The Seventh Plan contemplated to bring down the line losses (T&D Losses) to 20.6 percent (reduction by 2 percent) by the end of Seventh Plan period compared to the line losses of 22.6 percent at the end of VI Plan. The actual T and D losses ranged from 22.8 percent at the end of 1985-86 to 20.5 percent at the end of 1989-90 (end of seventh plan). However, compared to the norms of Central Electricity Authority for T&D losses at 15 percent during this period the actual T&D loss during the VII Plan period exceeded the norm by 5.5 percent. The excess loss as compared to CEA norms resulted in deprivation of potential revenue to the KEB to the extent of Rs.246.65 crore (3711.880 .MUs) during 1985-86 to 1989-90. Incidentally it may be mentioned that audit pointed out (paragraph 4B.1.1 of Audit Report for the

year ended 31 March 1997) that the method of Computation of T&D loss was not realistic; KEB reviewed the method of computing the same and T&D losses during 1998-99 has reached to level of 29.9 percent. This excess T and D loss over the CEA norm worked out to 3278.466 MUs and consequential loss of potential revenue amounting to Rs.619.63 crore.

3A.10 Rural Electrification

Targets could not be achieved in respect of electrification and Bhagya Jyothi Schemes.

The Rural Electrification programme envisages electrification of villages/hamlets, Harijan Basties and Tribal colonies as well as energisation of the irrigation pumpsets.

It could be seen from the table given in the paragraph 3A.4.1 supra that the KEB could not achieve the targets in case of electrification of villages and Bhagyajothi schemes. However, in case of Electrification of Pumpsets there was substantial achievement. The KEB had not fixed energy meters to the IP sets and the consumption was being worked out on estimated basis. In absence of meters it could not be ensured in audit whether the increase in revenue was commensurate with the increase in connections.

3A.11. Service Connections

There was shortfall in new connections.

As against target of 15 lakh new service connection for domestic lighting, commercial lighting, LT & HT power etc., during the VII plan the KEB could give connection to 13.62 lakh consumers resulting in shortfall in 1.38 lakh new connections.

The above matters were reported to Management/Government (June 1999); their replies had not been received (October 1999).

CONCLUSION

Out of 6 projects to be completed during VII plan period, only 2 ongoing projects could be completed and one ongoing project was partially completed. Of two new projects one project was partially completed and other project was not taken up so far. These projects were completed during subsequent plan period, at huge time and cost overrun. There were time and cost overrun in construction of substations also.

CHAPTER III

SECTION 3B

KARNATAKA ELECTRICITY BOARD

Outstanding dues against KEB

SECTION 3B

Karnataka Electricity Board

Outstanding dues against Karnataka Electricity Board

HIGHLIGHTS

As on 31 March 1999, the total outstandings against the Board stood at Rs.4611.03 crore which included capital liabilities (Rs.1624.14 crore) and current liabilities (Rs.2986.89 crore).

(Paragraph 3B.1)

During the period from 1994-95 to 1998-99 the Board purchased power valued at Rs.8357.58 crore which constitute 71.71 per cent of total current liabilities. Further, the payments made by Board towards cost of power purchased did not cover even the cost of power purchased during respective years which resulted in accumulation of dues to the extent of Rs.1051.01 crore as on 31 March 1999.

(Paragraph 3B.6)

Sale of energy at unremunerative tariff resulted in loss of potential revenue of Rs.1534.37 crore during the period 1994-95 to 1998-99. Further T & D loss beyond the norms also resulted in loss of potential revenue of Rs.944.42 crore.

(Paragraph 3B 7.3 and 3B 7.4)

The Sundry Debtors for the sale of power increased from Rs.81867.97 lakh from 1994-95 to Rs.207419.45 lakh as at the end of 1998-99, which adversely affected the financial position of the Board.

(Paragraph 3B 7.5)

Locking up of funds due to idle inventory ranged from Rs.97.62 crore to Rs.158.09 crore during the five years ended 31.3.1999.

(Paragraph 3B 8.1)

Delay in payment of power purchase dues, resulted in extra burden of penal interest of Rs.267.83 crore. Further, due to non-payment of bills before the due date, the Board lost eligible rebate to the extent of Rs.1.01 crore.

(Paragraph 3B.10)

3B.1 Introduction

The Karnataka Electricity Board (KEB) was established on 1 October, 1957 for generation, purchase, transmission and distribution of electricity in the State. Against the power requirement of 4600 MW per annum of the State, the Board has a total generating capacity of 348.52 MW as on 31 March 1999. In addition, the State has another power generating agency i.e., Karnataka Power Corporation Limited (KPCL) a Government of Karnataka Undertaking, having a generating capacity of 3525.95 MW from which KEB purchase the power. The remaining deficit of power is met out by purchase of power from Nuclear Power Corporation (NPC), National Thermal Power Corporation (NTPC), Neyveli Lignite Corporation etc.

As on 31 March 1999, the total outstandings against the Board stood at Rs.4611.03 crore which included capital liability (Rs.1624.14 crore) and current liabilities (Rs.2986.89 crore). Capital liabilites included loans from REC, PFC, etc., (Rs.1061.86 crore) and others (Rs.562.28 crore) whereas the current liabilites includes purchase of power (Rs.1051.01 crore), liability towards Operation and Maintenance expenses (Rs.329.60 crore) and Others (Rs.1606.28 crore).

3B.2 Organisational set up

The Chief Financial Advisor of the Board is assigned with the responsibility of managing the finances of the Board and advising the Board in financial matters. He reports to Member (Finance) of the Board and is assisted by Controller (Budget & Resources), Controller (Finance) and Controller (Operation, Finance and Action Plan).

3B.3 Scope of Audit

The present review conducted during April and May 1999 covers analysis of dues outstanding with specific reference to purchases of power, utilisation of available funds and consequential effects due to delay in liquidation of outstanding dues during the last five years upto 1998-99.

3B.4 Source and application of funds

The cash inflow of the Board comprises of mainly revenue from sale of energy, subsidy from the State Government and loans obtained from the State Government, banks and other financial institutions. The cash outflow includes purchase of power, operations and maintenance expenses, creation of capital assets, expenditure on account of establishment, purchase of stores and spares etc.

3B.5 Outstanding Dues against the Board

The following table indicates the outstanding dues against the Board, both under capital liabilities and current liabilities for the five years ending 31 March 1999.

Sl. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99 (provisional)
		(.....Rs in crore.....)				
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I.	Capital liabilities					
1.	Loan from PFC	264.11	358.59	492.51	566.13	545.22
2.	Loan from REC	236.40	276.66	322.82	354.83	516.64
3.	Public Bonds	64.49	61.74	54.86	47.16	32.91
4.	Others	347.81	325.27	323.51	371.43	441.27
II.	Payment due on capital liabilities (Principal accrued and due, PGFIC, REC and Commercial Banks)	36.06	16.70	19.64	--------	---------
III.	Interest accrued and due on capital liabilities (State Government, IDBI, REC)	81.71	68.13	56.84	28.28	88.10
	Capital liabilities	1030.58	1107.09	1250.54	1367.83	1624.14
IV	Current liabilities					
a)	For purchase of power	476.98	735.63	870.73	1124.47	1051.01
b)	For supplies towards operation and maintenance works (O & M)	226.85	265.62	233.58	231.96	329.60
c)	Security deposit of suppliers/contractors	109.62	144.90	200.00	195.59	191.32

(1)	(2)	(3)	(4)	(5)	(6)	(7)
d)	For staff related liabilities and others	777.50	922.81	1020.20	1130.57	1414.96
V	Current liabilities	1590.95	2068.96	2324.51	2682.59	2986.89
	Total liabilities	**2621.53**	**3176.05**	**3575.05**	**4050.42**	**4611.03**

From the above it would be observed that the outstanding dues against both capital and current liabilities increased year after year from 1994-95 onwards. Under capital liabilities, there was gradual increase in drawal of loan from PFC which reached to Rs.545.22 crore during 1998-99 from Rs.264.11 crore during 1994-95 showing 106 per cent increase. Similarly there was 118.54 per cent increase in REC loan during the same period. The Board attributed (August 1999) the increase in liability due to borrowings from PFC, REC and other financial institutions for various capital works of the Board as there was no capital support from the Government of Karnataka. Due to increases in the liabilities, the interest and finance charges also increased from Rs.206.92 crore during 1994-95 to Rs.402.47 crore during 1998-99. During last five years upto 1998-99, the Board had incurred an expenditure of Rs.1559.94 crore towards interest and finance charges. Under current liabilities, on purchase of power, the outstanding dues which was Rs.476.98 crore at the end of 1994-95, had increased to Rs.1051.01 crore at the end of 1998-99 i.e., 120 percent increase.

Audit observed that the Board was almost regular in making the repayment of loans, however, there was substantial increase in the liabilities towards purchase of power due to non-liquidation in time which is discussed below:

3B.6 Dues against Purchase of Power

During 1994-99, the Board purchased 96616.215 Million units of power valued at Rs.8357.58 crore from KPCL and other State/Central Public Sector Undertakings. This purchases constitute 71.71 percent of total current liabilites during this period. Year wise details of power purchases, vis-à-vis payments made and outstanding dues from 1994-95 to 1998-99 are given below:

Year	Opening Balance	Power purchased during the year	Average purchases per day	Payment/ Adjust-ment	Closing balance	Amount outstan-ding in terms of number of days
	(Rs. in crore)					
1994-95	430.26	1074.15	2.94	1027.43	476.98	162
1995-96	476.98	1483.87	4.06	1225.22	735.63	181
1996-97	735.63	1701.30	4.66	1566.20	870.73	187
1997-98	870.73	1855.41	5.08	1601.67	1124.47	221
1998-99	1124.47	2242.85	6.14	2316.31	1051.01	171

It would be seen from the above that the payments made by the Board during the above years did not cover even the cost of power purchased during the respective years except in the year 1998-99. As a result outstanding dues increased from Rs.430.26 crore as on 1 April 1994 to Rs.1051.01 crore as on 31 March 1999.

It is observed that the suppliers of power were allowing 30 days credit period from the date of Invoice and rebate for prompt payment if the payment was made within the credit period, however as would be seen from the above table that these creditors days ranged from 162 to 221 days which indicate that the Board failed to make timely payment. For delayed payments beyond the credit period, penalties (Surcharge) amounting to Rs.267.83 crore were levied by the suppliers as discussed in paragraph 3B.10.1.

An analysis in audit revealed that the Board could not discharge its liabilities due to low generation of funds coupled with deficiencies in fund management and poor budgetary control. These aspects are discussed in the succeeding paragraphs.

3B.7 Low generation of funds

3B.7.1 Non receipt of Rural Electrification Subsidies from the Government

Non receipt of "RE Loss subsidy" from Government affected ways and means of the Board.

The Board has been extending power supply to IP sets upto 10 HP motors free/ at a nominal tariff rate without metering the actual consumption. The Government has been reimbursing the loss incurred on this account as "RE loss subsidy" limited to the extent of shortfall in revenue to earn 3 per cent return on net fixed assets as contemplated in the Electricity (Supply) Act, 1948. The RE losses assessed by the Board upto 1996-97 was Rs.5776.80 lakh (after 1996-97 the Board did not assess the loss) against which it claimed Rs.3242.14 lakh upto 1998-99. However, the Government has released Rs.2916.43 lakh leaving a balance of Rs.325.71 lakh. Due to non compensation of the loss to the extent of actual loss and delay in release of funds the ways and means of the Board were adversely affected,

3B 7.2 No budgetary support from the State Government for capital works

a) During the last five years up to 1998-99, the Board executed capital works for projects to the extent of Rs.2893.51 crore, however, the State Government did not provide any fund for the works except funds to the extent of Rs.224.89 crore in the shape of loan which increased the finance burden of the Board.

To fill up the gap between actual expenditure and receipt, the Board diverted Rs.961.97 crore from working capital.

(b) A review of the Annual Budgets of the Board for the years 1994-95 to 1998-99 revealed that as against the estimated receipts of Rs.3100.44 crore, the Board received Rs.1931.54 crore whereas actual capital expenditure stood at Rs.2893.51 crore. Thus, in order to fill up the gap between the actual expenditure and the receipt, the Board diverted funds to the extent of Rs.961.97 crore from its working capital (financed from borrowings from banks).

3B 7.3 Unremunerative tariff

Sale of energy at rate lesser than the cost led to loss of revenue of Rs.1534.37 crore during the five years ending 1998-99.

An analysis in audit of the revenue and expenditure per unit of power generated /purchased revealed that the expenditure was much more than the average revenue per unit for all the five years ending 31.3.1999 as shown below:

SL No	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99 (provis-ional)
1	Average Revenue per unit (paise per KWH) (Excluding subsidy)	111	121	144	161	189
2	Generation/purchasecost per unit (paise per KWH) (Excluding depreciation)	112	144	175	168	224
3	Profit (+)/Loss (-) (paise per KWH)	(-)1	(-)23	(-)31	(-)7	(-)35

Thus sale of energy at a rate lower than the actual cost led to loss of potential revenue of Rs.1534.37 crore during the period from 1994-95 to 1998-99 which ultimately affected the liquidity position of the Board.

3B 7.4 High incidence of Transmission and Distribution (T & D) Losses

The Central Electricity Authority had recommended (May 1992) a norm of 15.5 per cent for T & D loss. Against this, actual loss of KEB ranged between 18.48 and 29.94 per cent during the last five years up to 1998-99.

It was seen that during 1994-95 to 1998-99 total power available for sale was to the extent of 102090.987 Mus against which T & D loss was 21513.013 Mus, whereas as per norms (15.5 per cent) of CEA the loss should have been restricted to 15824.102 Mus. Thus there was excess loss of 5688.911 Mus which resulted potential revenue loss of Rs.944.42 crore. This loss was also one of the main contributary of poor generation of funds.

3B 7.5 Delay in recovery of energy dues from consumers

Huge outstandings against consumers affected financial position of the Board.

Sundry Debtors for the sale of power increased from Rs.81867.97 lakh (5.84 months demand) at the beginning in 1994-95 to Rs.207419.45 lakh (7.40 months demand) in 1998-99 as detailed in Annexure 15. The closing outstanding balance in terms of number of month's was 5.8, 5.7, 6.4, 6.9 and 7.4 respectively upto 1998-99. This huge outstanding against consumers had adversely affected the financial position of the Board thereby resulting in non-liquidation of outstanding dues to that extent. The Board did not maintain age-wise break-up of outstanding revenue dues to take necessary action to safeguard its financial interest so that dues do not become irrecoverable due to efflux of time.

3B 8. Funds Management

The Board is facing financial crisis due to low generation of funds as discussed above, even then it is not able to utilise the available funds judiciously with the result that substantial amount is locked up in unnecessary inventory and Board's own funds were not available due to lack of monitoring as discussed below:

3B 8.1 Idle investment in Inventory

Huge inventory of Rs.158.09 crore as at 1998-99 resulted in locking up of funds.

With a view to make optimum utilisation of scarce funds, it is imperative on the part of the Management to procure stores according to requirement so as to avoid locking up of funds. It was, however, observed during test check that holding of inventory was high, which ranged from Rs.97.62 crore to Rs.158.09 crore during the five years ending 31 March 1999 representing 2.9 months consumption to 4.4 months of consumption against the norm of 3 months consumption fixed by the Board for inventory holding as detailed in Annexure 16.

3B 8.2 Delay in transfer of funds from local bank branches (Non- operative Accounts) to main bank accounts- loss of interest

Non transfer of funds by branches to Head Offices resulted in interest loss of Rs.13.78 lakh.

Revenue collected by the Sub-divisions/Sections of the Board are remitted to the non-operative accounts opened with the local branches of five Public Sector Banks. As per Standing Instruction issued to the local branches, balance of Rs 25,000 and from there non-operative accounts above should be transferred to the Main Account on the same day and balances below Rs. 25000 twice in a week viz., every Wednesday and Saturday and there should be no balance in these accounts.

A review of Bank pass sheets of five sub-divisions for the period from April 1996 to March 1998 in three O&M Divisions at Bangalore disclosed that there were delay in transfer of funds ranging from 1 to 23 days and the balances not transferred varied from Rs.0.60 lakh to Rs.266.76 lakh. This delay not only affected the ways and means position of the Board but also

resulted in a loss of interest of Rs.13.78 lakh at the rate of 16.5 per cent per annum.

The Board replied (May 1999) that some of the Banks were not adhering to the Standing Instructions on the plea of shortage of staff and also these banks had shown reluctance to handle the Board's accounts if such norms were insisted. The reply is not convincing, as if this was the position, the Board should have approached the higher authorities of the Banks/Reserve Bank.

3B 9. Budgetary Control

There was no effective budgetary control in the Board.

There was no system of Budgetary Control in the Board up to 1996-97. In July 1997, the Board due to severe financial problem, felt the need to exercise budgetary control and as a first step introduced budgetary control on revenue expenditure. The Board introduced Budgetary Control over capital expenditure only from August 1999, at the instance of Audit. It was also observed that even though Annual Cash Forecasts were made, there was no system of linking it with Annual Budgets with the result, effective budgetary control could not be exercised. Further, due to lack of prioritisation of liquidation of its dues the Board had to pay penal interest and could not avail rebate as discussed in the subsequent paragraph.

3B.10 Consequences of non-liquidation of dues

During test check of records it was observed in audit that low generation as well as lack of funds management resulted in non-priortisation of repayment of loans, due to which the Board had to pay penal interest and also could not avail rebate as discussed below:

3B.10.1 Penal interest to power suppliers

Delayed payment of purchase bills led to payment of penal interest of Rs.267.83 crore.

As mentioned earlier, the main outstanding dues relate to purchase of power which could not be liquidated in time. Audit observed that due to delay almost in every year the Board was paying penal interest ranging from Rs.30.64 crore to Rs.81.40 crore. During the last 5 years upto 1998-99, the Board paid penal interest of Rs.267.83 crore to the various suppliers as it could not make timely payment.

3B.10.2 Penal interest on PFC Loan

The Board was making repayment of instalments of loan to PFC from time to time. It was seen that in addition to repayment schedule mentioned in the terms and conditions of the loan agreement, the Board also received Demand letter for these repayments in sufficient advance from the PFC even then there was delay in repayments (Rs.177.05 crore) ranging from 2 to 23 days during

June 1996 to April 1998. Consequently, the Board had to pay penal interest amounting to Rs.26.87 lakh during this period.

3B.10.3 Non-availment of eligible rebate - Rs. 1.01 crore

Non payment of purchase bills resulted in loss of rebate of Rs.1.01 crore.

The Neyveli Lignite Corporation (NLC) offered (October 1997), a rebate of 2.5 per cent on the value of monthly power purchase bills if paid on 10th of every month and 1 per cent if paid on 23rd of the month. On a review of the bills of NLC for the year 1998-99, it was observed that the Board could not avail the full rebate of 2.5 per cent on the monthly power bills of April 1998 to August 1998 and January and February 1999, due to non-payment of the bills by the 10th of the month which resulted in loss of rebate to the extent of Rs.1.01 crore.

The above matters were reported to Government (July 1999); their replies had not been received (October 1999).

CONCLUSION

Outstanding dues of the Board increased significantly particularly in case of purchases of power as it could not liquidate the dues in time. Consequently, the Board had to bear additional burden towards interest and finance charges including penal interest. The Board could not generate adequate funds due to non-receipt of subsidy and lack of financial support for capital work from the State Government, unremunerative tariff, delay in recovery from the consumers etc. The situation of ways and means of the Board was further deteriorated as it could not utilise its scarce funds judiciously with the result substantial amount was locked up in unnecessary inventory and Board's own funds were not available due to lack of monitoring with remittances by Banks.

In view of the above, there is an urgent need to improve the position of ways and means and proper funds management.

CHAPTER IV

SECTION IV

MISCELLANEOUS TOPICS OF INTEREST

CHAPTER IV

SECTION 4A

Miscellaneous topics of interest

Government Companies

SECTION 4A

GOVERNMENT COMPANIES

4A.1 Mysore Sales International Limited

Failure to collect commission due from liquor manufacturers

Failure of the Company to take timely action has resulted in bleak chances of recovery of claims to the extent of Rs.1227.88 lakh.

Government of Karnataka appointed (September 1989) the Company sole distributor to deal with all products of distilleries/breweries/wineries in the State of Karnataka and also for import or export of liquor from the State vide notification issued under Karnataka Excise (Sale of Indian and Foreign liquors) Amendment Rules 1989. The Company was authorised to charge a commission not exceeding 5 percent on all sales within the State and 0.5 per cent on exports.

A batch of writ petition challenging the constitutional validity of the Karnataka Excise (Sale of Indian and Foreign Liquor) Amendment Rules, 1989 was dismissed (November 1989) by the High Court of Karnataka. Further the Supreme Court of India in its decision on a Special Leave Petition filed by six distilleries upheld (December 1995) the right of the Company to collect the commission on sales.

Failure to take appropriate legal action by the Company rendered the chances of recovery of Rs.1227.88 lakh bleak.

It was observed in Audit (June 1999) that excepting a few who routed their sales partially most of the liquor manufacturers did not route their sales through the Company. However, the matter relating to direct sales of liquor by liquor manufacturers and the non receipt of commission therefrom was not taken up either with the liquor manufacturers or with the Excise Department. The Company decided belatedly (August 1998) to initiate legal action for recovery of compensation/commission in respect of all liquor manufacturers who had not routed their sales through it. The Company initiated action for filing up of winding petitions against 31 liquor manufacturers who were corporate bodies registered under Companies Act, 1956. However, in respect of 32 liquor manufacturers who were not registered as Company but were carrying their business as partnership/proprietary concerns, winding up petitions could not be filed and the Company approached (February 1999) Excise Commissioner to intervene in such cases and assist in recovery of dues from these parties. There was no response from the Excise Department till date (July 1999). The legal opinion sought (December 1998) by the Company proposed for filing writ petition under Article 226 of the Constitution before

the High Court for seeking an appropriate writ of mandamas to the Commissioner of Excise to do the needful. However, the Company had not initiated any action on these lines.

Thus, due to failure on the part of the Company to take appropriate timely action to recover the commission of Rs.1227.88 lakh from the liquor manufacturers the chances of recovery have become bleak. Further, the Company had not ascertained and claimed the commission due from M/s Khodays (one of the petitioners mentioned above) for the period from 16 December 1995 to February 1997.

The matter was reported to Management/Government (June 1999); their replies had not been received (October 1999).

4A.2 Krishna Bhagya Jala Nigam Limited

4A.2.1 Failure to recover the cost of rubble and stacking charges

The Company did not recover the cost of rubble and stacking charges amounting to Rs.1114.91 lakh from the contractors despite directions of the Managing Director.

The technical sub committee of the company had opined (January 1997) that the stacking of the excavated hard rock is mandatory on the part of the agencies carrying out the work and in case, for any reason, the stacking is found not feasible, the cost of rubble that should have been stacked, has to be recovered from the agencies executing the works.Accordingly, the Managing Director ordered (March 1997) that the executive authorities should recover the cost of rubble along with stacking charges in case the agency fails to stack the excavated rubble.

On a test check of the measurements recorded in the five Divisions*, it was observed that the Divisions admitted payments at full rate, even though the agencies failed to stack the hard rock quantity excavated by them as per specification contained in Schedule 'B' to the contract. In these Divisions only heap measurements for all kinds of soil had been recorded.

Non recovery of stacking charges resulted in excess payment of Rs.1114.91 lakh.

Thus, failure of the Company to insist the contractors to stack the hard rock excavated and the release of full payment without effecting any recovery towards cost of rubble and stacking charges, resulted in excess payment of Rs.1114.91 lakh to the contractors in respect of Sindhagi Branch Canal Division No. 7 (Rs.420.44 lakh), No.9 (Rs.407.09 lakh) No. 14 (Rs.223.16 lakh), Indi Branch Canal Division No.2 (Rs.40.13 lakh) and No.3 (Rs.24.09 lakh).

* (a) Sindhagi Branch Canal Division No. 7 Chigrahalli, (b) Sindhagi Branch Canal Division No. 14 Aurad, (c) Sindhagi Branch Canal Division No.9 Gurugunta, (d) Indi Branch Canal Division No.2 Almel and (e) Indi Branch Canal Division No.3, Golgeri

The Company stated (May 1999) that it was not possible to stack the hard rock separately on account of non-availability of land. The reply is not tenable as the excavated material had already been dumped in the yard without seggregation and for which no additional land was required. Further, as accepted by the Company, the rubble has not been stacked separately and hence payment at full rate should not have been made.

The matter was reported to Government (June 1999); their replies had not been received (October 1999).

4A.2.2 Incorrect payment of lead, loading and unloading charges

Adoption of incorrect constant in fixing the rates for lead, loading and unloading led to erroneous payment of Rs.70.13 lakh to the contractors.

Adoption of incorrect constant resulted in erroneous payment of Rs.70.13 lakh.

The requirement of labour for excavation of one cum of soil/rock was worked out after multiplying the excavated quantity by 1.2 constant on the presumption that excavation of one cum of soil would yield 1.2 cum of loose quantity. It was observed in Audit (September 1998) that at the time of making payment for labour charges in respect of lead, loading and unloading the excavated soil from burrow areas constant of 1.3 was applied.

Thus, adoption of incorrect constant resulted in an inadmissible payment of Rs.70.13 lakh to the contractors in respect of the following three Divisions, test checked in audit:

1)	Narayanapura Right Bank Canal Division, Deo durga	Rs.35.41 lakh
2)	Narayanapura Left Bank Canal Division, Devarbhupur	Rs.23.10 lakh
3)	Shahapur Branch Canal Division, Gurugunte	Rs.11.62 lakh
		Rs.70.13 lakh

The Company stated (September 1999) that the proctor density indicated was 96 percent and that to ensure such density, loose layer will have to be compacted from an average thickness of 22.5 cm to 15 cm., which necessitatated adoption of a constant of 1.3.

The reply is not acceptable since, constant of 1.2 was adopted in respect of proctor density of both 96 per cent and 95 per cent for excavation purposes. Therefore same constant should have been applied for the lead, loading and unloading charges also. Moreover other Division of the Company has adopted constant of 1.2 for both specifications .

The matter was reported to Government (June 1999); their replies had not been received (October 1999).

4A.2.3 Construction of an Acqueduct –Unintended benefit to the contractor

Inadmissible payment of weightage for construction of an acqueduct, resulted in excess payment of Rs 22.80 lakh to the contractor

Inadmissible weightage on the rates, resulted in excess payment of Rs.22.80 lakh

The Construction work of Acqueduct at Km 100 of Indi canal was entrusted (November 1995) to one contractor of Hyderabad (Shri.Kehar Singh) at a cost of Rs 179.41 lakh. The Schedule of Rates of Public Works Department adopted by the Company, neither provides for any weightage for construction of Acqueduct nor defines "Acqueduct" as a "Major Bridge". Even then the Company allowed a weightage of 15 per cent on the basic Schedule Rate treating "Acqueduct" as a "Major Bridge" and paid (November 1998) an amount of Rs.16.91 lakh as weightage to the contractor. It was also seen in audit (April 1999) that while arriving at the rates, a further weightage of 8 percent admissible for difficult areas was granted on the weightage already given for bridge including differential cost of cement leading to a further excess payment of Rs.5.89 lakh. The contractor was thus paid excess amount of Rs.22.80 lakh.

The matter was reported to the Management/Government (June 1999); their replies had not been received (October 1999).

4A.3 Karnataka State Construction Corporation Limited

4A.3.1Construction of ringroad around Bangalore City

Contrary to the caution of its Board of Directors, the Company failed to obtain funds from the Government and locked up its working capital amounting to Rs.377.08 lakh in construction of ring road.

The Company was entrusted the construction of ring roads around Bangalore City in terms of the decision taken in a meeting convened by the then Chief Minister of Karnataka, on 27 October 1995 at a total cost of Rs.25.00 crore. The Company was to execute the work urgently utilising its own funds.

The Company took up the work partly from Nelamangala to Hosur Road at National Highway No.7 at a cost of Rs.1194.63 lakh and approached

(November 1995) the Government for the requirement of funds to be released in phases.

Failure to obtain funds from Government resulted in locking up of funds to the extent of Rs.377.08 lakh.

The Board of Directors desired (December 1995) to know the plan of refund by the Government of the expenditure incurred on the project by the Company and cautioned to obtain necessary funds to avoid the Company landing into trouble. Out of Rs.708.68 lakh incurred by the Company during December 1995 to December 1996, only Rs.331.60 lakh was received from the Government till June 1998, leaving a balance of Rs.377.08 lakh. The Company abandoned the work in December 1996 due to non-availability of funds.

Thus the failure of the Company in obtaining the funds in time from the Government despite cautioned by the Board resulted in locking up of Rs.377.08 lakh on the abandoned works and diversion of its working capital.

The Company (June 1999) accepted the facts and approached the Government for release of funds.

The matter was reported to the Government (May 1999); their replies had not been received (October 1999).

4A.3.2 Excess payment to contractor

The payments towards labour cost over and above the agreed rates resulted in an excess payment of Rs.232.13 lakh to the contractor.

The Government of Karnataka entrusted (January 1996) to the Company the construction of breached waste water weir at Anjanapur at 10 per cent premium over the estimated cost of Rs.1760 lakh. The tenders were invited (January 1996) and out of three offers received, the rates of Shri.G.Y.Uppar was the lowest (58.99 lakh) at 6 per cent above SRs of 1994-95.

Payment of labour cost at more than the agreed rate resulted in excess payment of Rs.232.13 lakh.

The Company after negotiations (April 1996) awarded the work to Shri. G.Y.Uppar at 92 per cent of the rates to be received by the Company from the Government. It worked out to 101.2 per cent over the estimated cost after considering premium of 10 per cent receivable by Government. The Company requested (May 1996) the Government to enhance the premium payable to the Company from 10 per cent to 25 per cent of the estimated cost due to difficult site conditions. The Government agreed (February 1997) and accordingly revised the estimate for Rs.2863.83 lakh, inclusive of labour cost of Rs.2417.82 lakh. The work was completed (July1997) at the cost of Rs.3016.66 lakh.

A review of the records in Audit revealed (November 1998) that the Company paid Rs.2189.52 lakh to the contractor as against Rs.1957.46 lakh payable to him at the original rates of 101.20 per cent over the estimated cost for the

quantity actually executed. This has resulted in excess payment of Rs.232.13 lakh to the contractor.

The Company stated (July 1999) that the rates of 92 per cent of the receivable was agreed to anticipating increase in the premium to 25 per cent from 10 per cent. The reply was not acceptable since the negotations were held in April 1996 at the original rates and there was no documentary evidence to indicate that the Company anticipated increase in premium upto 25 per cent over the estimated rates at the time of negotiation.

The matter was reported to Government (June 1999); their replies had not been received (October 1999).

4A.3.3 Locking up of funds in construction of Kalyanamantapa at Holenarasipura

Taking up work without collecting mobilisation advance as per agreement resulted in locking up of funds amounting to Rs 14.22 lakh.

Karnataka State Construction Corporation Limited took up (November 1988) construction of a Kalyanamantapa of Vokkaligarasangha Trust at Holenarasipura at an estimated cost of Rs.49.20 lakh based on Schedule of Rates (SRs) of 1987-88, at 10 per cent above SRs of the year of execution.

Terms and conditions of agreement envisaged inter alia payment of 25 per cent of mobilisation advance by the Trust and payment of the subsequent bills amount within 15 days from the date of submission.

Execution of work without collecting adequate advance resulted in locking up of funds to the extent of Rs.14.22 lakh.

It was observed in Audit (July 1998.) that the Company received only Rs.5.00 lakh as against Rs.12.30 lakh as mobilisation advance. However, without insisting for the balance amount, the Executive Director (North) directed (February 1989) to take up the work. The Company submitted 4 bills amounting to Rs.19.22 lakh upto March 1997. Despite the direction (December 1989) of the then Managing Director to restrict the expenditure to amount deposited by theTrust, the Company incurred further expenditure of Rs.7.51 lakh on the works in 1997 and abandoned the work for want of its dues. The trust had not paid any sum so far (September 1999.).

After adjusting the advance of Rs.5 lakh, the total dues worked out to Rs.14.22 lakh. Out of this Rs.11.58 lakh pertained to Running Account Bills I and II submitted during September 1990 and July 1991 respectively and had been pending for more than 8 years. The Company had not initiated any action to recover the same from the Trust..

This resulted in locking up of Company's funds to the tune of Rs.14.22 lakh and loss of interest of Rs.10.85 lakh (upto July 1999).at the rate of 15.5 per cent per annum.

The matter was reported to the Company (December 1998)/Government (May 1999); their replies had not been received (October 1999).

4A.4 Karnataka Agro Industries Corporation Limited

4A.4.1 Loss due to procurement of poor quality potatoes

The Company incurred a loss of Rs.138.98 lakh in Market intervention scheme of procurement of potatoes. Of which Rs.20.71 lakh was avoidable on account of wastages, weight loss and grading expenses.

Government of Karnataka approved (September 1997) the Market Intervention Scheme for procurement of Potatoes and onions during 1997 Khariff harvesting season to avoid distress sale by farmers. Karnataka Agro Industries Corporation Limited (KAIC) was appointed as one of the agents for implementation of the Scheme in Hassan, Chickmagalur, Belgaum and Dharwar Districts. The losses, if any, incurred under the scheme, were to be shared by the Government of India and Government of Karnataka in equal ratio. The Company received a sum of Rs.70.00 lakh as financial assistance towards working capital requirements from the State Government.

The Company procured (September to November 1997) 3495.50 MTs of potatoes valued at Rs.122.35 lakh at the rate of Rs.3500 per MT. The procurement price included cost of production, grading, labour and transportation upto mandi level. Further, Rs.74.01 lakh was incurred towards charge of gunny bags, freight, cold storages, etc. This included Rs.8.63 lakh towards grading and handling charges which were already included in the price of potatoes paid to farmers. As the market price of potatoes varied from Rs.800 to Rs.2400 per MT, it was decided (September/October 1997) to store the potatoes in cold storages at Bangalore, Hassan, Belgaum and Dharwar in anticipation of remunerative prices in future.

Procurement of poor quality potatoes resulted in loss of Rs.20.91 lakh and non-receipt of Rs.138.98 lakh from Government

The Chief General Manager observed (October 1997) that the potatoes procured were below the prescribed Fair Average Quality and started sprouting in cold storages (November 1997). Accordingly the good marketable potatoes to the extent of 3150.50 MT were sold at rates varying from Rs.300 to Rs.3800 per MT realising Rs.57.38 lakh. There was a wastage of 170 tonnes and weight loss of 175 tonnes due to procurement of poor quality potatoes, the cost of which worked out to Rs.12.08 lakh. Thus the Company suffered a loss of Rs.20.71 lakh including avoidable payment of Rs.8.63 lakh towards grading and handling charges as mentioned above.

The Company submitted (March 1998) to the State Government the details of loss incurred amounting to Rs.138.98 lakh.

The Company stated (October 1999) that it was eligible to claim all losses caused due to operations undertaken at the instance of Government. The claim however has not been admitted by the Government (October 1999).

The matter was reported to the Government (May 1999); their replies had not been received (October 1999).

4A.4.2 Undue benefit to the buyers in Supply of Molasses

Failure to claim bonus for the higher percentage of Total Inverted Sugar (TIS) resulted in extending undue benefit to the buyers to the extent of Rs.49.46 lakh.

Two tripartite agreements between the Company, buyers, M/s.Jagson International Limited (JIL) and M/s.Indian Molasses Company (IMC), and the agent (M/s.Intermarine, New Delhi) were entered into by the Company on 12 March 1996 and 9 May 1996 towards supply of molasses 40,000 MT and 100000 MT respectively.

The molasses were to contain 50 per cent of TIS and the contract provided for payment of bonus/penalty for variation as per formula prescribed in the contract. Accordingly the Company was entitled to a net bonus of Rs.1.22 lakh after adjusting penalty of Rs.3.76 lakh, in respect of supplies made to M/s.Jagson International Limited during the period from June 1996 to March 1997. This was, however, passed on by the buyer without any recorded reason to the Agent, instead of to the Company.

Failure to claim bonus resulted in extending unintended benefit of Rs.49.46 lakh.

In respect of supplies made to IMC, test reports were made available to audit only for 3395.634 MTs out of 34208 MTs supplied. According to these test reports the Company was entitled to a bonus of Rs.4.47 lakh. The Bonus in respect of remaining quantity supplied, if added assuming the same rate of TIS would work out to Rs.44.99 lakh.

The Company stated (July 1998) that though the agreements provided for delivery of molasses at Rs.1200/- per MT F.O.R. New Mangalore Port, the buyers and the Agent had absorbed all cost escalations in molasses, transport etc., to protect the minimum guaranteed margin of Rs.200/- per MT to the Company and consequently the bonus automatically got absorbed into the minimum margin of Rs.200/- per MT.

The reply is not tenable in view of the fact that the Company was entitled to the bonus receivable from buyers irrespective of the cost incurred by the Agent and it was the responsibility of the agent to procure molasses at a cost ensuring a minimum margin of Rs.200/- to the Company.

The matter was reported to the Management/Government (May 1999); their replies had not been received (October 1999).

4A.4.3 Avoidable extra expenditure in purchase of maize

Failure to recover the extra cost from the agent, who failed to supply the agreed quantity, resulted in avoidable expenditure of Rs.25.46 lakh.

The Company obtained (January 1996) an export order from Synamex Trading Private Limited, Singapore for export of maize to Malaysia. In order to facilitate the export, the Company entered into a tripartite agreement (May 1996) with M/s Vinayaka Agencies, Bangalore the agents and International Shippers and Traders Private Limited, Kakinada the C and F agent.

As per terms of the agreement, the agents were to procure 5000 MTs of maize at Rs.4600 per MT at their own cost and risk within a period of two months from 10 May 1996. Against which they procured only 1958.18 MTs and proposed to the Company to purchase about 2500 MTs from M/s.Foods, Fats and Fertilisers, Madras at Rs.5500/- per MT directly. Accordingly KAIC purchased 2828.82 MTS at Rs.5500/- per MT and exported 4787 MTs to Malaysia.

Non recovery of Rs.25.46 lakh from the agent resulted in avoidable expenditure to that extent.

It was observed in audit (June 1998) that KAIC did not recovered from the Agents the additional expenditure of Rs.25.46 lakh incurred on the purchase of maize from Food, Fats and Fertilisers.

Further, as per the amendment (July 1996) to the contract, immediately after completion of its shipment USD 2 per M.T. was to be paid by the buyer to the seller in addition to the price already agreed to. The Company requested (December 1997) for payment of USD 9574 (Rs.3.45 lakh approximately) in respect of supplies made. However, the claim was not pursued further by the Company.

The Company replied (May 1999) that it resorted to direct purchase of maize since M/s.Vinayaka Agencies could not be compelled to supply maize due to delay in payments for procurements already made and since the export obligation had to be met.

The reply is not acceptable in view of the fact that maize was procured from Food, Fats and Fertilisers on the request of the agent and as such additional cost incurred thereon was recoverable from them.

The matter was reported to Government (June 1999); their replies had not been received (October 1999).

4A.5 Karnataka Scheduled Castes and Scheduled Tribes DevelopmentCorporation Limited

Avoidable extra expenditure in purchase of G.I.Pipes

Procurement of G.I.Pipes at Rs.149.50 per metre ignoring the lowest suitable offer at Rs.128 per metre resulted in an additional expenditure of Rs.99.44 lakh.

The Company invited tenders (December 1996) for supply of G.I.Pipes of 2" dia required for implementation of Ganga Kalyana Scheme. Out of the four quotations received, the rates quoted by M/s.Surya Roshini Limited was the lowest at Rs.128.00 per metre including transportation charges, and the rate quoted by Tubes and Allied Products Limited was the second lowest at Rs.152.50 per metre excluding transportation charges.

It was observed in Audit (January 1999) that the Company negotiated with M/s.Tubes and Allied Products Limited which reduced the rate to Rs.149.50 per metre excluding transportation charges. The lowest firm i.e., M/s.Surya Roshini Limited carried ISO 9002 Certificate and the product conformed to ISI standard 1239 (Part-I) for mild steel tubes.

Ignoring the lowest offer resulted in avoidable expenditure of Rs.99.44 lakh.

However, the Purchase Orders were placed (January 1997) on M/s.Tubes and Allied Products Limited for supply on the ground that Tata make G.I. Pipes were of high quality and the rate was competitive,. The reasons for not considering the lowest offer of Surya Roshini Limited were not on record. M/s.Tubes and Allied Products Limited supplied G.I.Pipes of 1,41,546 metres in 1996-97 and 2,69,012 metres in 1997-98.

Thus, non procurement of G.I.Pipes from the lowest tenderer resulted in an avoidable extra expenditure of Rs.99.44 lakh.

The Government stated (August 1999) that a decision was taken to purchase high quality Tata make G.I.pipes from M/s.Tubes and Allied Products after negotiation and after satisfying itself about the quality of the pipes.

The reply is not acceptable since the quality of pipes offered by M/s.Tubes and Allied Products Limited were also of the same specification of IS: 1239 (Part I).

4A.6 Karnataka State Electronics Development Corporation Limited

Arrangement for water supply to Electronic City – Extra expenditure

Failure of the Company to pursue reduction in water requirement resulted in an additional expenditure of Rs.82.22 lakh.

Government of Karnataka accorded (September 1992) administrative approval for a scheme of Bangalore Water Supply and Sewerage Board (BWSSB) to provide 1.75 MGD of water to Electronic City belonging to the Company and 2.28 MGD to five other Government Organisations. The cost of the scheme estimated at Rs.513.61 lakh was agreed (September 1992) to be shared in proportion to their requirement of water.

Delayed assessment of water requirement and failure to pursue the requirement resulted in extra expenditure of Rs.82.22 lakh.

The Board requested (September 1992) the Company to intimate its revised water requirement if any upto end of October 1992. The requirement of water for present and future projects was reassessed at 1 MGD and the same was intimated (March 1995) to the Board with a request to rework the estimate and to intimate the final amount payable by the Company. However the Board increased (August 1996) the requirement of water to 1.85 MGD unilaterally. The Company did not pursue the reduction of water requirement with the Board. The Company deposited Rs.245 lakh upto March 1997.

As per the latest cost estimates of Rs.799.04 lakh (January 1998) by BWSSB the share of the Company at a demand level of 1.85 MGD of water worked out to Rs.246.60 lakh. However, the proportionate share of cost at 1 MGD would have been Rs.164.38 lakh.

Thus delayed assessment of actual requirement of water and failure to pursue the revised requirement with the Board for the reduced quantum, resulted in avoidable extra expenditure of Rs.82.22 lakh.

The Government stated (September 1999) that the entire development charges incurred out of Government loan would be recovered from the industrial units along with interest and there would be no loss to the Company. However, the fact remains that due to failure of the Company the industrial units would be forced to pay more charges.

4A.7 The Hutti Gold Mines Company Limited

Improper revision of pay of Officers

Decision to implement the pay revision in violation of the Government directives has resulted in excess payment of arrears of pay to the officers to the extent of Rs.46.79 lakh

Karnataka State Bureau of Public Enterprises (KSBPE) issued (June 1993) guidelines to all public sector undertakings restraining them from effecting pay revision without prior approval of the State Government. Board of Directors of the Company decided (September 1996) that pay scales of the Officers may be revised with retrospective effect from 1 April 1991 after obtaining necessary approval from the State Government. However, Chairman-cum-Managing Director (CMD) revised (February 1997) the salary of the Officers from April 1991 which was subject to the approval of the State Government. The arrears of salary was paid in October 1997. It was observed in Audit (June 1999) that the Company belatedly approached (January 1998) the State Government for approval of the pay revision.

The Government approved (April 1998), the pay revision with effect from 1 July 1993 with monetary benefit from 1 January 1994. stating that there was no rationale/justification in giving retrospective effect from 1 April 1991 when the pay of the officers in the State Government were generally revised with effect from 1 July 1993 with the same terms and conditions.

Violation of directives of Government/Board of Directors caused excess payment of pay arrears of Rs.46.79 lakh

Thus, by violating the directives given by the KSBPE/Board of Directors, the Company made an excess payment of pay arrears amounting to Rs.56.34 lakh for the period from April 1991 to June 1993.

The Company recovered only Rs.9.55 lakh out of an interim relief paid to the officers during August 1998 leaving a balance of Rs.46.79 lakh including Rs.8.57 lakh to 23 officers who have retired/left the service of the Company.

The matter was reported to the Company/Government (June 1999); their replies had not been received (October 1999).

4A.8 NGEF Limited

4A.8.1 Delay in supply of transformers to Orissa State Electricity Board

The Company had to pay the penalty of Rs.53.20 lakh to Orissa State Electricity Board (OSEB) due to delayed supply of transformers

Delayed execution of purchase orders led to payment of Rs.53.20 lakh as penalty.

The Company received (July 1995 and March 1996) orders from OSEB for supply of 2 nos. of 12.5 MVA transformers and 14 nos. of 16/20 MVA transformers at a total value (ex-works) of Rs.600 lakh to be supplied between March 1996 and October 1996. The rates were subject to price variation clause. The contract inter-alia provided for levy of penalty for delayed supplies at ½ per cent per week of delay subject to a maximum of 10 per cent of the value.

It was observed in Audit that (April 1998) the Company supplied 14 nos. of 16/20 MVA transformers between November 1996 and December 1997 after a delay ranging from 5 to 14 months. Consequently, OSEB levied a penalty of Rs.53.20 lakh. The Government stated (September 1999) that there were delays in inspection and clearance of despatches by the customers. In respect of last two transformers due to oil leakage final test was conducted by OSEB after a gap of six months which ultimately attracted the penalty. The reply is not convincing because as observed in audit there were delays ranging from one to three months in offering the transformers for inspection to OSEB and the same would have been avoided.

4A.8.2 Sale of DMT Mill Motors

Delayed completion of supplies resulted in loss of Rs.17.67 lakh in sale of DMT mill motors.

Delay in completion of supplies resulted in loss of Rs.17.67 lakh.

The Company quoted (April 1993) a rate of Rs.7.15 lakh per unit while participating in a tender for supply of 28 nos. of 30 KW DMT 816 Mill Motors to Bokaro Steel Plant (BSP). After gathering information on offers of competitors, the Company offered (June 1993) a reduced rate of Rs.4.99 lakh per unit for a minimum quantity of 20 motors. During Techno Commercial discussions held in May 1994, the Company was asked to offer rock bottom price. As a result, the Company revised its offer to Rs.4.50 lakh per motor. The orders were received (April 1995) for 15 motors with scheduled completion of delivery by December 1995. However, the motors were delivered between January 1997 and October 1997 after a delay ranging from 13 to 22 months. The total production cost incurred for the 15 Motors was Rs.79.48 lakh against actual sales realisation of Rs.67.50 lakh from the buyer. However, only a sum of Rs.61.81 lakh was received after levy of penalty of Rs.3.86 lakh and disallowance of Rs.1.83 lakh. Thus the Company suffered a

loss of Rs.17.67 lakh in the deal due to inordinate delay in completing the supplies.

The Government replied (August 1999) that the reasons for extra expenditure was increase of 35 percent (Rs.2.47 lakh) in prices of copper and increase of 15 per cent (Rs.0.93 lakh) in wages. Slippages in execution of work order was also attributed to delayed finalisation of drawings/designs The reply is not tenable since even after accounting for the above factors there was a shortfall in recovery amounting to Rs.14.27 lakh.

4A.8.3 Loss due to delay in completing the supplies to Tamil Nadu Electricity Board

Delay in supply of Circuit Breakers to Tamil Nadu Electricity Board (TNEB) resulted in loss of Rs.7.13 lakh due to levy of penalty and liquidated damages

Tamil Nadu Electricity Board (TNEB) placed (March 1997) an order for supply of 48 nos. circuit breakers alongwith CT mounting support structure at ex-works price of Rs.2,32,272 per unit to be supplied within 6 months. The purchase order inter-alia provided for levy of penalty at the rate of ½ per cent per week of delay in supply subject to a maximum of 5 per cent and cancellation of order if the supplies were not made as per delivery schedule.

Delay in execution of purchase orders resulted in loss of Rs.7.13 lakh.

Though the supplies were to be completed by September 1997, Company offered first batch of circuit breakers for inspection in October 1997. It was observed in Audit (January 1999) that TNEB refused to accept the belated supplies at the contract price, but offered to accept the same at a reduced price of Rs.2,28,500 per unit as the price of circuit breakers was declining in the market, in addition to levy of liquidated damages as per the terms of the purchase contract. The Company accepted these proposals and completed the supplies after a delay ranging from 3 to 5 months. TNEB in addition to reduction in price of Rs 1.81 lakh deducted Rs.5.32 lakh towards liquidated damages. Thus, the Company sustained a loss of Rs.7.13 lakh due to belated supplies.

The Government stated (September 1999) that with the available imported and indigenous materials priority was given to complete the orders of Maharastra State Electricity Board and Madhya Pradesh Electricity Board over that of TNEB. The reply is not tenable, as having booked the order from TNEB, the company should have arranged to procure necessary materials to take up the manufacture of Circuit breakers for TNEB and completed the supplies within the delivery schedule. The company was also aware that in the event of delay, TNEB could cancel the order and levy liquidated damages for the belated supplies.

4A.9 Karnataka State Agro Corn Products Limited

4A.9.1 Loss on account of rejection of Energy Food/Energy food mixes

Failure on the part of the Company to maintain quality of energy food resulted in the returning of energy food mixes causing loss of Rs.40.84 lakh.

The Company supplied 523.675 MTs of energy food and 526.950 MTs of energy food mixes (soya fortified wheat rava) valued at Rs.110.32 lakh to Women and Child Development Department during 1997-98 for distribution under Supplementary Nutrition Programme of Integrated Child Development Scheme (ICDS). There had been repeated complaints from the Department of Women and Child Development on the quality of food supplied by the Company. Children of Anganawadi at Nettigere village, who consumed the food supplied by Doddaballapur unit of the Company had fallen sick and hospitalised on 7 August 1997. The food samples tested at the State Forensic Laboratory, Sriram Institute of Industrial Research, Central Food Technological and Research Institute also observed traces of mercury. The Director of Women and Child Welfare directed (28 August 1997) the Company to take back the rejected supplies/stock of food from their godowns situated in Bangalore district. Out of the rejected quantity of 487.564 MTs of weaning food and mixes, the Company took back 287.524 MTs between September and December 1997 and the balance quantity of 200.040 MTs valued at Rs.21 lakh was retained by the Department for which no payment was received. The returned quantity valued at Rs.30.19 lakh was used by the Company for feed production valued at Rs.10.35 lakh resulting in a loss of Rs.19.84 lakh. The Company did not take any action to lift the balance quantity of 200.040 MT which could also have been used in feed production to minimise the loss.

Inferior quality of output resulted in loss of Rs.40.84 lakh.

Had the Company taken care to maintain the quality of its output, the loss of Rs.40.84 lakh could have been avoided.

The Company stated (March/May 1999) that it was a one time transaction and they agreed to take back the material in order to maintain good relationship with the Department. The reply is not convincing as despite repeated complaints from the Department the Company did not maintain the quality of the energy food supplied.

The matter was reported to Government (May 1999); their replies had not been received (October 1999).

4A.9.2 Avoidable extra expenditure in the purchase of wheat rava against supply of wheat

Purchases at unit level instead of centralised purchases resulted in avoidable expenditure of Rs 13.11 lakh

The Board of Directors ordered (March 1996) that Wheat Rava required for supply to Government of Karnataka for distribution under "Akshaya Ahara" Scheme during the year 1996-97 be assessed by the Company for whole of the year and call for the tenders for supply of rava. The material was to be procured centrally by the Purchase Committee. However for purchase of rava locally, minimum limits were to be prescribed.

It was observed in Audit (July 1998) that five units invited tenders (April 1996) for conversion of Wheat into Rava in the proportion of 50 kg. rava out of 100 kg. wheat.

The lowest rates accepted in these units ranged from Rs.625 to Rs.725. In thsese units 2027.198 MTs of rava was procured.

Decentralised purchases resulted in avoidable expenditure of Rs.13.11 lakh.

Had the entire procurement been made centrally at the rate of Rs.625 (Doddaballapur), the extra expenditure of Rs.13.11 lakh would have been avoided in procurement of 1777.197 MT rava in the remaining four units.

The Company stated (March 1999) that the decision to purchase at the unit level as against centralised purchases was on a trial basis and it could not negotiate the rates obtained for conversion of Wheat into Rava at the other 4 units with that of the rate of Doddaballapur unit as the tendering etc., was undertaken by the units independently.

The action of the Company is not justifiable as the Company took action (April 1996) to purchase Wheat Rava ignoring the directives (March 1996) of the Board.

The matter was reported to the Government (June 1999); their replies had not been received (October 1999).

4A.10 Karnataka Power Corporation Limited

Excess payment of salary and allowance

Irregular fixation of pay resulted in excess payment of salary and allowances to the extent of Rs.12.19 lakh

Erroneous fixation resulted in excess payment of pay and allowances.

The Company stepped up (September 1977) the pay of 21 Engineers with effect from March 1977 vis a vis the pay of their juniors to rectify the anomaly resulting from adoption of Rule 42B.2 of Karnataka Civil Service Rules. While rectifying the anomaly, the dates of next increment already existing were retained instead of completion of twelve months from the stepping up of their pay from March 1997. The Company again stepped up (June 1996) the pay of 24 engineers with respect to their juniors (one of the 21 engineers) with effect from April 1977 including 13 engineers whose pay had already been stepped up from March 1977. Thus, erroneous fixation in preponing the increment resulted in excess payment of pay and allowances of Rs.12.19 lakh upto July 1998.

The Company endorsed (September 1999) the audit observation and stated that it could not rectify the mistake as withholding of increment would be construed as imposition of penalty. The reply was not tenable as rectification of an irregular fixation would not amount to imposition of penalty.

The matter was reported to Government (July 1999); their replies had not been received (October 1999).

4A.11 Karnataka Silk Industries Corporation Limited

Incorrect assessment of power requirement

Failure to reduce contract demand of power in respect of T. Narasipura and Spun Silk mills Channapatna resulted in avoidable payment of Power charges to the extent of Rs.8.58 lakh

The Company assessed its requirement of power based on the capacity of the machinery installed in the units on its modernisation in 1984. Accordingly power sanction was obtained from KEB to the extent of 248 KVA and 1050 KVA contract demand for T.Narasipura filature and Spun Silk Mills, Channapatna respectively.

It was observed in Audit (January 1999) that the recorded demand in both the units, however ranged from 19 KVA (September 1994) to 122 KVA (October 1996) at T.Narasipura since inception, and from 518 KVA (November 1989) to 878 KVA (November and December 1996) in respect of Spun Silk Mills, on account of underutilisation of capacity.

Non reduction of contract demand resulted in avoidable power charges to the extent of Rs.8.58 lakh.

As per the KEB Electric Tariff applicable to high tension consumers the billing demand shall be maximum demand recorded during the month or 75 per cent of contract demand, whichever is higher. The Company approached (January 1996) the Board to surrender contract demand of T.Narasipura to the extent of 38 KVA which was effected from July 1998. However, it could have been reduced further by 60 KVA on the basis of actual requirement of power bringing it down to 150 KVA. Similarly in respect of Spun Silk Mills, Channapatna the Company could have reduced the demand to 900 KVA considering actual consumption during previous years. The above reductions would have avoided the payment of power charges to the extent of Rs.8.58 lakh during the period from January 1996 to December 1998.

The Government stated (June 1999) that as per the rehabilitation packages approved by the Government of Karnataka and BIFR the Company had to produce minimum 10 MTs of spun silk yarn per month and the Company had taken a decision not to surrender the contract demand. The reply is not convincing as during 1996-97 the monthly production exceeded 8 tonnes only on 6 occasions. Moreover, the maximum monthly production achieved during 1997-98 and 1998-99 was 6 MTs. and 5 MTs. respectively and as such it could have reduced the contract demand based on the level of production efficiency and enhanced the same if required at the appropriate time.

SECTION 4B

Miscellaneous topics of interest

Statutory Corporations

CHAPTER 4B

STATUTORY CORPORATIONS

4B.1 Karnataka State Financial Corporation

4B.1.1 Disbursal of loan ignoring the conditions governing sanction of loans

Release of loan without obtaining despatch documents resulted in non recovery of loan to the extent of Rs.437.54 lakh.

The Corporation sanctioned (October 1992) a loan of Rs.60 lakh to Shri Mohan Reddy for acquisition of mining and earth moving equipments from any authorised dealer of M/s Telco for the purpose of excavation and road formation. On the same day, it sanctioned another loan of Rs.60 lakh to M/s Rohit Associates a partnership firm owned by Shri Sesha Reddy and wife and son of Shri. Mohan Reddy for acquisition of hydraulic excavator and tippers for hiring out to Shri Mohan Reddy.

Both the loans were to be secured by hypothecation of proposed machinery, personal guarantee of the proprietors/partners and collateral security.

The conditions for release of loan in both the cases inter-alia provided that the amount earmarked for procurement of plant and machinery shall be released to the supplier directly on receipt of despatch document. It was, however observed in Audit (January 1998) that Rs.52.05 lakh (October1992) and Rs.56 lakh (February 1993) was released to M/s.Bhagavathi Enterprises(supplier) on the request of loanees.

Disbursal of loan without receipt of despatch documents and inspection of equipments resulted in non-realisation of dues to the extent of Rs.437.54 lakh.

The Corporation neither obtained the details of the equipment supplied, nor inspected the same for hypothecation. Both the loanees did not repay the loan even after several notices issued by the Corporation and notices issued on 29 December 1997 and 26 March 1998 remained undelivered. The officials of the Corporation visited the site (23 July 1998) and observed that the loanees were there for about 5 months only. As the properties offered as securities were situated at Hyderabad, the matter was referred (August 1998) to the District Commissioner, Hyderabad, Andhra Pradesh for attachment of the property. There was no further progress in the matter. Both the parties defaulted in repayment of loan aggregating Rs.437.54 lakh (March 1999).

Thus disbursal of loans without obtaining despatch documents as per the terms and conditions of sanctioning loans resulted in non realisation of dues to the extent of Rs.437.54 lakh.

The Corporation stated (August 1999) that the disbursement of loans to M/s.Bhagavati Enterprises was made after obtaining all the documents in respect of security. However, as mentioned above the Corporation did not obtain the despatch documents of machine before disbursement of loan with the result it could not take possession on default of the loanee.

The matter was reported to Government (June 1999); their replies had not been received (October 1999).

4B.1.2 Lease Finance and subscription of debentures to M/s.Indiana Dairy Specialities Limited

Disbursal of lease finance and investment in debenture without independently ascertaining the cost of equipments and antecedents of the supplier resulted in non-realisation of Rs.416.61 lakh

The Corporation sanctioned (15 February 1996) Rs.113.36 lakh under Equipment Lease Finance Scheme to M/s.Indiana Dairy Specialities Limited for acquisition of a chilling plant to be located in Bangalore.

The installation of the equipment was certified by the Deputy Manager (T) on 16 February 1996, even before the receipt of machinery, which was received on 3 March 1996.

The lessee did not arrange for insurance of the leased machines in favour of the Corporation and defaulted in payment of lease rentals from November 1996.

Disbursal of lease finance without ascertaining the cost of equipments and antecedents resulted in non-realisation of dues of Rs.219.77 lakh

The cheques issued by the firm towards lease rentals bounced (November 1996) and a criminal case had been filed (July 1997) against the firm. Two experts deputed by the Corporation to value the assets of the firm reported (July 1997) that the cost of setting up a similar plant should be around Rs.14.48 lakh only. The Manager (F&A) reported (October 1998) after visiting Chennai that the address, and Sales Tax Registration number indicated by the machinery supplier were bogus. The total dues outstanding against the lessee amounted to Rs 219.77 lakh (December 1998).

Acceptance of inadmissible security for subscription to NCD resulted in non-realisation of dues of Rs.196.84 lakh.

In addition, the Corporation also subscribed (August 1996) to the Non Convertible Debentures (NCD) of the firm to the extent of Rs.120.00 lakh on the security of 13,50,000 equity shares of Rs.10/- each held by Managing Director of the Company, in violation of the provisons of Section 28 of the SFC Act 1951 which prohibit sanction of loans to a firm on the security of its

own shares. The total dues in this account was Rs.196.84 lakh (December 1998).

The Board of Directors of the Corporation also observed (February 1999) that improper evaluation of the Company's background, assets/machinery proposed at the appraisal stage and inadequate monitoring have contributed to the default in payments and ordered an enquiry in the matter, which is still in progress (June 1999).

The matter was reported to the Management/Government (July 1999); their replies had not been received (October 1999).

4B.1.3 Release of loans without ensuring compliance to conditions governing sanction of loans

Disbursal of term/corporate loans without ensuring compliance of conditions governing sanction of loan resulted in non-recovery of loans/interest aggregating Rs.355.12 lakh, in respect of nine loanees.

The Corporation extends term loans to corporate bodies and others for setting up of new industries and expansion/improvement of existing units. The loans are secured by hypothecation/mortgage of all existing and future assets of the loanees and are repayable within 5 to 8 years, with a moratorium period ranging from 12 to 24 months from the date of release of first instalment of the loan.

Nine loan cases sanctioned between March 1988 and November 1995 (Vide Annexure) and identified for recovery under Section 29 of State Financial Corporation's Act 1951 to take over the assets of the loanee were reviewed in Audit (January, July and August 1998). It was observed in these cases that term /corporate loans were sanctioned without ensuring compliance with terms and conditions governing sanction of loans.

The particulars of loans sanctioned, non compliance of conditions governing loans, amount due and latest positions of the cases are indicated in the Annexure 17.

It would be seen from the Annexure that loans were released without proper verification of title deed of properties and tie up for working capital etc.

Failure to adhere to conditions governing sanction of loan affected recoverability of Rs.358.12 lakh.

Thus, non-adherence of the prescribed conditions in sanction and disbursement of loans amounting to Rs.207.52 lakh affected the recoverability and resulted in accumulation of dues (including interest) amounting to Rs.358.12 lakh as at March 1999 on default by these units. No action was taken by the Corporation to fix responsibility on the Officers concerned for improper sanction and disbursal of loans, ignoring the conditions.

The Government has accepted the observation and stated (September 1999) that action was being taken to collect the dues.

4B.1.4 Non-recovery of dues from defaulting firms

The Corporation while sanctioning three loans to firms owned by members of a family, did not obtain adequate collateral security and found it difficult to recover the dues amounting to Rs.45.51 lakh on default.

The Head Office of the Corporation sanctioned (October 1993) a term loan of Rs.19.20 lakh to M/s.Manohar Borewells, a proprietary concern for purchase of drilling rig. The loan was sanctioned on the security of machinery and equipment valued at Rs.27.40 lakh and collateral security to the extent of Rs.5.76 lakh of agricultural property (Rs.15.80 lakh) situated in Tamil Nadu which represented 30 percent of loan amount.

Smt.M.Indrajyothi, wife of the proprietor (Shri. Manoharan) of Manohar Borewells was also sanctioned (February 1994) a term loan of Rs.13.68 lakh by Mangalore Branch to acquire goods carrier vehicle intended to be used by M/s.Manohar Borewells, on the security of the vehicles, personal guarantee of the proprietrix and Shri.Manoharan, besides collateral security of Rs.4.10 lakh being 30 per cent of loan amount from the same agricultural property. Another immovable property valued at Rs 5.04 lakh was also offered as collateral security.

The Board of Directors decided (January 1994) to increase the collateral security in value equal to atleast 75 percent of the term loan for acquisition of borewell rigs. It was observed in Audit (April 1999) that the Mangalore Branch sanctioned (April 1994) further loan of Rs.18.00 lakh for acquisition of borewell rig to M/s.Indra Jyothi Borewells, a partnership firm for which also the same agricultural property in Tamil Nadu was provided as collateral security, to the extent of Rs.5.94 lakh being the remaining unrecovered portion and further additional collateral security of Rs.3.50 lakh. However, the collateral security required as per instruction of the Board at 75 per cent of the loan amounted to Rs.13.50 lakh.

Inadequate collateral security and non-monitoring of assets resulted in non-realisation of dues to the extent of Rs.45.51 lakh.

All the three loanees defaulted in repayment of principal and interest due after payment of some instalments. The last payments made by these parties were during March, May and December 1997. The total interest and loan in default amounted to Rs.45.51 lakh.

After being pointed out in Audit (April 1999) the Corporation issued orders (June 1999) under Section 29 of the SFC's Act 1951 for taking possession of the assets of the loanee. However, it did not succeed in taking the possession of the machinery/equipment/vehicles.

The Government stated (August 1999) that it would be able to collect the entire loan with interest from the parties with proper follow up. However, facts remain that the Corporation could not take the possession of the assets of the loanee and colateral security was also not sufficient to cover the outstanding dues.

4B.2 Karnataka Electricity Board

4B.2.1 Procurement of Meter Reading Instruments

The Board incurred additional expenditure of Rs.86.81 lakh in purchase of Meter Reading Instruments by ignoring the technically acceptable lowest offer

The Board invited tenders (November 1995) for supply of Meter Reading Instruments (MRI). Out of the seven offers received, offers from three firms viz. ABB, Bombay (Rs. 36,000[@]), Larsen and Toubro Limited, Mysore (Rs. 58,000[#]) and P.I. Industries, Udaipur (Rs. 97,440[#] and Rs. 70,035[@]) were considered viable for evaluation after negotiations.

By ignoring lowest tender the Board incurred extra expenditure of Rs.86.81 lakh.

The firms agreed to provide such additional features requested by the Board without extra cost. It was observed in Audit (November 1998) that after evaluation, the purchase committee decided (December 1996) to place orders for 76 nos. of 3MB RAM MRI and 87 nos. of 1 MB RAM MRI on P.I.Industries, Udaipur ignoring the lowest offer of L&T Limited for Rs.58,000 and ABB Limited for Rs.36,000 respectively without assigning any specific reasons. It is pertainent to mention here that 1MB RAM MRI offered by PI Industries was not capable of down loading 20 meters data. The order was placed on P.I.Industries, Udaipur in February 1997 for supply of 3 MB RAM and 1 MB RAM MRI at a total cost of Rs.74.05 lakh and Rs.60.93 lakh respectively. Further IMB RAM MRI numbering 80 were ordered (June 1997) at a cost of Rs.116.96 lakh. Thus, the Board incurred avoidable extra expenditure of Rs.86.81 lakh in procuerment of MRI at higher rate of Rs.39440 and Rs.34035 per piece for 3MB & 1MB respectively.

The Government stated (August 1999) that the MRIs offered by PI Industries were selected as M/s.L & T had not manufactured MRI to meet the specification. The reply is not tenable since the offer of L & T was found technically acceptable by the Project Co-ordinator.

[@] Rate for one MB RAM.
[#] Rate for three MB RAM.

4B.2.2 Extra expenditure in Procurement of Electronic Trivector Meters

The Board incurred an extra expenditure of Rs 81.13 lakh on account of ignoring the lowest offer in procurement of Electronic Trivector Meters.

As a follow up action on the recommendation of the Cabinet Committee Meeting to provide Electronic Trivector Meters for all LT installations above 40 HP in Bangalore Circle, the Board decided (June 1997) to procure additional 2500 numbers of meters. However, the total requirements was assessed as 10,000 meters. On being contacted the two existing suppliers of this equipment with whom orders had already been placed viz., Secure Meters Limited (SEMs) and L & T Limited for placing extension orders for the additional requirement (3000 nos.), the firms quoted an all inclusive price (FORD) of Rs.12,512.65 and Rs.10,484.30 per unit respectively. At this stage, a performance report on the meters supplied already by these suppliers was called for (23.June.1997) from the Executive Engineer, El., O&M North Division.

The report indicated (July 1997) that out of 400 meters received earlier (December 1996) from L & T Limited, 35 meters became faulty. The meters received (April 1997) from M/s.SEMs were not caliberated and no fault in meters was observed.

Ignoring lowest offer resulted in additional expenditure of Rs.81.13 lakh.

Considering the offers received and the performance report the Board placed extension order (August 1997) on M/s.SEMs for supply of 3000 nos. of Trivector Meters at a total cost of Rs.375.98 lakh and another extension order (January 1998) for 1000 nos. at a total cost of Rs.125.13 lakh ignoring the lowest offer of M/s.L & T Limited. Thus, the Board incurred additional expenditure of Rs.81.13 lakh by purchasing the meters at higher rates of Rs.2028.35 per unit. The Government stated (July 1999) that the lowest offer of M/s.L & T Limited was ignored considering the failure of their meters supplied earlier whereas no failure was reported in respect of meters supplied by M/s.SEMs. The contention is not convincing as meters supplied by M/s.SEMs were reported "no fault" without caliberation of the meters and in view of the fact that failure of L & T meters was on account of voltage spikes during switching operations.

4B.2.3 Idling of Power Transformer and SF-6 Circuit Breaker

Delayed installation of one 10 MVA power transformer, one SF-6 circuit breaker and three 110 KV Control Terminals (CTs) purchased during June 1996, resulted in locking up of funds to the extent of Rs.53.21 lakh with resultant loss of interest of Rs.19.75 lakh

The Board accorded (June 1996) administrative approval for replacement of one 5 MVA 110/11 KV transformer by 10 MVA 110/11 KV transformer at Jog station at a total cost of Rs.146.00 lakh. The project was to be completed in two years by augmentation of existing capacity to overcome loading problems. For implementation of the project one 10 MVA power transformer of NGEF make, one SF-6 circuit breaker and three numbers of 110 KV CTs valued Rs.53.21 lakh were procured which were received at Jog station during May-June 1996.

Even though the materials were received during June 1996 the work of replacement was not taken up by the Superintending Engineer (Elecl.) Major Works Circle, Shimoga. In October 1998 the transformer was diverted to Sedam sub-division and the same was commissioned during February 1999.

Failure of the Board to instal the transformer at Jog Station resulted in continuation of overloading problem. Moverover, the Board, took more than two years in diverting the transformers to other sub division.

The Government stated (July 1999) that due to non-availability of Budget provision in 1996-97 to 1998-99 the work could not be taken up. The reply is not tenable as non-provision in the Budget indicated lack of proper planning.

4B.2.4 Non-enforcement of risk purchase clause

The Board incurred an extra expenditure of Rs.23.47 lakh due to non-enforcement of risk purchase clause as per the terms of purchase order for 11 KV insulators while short closing it on account of non-supply.

The Board placed an order on Venkateshwara Ceramics (16 April 1996) for supply of 2,00,000 Nos. of 11 KV Pin Insulators at Rs.41.63 per piece stipulating a delivery schedule of 20,000 nos. per month commencing within one month from the date of purchase order. The purchase order inter-alia provided for risk purchase after giving due notice to the supplier for the undelivered quantitites, forfeiture of security deposit and blacklisting of the firm.

Failure to invoke risk purchase clause resulted in non-recovery of Rs.23.47 lakh.

The firm supplied 24136 nos. upto June 1996, out of which 12500 nos. were accepted and the balance (11636) were rejected as the same did not conform to specifications. As the quality of the insulators supplied by the firm was very poor, the Board decided (June 1996) to shortclose the purchase order and procure the balance quantity from BHEL and Jayashree Insulators at the negotiated price of Rs.54.67 per piece which was Rs.13.04 higher than the ordered price on Venkateshwara Ceramics. Orders were placed (August 1996) on these firms against which supplies were received at an additional cost of Rs.23.47 lakh.

It was observed in Audit (February 1998) that the Board while shortclosing the order on Venkateshwara Ceramics did not invoke risk purchase clause and thus extended undue benefit to the firm to the extent of Rs.23.47 lakh. Further, no action was taken to encash the bank guarantee of Rs.1 lakh, towards security deposit, which expired on 24 October 1998.

The Government stated (July 1999) that penal measures were not taken since the firm was ready to complete the supplies and could not therefore be treated as a defaulter and since the Board cancelled the Purchase Order unilaterally. The reply is not convincing since the Board could not produce any paper received from the firm willing to complete the supplies.

4B.2.5 Avoidable expenditure due to change in price clause from firm to variable basis

Modification in the price clause in 3 purchase orders after issue of Letter of Award and acceptance of price variation for supplies beyond the delivery schedule resulted in additional expenditure of Rs.14.78 lakh.

After obtaining acceptance of offers from M/s. Krishna Electrical Industries Pvt. Ltd., three Letters of Award (LOA) were issued (October/November 1994) at a total ex-works cost of Rs.220.93 lakh for design, manufacture and supply of stranded Aluminium LV Power Cables and stranded Copper Control Cables against their lowest offer. The prices quoted by the firm were valid upto 31 December 1994 and the materials were to be delivered within two months from the date of LOA (20 October 1994) in respect of SS-52 and SS-60 and 4 months from the date of LOA (25 November 1994) in respect of SS-61. The material ordered under SS-52 included items worth Rs.22.79 lakh, offer for which were received as early as 15 September 1993.

The firm represented (December 1994) that due to unprecedented increase in the cost of major raw materials such as aluminium, copper and PVC compound, they were unable to fulfil the contract on FIRM price basis as per the LOA and requested for compensation for the increase in the rates beyond 1 October 1994 upto the date of despatch in terms of indices formula circulated every month by Indian Electrical and Electronics Manufacturer's Association (IEEMA). The Board considered (March 1995) the request of the firm and issued a detailed purchase order amending the price clause from FIRM rate to variable rate with a ceiling of $\pm$ 15 percent on L.T. aluminium power cables and $\pm$ 10 percent on copper control cables. The delivery schedule was extended with price variation clause and without payment of penalty upto September 1995. The firm supplied the materials between March 1995 and January 1996 and claimed price variation to the extent of Rs.14.78 lakh.

A penalty of Rs.9.40 lakh was levied on the supplier for effecting supplies beyond extended delivery schedule.

Change of price clause from firm to variable resulted in avoidable expenditure of Rs.14.78 lakh.

The decision of the Board to amend the price clause from firm to variable after acceptance of the LOA and allowing price variation for supplies beyond the original delivery schedule, resulted in incurring an avoidable expenditure of Rs.14.78 lakh.

The Government replied (July 1999) that the request for modification of price clause was accepted because the second lowest offerer had agreed to accept the tender only if he was given an increase of 16 percent of the quoted rate. The price of M/s. Krishna Electrical was cheaper even after considering the demand for variable rate.

The reply is not convincing as the firm was aware of the increase in prices of raw materials at the time of acceptance of Letter of Award..

4B.3 Karnataka State Road Transport Corporation

4B.3.1 Extra expenditure on Purchase of tread rubber

The Corporation incurred an extra expenditure of Rs 345.66 lakh during the years 1993-94 to 1995-96 in purchase of tread rubber by ignoring the cheaper offer from a reputed firm without analysing the economies of purchase.

Procurement of negligible quantity of tread rubber from the lowest firm resulted in extra expenditure. of Rs.3.46 crore.

The Corporation has installed two brands of tyre re-treading plants viz., Indag & Elgi at various divisions. The corporation had been purchasing pre-cured tread rubber from several sources including M/s Elgi Tyre and Tread Ltd., and M/s Indag Rubber Ltd. The performance of tread rubber supplied by M/s MRF was the best as analysed by the Corporation because no failures /adverse reports were noticed. However, the Corporation placed major share of orders on M/s Indag and M/s Elgi, even though the rates were higher than that of M/s MRF. During 1993-94 and 1994-95 only 30 percent and 7 percent respectively of the requirement was ordered on MRF whereas during 1995-96 no order was placed though there were no restrictions imposed by them as regards quantities to be supplied. Due to low purchase from MRF the corporation incurred an extra expenditure of Rs.345.66 lakh on purchase of tread rubber valued at Rs.2727.99 lakh during the three years ending 1995-96.

M/s MRF did not participate in the tenders for the years 1996-97 & 1997-98. As a result, an alternative source of cheaper supply could not be tapped. Had the Corporation placed orders on MRF for appropriate quantities, the extra expenditure could have been reduced significantly.

The Corporation stated (August 1999) that the offer of MRF was ignored since they were reluctant to agree to the credit terms and delayed payments had resulted in delayed supplies affecting the production programme. The reply is not convincing since the corporation had not worked out the financial implications of the denial of Credit by MRF. Even if the Corporation had to arrange funds, the financial cost would have been to the order of Rs.71.48 lakh only and as such the Corporation should have ensured proper financial management in view of the huge difference in price.

The matter was reported to Management/Government (May 1999); their replies had not been received so far (October 1999).

4B.3.2 Ineligible payment of Repast Allowance

Inspite of providing subsidised canteen facilities, six units of the Corporation continued to pay Repast Allowance amounting to Rs.219.58 lakh contrary to the provisions of Memorandum of Settlement.

The Memorandum of Settlement signed (July 1989) by the Corporation with the "Staff and workers Federation" of the Corporation, provided that in lieu of subsidised canteen facilities, an allowance called Repast Allowance of Rs.4 per actual day of attendance shall be paid to the eligible employees (viz., peons, watchmen, Havildars, Mechanical staff, Head Malis, Sweepers and Home Orderlies) and this shall be stopped from the date the subsidised canteens were started.

The orders issued by the Corporation (October 1993 and January 1998) revising the rates of Repast Allowance to Rs.5 and Rs.8 respectively also reiterated that the payment of Repast allowance shall be stopped from the date subsidised canteens were started.

Contravention of provisions in Memorandum of Settlement resulted in payment of inadmissible repast allowance to the extent of Rs.219.58 lakh.

It was, however, noticed in Audit (October 1997 to May 1999) on verification of the records for the period from April 1994 to March 1999 that in violation of the orders referred above, the Corporation paid Repast allowance in six of its units viz., Regional Workshops, Kengeri, Bangalore, Regional Workshops, Hubli, Kolar, Central Offices and Mysore Division where subsidised canteen facilities were provided. The payments so made by these units for the above period amounted to Rs.219.58 lakh.

The matter was reported to Corporation/Government (May 1999); their replies had not been received (October 1999).

4B.3.3 Purchase of Ball and Roller Bearings

The Corporation incurred an extra expenditure of Rs.178.68 lakh by purchasing major portion of its requirement of Ball and Roller Bearings at higher rates from the Original Equipment Manufacturers instead of purchasing at lower rate from Rate Contract firms.

Placement of orders for lower percentage of Ball and Roller bearings from Rate Contract firms resulted in extra expenditure of Rs.178.68 lakh.

The Corporation purchases its requirements of Ball and Roller bearings from two kinds of sources viz., Original Equipment Manufacturers (O.E.M) and firms approved by Association of State Road Transport Undertakings (ASRTU) for rate contracts (RC). It was noticed in audit (July 1997) that even though the prices offered by the O.E.M were high, the orders for major share of the requirement was placed on them and only a portion of the requirement ranging from 5 per cent to 30 per cent was placed on the RC firms despite their rates were lower. The additional expenditure on account of the difference in prices for the five years from 1994-95 to 1998-99 was Rs.178.68 lakh in respect of the purchase orders valued at Rs.579.04 lakh test checked in Audit.

The Corporation had not conducted any comparative study of the quality of the bearings supplied by O.E.M. and the RC suppliers. Moreover, the Corporation had utilised the bearings supplied by the rate contract firms and no complaints were reported.

Thus, Corporation incurred an extra expenditure of Rs.178.68 lakh on total purchase of bearings valued at Rs.579.04 lakh during five years from 1994-95 to 1998-99 which could have been reduced if ratio of procurement from RC firms was enhanced to an appropriate level.

The Government justified (October 1999) the purchase of bearings at higher cost from O.E.M. firms on the grounds of better quality. It was stated that the bearings manufactured by the O.E.M. were genuine and the same could not be compared with bearings of any other make. The reply is not justifiable in view of the fact that RC firms are also approved by ASRTU after conducting quality tests and considering economy in purchase from these firms the Corporation should have enhanced the ratio to an appropriate level.

BANGALORE
The

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

COUNTERSIGNED

NEW DELHI
The

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

ANNEXURES

ANNEXURE-1

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

(Referred to in Preface and Paragraph 1.10)

Sl. No.	Name of the Company	Amount of investment in share capital upto 1998-99 (Rs. in lakh)
1.	The Associated Cement Companies Limited, Bombay	16.38
2.	The Tata Engineering and Locomotive Company Limited, Bombay	25.87
3.	Mysore Cement Limited, Bangalore	23.46
4.	Karnataka Truck Terminals Private Limited, Bangalore	15.00
	Total	80.71

ANNEXURE 2

Statement showing particulars of captial, loans/equity received out of budget, other loans and loans outstanding as on 31 March 1999 in respect of Government companies and Statutory corporations.

(Figures in bracket indicate share application money)

(Referred to in Paragraphs 1.1, 1.2.1, 1.2.2 and 1.3)

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

Sl No	Sector and name of Company/Corporation	Paid-up capital as at the end of the current year					Equity/lonas received out of Budget during the year		Other loans received @ during the year	Loans ** Outstanding at the close of 1998-99			Debt equity ratio for 1998-99 (Previous year 4(f)/ 3(e)
		State Govern-ment	Central Govern-ment	Holding Companies	Others	Total	Equity	Loans		Govt	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	A Government Companies												
I	**AGRICULTURE AND ALLIED**												
1.	Karnataka Agro Industries Corporation Limited	460.00	294.09	--	--	754.09	--	--	--	2553.67	90.89	2644.56	3.5:1 (3.4:1)
2.	Karnataka State Agro Corn Products Limited	223.37	--	--	50.00	273.37	--	--	51.84	--	30.32	30.32	0.1:1 (0.2:1)
3.	Karnataka Agro Proteins Limited	33.54	--	16.31	23.29	73.14	--	--	--	78.00	20.37	98.37	1.3:1 (1.7:1)
4.	Karnataka State Agricultural Produce Processing and Export Corporation Limited	50.00	--	--	--	50.00	--	--	--	--	--	--	--
5.	Karnataka Dairy Development Corporation Limited	299.00	299.00	--	--	598.00	--	--	--	--	--	--	--
6.	Karnataka Meat and Poultry Marketing Corporation Limited	44.00	96.00	--	13.50	153.50	--	--	--	--	--	--	--

		3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
7.	Karnataka Inland Fisheries Development Corporation Limited	182.30	--	--	--	182.30	--	--	--	--	--	--	--
8.	The Karnataka Fisheries Development Corporation Limited	259.15	--	--	--	259.15	--	--	--	75.00	--	75.00	0.3:1 (0.5:1)
	SUBSIDIARIES												
9.	Karnataka Compost Development Corporation Limited	--	--	50.00	--	50.00	--	--	--	--	41.95	41.95	0.8:1 (0.8:1)
10.	The Mysore Tobacco Company Limited	2.00 (58.52)	--	11.05	5.81	18.86 (58.52)	--	--	--	--	--	--	--
	Sectorwise Total	**1553.36 (58.52)**	**689.09**	**77.36**	**92.60**	**2412.41 (58.52)**	--	--	**51.84**	**2706.67**	**183.53**	**2890.20**	**1.2:1 (1.3:1)**
	INDUSTRY												
11.	Karnataka Leather Industries Development Corporation Limited	334.67	--	--	--	334.67	--	--	--	94.50	160.06	254.56	0.8:1 (0.6:1)
12	Karnataka Small Industries Marketing Corporation Limited	136.00	--	35.00	--	171.00	--	--	--	--	87.50	87.50	0.5:1 (0.8:1)
13	Karnataka Soaps and Detergents Limited	3182.21	--	--	--	3182.21	--	--	317.17	2780.05	1443.14	4223.19	1.3:1 (1.7:1)
14	Karnataka State Coir Development Corporation Limited	158.78 (93.62)	--	--	--	158.78 (93.62)	--	--	24.59	24.59	--	24.59	0.1:1 (-)
15	Karnataka State Small Industries Development Corporation Limited	2256.36 (50.00)	--	--	10.00	2266.36 (50.00)	50.00	--	--	1530.33	166.54	1696.87	0.7:1 (1.0:1)
16	The Mysore Paper Mills Limited	5674.99 (1953.50)	--	--	4178.02	9853.01 (1953.50)	--	1046.70	3799.88	8376.50	9288.78	17665.28	1.5:1 (1.6:1)
17	Vijayanagar Steel Limited	1290.58	--	--	--	1290.58	--	3.06	--	54.85	3.00	57.85	0.1:1 (0.1:1)
	SUBSIDIARIES												
18	Karnataka Telecom Limited	--	--	300.00	--	300.00	--	25.00	--	235.00	494.61	729.61	2.4:1 (2.3:1)
19	Karnataka Tungsten Moly Limited	--	--	0.01	--	0.01	--	--	--	19.08	--	19.08	--

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
20	The Mysore Chrome Tanning Company Limited	--	--	72.09	3.65	75.74	--	--	--	12.02	64.36	76.38	1.0:1 (1.0:1)
21	The Mysore Cosmetics Limited	-- (1.14)	--	15.00	--	15.00 (1.14)	--	--	--	--	16.78	16.78	1.0:1 (1.0:1)
	Sectorwise Total	**13033.59 (2098.26)**	--	**422.10**	**4191.67**	**17647.36 (2098.26)**	**50.00**	**1074.76**	**4141.64**	**13126.92**	**11724.77**	**24851.69**	**1.2:1 (1.0:1)**
	ENGINEERING												
22	Chamundi Machine Tools Limited	63.50	--	--	--	63.50	--	--	--	18.14	69.33	87.47	2.8:1 (0.4:1)
23	Karnataka Implements and Machineries Company Limited	535.34 (30.00)	--	--	--	535.34 (30.00)	30.00	--	--	--	--	--	--
24	Karnataka Vidyuth Karkhane Limited	390.96	--	--	--	390.96	--	--	--	293.02	--	293.02	0.7:1 (0.7:1)
25	NGEF Limited	3317.81 (7507.63)	--	--	452.00	3769.81 (7507.63)	--	--	1630.93	119.57	4656.62	4776.19	0.4:1 (2.4:1)
26	The Mysore Electrical Industries Limited	766.51	--	--	175.96	942.47	--	--	--	389.50	50.80	440.30	0.5:1 (0.1:1)
	SUBSIDIARIES												
27	NGEF (Hubli) Limited	--	--	320.00	--	320.00	--	--	--	--	60.00	60.00	0.2:1 (0.4:1)
	Sectorwise Total	**5074.12 (7537.63)**	--	**320.00**	**627.96**	**6022.08 (7537.63)**	**30.00**	--	**1630.93**	**820.23**	**4836.75**	**5656.98**	**0.4:1 (0.8:1)**
	ELECTRONICS												
28	Karnataka State Electronics Development Corporation Limited	787.20	--	--	--	787.20	--	--	--	735.00	--	735.00	0.9:1 (0.9:1)
	Sectorwise Total	**787.20**	--	--	--	**787.20**	--	--	--	**735.00**	--	**735.00**	**0.9:1 (0.9:1)**
	TEXTILES												
29	Karnataka Silk Industries Corporation Limited	1309.47 (690.50)	--	--	--	1309.47 (690.50)	190.50	--	--	998.50	77.08	1075.58	0.5:1 (0.8:1)
30	Karnataka Silk Marketing Board Limited	3145.00	--	--	--	3145.00	--	--	--	--	--	--	--
31	Karnataka State Powerloom Development Corporation Limited	95.00	--	--	--	95.00	30.00	--	--	--	--	--	--

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
32	Karnataka State Textiles Limited	50.00	--	--	--	50.00	--	52.00	--	947.56	--	947.56	18.9:1 (17.9:1)
	Sectorwise Total	**4599.47 (690.50)**	**--**	**--**	**--**	**4599.47 (690.50)**	**220.50**	**52.00**	**--**	**1946.06**	**77.08**	**2023.14**	**0.4:1 (0.5:1)**
	HANDLOOM AND HANDICRAFTS												
33	The Karnataka Handloom Development Corporation Limited	1052.46	519.75	--	--	1572.21	--	10.50	105.00	1305.11	163.61	1468.72	0.9:1 (2.9:1)
34	Karnataka State Handicrafts Development Corporation Limited	280.00 (3.81)	86.50	--	--	366.50 (3.81)	--	--	38.50	68.12	84.90	153.02	0.4:1 (0.5:1)
	Sectorwise Total	**1336.27 (3.81)**	**606.25**	**--**	**--**	**1938.71 (3.81)**	**--**	**10.50**	**143.50**	**1373.23**	**248.51**	**1621.74**	**0.8:1 (1.7:1)**
	FOREST												
35	Karnataka Cashew Development Corporation Limited	405.03	44.00	--	--	449.03	--	--	--	--	726.24	726.24	1.6:1 (2.2:1)
36	Karnataka Forest Development Corporation Limited	901.40 (5.00)	--	--	--	901.40 (5.00)	5.00	--	--	--	791.18	791.18	0.9:1 (0.3:1)
37	The Karnataka State Forest Industries Corporation Limited	115.53	--	--	--	115.53	--	--	--	--	20.00	20.00	0.2:1 --
	SUBSIDIARIES												
38	Karnataka Pulpwood Limited	--	--	125.00	--	125.00	--	--	--	--	266.29	266.29	2.1:1 (2.1:1)
39	The Mysore Match Company Limited	0.50	--	2.95	1.55	5.00	--	--	--	--	--	--	--
40	The Karnataka State Veneers Limited	--	--	51.00	49.00	100.00	--	--	--	--	--	--	--
	Sectorwise Total	**1427.46**	**44.00**	**178.95**	**50.55**	**1700.96**	**5.00**	**--**	**--**	**--**	**1803.71**	**1803.71**	**1.1:1**
	MINING												
41	Mysore Minerals Limited	296.62	--	3.38	--	300.00	--	--	320.00	320.00	1520.00	1840.00	6.1:1 (3.1:1)
42	The Hutti Gold Mines Company Limited	220.19	--	72.50	3.51	296.20	--	--	104.12	195.07	3710.00	3905.07	13.2:1 (0.1:1)
	Sectorwise Total	**511.81 (5.00)**	**--**	**75.88**	**3.51**	**591.25 (5.00)**	**--**	**--**	**424.12**	**515.07**	**5230.00**	**5745.07**	**9.6:1 (1.6:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	CONSTRUCTION												
43	Karnataka State Construction Corporation Limited	205.00	--	--	--	205.00	--	--	--	553.11	--	553.11	2.7:1 (4.9:1)
44	Karnataka Land Army Corporation Limited	25.00	--	--	--	25.00	--	--	--	--	--	--	--
45	Karnataka State Police Housing Corporation Limited	12.00	--	--	--	12.00	--	--	211.33	--	4540.07	4540.07	378.3:1 (388.3:1)
	Sectorwise Total	242.00	--	--	--	242.00	--	--	211.33	553.11	4540.07	5093.18	21.0:1 (23.9:1)
	AREA DEVELOPMENT												
46	Krishna Bhagya Jala Nigam Limited	130323.00 (42646.72)	--	--	--	130323.00 (42646.72)	29350.90	--	61061.00	--	210966.56	210966.56	1.2:1 (1.1:1)
47	Karnataka Neeravari Nigam Limited	1000.00	--	--	--	1000.00	1000.00	--	878.97	--	878.97	878.97	0.9:1 (--)
	Sectorwise Total	**131323.00 (42646.72)**	--	--	--	**131323.00 (42646.72)**	**30350.90**	--	**61940.00**	--	**211845.56**	**211845.56**	**1.2:1 (1.1:1)**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS												
48	Karnataka Backward Classes Development Corporation Limited	4609.11	--	--	--	4609.11	660.00	--	875.35	--	2541.06	2541.06	0.6:1 (0.6:1)
49	Karnataka State Women's Development Corporation Limited	660.00 (21.00)	297.84	--	--	957.84 (21.00)	96.00	--	--	--	--	--	--
50	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	2000.00 (6009.81)	--	--	--	2000.00 (6009.81)	1479.00	--	495.00	--	1885.06	1885.06	0.2:1 (0.3:1)
51.	The Karnataka Minorities Development Corporation Limited	668.60 (1530.00)	--	--	--	668.60 (1530.00)	155.00	--	641.89	--	987.11	987.11	0.4:1 (0.3:1)
	Sectorwise Total	7937.71 (7560.81)	297.84	--	--	8235.55 (7560.81)	2390.00	--	2012.24	--	5413.23	5413.23	0.3:1 (0.4:1)
	PUBLIC DISTRIBUTION												
52	Karnataka Food and Civil Supplies Corporation Limited	225.00	--	--	--	225.00	--	--	--	69.71	--	69.71	0.3:1 (2.0:1)
	Sectorwise Total	**225.00**	--	--	--	**225.00**	--	--	--	**69.71**	--	**69.71**	**0.3:1 (2.0:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	SUGAR												
53	The Mysore Sugar Company Limited	380.75	--	--	92.68	473.43	--	--	--	--	219.35	219.35	0.5:1 (0.7:1)
	Sectorwise Total	**380.75**	--	--	**92.68**	**473.43**	--	--	--	--	**219.35**	**219.35**	**0.5:1 (0.7:1)**
	TOURISM												
54	The Karnataka State Tourism Development Corporation Limited	499.97 (141.36)	--	--	--	499.97 (141.36)	--	--	--	200.00	176.91	376.91	0.6:1 (0.7:1)
55	Jungle Lodges and Resorts Limited	49.69	--	--	42.06	91.75	--	--	3.17	4.00	13.13	17.13	0.2:1 (0.2:1)
	Sectorwise Total	**549.66 (141.36)**	--	--	**42.06**	**591.72 (141.36)**	--	--	**3.17**	**204.00**	**190.04**	**394.04**	**0.5:1 (0.7:1)**
	CHEMICALS												
56	The Mysore Acetate and Chemicals Company Limited	995.69	--	30.00	191.83	1217.52	--	500.00	--	550.00	0.26	550.26	0.5:1 (0.1:1)
57	The Mysore Paints and Varnish Limited	94.73	--	--	8.92	103.65	--	--	--	--	--	--	--
	Sectorwise Total	**1090.42**	--	**30.00**	**200.75**	**1321.17**	--	**500.00**	--	**550.00**	**0.26**	**550.26**	**0.4:1 (0.1:1)**
	POWER												
58	Karnataka Power Corporation Limited	66298.15	--	--	--	66298.15	--	--	79789.00	102879.00	198277.00	301156.00	4.5:1 (3.9:1)
	SUBSIDIARIES												
59	KPC Bidadi Power Corporation Limited	--	--	&	--	&	--	--	--	--	--	--	--
	Sectorwise Total	**66298.15**	--	--	--	**66298.15**	--	--	**79789.00**	**102879.00**	**198277.00**	**301156.00**	**4.5:1 (3.9:1)**
	FINANCING												
60	Karnataka State Industrial Investment and Development Corporation Limited	7250.12 (3994.00)	--	--	--	7250.12 (3994.00)	575.00	--	--	1731.45	69708.59	71440.04	6.4:1 (6.4:1)
61	Karnataka Urban Infrastructure Development and Finance Corporation Limited	786.48	--	--	--	786.48	30.00	--	--	--	--	--	--
	Sectorwise Total	**8036.60 (3994.00)**	--	--	--	**8036.60 (3994.00)**	**605.00**	--	--	**1731.45**	**69708.59**	**71440.04**	**5.9:1 (0.5:1)**
	MISCELLANEOUS												
62	Bangalore Mass Rapid Transit Limited	&	--	--	--	&	--	2759.00	--	14259.00	--	14259.00	--

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
63	Karnataka Film Industry Development Corporation Limited	90.00	--	--	12.38	102.38	--	--	--	52.00	--	52.00	0.5:1 (0.5:1)
64	Marketing Consultants and Agencies Limited	--	--	185.25	--	185.25	--	--	--	--	--	--	--
65	Mysore Sales International Limited	--	--	60.00	--	60.00	--	--	245.00	650.00	245.00	895.00	14.9:1 (10.8:1)
66	Sree Kanteerava Studios Limited	82.08	--	--	5.90	87.98	--	--	--	20.91	--	20.91	0.2:1 (0.3:1)
	Sectorwise Total	**172.08**	**--**	**245.25**	**18.28**	**435.61**	**--**	**2759.00**	**245.00**	**14981.91**	**245.00**	**15226.91**	**35.0:1 (26.9:1)**
	TOTAL A (All sector wise Government companies)	**244574.84 (64736.61)**	**1637.18**	**1349.54**	**5320.06**	**252881.62 (64736.61)**	**33651.40**	**4396.32**	**150592.77**	**142192.36**	**514543.45**	**656735.81**	**2.1:1 (0.5:1)**
B	**Statutory corporations**												
	POWER												
1.	Karnataka Electricity Board	43601.00	--	--	--	43601.00	--	--	64580.71	47350.39	154500.00	201850.39	4.6:1 (4.2:1)
	Sectorwise Total	**43601.00**	--	--	--	**43601.00**	--	--	**64580.71**	**47350.39**	**154500.00**	**201850.39**	**4.6:1 (4.2:1)**
	TRANSPORT												
2.	Karnataka State Road Transport Corporation	23997.26	4909.77	--	--	28907.03	20.00	--	7225.00	323.25	15981.66	16304.91	0.6:1 (0.6:1)
3.	Bangalore Metropolitan Transport Corporation	6453.45	--	--	--	6453.45	10.00	--	--	72.10	1630.76	1702.86	0.3:1 (0.4:1)
4.	North West Karnataka Transport Corporation	9363.67	--	--	--	9363.67	10.00	104.66	1136.12	104.66	6573.10	6677.76	0.7:1 (-)
	Sectorwise Total	39814.38	4909.77	--	--	44724.15	40.00	104.66	8361.12	500.01	24185.52	24685.53	0.6:1 (-)
	FINANCING												
5.	Karnataka State Financial Corporation	4404.89 (3200.00)	--	--	2989.80 (7394.69)	7394.69 (3200.00)	484.00	--	--	245.00	207172.49	207417.49	28.8:1 (28.8:1)
	Sectorwise Total	**4404.89 (3200.00)**	**--**	**--**	**2989.80 (7394.69)**	**7394.69 (3200.00)**	**484.00**	**--**	**--**	**245.00**	**207172.49**	**207417.49**	**28.8:1 (28.8:1)**
	AGRICULTURE AND ALLIED												
6.	Karnataka State Warehousing Corporation	375.00	--	--	320.00	695.00	35.00	--	--	--	180.88	180.88	0.2:1 (0.3:1)
	Sectorwise Total	**375.00**	**--**	**--**	**320.00**	**695.00**	**35.00**	**--**	**--**	**--**	**180.88**	**180.88**	**0.2:1 (0.3:1)**
	TOTAL B (all sector wise Statutory Corporations)	**88195.27 (3200.00)**	**4909.77**	**--**	**3309.80**	**96414.84 (3200.00)**	**559.00**	**104.66**	**72941.83**	**48095.40**	**386038.89**	**434134.29**	**4.4:1 (4.2:1)**
	Grand total (A + B)	**332770.11 (67936.61)**	**6546.95**	**1349.54**	**8629.86**	**349296.46 (67936.61)**	**34210.40**	**4500.98**	**223534.60**	**190287.76**	**900582.34**	**1090870.10**	**2.6:1 (2.7:1)**

* Except in respect of Companies/Corporations which finalised their accounts for 1998-99, figures are provisional as given by the companies/Corporations.

** loans outstanding at the close of 1998-99 represents long-term loan only.

@ includes bonds, debentures, intercorporate deposits etc.

[illegible] than Rupees One Thousand.

ANNEXURE 3

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

(Referred to in Paragraphs 1.4.1, 1.5, 1.6 and 1.7)

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

Sl No	Sector and name of Company/ Corporation	Name of Department	Date of incorporation	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	Arrears of accounts in terms of years	Status of the company /corporation
												(12 / 11)		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	A Government Companies													
I	**AGRICULTURE AND ALLIED**													
1.	Karnataka Agro Industries Corporation Limited	Agriculture & Horticulture	Sep 67	1997-98	1999-2000	-865.75	--	754.09	(-)6968.68	-1374.02	-406.12	--	1	Working
2.	Karnataka State Agro Corn Products Limited	Agriculture & Horticulture	Apr 73	1998-99	1999-2000	-561.82	--	273.37	-395.70	130.11	-279.49	--	--	Working
3.	Karnataka Agro Proteins Limited	Agriculture & Horticulture	Apr 75	1997-98	1999-2000	-27.3		60.93	-473.65	-279.14	-11.99	--	1	Under liquidation
4.	Karnataka State Agricultural Produce Processing and Export Corporation Limited	Agriculture & Horticulture	Apr 96	1997-98	1998-99	0.38		50.00	0.41	122.65	0.57	0.50	1	Working
5.	Karnataka Dairy Development Corporation Limited	Animal, Husbandary and Fisheries	Oct 74	1996-97	1998-99	-0.06	--	598.00	-260.95	337.05	-0.06	--	2	Under Closure
6.	Karnataka Meat and Poultry Marketing Corporation Limited	Animal, Husbandary and Fisheries	Jan 74	1998-99	1999-2000	-2.85		153.50	40.74	190.17	-2.98	--	--	Working
7.	Karnataka Inland Fisheries Development Corporation Limited	Animal, Husbandary and Fisheries	Nov 84	1998-99	1999-2000	-0.58	--	182.30	(-) 168.16	14.13	-0.58	--	--	Under closure

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
8.	The Karnataka Fisheries Development Corporation Limited	Animal, Husbandary and Fisheries	Oct 70	1998-99	1999-2000	-28.27		259.15	-476.59	65.71	11.53	--	--	Working
	SUBSIDIARIES													
9.	Karnataka Compost Development Corporation Limited	Agriculture & Horticulture	Aug 75	1998-99	1999-2000	-3.92		50.00	-97.05	50.74	-1.04	--	--	Working
10.	The Mysore Tobacco Company Limited	Agriculture & Horticulture	Apr 37	1998-99	1999-2000	-24.33		96.24	-818.88	-523.42	20.7	--	--	Non-working
	Sectorwise Total					**-1514.5**	--	**2477.58**	**-9618.51**	**-1266.02**	**-669.46**			
	INDUSTRY													
11.	Karnataka Leather Industries Development Corporation Limited	Commerce & Industries	Oct 76	1996-97	1998-99	14.52	--	309.67	-720.85	-119.25	23.99	--	2	Working
12	Karnataka Small Industries Marketing Corporation Limited	Commerce & Industries	Sep 84	1998-99	1999-2000	133.24	--	171.00	329.26	637.74	100.79	15.8	--	Working
13	Karnataka Soaps and Detergents Limited	Commerce & Industries	July 80	1998-99	1999-2000	2017.95	--	3182.21	-2060.57	5783.85	2109.66	36.5	--	Working
14	Karnataka State Coir Development Corporation Limited	Commerce & Industries	Feb 85	1998-99	1999-2000	0.62		158.78	7.80	404.96	2.27	0.6	--	Working
15	Karnataka State Small Industries Development Corporation Limited	Commerce & Industries	Jun 64	1997-98	1998-99	212.11	--	2266.36	398.94	5012.77	271.79	5.4	1	Working
16	The Mysore Paper Mills Limited	Commerce & Industries	May 36	1998-99	1999-2000	117.45	--	11806.51	2661.14	26937.62	444.27	1.6	--	Working
17	Vijayanagar Steel Limited	Commerce & Industries	Dec 82	1998-99	1999-2000	b	--	1290.58	--	--	--	--	--	Non-working
	SUBSIDIA-RIES													
18	Karnataka Telecom Limited	Commerce & Industries	July 85	1998-99	1999-2000	-592.64	--	300.00	-2150.61	375.69	-162.81	--	--	Under closure
19	Karnataka Tungsten Moly Limited	Commerce & Industries	Dec 86	1996-97	1997-98	b	--	0.01	d	-500.00	--	--	2	Non-working
20	The Mysore Chrome Tanning Company Limited	Commerce & Industries	Mar 40	1998-99	1999-2000	-58.49	--	75.74	-1217.36	-1108.38	177.13	--	--	Non-working

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
21	The Mysore Cosmetics Limited	Commerce & Industries	Mar 66	1997-98	1998-99	-0.07	--	16.14	-97.02	14.04	-0.06	--	1	Working
	Sectorwise Total					**1844.69**	**--**	**19577**	**-2849.27**	**37439.04**	**2967.03**			
	ENGINEERING													
22	Chamundi Machine Tools Limited	Commerce & Industries	Oct 75	1998-99	1999-2000	-57.91	--	63.50	-465.63	-271.47	-33.88	--	--	Non-working
23	Karnataka Implements and Machineries Company Limited	Commerce & Industries	Oct 75	1998-99	1999-2000	3.79	--	565.34	-3018.86	-1697.59	26.79	--	--	Under liquidation
24	Karnataka Vidyuth Karkhane Limited	Commerce & Industries	Oct 76	1998-99	1999-2000	-363.75	--	390.96	-20488.85	1080.51	-277.22	--	--	Working
25	NGEF Limited	Commerce & Industries	Apr 65	1998-99	1999-2000	-3707.64	--	11277.44	0.85	12521.81	-1578.96	--	--	Working
26	The Mysore Electrical Industries Limited	Commerce & Industries	Feb 45	1997-98	1999-2000	-305.94	--	942.47	-1137.68	4211.97	-160.29	--	1	Working
													--	
	SUBSIDIARY													
27	NGEF (Hubli) Limited	Commerce & Industries	Dec 88	1998-99	1999-2000	30.44	--	320.00	124.80	845.51	93.23	11		Working
	Sectorwise Total					**-4401.01**	**--**	**13559.71**	**-24740.43**	**16690.74**	**-1930.33**			
	ELECTRONICS													
28	Karnataka State Electronics Development Corporation Limited	Commerce & Industries	Sep 76	1998-99	1999-2000	115.21	--	787.20	-582.60	1222.95	108.47	8.9	--	Working
	Sectorwise Total					**115.21**	**--**	**787.20**	**-582.60**	**1222.95**	**108.47**	**8.9**	**--**	
	TEXTILES													
29	Karnataka Silk Industries Corporation Limited	Commerce & Industries	Apr 80	1998-99	1999-2000	-201.31	--	1999.97	-1243.37	2508.36	-36.46	--	--	Working
30	Karnataka Silk Marketing Board Limited	Commerce & Industries	Nov 79	1998-99	1999-2000	79.08	--	3145..00	87.06	3232.06	102.89	3.2	--	Working
31	Karnataka State Powerloom Development Corporation Limited	Commerce & Industries	Feb 94	1998-99	1999-2000	73.97	--	95.00	42.94	137.12	45.32	33.1	--	Working

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
32	Karnataka State Textiles Limited	Commerce & Industries	Dec 84	1998-99	1999-2000	-87.78	--	50.00	-891.46	431.91	-47.09	--	--	Under closure
	Sectorwise Total					**-136.04**	**--**	**2144.97**	**-2004.83**	**6309.45**	**64.66**			
	HANDLOOM AND HANDICRAFTS													
33	The Karnataka Handloom Development Corporation Limited	Commerce & Industries	Oct 75	1998-99	1999-2000	100.38	--	1572.21	-475.27	6197.97	596.07	9.6	--	Working
34	Karnataka State Handicrafts Development Corporation Limited	Commerce & Industries	Mar 64	1998-99	1999-2000	-48.00	--	370.31	-164.52	447.50	-18.09	--	--	Working
	Sectorwise Total					**52.38**	**--**	**4087.49**	**-639.79**	**12954.92**	**642.64**			
	FOREST													
35	Karnataka Cashew Development Corporation Limited	Forest ecology and Environment	Feb 78	1997-98	1998-99	-159.27	--	389.03	227.15	1295.95	35.16	2.7	1	Working
36	Karnataka Forest Development Corporation Limited	Forest ecology and Environment	Jan 71	1998-99	1999-2000	63.24	--	906.41	1871.46	6314.71	35.21	0.6	--	Working
37	The Karnatak State Forest Industries Corporation Limited	Forest ecology and Environment	Mar 73	1998-99	1999-2000	-131.45	--	115.53	-258.80	-79.89	120.27	--	--	Working
	SUBSIDIARY													
38	Karnataka Pulpwood Limited	Forest ecology and Environment	Feb 85	1997-98	1998-99	-317.08	--	125.00	-1148.47	-698.26	-297.63	--	1	Under merger
39	The Mysore Match Company Limited	Forest ecology and Environment	May 40	1998-99	1999-2000	0.01	--	5.00	-17.61	-11.03	-2.89	--	--	Non-working
40	The Karnatak State Veneers Limited	Forest ecology and Environment	Aug 74	1996-97	1998-99	-60.85	--	100.00	-108.57	149.19	-36.73	--	2	Working
	Sectorwise Total					**-605.4**		**1640.97**	**-565.16**	**6970.67**	**-146.61**			
	MINING													
41	Mysore Minerals Limited	Commerce & Industries	May 66	1997-98	1998-99	-1028.18	--	100.00	34.97	1662.85	-767.82	--	1	Working
42	The Hutti Gold Mines Company Limited	Commerce & Industries	July 47	1997-98	1998-99	-1021.97	--	296.20	2393.66	3899.11	-933.76	--	1	Working
	Sectorwise Total					**-2050.15**	**--**	**396.2**	**2428.63**	**5561.96**	**-1701.58**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	CONSTRUCTION													
43	Karnataka State Construction Corporation Limited	Public works & command area development	Sep 68	1997-98	1998-99	272.59	--	205.00	674.88	1583.98	319.70	20.2	1	Working
44	Karnataka Land Army Corporation Limited	Rural development & Panchayat raj development	Aug 74	1997-98	1999-2000	236.04	--	25.00	-32.96	9.64	138.75	1439.3	1	Working
45	Karnataka State Police Housing Corporation Limited	Home	Jun 85	1998-99	1999-2000	c	--	12.00	--	--	--	--	--	Working
	Sectorwise Total					**508.63**	**--**	**37**	**641.92**	**9.64**	**138.75**			
	AREA DEVELOP-MENT													
46	Krishna Bhagya Jala Nigam Limited	Irrigation	Aug 94	1997-98	1998-99	c	--	132637.72	--	268078.58	--	--	1	Working
47	Karnataka Neeravari Nigam Limited	Irrigation	Nov.98	e										Newly formed
	Sectorwise Total					**0.00**	**--**	**132637.72**	**0.00**	**268078.58**	**0.00**		**1**	
	DEVELOPMENT OF ECONOMI-CALLY WEAKER SECTIONS													
48	Karnataka Backward Classes Development Corporation Limited	Social welfare	Oct 77	1997-98	1999-2000	-199.91	--	3949.11	-819.40	6847.79	-85.99	--	1	Working
49	Karnataka State Womens Development Corporation Limited	Social welfare	Sep 87	1997-98	1999-2000	17.84	--	882.84	239.84	808.27	17.84	2.2	1	Working
50	Karnataka Scheduled Castes and Scheduled Tribes Development Corporation Limited	Social welfare	Mar 75	1997-98	1999-2000	274.96	--	6530.81	104.00	8228.23	351.54	4.3	1	Working
51.	The Karnataka Minorities Development Corporation Limited	Social welfare	Feb 86	1996-97	1998-99	-25.93		1643.6	-87.16	2011.1	-23.15	--	2	Working
	Sectorwise Total					**66.96**		**13006.36**	**-562.72**	**17895.39**	**260.24**			

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
	PUBLIC DISTRIBUT-ION													
52	Karnataka Food and Civil Supplies Corporation Limited	Food & Transport	Sep 73	1997-98	1998-99	68.99	--	225.00	277.87	1547.30	34.18	2.2	1	Working
	Sectorwise Total								277.87					
	SUGAR													
53	The Mysore Sugar Company Limited	Commerce & Industries	Jan 33	1997-98	1999-2000	-172.57	--	473.43	182.58	3541.38	378.12	10.7	1	Working
	Sectorwise Total					**-172.57**	**--**	**473.43**	**182.58**	**3541.38**	**378.12**	**10.7**		
	TOURISM													
54	The Karnataka State Tourism Development Corporation Limited	Information, Tourism & Youth	Feb 71	1997-98	1998-99	-33.78	--	599.03	-340.80	848.05	57.73	6.8	1	Working
55	Jungle Lodges and Resorts Limited	Information, Tourism & Youth	Mar 80	1997-98	1998-99	17.4	--	91.75	2.41	289.69	18.56	6.4	1	Working
	Sectorwise Total	-				**-16.38**	**--**	**690.78**	**-338.39**	**1137.74**	**76.29**			
	CHEMICALS													
56	The Mysore Acetate and Chemicals Company Limited	Commerce & Industries	Dec 63	1997-98	1998-99	-372.77	--	889.01	-1123.56	32.08	-315.59	--	1	Working
57	The Mysore Paints and Varnish Limited	Commerce & Industries	Nov 47	1998-99	1999-2000	217.54	--	103.66	330.85	441.46	192.11	43.5	--	Working
	Sectorwise Total					**-155.23**	**--**	**992.67**	**-792.71**	**473.54**	**-123.48**			
	POWER													
58	Karnataka Power Corporation Limited	Energy	July 70	1998-99	1999-2000	14416.98	--	66298.15	77028.41	452891.59	41222.23	9.1	--	Working
	SUBSIDIARY													
59	KPC Bidadi Power Corporation Limited	Energy	Apr 96	1998-99	1999-2000	b	--	--	E	--	--	--	--	Working
	Sectorwise Total					**14416.98**	**--**	**66298.15**	**77028.41**	**452891.59**	**41222.23**			
	FINANCING													
60	Karnataka State Industrial Investment and Development Corporation Limited	Commerce & Industries	July 64	1998-99	1999-2000	-712.88	--	11244.12	-2301.54	83834.99	9792.00	11.7	--	Working

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
61	Karnataka Urban Infrastructure Development and Finance Corporation Limited	Housing & Urban Development	Nov 93	1997-98	1998-99	471.16	--	756.49	526.40	6578.42	466.31	8.0	--	
	Sectorwise Total					**-241.72**		**12000.61**	**-1775.14**	**90413.41**	**10258.31**			
	MISCELLANEOUS													
62	Bangalore Mass Rapid Transit Limited	Housing & Urban Development	Sep 94	1998-99	1999-2000	b	--	--	--	--	--	--	--	Working
63	Karnataka Film Industry Development Corporation Limited	Information, Tourism & Youth	Feb 68	1998-99	1999-2000	-4.47	--	102.38	-199.81	-46.3	2.00			Working
64	Marketing Consultants and Agencies Limited	Commerce & Industries	Sep 72	1998-99	1999-2000	37.59	--	185.25	190.54	391.33	24.48	6.3		Working
65	Mysore Sales International Limited	Commerce & Industries	Mar 66	1998-99	1999-2000	1302.39	--	235.25	4286.38	5965.47	1224.34	20.5		Working
66	Sree Kanteerava Studios Limited	Information, Tourism & Youth	Mar 66	1997-98	1999-2000	-12.87	--	87.98	-87.81	22.70	12.47	54.9	1	Working
	Sectorwise Total					**1322.64**	**--**	**610.86**	**4189.30**	**6333.20**	**1263.29**			
1	**TOTAL A (All sector wise Government companies)**					**9103.48**	**--**	**271643.70**	**40279.16**	**928205.48**	**52842.75**	**5.7**		
B	Statutory corporations													
	POWER													
1.	Karnataka Electricity Board	Energy	Oct.57	1997-98	1998-99	5847.00	(+)8907	43601.00	5023.00	267702.00	34437.00	12.7	1	Working
	Sectorwise Total					**5847.00**	**--**	**43601.00**	**5023.00**	**267702.00**	**34437.00**	**12.9**		
2.	Karnataka State Road Transport Corporation	Transport	Aug.61	1997-98	1998-99	-2525.47	(+)2411	38240.69	-43599.06	13871.00	1892.00	13.6	1	Working
3.	Bangalore Metropolitan Transport Corporation	Transport	Aug.97	d			--						2	Working
4.	North West Karnataka Transport Corporation	Transport	Nov.97	e							--	--	1	Working
	Sectorwise Total					**-2525.47**	**--**	**38240.69**	**-43599.06**	**13872.00**	**1892.00**			

	FINANCING													
5.	Karnataka State Financial Corporation		Mar.59	1998-99	99-2000	-8900.00	--	10594.70	-11852.24	213022.00	--	--	--	
	Sectorwise Total					**-8900.00**	--	**10594.70**	**-11852.24**	**213468.00**				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
6.	Warehousing Corporations		Nov.57	1997-98	99-2000	306.73	--	660.00	249.21	1967.00	332.00	16.9	1	Working
	Sectorwise Total					**306.73**	--	**660.00**	**249.21**	**1967.00**	**332.00**	**16.9**		
	TOTAL B (all sector wise Statutory Corporations)					**-5271.74**	--	**93096.39**	**-50179.09**	**497009.00**	**36661.00**	**7.4**		
	Grand total (A + B)					**3831.74**	**(+)11318**	**364740.09**	**-9899.93**	**1425214.48**	**89503.75**	**6.3**		

a – Capital employed represents net fixed assets (including capital works-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).

***Amount less than Rupees one thousand.**

(b) No profit and loss account prepared. Only pre-operative expenditure.

(c) Excess expenditure over income capitalised. No profit and loss account prepared.

(d)First year accounts not finalised.

ANNEXURE – 4

Statement showing subsidy received, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and subsidy receivable and guarantees outstanding at the end of March 1999

(Referred to in paragraph 1.3)

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

Sl. No.	Name of Public Sector undertakings	@ Subsidy received during the year				Guarantees received during the year and outstanding at the end of the year **					Waiver of dues during the year					
		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	4	5	6	7	8	9	10	11	12	13	14	15	16	17
A	Government Companies															
I	AGRICULTURE AND ALLIED															
1.	Karnataka Agro Industries Corporation Limited	--	--	--	--	1200.00 (1240.11)	--	--	--	1200.00 (1240.11)	--	--	--	--	--	--
	INDUSTRY															
2.	Karnataka Soaps and Detergents Limited	--	--	--	--	761.76 (761.76)	1443.14 (1443.14)	61.54 (61.54)	--	2221.44 (2221.44)	--	--	--	--	--	--
3.	Karnataka State Coir Development Corporation Limited	--	--	--	--	--	--	--	--	--	--	20.00	--	20.00	--	--
4.	Karnataka State Small Industries Development Corporation Limited	--	40.00	--	40.00	--	--	--	--	--	--	--	--	--	--	--
5.	The Mysore Paper Mills Limited	--	959.30	--	959.30	-- (545.06)	--	--	--	-- (545.06)	--	--	--	--	--	1893.16
	ENGINEERING															
6.	NGEF Limited	--	--	--	--	7640.00 (6525.31)	105.00 (84.00)	--	--	7745.00 (6609.31)	--	--	--	--	--	7210.48

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
7.	The Mysore Electrical Industries Limited	--	--	--	--	550.00 (550.00)	--	--	--	550.00 (550.00)	--	--	--	--	--	--
	TEXTILES															
8.	Karnataka Silk Industries Corporation Limited	--	199.49	--	199.49	--	--	--	--	--	--	--	--	--	--	--
	HANDLOOM AND HANDICRAFTS															
9.	The Karnataka Handloom Development Corporation Limited	--	25.90	--	25.90	3100.00 (2802.24)	105.00 (163.61)	--	--	3205.00 (2965.85)	--	--	--	--	--	163.77*
10.	Karnataka State Handicrafts Development Corporation Limited	--	56.50	--	56.50.	38.50 (38.50)	--	--	--	38.50 (38.50)	--	--	--	--	--	--
	FOREST															
11.	Karnataka Forest Development Corporation Limited	--	--	--	--	--	-- (897.64)	--	--	-- (897.64)	--	--	--	--	--	--
12.	The Karnatak State Forest Industries Corporation Limited	--	--	--	--	--	791.18 (791.18)	--	--	791.18 (791.18)	--	--	--	--	--	--
	MINING															
13.	Mysore Minerals Limited	--	--	--	--	--	--	--	--	--	--	--	--	--	--	200.00
	CONSTRUCTION															
14.	Karnataka State Police Housing Corporation Limited	--	--	--	--	--	2000.00 (4540.07)	--	--	2000.00 (4540.07)	--	--	--	--	--	--
	AREA DEVELOPMENT															
15.	Krishna Bhagya Jala Nigam Limited	--	--	--	--	--	61061.00 (160451.50)	--	--	61061.00 (160451.50)	--	--	--	--	--	--

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS															
16.	Karnataka Backward Classes Development Corporation Limited	--	330.00	--	330.00	--	--	--	--	--	--	--	--	--	--	--
17.	The Karnataka Minorities Development Corporation Limited	--	220.00	--	220.00	--	1500.00 (805.05)	--	--	1500.00 (805.05)	--	--	--	--	--	--
	PUBLIC DISTRIBUTION															
18.	Karnataka Food and Civil Supplies Corporation Limited	--	--	--	--	1415.00 (739.71)	--	--	--	1415.00 (739.71)	--	--	--	--	--	--
	SUGAR															
19.	The Mysore Sugar Company Limited	--	--	--	--	--	-- (54.35)	--	--	-- (54.35)	--	--	--	--	--	--
	TOURISM															
20.	The Karnataka State Tourism Development Corporation Limited	--	--	--	--	--	--	--	--	--	--	--	--	--	--	@ 42.33
	CHEMICALS															
21.	The Mysore Acetate and Chemicals Company Limited	--	--	--	--	--	--	--	--	--	--	--	--	--	--	328.51
	POWER															
22.	Karnataka Power Corporation Limited	--	--	--	--	13000.00 (--)	4580.00 (3080.00)	--	--	17580.00 (3080.00)	--	--	--	--	--	--
	FINANCING															
23.	Karnataka State Industrial Investment and Development Corporation Limited	--	--	--	--	--	-- (2017.50)	--	--	-- (2017.50)	300.00	244.00	*256.00	800.00	--	--
	MISCELLANEOUS															
24.	Mysore Sales International Limited	--	--	--	--	--	--	--	--	--	--	--	--	--	50.00	--
	TOTAL A (All sector wise Government companies)	--	1831.19	--	1831.19	27621.71 (13119.91)	71623.82 (174366.54)	61.54 (61.54)	0.00	99307.12 (187547.27)	300.00	264.00	256.00	820.00	50.00	9838.25
	B Statutory corporations															
1.	Karnataka Electricity Boards		85949.00	--	85949.00	--	64580.71 (156649.95)	--	--	64580.71 (156649.95)						

@ Including Interest.
* Waiver of other.

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
2.	Karnataka State Road Transport Corporation	--	2112.00	--	2112.00	--	4175.00 (11775.71)	--	--	4175.00 (11775.71)	--	--	--	--	--	--
3.	Bangalore Metropolitan Transport Corporation	--	1500.00	--	1500.00	--	-- (64966.00)	--	--	-- (64966.00)	--	--	--	--	--	--
4.	North West Karnataka Road Transport Corporation	--	1500.00	--	1500.00						--	--	--	--	--	--
	TOTAL B (all sector wise Statutory Corporations)	--	91061.00	--	91061.00	--	68755.71 (233391.66)	--	--	68755.71 (233391.66)	--	--	--	--	--	--
	Grand total (A + B)	--	92892.19	--	92892.19	27621.71 (13119.91)	140379.53 (407758.20)	61.54 (61.54)	0.00	168062.83 (420938.93)	300.00	264.00	256.00	820.00	50.00	9838.25

Subsidary receivable at the end of the year is shown in brackets .
Guarantees outstanding at the end of the year is shown in brackets.

Annexure 5

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

(Rupees in crore)

1. Karnataka Electricity Board			
Particulars	**1996-97**	**1997-98**	**1998-99 (Provisional)**
(1)	(2)	(3)	(4)
A. Liabilities :			
Equity Capital	436.01	436.01	436.01
Loans from Government	496.14	486.08	473.50
Other long-term loans (including bonds	1193.70	1366.16	1545.00
Reserves and surplus	340.40	425.08	537.68
Current liabilities and provisions	2409.72	2710.89	3075.00
Total : A	4875.97	5424.22	6067.19
B. Assets :			
Gross fixed assets	3146.30	3645.37	4233.55
Less : Depreciation	915.79	1111.10	1332.82
. Net fixed assets	2230.51	2534.27	2900.73
Capital works-in-progress	448.55	481.36	438.82
Deferred cost	2.38	0.92	53.04
Current assets	2184.86	2372.28	2620.36
Investments	0.00	35.39	54.24
Miscellaneous expenditure	0.00	0.00	0.00
Accumulated losses	9.67	0.00	0.00
Total : B	4875.97	5424.22	6067.19
C. Capital employed @	2454.20	2677.02	2884.91
2.Karnataka State Road Transport Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99**
A. Liabilities			**(Provisional)**
Capital (including capital loan and equity capital)	411.48	382.41	289.07
Borrowings (Govt.)	5.00	4.28	3.23
(Others)	214.36	230.89	159.82
Funds*	34.58	31.75	24.88
Trade dues and other current liabilities (including provisions)	303.60	237.70	260.37
Total A	969.02	887.03	737.37
B. Assets			
Gross block	691.64	679.39	512.66
Less : depreciation	451.03	442.93	291.13
Net fixed assets	240.61	236.46	221.53

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

* Excluding depreciation fund.

(1)	(2)	(3)	(4)
Capital works-in-progress (including cost of chassis)	15.43	10.11	8.90
Investments	2.74	73.35	38.26
Current assets, loans and advances	129.92	129.85	136.79
Deferred Cost	1.47	1.27	1.29
Accumulated losses	578.85	435.99	330.60
Total B	969.02	887.03	737.37
C. Capital employed	82.36	138.72	120.41
3. Bangalore Metropolitan Transport Corporation			
Particulars		**1997-98**	**1998-99**
A. Liabilities		**(15.8.1997 to 31.3.1998) (Provisional)**	**(Provisional)**
Capital (including capital loan and equity capital)		64.44	64.53
Borrowings (Govt.:) (Others)		0.72 22.17	0.72 16.31
Funds		5.03	5.73
Trade dues and other current liabilities (including provisions)		36.53	44.61
Total A		128.89	131.90
B. Assets			
Gross block		119.69	130.00
Less : depreciation		70.24	68.68
Net fixed assets		49.45	61.32
Capital works-in-progress (including cost of chassis)		1.58	1.73
Investments		3.00	NIL
Current assets, loans and advances		16.50	17.34
Deferred Cost		0.51	0.25
Goodwill		50.03	50.03
Accumulated losses		7.82	1.23
Total B		128.89	131.90
C. Capital employed		31.00	35.78
4. North West Karnataka Road Transport Corporation			
Particulars			**1998-99 (Provisional)**
A. Liabilities			
Capital (including capital loan and equity capital)			93.63
Borrowings (Govt.:) (Others)			1.05 65.97
Funds			11.17
Trade dues and other current liabilities (including provisions)			94.35
Total A			266.17

(1)	(2)	(3)	(4)
B. Assets			
Gross block			369.05
Less : depreciation			161.72
Net fixed assets (Good Will)			207.33
Capital works-in-progress (including cost of chassis)			2.04
Investments			--
Current assets, loans and advances			56.46
Deferred Cost			0.34
Accumulated losses			--
Total B			266.17
C. Capital employed			**171.48**
5. Karnataka State Financial Corporation			
Particulars	**1996-97**	**1997-98**	**1998-99**
A. Liabilities			
Paid-up capital	69.10	69.10	73.95
Share application money	19.00	19.00	32.00
Reserves fund and other reserves and surplus	11.83	4.45	4.45
Borrowings :			
(i) Bonds and debentures	499.59	708.95	736.45
(ii) Fixed Deposits	52.85	49.23	45.84
(iii) Industrial Development Bank of India & Small Industries Development Bank of India	1006.13	990.62	1025.58
iv) Reserve Bank of India	--	--	--
(v) Loan in lieu of share capital:			
a) State Government	10.18	10.18	5.33
b) Industrial Development Bank of India	9.17	9.17	9.17
(vi)Others (including State Government)	304.76	224.08	251.80
Other liabilities and provisions	41.31	136.42	186.56
Total : A	**2023.92**	**2221.20**	**2371.13**
B. Assets			
Cash and bank balances	101.31	106.27	113.79
Loans and advances	61.92	80.98	98.51
Investments	1786.55	1916.40	1941.56
Net fixed assets	13.54	13.66	14.18
Other assets	60.60	75.42	84.57
Miscellaneous expenditure	0	28.47	118.52
Total B	**2023.92**	**2221.20**	**2371.13**

(1)	(2)	(3)	(4)
C. Capital employed *	1834.29	2033.70	2134.68
6.. Karnataka State Warehousing Corporation			
Particulars	**1995-96**	**1996-97**	**1997-98**
Liabilities			
Paid-up capital	6.00	6.20	6.60
Reserves and Surplus	8.31	8.76	11.38
Borrowings (Govt.:) (Others)	-- 2.33	-- 1.99	-- 1.81
Trade dues and Current liabilities (including provision)	4.42	4.62	5.13
Total: A	**21.06**	**21.57**	**24.92**
Assets			
Gross block	14.06	15.64	16.33
Less : Depreciation	2.48	2.81	3.15
Net fixed assets	11.58	12.83	13.18
Capital work-in-progress	1.59	1.11	1.88
Investment	0.11	0.12	0.12
Current assets, loans and advances	7.78	7.51	9.74
Accumulates losses	--	--	--
Total : B	**21.06**	**21.57**	**24.92**
Capital employed **	16.53	16.83	19.67

* **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 specificallyaand backed by investments outside), bonds, deposits and borrowings (including refinance)..**

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

ANNEXURE 6

Statement showing working results of Statutory corporations

(Referred to in paragraph No.1.2.2 and 1.5.2)

(Rupees in crore)

	Karnataka Electricity Board			
Sl. No.	Particulars	1996-97	1997-98	1998-99 (Provisional)
(1)	(2)	(3)	(4)	(5)
1.	a) Revenue receipts	2193.28	2832.65	3012.75
	b) Subsidy /subvention from the Government	705.92	380.24	859.49
	Total	2899.20	3212.89	3872.24
2.	Revenue expenditure (net of expenses capitalised) including write off of intangible assets but excluding depreciation and interest.	2415.82	2666.69	3247.71
3.	Gross surplus for the year (1-2)	483.38	546.20	624.53
4.	Adjustments relating to previous years	18.36	23.79	11.87
5.	Final gross surplus for the year (3+4)	501.74	569.99	636.40
6.	Appropriations			
	a) Depreciation (less capitalised)	204.26	225.62	251.99
	b) Interest on Government loans	52.83	60.51	58.97
	c) Interest on others, bonds, advances etc. and finance charges	236.90	282..27	286.71
	d) Total interest on loan & finance charges (b+c)	289.73	342.78	345.68
	e) Less: Interest capitalised	46.32	56.88	28.26
	f) Net interest charged to revenue (d-e)	243.41	285.90	317.42
	g) Total appropriations (a+f)	447.67	511.79	569.41
7.	Deficit (-) before accounting for subsidy from the State Government (5-6(g)-1(b))	-651.85	-321.77	(-)792.50
8.	Net surplus {5-6(g)}	54.07	58.47	66.99
9.	Total return on capital employed*	297.48	344.37	384.41
10.	Percentage of return on capital employed	12.1	12.9	13.3

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

(1)	(2)	(3)	(4)	(5)
2.	**Karnataka State Road Transport Corporation**			
	Particulars	**1996-97**	**1997-98**	**1998-99**
	Operating :			**(Provisional)**
	a) Revenue	825.82	913.90	591.51
	b) Expenditure	936.34	950.04	604.96
	c) Deficit	-110.52	-36.14	-13.45
	Non-operating :			
	a) Revenue	77.91	72.75	49.26
	b) Expenditure	55.38	61.86	45.07
	c) Surplus	22.53	10.89	4.19
	Total			
	a) Revenue	903.73	986.65	640.77
	b) Expenditure	991.72	1011.90	650.03
	c) Net loss	-87.99	-25.25	-9.26
	Interest on capital and loans	42.18	44.17	33.92
	Total return on Capital employed	-45.81	(+) 18.92	(+) 24.66
	Percentage of total return on capital employed	--	13.6	20.5
3.	**Bangalore Metropolitan Transport Corporation**			
	Particulars		**1997-98**	**1998-99**
	Operating :		**15.8.1997 to 31.3.1998 (Provisional)**	**(Provisional)**
	a) Revenue		106.62	175.97
	b) Expenditure		102.27	163.17
	c) Surplus		4.35	12.80
	Non-operating :			
	a) Revenue		10.99	19.21
	b) Expenditure		23.16	25.42
	c) Deficit (-)		-12.17	-6.21
	Total			
	a) Revenue		117.61	195.18
	b) Expenditure		125.43	188.59
	c) Net profit (+)/loss(-)		(-) 7.82	6.59
	Interest on capital and loans		2.99	5.93
	Total return on Capital employed		(-) 4.83	12.52
	Percentage of total return on capital employed		--	35.00
4.	**North West Karnataka Road Transport Corporation**			
	Particulars	**1996-97**	**1997-98**	**1998-99**
	Operating :			**(Provisional)**
	a) Revenue			345.37
	b) Expenditure			317.71

(1)	(2)	(3)	(4)	(5)
	c) Surplus			27.66
	Non-operating :			
	a) Revenue			23.06
	b) Expenditure			50.53
	c) Deficit (-)			(-) 27.47
	Total			
	a) Revenue			368.43
	b) Expenditure			368.24
	c) Net profit			0.19
	Interest on capital and loans			14.00
	Total return on Capital employed			14.19
	Percentage of total return on capital employed			8.3
5.	**Karnataka State Financial Corporation**			
	Particulars	**1996-97**	**1997-98**	**1998-99**
	1. Income			
	a) Interest on loans	241.37	263.06	242.30
	b) Other income	45.36	41.55	41.70
	Total : 1	**286.73**	**304.61**	**284.00**
	2. Expenses			
a)	Interest on			
	(a) interest on long-and short term loans	218.15	248.17	267.71
	(b) provision for non-performing assets	--	--	45.19
	(c) Other expenses	52.65	49.87	60.10
	Total : 2	**270.80**	**298.04**	**373.00**
3.	Profit(+)/Loss(-) before tax (1-2)	15.93	6.57	(-) 89.00
4.	Prior period adjustments	9.95	(-) 2.25	0.52
5.	Provision for tax	8.44	1.58	0.53
6.	Profit (+)/Loss (-) after tax	17.44	--	(-) 90.05
7.	Other appropriations (Net)	12.69[&]	31.21[&]	--
8.	Amount available for dividend[#]	4.75	---	--
9.	Dividend paid/payable	4.75	--	--
10.	Total return on capital employed	234.08	254.74	--
11.	Percentage of return on Capital employed	12.8	12.5	--
6.	**Karnataka State Warehousing Corporation**			
	Particulars	**1995-96**	**1996-97**	**1997-98**
	1. Income :			
	2.			
	a) Warehousing charges	5.61	6.64	8.18

[&] includes provision for non performing assets.
[&] includes provision for non performing assets.
[#] Represent profit of current year available for dividend after considering the specific reserves and provision for taxation.

(1)	(2)	(3)	(4)	(5)
	b) Other income	1.15	1.14	1.37
	Total: 1	**6.76**	**7.78**	**9.55**
	2. Expenses :			
	a) Establishment charges	2.86	3.04	3.62
	b) Other expenses	2.47	2.64	2.86
	Total: 2	**5.33**	**5.68**	**6.48**
	3.Profit before tax	1.43	2.10	3.07
	4. Provision for tax	0.04	0.05	0.09
	5.. Prior period adjustment	(-) 0.97	1.23	(-)0.12
	6. Other appropriations	1.48	--	--
	7. Amount available for dividend	0.88	0.82	3.10
	8. Dividend for the year	0.30	0.31	0.31
	9. Total return on Capital employed	2.43	0.99	3.32
	10. Percentage of return on Capital employed	14.7	5.9	16.9

Annexure 7

Statement showing operational performance of Statutory Corporations
(Referred to in paragraph No.1.5.2.3)

1. Karnataka Electricity Board

Particulars	1996-97	1997-98	1998-99
(1)	(2)	(3)	(4)
Installed capacity		(MW)	
a) Thermal	127.92	127.92	127.92
b) Hydro	220.60	220.60	220.60
c) Gas	0.00	0.00	0.00
d) Other	0.00	0.00	0.00
Total	348.52	348.52	348.52
Normal maximum demand	3246.00	3641.00	3893.00
Power generated		(MKWH)	
a) Thermal	536.734	665.450	625.005
b) Hydro	427.721	469.759	502.765
c) Gas	0.000	0.000	0.000
d) Other	0.000	0.000	0.000
Total	964.455	1135.209	1127.770
Less: Auxiliary consumption	24.880	27.864	27.193
a) Thermal (percentage)	N.A	22.625	22.079
b) Hydro (percentage)	N.A	5.239	5.114
c) Gas (percentage)	0.000	0.000	0.000
d) Other (percentage)	0.000	0.000	0.000
Total (percentage)	2.600	2.500	2.400
Net power generated	939.575	1107.345	1100.577
Power purchased			
a) within the State: Government:	11188.458	15247.250	15213.787
Private:	1.895	1.040	21.366
b) Other States	717.444	216.639	877.250
c) Central grid	5791.237	5021.588	5491.082
Total power available for sale	18638.609	21593.862	22704.062
Power sold a)Within the State:	15191.735	17582.736	15902.606
b) Outside the State:	2.724	4.017	2.896
Transmission and distribution losses	3444.150	4007.480	6798.560
Load factor (Percentage)	41.700	54.300	48.900
Percentage of transmission and distribution losses to total power available for sale	18.5	18.5	29.9

(1)	(2)	(3)	(4)
No. of Villages/towns electrified	26483	26483	26676
No. of Pumpsets/wells energised	1035240	1067032	1125933
No. of Sub-stations	530	566	619
Transmission lines in Kms.	23696	24907	25656
Distribution lines in Kms.			
a) High/medium voltage	116788	119352	122698
bi) Low voltage	325260	331781	340186
Connected load (MW)	11700.748	12247.766	12855.000
Number of consumers (in làkh)	74.45	78.11	97.69
Number of employees	42351	41481	42110
Consumers/ employees ratio	175.8	188.3	232
Total expenditure on staff during the year (Rs. in crore)	508.30	530.81	706.68
Percentage of expenditure on staff to total revenue expenditure	21.0	19.7	21.8
Units sold		(MWKH)	
a) Agriculture	6914.00	9146.00	7048.00
(Percentage share to total units sold)	(45.5)	(52.0)	(44.3)
b) Industries	3885.00	3493.00	3517.00
(Percentage share to total units sold)	(25.6)	(19.9)	(22.1)
c) Commercial	1410.00	759.00	863.00
(Percentage share to total units sold)	(9.3)	(4.3)	(5.4)
d) Domestic (Percentage share to total units sold)	2897.00 (19.0)	3168.00 (18.0)	3341.00 (21.0)
e) Others	88.00	1020.00	1136.00
(Percentage share to total units sold)	(0.6)	(5.8)	(7.2)
Total	15194.00	17586.00	15905.00

Particulars	**1996-97**	**1997-98**	**1998-99**
		(Paise per KWH)	
a) Revenue (excluding subsidy from Government)	144	161	189
b) Expenditure*	188	181	240
c) Loss	44	20	51
d) Average subsidy claimed from Government (in Rs.)	0.46	0.22	0.54
e) Average interest charges (in Rs.)	0.16	0.16	0.22

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

2. Karnataka State Road Transport Corporation

Particulars	1996-97	1997-98	1998-99 (provisional)
Average number of vehicles held	10301	8454	5487
Average number of vehicles on road	9325	7927	5192
Percentage of utilisation of vehicles	90.5	93.8	94.6
Number of employees	59033	59617	35282
Employees vehicle ratio	5.73	5.79	6.73
Number of routes operated at the end of the year	13273	13246	*
Route kilometres	948646	927967	*
Kilometres covered (in lakh)			
a) Gross	10491.75	9703.92	6483.25
b) Effective	10229.93	9474.68	6280.86
c) Dead	261.82	229.24	202.39
Percentage of dead kms. to gross kilometres	2.6	2.4	3.2
Average kilometres covered per bus per day	300	327	333
Operating revenue per kilometre (in paise)	883.47	964.60	945.30
Average expenditure per kilometre (paise)	975.41	1002.70	984.60
Loss per kilometre(paise)	91.94	38.10	39.30
Kilometres per litre of diesel	4.47	4.66	4.73
Number of operating depots	108.00	97.00	65.00
Average number of breakdowns per lakh kilometres	2.30	0.18	0.20
Average number of accidents per lakh kilometres	0.22	0.17	0.14
Passenger kilometres operated (in crore)	4081.99	3606.75	2623.45
Occupancy ratio	73.60	61.32	66.30
Kilometres obtained per litre of: Diesel oil	4.47	4.66	4.73
Engine oil	1093	1214	1370

* Information awaited.

3. Bangalore Metropolitan Transport Corporation

Particulars		1997-98 (provisional)	1998-99 (provisional)
Average number of vehicles held		2012	2073
Average number of vehicles on road		1859	1941
Percentage of utilisation of vehicles		92.4	93.6
Number of employees		11611	13093
Employees vehicle ratio		5.77	6.32
Number of routes operated at the end of the year		1036	1048
Route kilometres		20152	20488
Kilometres covered (in lakh)			
a) Gross		1471.92	1546.42
b) Effective		1416.39	1483.77
c) Dead		55.53	62.65
Percentage of dead kms. to gross kilometres		3.7	4.2
Average kilometres covered per bus per day		208.80	209.50
Operating revenue per kilometre (in paise)		1168.80	1183.10
Average expenditure per kilometre (paise)		1229.00	1274.20
Profit/Loss per kilometre(paise)		-60.20	-91.00
Kilometers per liter of diesel		3.98	4.10
Number of operating depots		13	16
Average number of breakdowns per lakh kilometres		0.55	0.49
Average number of accidents per lakh kilometres		0.33	0.29
Passenger kilometres operated (in crore)		14.16	16.12
Occupancy ratio		100.70	101.90
Kilometres obtained per litre of: Diesel oil		3.98	4.10
Engine oil		509.70	580.70

4. North West Karnataka Road Transport Corporation

Particulars			1998-99 (provisional)
Average number of vehicles held			3271
Average number of vehicles on road			3090
Percentage of utilisation of vehicles			94.5
Number of employees			19729
Employees vehicle ratio			6.03
Number of routes operated at the end of the year			5059
Route kilometres			392000
Kilometres covered (in lakh)			
a) Gross			3794.08
b) Effective			3736.01
c) Dead			58.07
Percentage of dead kms. to gross kilometres			1.5
Average kilometres covered per bus per day			336.40
Operating revenue per kilometre (in paise)			986.20
Average expenditure per kilometre (paise)			985.60
Profit/Loss per kilometre(paise)			0.60
Number of operating depots			39
Average number of breakdowns per lakh kilometres			0.02
Average number of accidents per lakh kilometres			0.18
Passenger kilometres operated (in crore)			1450.32
Occupancy ratio			64.70
Kilometres obtained per litre of: Diesel oil			4.93
Engine oil			1296.60

5. Karnataka State Financial Corporation

(Amount Rs. in crore)

Particulars	1996-97		1997-98		1998-99	
	Number	Amount	Number	Amount	Number	Amount
Applications pending at the beginning of the year	797	72.00	339	29.98	215	24.94
Applications received	12808	881.60	7047	668.83	3787	395.93
Total	13605	953.60	7386	698.81	4002	420.87
Applications sanctioned	12737	669.79	6853	479.15	3672	300.21
Applications cancelled/withdrawn/ rejected/reduced	529	253.83	318	164.74	220	102.99
Applications pending at the close of the year	339	29.98	215	24.94	110	17.67
Loans disbursed	--	556.78	6450	401.79	--	290.17
Loan outstanding at the close of the year	--	1938.88	55651	1785.38	--	1605.33
Amount overdue for recovery at the close of the year :						
a) Principal	--	242.33	--	319.69	--	207.71
b) Interest	--	264.29	--	385.45	--	206.63
c) Total	--	506.62	--	705.14	--	514.34
Amount involved in recovery certiticate cases	--	148.32	--	134.16	--	267.60
Total	--		--		--	
Percentage of overdue to the total loans outstanding	--	26.1	--	39.5	--	32.0

6. Karnataka State Warehousing Corporation

Particulars	1996-97	1997-98	1998-99
Number of stations covered	95	97	97
Storage capacity created upto the end of the year (tonnes in lakh)			
a) Owned	2.34	2.35	2.48
b) Hired	1.53	1.53	1.79
Total :	3.87	3.88	4.28
Average capacity utilised during the year (tonnes in lakh)	3.00	3.50	3.68
Percentage of utilisation	82.2	90.3	86.0
Average revenue per tonne per year (Rupees)	225.33	229.29	259.51
Average expenses per tonne per year(Rupees)	177.67	162.29	176.08
Profit (+)/loss (-) per tonne (Rupees)	47.66	60.00	83.43

ANNEXURE – 8

Statement showing the Sources and uses of Funds for the five years ending 1998-99.

(Referred to in paragraph 2A.6)

(Rs. in lakh)

Sl. No.	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
(1)	(2)	(3)	(4)	(5)	(6)	(7)
I.	Sources of Funds					
(i)	Opening cash/bank balance	1189	403	798	3181	6080
(ii)	Profit as per Profit and Loss Account	1244	1307	2427	1551	1623
	Add (+)/less(-) provisions made during the year (Net)	(+)518 (+)1762	(+)733 2040	(-)1920 507	(-)423 1128	(-)1423 200
(iii)	Increase in share capital	1000	1050	909	956	575
(iv)	Borrowings:					
	Refinance from – IDBI/SIDBI	5385	6520	6144	14960	7277
	Loans: NDI/Banks/Government/ Bonds/Short term liabilities	3640	10325	20360	4930	13405
(v)	Recoveries: Term/Corporate loans (principal)	5742	6014	9377	11017	9517
(vi)	Other Receipts:					
	NCD	--	--	540	1155	450
	Disinvestment	27	124	11	50	24

(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Seed capital	7	--	--	--	10
	Inter Corporate Deposit	3070	--	--	--	10
	Staff Advances	8	23	40	55	54
	Bridge loan	46	535	164	12	437
	Bill Discounting	--	118	1334	949	300
	Subsidy/Others	488	538	112	103	80
	Grand Total	**22364**	**27690**	**40296**	**38496**	**38408**
	Uses of Funds					
(i)	Disbursements:					
	Equity/Debentures	3673	1874	1718	971	501
	Term loan	9342	10858	16066	12072	11756
	Bridge loan	458	549	472	312	336
	Corporate loan	2425	6169	5600	5397	4539
	Leasing	271	1172	1032	1014	--
	Bill Discounting	--	729	1887	419	449
	NCD	--	--	--	720	1730
(ii)	Repayments:					
	Refinance to IDBI/SIDBI	2868	2528	4144	9264	9411
	NDI to IDBI	1255	680	1495	--	
	Special Deposit to UTI	520	--	--	--	
	ICD	--	--	1000	1064	
	Bank loan	--	45	3159	--	1824
	Bonds	--	55	55	55	130
(iii)	Other outflows	1149	2233	487	1128	2749
(iv)	Closing cash/bank balance	403	798	3181	6080	4983
	Total	**22364**	**27690**	**40296**	**38496**	**38408**

ANNEXURE – 9

Summarised Financial Position for the 5 years upto 1998-99

(Referred to in paragraph 2A.7)

(Rs. in lakh)

Liabilities	1994-95	1995-96	1996-97	1997-98	1998-99
Share Capital:					
a) (i) Paid-up Capital	5200.12	6200.12	7250.12	7250.12	7250.13
(ii) Share application money	1000.00	1050.00	2462.75	5858.79	3994.00
	6200.12	7250.12	9712.87	13108.91	11,244.13
b) Reserves and Surplus	1810.44	1652.33	772.20	225.43	325.00
c) Borrowings from					
(i) GOK	1240.00	1840.00	1940.00	--	1639.95
(ii) IDBI	19805.72	23449.22	33526.98	33733.63	29961.27
(iii) IDBI seed capital	837.74	815.02	815.02	815.02	815.03
(iv) SLR bonds	2312.50	2257.50	2202.50	2147.50	2017.50
(v) 17% bonds	--	--	5072.50	5072.50	5072.50
(vi) SIDBI	3776.13	8344.06	10193.26	15479.86	17155.83
(vii) (a)Banks	500.00	4731.66	4763.38	8264.81	18403.49
(b) BMP	--	--	--	--	504.61
(viii) Inter corporate deposits/loans	2000.00	1500.00	--	--	--
(ix) Government of India	--	50.00	91.50	91.50	91.50
(x) HUDCO loan	--	--	--	300.00	1200.00
d) Trade dues, current liabilities and provisions (including interest accrued and due)	3329.70	3877.36	5384.08	3116.29	3151.99
Total	41812.35	55767.27	74204.29	82355.45	91582.80
Assets					
e) Gross Block	433.67	1628.75	2754.66	3709.18	3698.56
f) Less depreciation	127.08	311.80	945.53	1519.30	2243.32
g) Net Block	306.59	1316.95	1809.13	2189.88	1455.24
h) Investments	6731.17	8372.92	9526.87	11367.14	12466.78
i) Current Assets, Loans and advances	34774.59	46077.40	62868.29	68798.43	75359.24
j) Profit and Loss Account	--	--	--	--	2301.54
Total	41812.35	55767.27	74204.29	82355.45	91582.80
Capital employed	34709.56	45186.23	60355.06	74029.69	83834.99
Net worth	8010.56	8902.45	10484.70	13334.54	9267.59
Net worth per share of Rs.100 each (Rupee)	129.20	122.79	107.95	101.72	82.42

Note:

1) Capital employed represents mean of the aggregate of Opening and Closing balances of paid up Share Capital including Share Application Money, Reserves and Surplus and Borrowings.
2) Net Worth represents paid-up share capital (including share application money) plus Reserves and Surplus.

ANNEXURE – 10

Working results of KSIIDC for the 5 years upto 1998-99.

(Referred to in paragraph 2A.7)

(Rupees in lakh)

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99
Income					
Interest on loans and advances	4370	5666	8636	8705	9481
Dividend on shares	102	95	85	78	77
Profit on sale of investments	106	26	26	143	0
Lease rentals	0	114	573	1285	629
Others	569	1075	2185	1115	2103
Total income	5147	6975	11506	11325	12290
Expenditure					
Financial costs	3448	5094	8437	9125	10026
Administrative and other costs					
i) Salaries and wages	141	173	192	234	245
ii) Administrative costs	150	175	157	180	187
iii) Others	82	241	670	606	786
Total expenditure	3823	5685	9456	10144	11244
Profit before tax	1324	1290	2050	1181	1046
Bad debts written off	410	510	786	211	1036
Provision for bad and doubtful debts	38	25	50	0	0
Provision for tax including interest tax	378	286	416	291	189
Profit after tax	598	469	798	679	(-) 179
Appropriations: Less:	595	465	792	674	2123
Profit(+)/Loss (-) transferred to Balance Sheet	3	4	6	5	(-)2302

ANNEXURE - 11

STATEMENT SHOWING THE DETAILS OF TERM LOAN SANCTIONED FOR THE PERIOD FROM 1994-95, 1995-96, 1996-97, 1997-98, 1998-99.

(Referred to in paragraph 2A.9.1) (Rupees in lakh)

	1994-95		1995-96		1996-97		1997-98		1998-99		Cumulative for five years		Per-cent-age of units	Percent-age of amount sanctioned
	No of units	Amount Sanct-ioned	No of units	Amount Sanct-ioned	No of units	Amount Sanct-ioned	No of units	Amount Sanct-ioned	No of units	Amount Sanct-ioned	No of units	Amount Sanct-ioned		
Bidar	7	916.11	6	401.80	6	895.00	3	81.50	4	312.00	26	2606.41	3.4	2.8
Raichur	2	180.00	9	676.80	4	901.00	3	381.00	--	--	18	2138.80	2.3	2.3
Dharwar	7	582.50	11	701.50	5	567.00	5	915.00	4	159.00	32	2925.00	4.2	3.2
Mysore	20	2609.67	30	3050.30	28	3421.55	11	1478.00	17	1596.50	106	12156.02	13.8	13.25
Belgaum	7	677.00	8	1684.00	2	144.75	2	226.00	1	168.00	20	2899.75	2.6	3.2
Bijapur	--	--	3	412.00	1	244.00	1	100.00	1	55.00	6	811.00	0.8	.09
Gulbarga	8	960.50	4	137.10	16	921.11	11	643.50	10	400.00	49	3062.21	6.4	3.3
Hassan	--	--	1	80.00	1	200.00	--	--	--	--	2	280.00	0.3	0.3
North Kanara	3	182.00	9	599.00	6	599.50	--	--	3	82.50	21	1463.00	2.7	1.6
South Kanara	7	779.25	13	1131.05	6	891.00	3	268.00	2	92.00	31	3161.30	4.0	3.4
Tumkur	2	146.50	4	418.00	3	25.10	2	313.00	2	70.00	13	972.60	1.7	1.1
Bangalore	74	7731.95	81	10861.25	105	14564.25	49	6254.00	43	7287.00	352	46698.45	45.7	51.0
Bellary	5	611.00	5	625.00	5	1216.00	4	977.00	4	320.00	23	3749.00	2.9	4.1
Chitradurga	3	311.00	3	610.00	1	250.00	2	111.00	1	45.00	10	1327.00	1.3	1.4
Chickmagalur	--	--	2	246.00	--	--	--	--	1	92.00	3	338.00	0.4	0.4
Mandya	1	86.00	5	520.00	1	18.00	1	236.00	--	--	8	860.00	1.0	0.9
Kolar	5	457.00	10	1675.50	3	530.00	2	332.00	2	49.00	22	3043.5	2.9	3.3
Shimoga	5	783.00	4	382.50	--	--	2	266.00	1	50.00	12	1481.5	1.6	1.6
Mercara	1	51.00	--	--	4	445.50	--	--	2	171.00	7	667.50	0.9	0.7
Udupi	--	--	--	--	--	--	1	250.00	2	250.00	3	500.00	0.4	0.5
Chamarajnagar	--	--	--	--	--	--	1	68.00	1	167.00	2	235.00	0.3	0.3
Bagalkot	--	--	--	--	--	--	--	--	1	250.00	1	250.00	0.1	0.3
Gadag	--	--	--	--	--	--	--	--	1	40.00	1	40.00	0.1	0.04
Others	--	--	--	--	--	--	2	100.00	--	--	2	100.00	0.2	0.11
Total	**157**	**17064.48**	**208**	**24211.80**	**194**	**25833.76**	**105**	**13000.00**	**103**	**11556.00**	**770**	**91766.04**		

ANNEXURE - 12

Statement showing the demand, loan balance, demand and recovery position for the last five years ending 1988-99 in respect of Term loan, Bridge loan, Corporate loan and NCD.

(Referred to in paragraph No.2A.13)

(Rupees in crore)

Particulars	1994-95			1995-96			1996-97			1997-98			1998-99		
	Princ-ipal	Interest	Total	Princ-ipal	Interest	Total	Princ-ipal	Interest	Total	Princ-ipal	Interest	Total	Princ-ipal	Interest	Total
A. Amount due for recovery															
a) Arrears at the beginning of the year	28.64	47.45	76.09	23.64	47.96	71.60	29.43	63.29	92.72	55.00	75.55	130.55	87.72	113.26	200.98
b) Amount due during the year	61.42	58.21	119.63	83.14	97.14	180.28	143.27	117.79	261.00	174.20	141.31	315.51	128.56	172.85	301.41
Total recoverable	90.06	105.66	195.72	106.78	145.10	251.88	172.70	181.08	393.78	229.20	216.86	446.06	216.28	286.11	502.39
B. Less: Freezing	3.73	4.08	7.81	3.50	8.00	11.50	7.65	18.45	26.10	4.93	11.17	16.10	6.91	27.54	34.45
Write off etc.	4.09	6.73	10.82	4.88	9.06	13.94	7.51	9.68	17.19	2.09	2.17	4.26	9.90	17.29	27.19
Reschedules	1.18	3.19	4.37	2.30	4.25	6.55	1.65	0.77	2.42	12.62	4.34	16.96	18.31	4.14	22.45
Total B	9.00	14.00	23.00	10.68	21.31	31.99	16.81	28.90	45.71	19.64	17.68	37.32	35.12	48.97	84.09
Net recoverable (A –B)	81.06	91.66	172.72	96.10	123.79	219.89	155.89	152.18	308.07	209.56	199.18	408.74	181.16	237.14	418.30
Target for recovery	-	-	81.00	-	-	147.00	-	-	207.50	-	-	237.00	-	-	228.00
Percentage of target to net recoverable	-	-	46.90	-	-	66.85	-	-	67.35	-	-	57.98	-	-	54.51
Recovery:															
Against old dues	9.53	8.97	18.50	3.12	4.08	7.20	10.59	7.94	18.53	19.70	20.51	40.21	18.87	25.97	44.84
Against current demand	47.89	34.73	82.62	63.55	56.42	119.97	90.30	68.69	158.99	102.14	65.41	167.55	84.86	68.55	153.41
Total	57.42	43.70	101.12	66.67	60.50	127.17	100.89	76.63	177.52	121.84	85.92	207.76	103.73	94.52	198.25
Amount in arrears	23.64	47.96	71.60	29.43	63.29	92.72	65.00	75.55	130.55	87.72	113.26	200.98	77.43	142.62	220.05
Percentage of recovery against															
a) net recoverable	71	48	58	69	49	58	65	50	58	58	43	51	57	40	47
b) Target	-	-	125	-		87	-		86	-		88	-		87
c) Arrears	36	18	24	10	9	36	36	13	20	36	27	31	22	23	22
d) Current year demand	77	59	69	76	58	67	63	58	61	59	46	53	66	40	51

ANNEXURE 13

Time and cost overrun in respect of various projects commissioned during VII Plan

(Referred to in paragraph 3A.4.2)

Sl. No.	Name of the Project	Installed capacity (MW)	Achieve-ment during VII plan (MW)	Commissioning schedule		Time over-run (Months)	Project cost (Rupees in crore)			Percentage of cost overrun over original cost	Remarks
				Original	Actual		Original	Actual	Overrun		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
A..	Projects for completion during VII plan										
(a)	Ongoing Projects										
1.	Kali Stage I Supa	100	100	March 1980	April/Nov-ember 1985	65	126.63	359.70	233.07	180.0	Examined by Committee constituted by State Government.
2.	RTPS Unit I	210	--	March 1983	March 1985	24	159.25	373.77	214.52	134.7	Reviewed and included in CAG's Audit Report 1986-87
	Unit II	210	210	September 1983	March 1986	30					
3.	Varahi	239	115	March 1983	August 1989 November 1990	65 73	137.32	281.15	143.83	104.7	Reviewed and included in CAG's Audit Report 1989-90
4.	Ghataprabha	32	--	March 1986	Oct-ober 1992 December 1992	56 60	18.82	36.43	17.61	93.5	Reviewed and included in CAG's Audit Report 1993-94
		581					442.02	1051.05	609.03		

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(b)	**New Projects**										
5.	4 – Mini hydel Schemes	10.75	0.40	March 1986 March 1987	January 1990 November 1992 December 1993 January 1994	45 79 92 79	15.55	33.60	18.05	116.1	Reviewed and included in CAG's Audit Report 1993-94
6.	Maddur hydel schemes	1.50 12.25	--				--	--	--	-	Project not taken up
		593.25	**425.40**				**457.57**	**1084.65**	**627.08**		
B.	New Projects for completion beyond VII Plan (As per State plan)										
1.	RTPS Unit III	210	--	September 1990	March 1991	6	159.88	329.61	169.73	106.2	Reviewed and included in CAG's Audit Report 1996-97.
2.	Kadra and Kodasalli	150 120	--	December 1994	August 1999	57	163.04	482.99	319.95	196.2	Covered in Audit Reports for 1993-94 and 1997-98
3.	Sharavathi Renovation	144	14.40	--	--	--	--	--	--	--	Covered in Audit Report 1996-97.
4.	Gerusoppa	240	--	January 1999	*	--	159.43	162.32*	2.89	--	Covered in Audit Report 1993-94.
	Total of B	**894**	**14.40**				**482.35**	**974.02**	**486.75**	--	
	Total of A + B						**780.49**	**1897.45**	**1116.76**	**143.1**	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(b)	New projects as per State plan not taken up/shelved										
1.	Almatti	268						7.05			Withdrawn from KPCL – allotted to a private firm
2.	Gangavali	210									Deferred due to local agitation
3.	Mahadayi	40									Deferred - Inter state water dispute
4.	Mangalore Multifuel	420									Shelved – reasons not known
	Total	938									
	Grand Total	**2395.25**	**439.80**								

* Under implementation and tentative cost.

ANNEXURE-14

Physical performance for the Five years ending 1989-90

(Referred to in paragraph 3A.5)

Sl No	Particulars	1985-86	1986-87	1987-88	1988-89	1989-90
1	**INSTALLED CAPACITY (MW)**					
	THERMAL					
	KPCL	210	420	420	420	420
	KEB	-	-	-	-	-
	HYDEL					
	KPCL	1789.20	1889.20	1889.20	1889.20	2019.00
	KEB	220.60	220.60	220.60	220.60	220.60
	TOTAL OF—KPCL KEB	1999.20 220.60	2309.20 220.60	2309.20 220.60	2309.20 220.60	2439.00 220.60
	GRAND TOTAL	2219:80	2529.80	2529.80	2529.80	2659.60 *
2	**POWER GENERATED (MUs)**					
a)	KPCL					
	Thermal	247	1266	2378	2437	2836
	Hydel	6672	6020	4728	6187	7547
		6919	**7286**	**7106**	**8624**	**10383**
b)	KEB	694	537	462	643	734
	Total (a) + (b)	7613	7823	7568	9267	11117
3.	Auxiliary consumption (MUs)					
	KPCL					
	Thermal	33 (13.4)	164 (13.0)	268 (11.3)	198 (8.1)	207 (7.3)
	Hydel	175 (2.1)	126 (2.3)	76 (1.6)	82 (1.5)	106 (1.2)
	KEB	8 (1.2)	6 (1.1)	6 (1.3)	9 (1.4)	8 (1.1)
	Total of 3	**216** **(2.8)**	**296** **(3.8)**	**350** **(4.5)**	**289** **(3.1)**	**321** **(2.7)**
4.	Net power generated (MUs) sold to KEB	6711	6990	6762	8344	10052
5.	Power purchased – KEB – (MUs)	2221	2630	3186	2939	3179
6.	Net generation – KEB	687	531	457	634	726
7.	Total power available for sale – (MUs)	9619	10151	10405	11917	13957
8.	Power sold including free supply	7427	7832	8185	9445	11098
9.	Transmission and distribution losses (MUs)	2192	2319	2220	2472	2859
10.	Percentage of losses	22.8	22.8	21.3	20.7	20.5
11.	Excess Transmission and distribution loss over norm of 15.5 percent (Mus)	701.22	746.06	607.637	624.447	675.079
12.	Average revenue paise per KWH	51	60	70	73	80
13.	Loss of potential revenue (Rs. in crore)	35.76	44.76	42.53	45.58	55.60

* This includes addition of capacity of 425.40 MW for the completed project envisaged by the planning commission and 14.40 MW of State Plan.

Annexure - 15

STATEMENT SHOWING OUTSTANDING REVENUE REALISATION

(Referred to in paragraph 3B.7.5)

Sl. No	Particulars	1994-95	1995-96	1996-97	1997-98	1998-99 (provisional)
		(.....Rs. in lakh.....)				
1.	Balance Outstanding at the beginning of the year	81867.97	87645.53	94722.09	127819.73	171512.16
2.	Revenue demand raised during the year	179925.27	198199.38	237951.96	295657.78	336296.03
3.	Total due for collection	261793.23	285844.92	332674.05	423477.51	507808.19
4.	Amount collected during the year	174147.70	191122.83	204854.32	251965.35	300388.74
5.	Balance outstanding at the end of the year	87645.53	94722.09	127819.73	171512.16	207419.45
6.	Percentage of collection to total dues for collection (col. 4/3)	66.52	66.86	61.58	59.50	59.15
7.	Closing Balance in terms of number of month's demand	5.84	5.73	6.44	6.96	7.40

Annexure - 16

STATEMENT SHOWING PURCHASE OF STORES IN EXCESS OF THREE MONTHS REQUIREMENT RESULTING IN LOCKING UP OF CAPITAL IN INVENTORY.

(Referred to in paragraph 3B.8.1)

(Rs.....in.....crores)

Particulars	1994-95	1995-96	1996-97	1997-98	1998-99 (provisional)
Opening Balance	74.86	94.48	127.48	170.24	161.14
Purchases	353.75	587.37	525.57	536.55	537.76
Material in Transit	0.49	0.86	2.39	0.05	1.10
Material pending Inspection	3.12	3.67	4.00	1.68	2.17
TOTAL	432.22	686.38	659.44	708.52	702.17
Issues for consumption	334.60	550.90	491.59	517.64	544.08*
Closing Stock	97.62	135.48	167.85	190.88	158.09
Closing stock in terms of months' consumption	3.50	2.95	4.10	4.42	3.49

* Excluding Rs.109.41 crore wrongly shown as "Issued to Contractors" instead of under "Transfer outward"; which is under revision of Accounts.

Annexure 19

Statement showing particulars of defaulted loanees

(Referred to in paragraph 4B.1.3)

Sl no.	Name of the firm	Loan sanctioned (Rs. in lakh)	Purpose	Conditions not complied with	Balance (Rs. in lakh)	Remarks
1	M/s Machingal Enterprises	28.00	S.S.I. to be engaged in cold storage and prawn processing	The loan was released to cover working capital shortfall resulting from repayment of another loan availed towards working capital	53.91 (March 1999)	Referred to DC. (May 1997) to recover the dues under KPMRD Act.
2	KCN Industries Challakere	33.00 (April 1991) 3.35 (Additional term loan against State subsidy September 1992)	S.S.I. unit for the manufacture of edible oil	The loan was released after inspection of high value land instead of the real land plot given as security for the loan.	89.61 (March 1999)	Taken over U/s 29 of SFC Act, 1979 on 6 August 1997.
3	M/s Classic Granite (Anekal Branch)	10.00 (17 August 1991) 19.02 (20 May 1992)	To expand existing Granite. cutting & polishing unit.	Loan was released without obtaining the first charge by means of mortgage of original title deeds of the property offered as collateral security.	23.46 (21 November 1998)	Legal documents are yet to be executed (6 February 1999) yet to be taken over U/s 29 of SFC Act.
4	Universal Shoe Company (Anekal Branch)	9.20 11.60 (March1988)	Shoe manufacturing Industry Rehabilitation package.	Dues payable to KIADB towards development charge for land offered as security and sold by the corporation was not ascertained before release of machinery after appropriating the sale proceeds to the outstanding loan	6.32 (February 1999)	Taken over under SFC Act 1979 (July 1992) (Land & Building sold Rs. 33.20 lakh) paid Rs.631853 to KIADB August 1995 machinery Rs.4.50 lakh released to loanee (March 1997)
5	M/s Manjunatha Enterprises (B-Rural)	Term loan 4.00 Working capital 1.00 (sanctioned before) Soft loan 0.5 (August 1990) (Disbursed December 1990 to June 1991)	S.S.I. for manufacturing fluorescent Industry.	The loan amount was released without ascertaining the title of the loanee for the industrial shed taken from KSSIDC and without proper sanction from KEB for power supply.	19.55 (10 September 1998)	Taken over U/s 29 of KSFC Act 1979 in September 1992 Ind. Shed though mortgaged in F/o KSFC, could not take over as the loanee had paid only Rs.0.60 lakh against Rs.2.03 lakh
6	Sangam Oil Industries (B-Rural)	11.25 (December 1988 to December 1989) 9.75 (September 1989) Disbursed January 1990 to September 1991 11.00 (July 1991)	S.S.I for manufacture of edible oil	Loan was released without obtaining sanction letter from the bank towards working capital besides, higher investment in building than warranted led to the unit becoming unviable.	70.12 (10 June 1998)	Taken over U/s 29 of KSFC Act 1979 in February 1996 Assets sold for Rs. 14.50 lakh in January 1998 No collateral security.

Sl no.	Name of the firm	Loan sanctioned (Rs. in lakh)	Purpose	Conditions not complied with	Balance (Rs. in lakh)	Remarks
7	M\s Shetty Construction (Mangalore Branch)	12.00 10.00 (November 95) 3.75 25 March 95	Acquisition of Escorts JCB 5 D Earthmover and loader equipment Received 3\95	The loan was released to the supplier of equipment without insisting on production of all necessary documents and against the instructions of the loanee.	12.00 (Excluding Interest)	Due to Non-Registration of the earthmover the same could not be seized-Loanee has gone to consumer forum.
8	Fashion Creators Nelamangala Bangalore-Rural	20.15 6 Term Loans 9 Feb 91 to 10 July 92	Establishment of an SSI	The loan was sanctioned on the basis of unrealistic estimate of expenditure. The identification certificate for the properties from revenue authorities was not insisted upon leading to difficulties in sale of properties.	66.43 (10 Dec 1998)	Taken over U/s 29 of KSFC Act 1979, on 10 November 1993. Referred to DC 24 June 95. Personal Guarantee obtained Net worth Rs 11.58 lakh
9	M\s Sidbin Agency Bangalore-South	10.00 Dec 1992to Feb 1993	Marketing of ice creams manufactured by Joy Ice-Creams	The loan for distribution of Joy Ice Cream was sanctioned without insisting on agreement between M/s. Joy Ice Creams and the loanee	16.72 (Feb 99)	Loanee closed the unit (April 1995)and shifted the machinery to the suppliers factory ,confirmation from whom is still awaited (Feb 97-Feb 99)
	Total	207.62			358.12	

ERRATA

Sl. No.	Page No.	Para No.	For	Read
1.	vii	1.1	subsidiares	Subsidiaries
2.	4	1.2.1 2nd line	Rs.2528.81 crore;	Rs.2528.81 crore,
3.	4	1.2.1 last line	2:1:1	2.1:1
4.	6	1.3 line 1	Budgetory	Budgetary
5.		1.3 line 4	Budgetory	Budgetary
6.	7	Table total outgo 1997-98 No.of Companies	5	4
7.	10	1.5.1.2 2nd line	Rs.423.49 crore	Rs.423.09 crore
8.	10	Footnote	* 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 aggregate of opening and closing balances of paid-up capital, free reserves and borrowings (including refinance). @ 6 Companies are not preparing profit and loss account and one company incorporated during the year has not prepared its first accounts. Ω 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. are not legible	
9.	41	Highlights Ist	Targetted	Targeted
10.	41	Highlights 4th	Govermment	Government
11.	51	2nd line	LECTRICITY	ELECTRICITY
12.	69	4A.2.2 sub para 2	Rs.11.62 lakh and Rs.70.13 lakh not legible	
13.	113	Annexure 3 Sl.No.24 Col.No.10	-20488.85	245.79
14.	113	Annexure 3 Sl.No.25 Col.No.10	0.85	-20488.85
15.	117	Annexure 3 B 2 Sectorwise Total	13872.00	13871.00
16.	122	Footnote	subsidary	Subsidy